



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 2002 INTERIM RESULTS

FINANCIAL RESULTS

The Board of Directors of China Merchants China Direct Investments Limited (the “Company”) is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002 were as follows:

	For the six months ended 30 June 2002 US\$	For the six months ended 30 June 2001 US\$
Turnover ( <i>Note 3</i> )	1,842,363	2,881,152
Net gain on disposal of listed investments in securities	43,155	728,970
Unrealised holding loss on listed investments in securities	(199,646)	(1,740)
Unrealised holding gain on unlisted investments in securities	8,652,086	–
Write back of impairment loss of contractual joint venture	100,153	–
Other revenue	5,561	4,392
Administrative expenses	(1,334,642)	(1,257,040)
Profit from operations	9,109,030	2,355,734
Finance cost	(107,475)	–
Share of results of associates	135,905	542,524
Profit before taxation	9,137,460	2,898,258
Taxation ( <i>Note 5</i> )	(26,590)	(75,647)
Profit attributable to shareholders	9,110,870	2,822,611
Earnings per share ( <i>Note 6</i> )	0.066	0.021
Interim dividend declared of US¢0.5 per share	685,728	685,728
	30 June 2002	31 December 2001
Net asset value per share ( <i>Note 7</i> )	0.973	0.915

Notes:

1.

The interim results for the six months ended 30 June 2002 have been reviewed by the Company's auditors, whose review report is included in the interim report to be sent to shareholders.
2.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2001, except for the adoption of the revised Statements of Standard Accounting Practice in relation to Presentation of Financial Statements, Foreign Currency Translation and Cash Flow Statements as stated in the interim report.
3.

Turnover

	Six months ended 30 June		
	2002 US\$	2001 US\$	2001 US\$
Interest income	449,471	1,087,121	
Income from contractual joint ventures	–	750,000	
Dividend income from unlisted investments in securities	1,367,695	938,367	
Dividend income from listed investments in securities	25,197	105,664	
	1,842,363	2,881,152	

4.

Segmental Information

	TURNOVER		PROFIT FROM OPERATIONS	
	six months ended 30 June			
By geographical segment	2002	2001	2002	2001
	US\$	US\$	US\$	US\$
Hong Kong	249,644	511,633	93,154	1,238,863
The PRC	1,523,323	2,236,593	10,275,562	2,236,593
Others	69,396	132,926	69,396	132,926
	<u>1,842,363</u>	<u>2,881,152</u>	<u>10,438,112</u>	<u>3,608,382</u>
Corporate expenses net of other revenue			<u>(1,329,082)</u>	<u>(1,252,648)</u>
			<u>9,109,030</u>	<u>2,355,734</u>

- There is no presentation of segment information by principal activity as the Group's principal business involved in investing in companies with significant business involvement in the PRC.

5.

Taxation

	Six months ended 30 June		
	2002 US\$	2001 US\$	2001 US\$
The profits tax charge (credit) for the period comprises:			
Company and its subsidiaries:			
Hong Kong	3,246	–	
Other regions in the PRC	(17,215)	10,178	
	(13,969)	10,178	
Share of taxation on results of associates:			
Other regions in the PRC	40,559	65,469	
	26,590	75,647	

- Hong Kong profits tax is calculated at 16% (2001:16%) of the estimated assessable profits for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. No provision for deferred taxation has been recognized in the financial statements, as the amount involved is insignificant.

6.

The calculation of earnings per share is based on the profit attributable to shareholders for the period of US\$9,110,870 (2001: US\$2,822,611 ) and 137,145,600 (2001: 137,145,600) ordinary shares currently in issue.

7.

The calculation of net asset value per share is based on the net asset value of US\$133,441,368 (31 December 2001: US\$125,428,239 ) and 137,145,600 (31 December 2001: 137,145,600) ordinary shares currently in issue.

8.

Movements in reserves

	30 June 2002 US\$	31 December 2001 US\$
At 1 January 2002/2001	111,713,679	108,504,657
Exchange difference on translation of financial statements of foreign entities	(576)	1,063
Net profit for the period	9,110,870	4,990,852
2000 final & 2001 interim dividends	–	(1,782,893)
2001 final dividends	(1,097,165)	–
At 30 June/31 December	119,726,808	111,713,679

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of US¢0.5 or HK¢3.9 (2001: US¢0.5) per share for the year ending 31 December 2002, which will be paid on 1 November 2002 to shareholders whose names appear on the Register of Members of 11 October 2002.

