



CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2001

The Board of Directors of China Merchants China Direct Investments Limited (the "Company") is pleased to announce that the audited consolidated results for the year ended 31 December 2001 of the Company and its subsidiaries (the "Group") together with the 2000 comparative figures are as follows:—

	2001 US\$	2000 US\$
Turnover (<i>Note 2</i>)	3,689,732	6,182,818
Net unrealised holding gain on unlisted investments in securities	2,282,584	8,304,893
Net gain on disposal of listed investments in securities	75,293	1,307,822
Unrealised holding loss of investments in listed securities	(137,780)	(2,033,759)
Gain on disposal of contractual joint venture	1,042,645	—
Written back of impairment loss (impairment loss) of contractual joint ventures	199,357	(1,911,171)
Other revenue	36,104	90,289
Administrative expenses	(2,581,865)	(2,548,785)
Allowance for bad and doubtful debts	(596,234)	(1,828,356)
Profit from operations	4,009,836	7,563,751
Finance cost	(83,634)	—
Share of results of associates	1,219,678	(3,809,544)
Profit before taxation	5,145,880	3,754,207
Taxation (<i>Note 3</i>)	(155,028)	(101,480)
Profit attributable to shareholders	4,990,852	3,652,727
Dividends – Interim (US\$0.5 per share)	685,728	685,728
– Final (US\$0.8 per share)	1,097,165	1,097,165
	1,782,893	1,782,893
Earnings per share (<i>Note 4</i>)	0.036	0.027
Net asset value per share (<i>Note 5</i>)	0.915	0.891

Notes:

- In the current year, the Group adopted Statement of Standard Accounting Practice 9 (Revised) "Events after the Balance Sheet Date". In accordance with the statement, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity on the face of the balance sheet or in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment. The effect of this change is to increase the Group's net assets as at 1 January 2000 by US\$1,097,165.
- Turnover

	2001 US\$	2000 US\$
Interest Income	1,856,098	2,399,501
Income from contractual joint ventures	750,000	1,481,226
Dividend income from unlisted investments in securities	941,164	2,107,368
Dividend income from listed investments in securities	142,470	194,723
	3,689,732	6,182,818

- Taxation comprises:

	2001 US\$	2000 US\$
Profits tax for the year		
Hong Kong	—	(889)
Other regions in the PRC	—	21,313
Taxation attributable to the Company and its subsidiaries	—	20,424
Share of taxation on results of associates		
Other regions in the PRC	155,028	81,056
	155,028	101,480

No Hong Kong profits tax has been provided in the financial statements as there are no significant assessable profits for the year. The taxation credit represents the overprovision of profits tax in previous years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. No provision for deferred taxation has been recognised in the financial statements as there are no significant timing differences arising during the year or at the balance sheet date.

- The calculation of earnings per share is based on the profit for the year of US\$4,990,852 (2000: US\$3,652,727) and 137,145,600 ordinary shares (2000: 137,145,600 ordinary shares) in issue during the year.
- The calculation of the net asset value per share is based on the net assets of US\$125,428,239 (2000: US\$122,219,217) and 137,145,600 ordinary shares (2000: 137,145,600 ordinary shares) of US\$0.10 each in issue.

DIVIDENDS

Interim dividends of US\$0.5 or HK\$3.9 per share was paid in cash to shareholders on 2 November 2001.

The Board of Directors has resolved to recommend at the forthcoming Annual General Meeting to be held on 28 May 2002 the payment of a final dividend of US\$0.8 or HK\$6.23 per share. This final dividend, if approved, will be paid on 5 July 2002 in cash to shareholders whose names appear on the Register of Members on 28 May 2002. Total dividend for the year is US\$1.3 or HK\$10.13 per share.

Shareholders who wish to receive the dividend in Hong Kong Dollars have to complete a Hong Kong Dollar dividend election form, a copy of which will be despatched with the Annual Report to Shareholders, and return the same to the Share Registrars on or before 21 June 2002. Shareholders who have submitted the election form previously do not need to re-submit this form.