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

BOOK CLOSURE

The Register of Members of the Company will be closed from Wednesday, 9 October 2002 to Friday, 11 October 2002 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on Tuesday, 8 October 2002.

REVIEW AND PROSPECTS

Overall Performance

The Group recorded a profit attributable to shareholders of US\$9.11 million for the six months ended 30 June 2002, representing an increase of 223% over the same period of 2001. This was attributable to a significant increase in unrealized holding gains on unlisted investments in securities, following the successful listing of an investee company's shares on a PRC stock exchange. As of 30 June 2002, the net assets of the Group were US\$133 million, with a net asset value per share of US\$0.973, representing a 6.4% increase over the year end value of 2001.

Total turnover for the period fell by 36% to US\$1.84 million (2001: US\$2.88 million). Interest income decreased by 59% due to the successive interest rate cuts of last year. In addition, following the disposal of a contractual joint venture in February of this year, there was no income from this investment for the period (2001: US\$0.75 million).

Unrealized holding gains on unlisted investments in securities for the period were US\$8.65 million (2001:nil), as a result of the successful listing of a Group's investment – China Merchants Bank – on the Shanghai Stock Exchange on 9 April 2002.

Material acquisitions and disposals of investments

On 5 February 2002, the Group disposed of its entire interest in Maoming Tongfa Highway Company Limited for a consideration of RMB88.30 million (equivalent to approximately US\$10.67 million), which was received in full during the period by the Group.

On 29 May 2002, the Group entered into an agreement with Orient University City Development Company to form a joint venture in Langfang Development Zone, Hebei Province, PRC, to provide Phase 1 dormitory facilities for students studying in the university city located in the zone. The Group has injected US\$5 million into the joint venture for an interest of 25%.

Liquidity, financial resources, gearing and capital commitments

The Group's working capital increased by 6% to US\$39.11 million as of 30 June 2002 (including net cash of US\$38.15 million), from US\$37.01 million as of 31 December 2001 (including net cash of US\$36.98 million). The increase was due mainly to proceeds from divestments, which exceeded capital outlays for new investments in the period.

During the period, the Group repaid bank loans of RMB35.90 million (equivalent to US\$4.34 million), reducing the bank loan balance to RMB17.50 million (equivalent to US\$2.11 million). As of 30 June 2002, the Group's gearing ratio, defined as total borrowing as a percentage of total shareholders' equity, was 1.6% (2001: 5.1%).

As of 30 June 2002, the Group's capital commitments amounted to US\$1.0 million (2001: US\$1.0 million). This sum is reserved for an investment that has been authorized, but not yet contracted for.

Charges on assets

The Group's short-term bank loans of RMB4.0 million (equivalent to US\$0.48 million) and RMB13.50 million (equivalent to US\$1.63 million) were secured, respectively, by a pledge of its time deposits of US\$0.50 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 partially hedge against currency exchange rate risk, the Group has arranged for loans in Yuan to fund Yuan-denominated investments.

Employees

The Group has no employees. The Investment Manager handles its portfolio and day-to-day administration.

The portfolio

As of 30 June 2002, the Group had total investments of US\$ 94.34 million, with US\$93.61 million in unlisted investments and US\$0.73 million in listed investments. The major unlisted investment projects reside in three industry sectors: financial services (accounting for 51.5% of the Group's net assets), manufacturing (6.5%), and real estate (9.3%). As of 30 June 2002, working capital amounted to US\$39.11 million (including net cash of US\$38.15 million), and accounted for 29.3% of the Group's net assets.

Prospects

China's economy is expected to grow by more than 7% this year. However, due to uncertainties in the world economy and an increasingly open domestic market, competition within many industries in the PRC is increasing. In addition, there are few signs of recovery in the PRC's stock markets. With the exception of banking investments, we are cautious about the Group's performance in the second half of the year. We are therefore seeking new investment opportunities with a primary focus on boosting the Group's recurring cash income. At the same time, we will continue to look for opportunities to consolidate the existing real estate projects in an effort to improve asset quality and investment returns.

Hong Kong, 19 September 2002

By Order of the Board  
Linda L. Zhou  
Executive Director

Remark: All the financial and other related information of the Company required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the Stock Exchange's website in due course.