BOOK CLOSURE

The register of members of the Company will be closed from 24 May 2002 to 28 May 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrars,

Central Registration Hong Kong Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 23 May 2002.

REVIEW AND PROSPECTS

Overall Performance

The Group recorded a profit attributable to shareholders of US\$4.99 million for the year 2001, representing an increase of 37% over year 2000. This was attributable to the significant decrease in provisions for investments. As of 31 December 2001, the net assets of the Group were US\$125 million, with net asset value per share of US\$0.915, representing a 2.6% increase over year 2000.

Total turnover for the year fell by 40% to US\$3.69 million (2000: US\$6.18 million). Turnover included dividend income from unlisted investments which decreased 55%, as a result of the suspension of dividend distribution from one of the unlisted investments, China Merchants Bank, due to its preparation for initial public offering during the year. On the other hand, the US Federal Reserve cut interest rates during the year to a 40-year low, which caused The Group's interest income to drop by 23%. To adapt to the changes in investment policies of China, The Group has gradually reduced its holding in contractual investments with fixed returns. The impact was a drop of 49% in income from contractual joint ventures.

The unrealized holding gain on unlisted investments for the year was US\$2.28 million, representing a decrease of 73% from 2000. This was because 2000 was the first year the Group appointed an independent valuer to revalue the Group's investment in China Merchants Bank, following the bank's announcement of a solid plan for IPO. Therefore, a significant amount of unrealized holding gain was recorded in 2000.

Despite the drop in both turnover and gain on investments, The Group achieved a significant increase in net profit, as a result of a drop in provisions for diminution in value of investments and bad debts of 92% to US\$0.73 million (2000: US\$9.58 million).

Liquidity, Financial Resources, Gearing and Capital Commitments

Working capital fell by 11% to US\$37.01 million as of 31 December 2001, mainly due to capital injections of US\$11.31 million to new investments, which was offset by the increase of US\$7.0 million in working capital from the disposals of investment project and listed securities.

Although the Group has consistently been in a very liquid position, during the year, it borrowed RMB53.40 million (equivalent to US\$6.45 million) from PRC banks for capital injections into new projects, aiming to hedge against the exchange rate risk of Yuan. As of 31 December 2001, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of shareholders' equity, was 5% (2000:0%).

As of 31 December 2001, the Group's capital commitment amounted to US\$1.0 million (2000: nil); this sum is dedicated to an investment, which has been authorized but not yet contracted for.

Charges on Assets

The Group's short-term bank loans of RMB 22.40 million (equivalent to US\$2.71 million) and RMB31.00 million (equivalent to US\$3.75 million) were respectively secured by a pledge of its time deposits of US\$2.80 million and 12.47 million shares of China Merchants Bank.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Most of the Group's investments are located in China where the official currency is Yuan, which remained stable in the reporting period. To hedge against some currency exchange-rate risk, the Group has arranged loans in Yuan, for injections to Yuan-denominated investments.

Employees

The Group does not employ any employees, because its portfolio and day-to-day administration is handled by the Investment Manager.

The Portfolio

As of 31 December 2001, the Group had total investments of US\$ 88.42 million, of which US\$87.49 million was in unlisted investments and US\$0.93 million in listed investments. The major unlisted investment projects cover sectors of financial services (accounting for 47.91% of the Group's net assets), manufacturing (7.52%), infrastructure (7.97%), and real estate (5.91%). Additionally, the Group had working capital of US\$37.01 million, accounting for 29.51% of the Group's net assets.

Financial services investments continue to yield a satisfactory return for the Group, resulting from rapid increase in demand for financial services. In 2001, the Group has completed capital injection for two securities companies, one insurance brokerage firm and one bank. The contribution from manufacturing investments mainly came from Zhaoyuan Jinbao Electronics Company Limited in Shandong. Disposal of the investment in Chengde Wanli Steel Tubes during the year also contributed to the profit of the Group. Infrastructure investments, mainly in toll roads, remained as our focus. Although the Group has completed the disposal of its stakes in Maoming Tongfa Highway Company Limited in early February 2002, it will continue to pursue profitable infrastructure projects for investments which will generate steady long-term return in cash. The performances of the real estate projects are still not encouraging, although according to the independent appraisal companies, the market values of Beijing Longbao Mansion and Shenzhen Man Kam Square are above their carrying values. As for those projects, which had been fully provided, such as Shandong Weifang real estate project and Weifang Airport project, some progress has been made as a result of ongoing efforts of the Investment Manager.

Prospects

Year 2001 will be challenging for China's economy. China has revised down its GDP growth rate forecast for 2002 from 7.8% to 7.0%. China no doubt will emerge to be one of a few countries to benefit from the development of globalisation. Given its low cost of technology, huge potential market and growth capacity, China will be well positioned during the transition of the global economy. Further opening up of China's markets, brought about by its WTO membership, will create more investment opportunities for the Group, which we will continue to explore and capitalize. We expect to complete the investment process of an intelligent transportation-ticketing system project in Shenzhen this year. Meanwhile, we will also continue actively to seek opportunities to dispose of the real estate investments and increase efforts on assisting investee companies in preparing for IPOs, aiming to create value for the Group.

By Order of the Board
Fu Yuning
Chairman

Hong Kong, 22 April 2002

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong, on Tuesday, 28 May 2002 at 4:00 p.m. for the following purposes:

- To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2001.
- To declare a final dividend for the year ended 31 December 2001.
- To re-elect Retiring Directors and authorise the Board of Directors to fix directors' remuneration.
- To re-appoint Auditors and authorise the Directors to fix their remuneration.
- As special business to consider and, if thought fit, to pass with or without modifications the following resolutions as Ordinary Resolutions:

A. "THAT:

- subject to paragraph (c) and pursuant to section 57B of the Companies Ordinance, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares or warrants or similar rights to subscribe for any shares in the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved.
- the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period.
- the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of rights of subscription under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or shares or rights to acquire shares of the Company or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed 20 per cent. Of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and
- for the purposes of this Resolution:
"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - the conclusion of the next Annual General Meeting of the Company;
 - the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
 - the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in General Meeting."

"Right Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong)."

B. "THAT:

- subject to paragraph (b) the exercise by the Directors of the Company during the Relevant Period of all the powers of the

Company to repurchase its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

- the aggregate nominal amount of shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. Of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this Resolution and the said approval shall be limited accordingly; and
- for the purposes of this Resolution:
"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - the conclusion of the next Annual General Meeting of the Company;
 - the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
 - the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in General Meeting."

- "THAT conditional upon Resolutions 5.A. and 5.B. being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution 5.B. shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to Resolution 5.A., provided that the amount of share capital repurchased by the Company shall not exceed 10 per cent. Of the total nominal amount of the share capital of the Company in issue on the date of this Resolution."

By Order of the Board
Linda L. Zhou
Executive Director

Hong Kong, 22 April 2002

Notes:

- A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint not more than two proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of such authority notariarily certified, must be deposited at the Company's registered office at Room 1803 China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting.
- The Register of Members of the Company will be closed from 24 May 2002 to 28 May 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrars, Central Registration Hong Kong Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 23 May 2002.
- At the Annual General Meeting of the Company held on 25 May 2001, Ordinary Resolutions were passed giving general mandates to Directors to repurchase shares of the Company on the Stock Exchange and to allot, issue and otherwise deal with additional shares in the capital of the Company. Under the terms of the Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange these general mandates lapse at the conclusion of the Annual General Meeting for 2002, unless renewed at that meeting. The Ordinary Resolutions sought in terms 5.A. and 5.B. of this notice renew these mandates.
- With reference to the Ordinary Resolutions sought in terms 5.A. and 5.B. of this notice, the Directors wish to state that they have no immediate plans to issue any new shares or repurchase any existing shares of the Company. Approval is being sought from members as a general mandate pursuant to the Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange. The Circular required by the Rules Governing the Listing of Securities on the Stock Exchange in connection with the proposed new issue and repurchase mandates will be despatched to shareholders together with the Annual Report of the Company.