



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 2002

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 2002 of the Company and its subsidiaries (the "Group") together with the 2001 comparative figures are as follows:–

	2002 US\$	2001 US\$
Turnover (<i>Note 1</i>)	2,443,946	3,689,732
Net unrealised holding gain on unlisted investments in securities	8,206,505	2,282,584
Net gain on disposal of listed investments in securities	36,109	75,293
Unrealised holding loss on listed investments in securities	(1,310,965)	(137,780)
Gain on disposal of contractual joint venture	–	1,042,645
Written back of impairment loss recognised in respect of contractual joint ventures	100,153	199,357
Impairment loss recognised in respect of contractual joint venture	(2,401,975)	–
Other operating income	34,303	36,104
Administrative expenses	(2,738,703)	(2,581,865)
Allowance for bad and doubtful debts	–	(596,234)
Profit from operations	4,369,373	4,009,836
Finance costs	(115,706)	(83,634)
Share of results of associates	407,410	1,219,678
Profit before taxation	4,661,077	5,145,880
Taxation (<i>Note 2</i>)	(73,442)	(155,028)
Profit attributable to shareholders	4,587,635	4,990,852
Dividends – Interim (US\$0.5)	685,728	685,728
– Final (US\$0.8)	1,097,165	1,097,165
	1,782,893	1,782,893
Earnings per share (<i>Note 3</i>)	0.033	0.036
Net asset value per share (<i>Note 4</i>)	0.935	0.915

Notes:

1. Turnover	2002 US\$	2001 US\$
Interest Income	872,129	1,856,098
Income from contractual joint ventures	–	750,000
Dividend income from unlisted investments in securities	1,514,114	941,164
Dividend income from listed investments in securities	57,703	142,470
	2,443,946	3,689,732
2. Taxation comprises:	2002 US\$	2001 US\$
Profits tax for the year		
Hong Kong	4,257	–
Other regions in the PRC	–	–
Taxation attributable to the Company and its subsidiaries	4,257	–
Share of taxation of associates		
Other regions in the PRC	69,185	155,028
	73,442	155,028

Hong Kong profits tax is calculated at 16% on the estimated assessable profits for the year. 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 were no significant timing differences arising during the year or at the balance sheet date.

3. The calculation of earnings per share is based on the profit for the year of US\$4,587,635 (2001: US\$4,990,852) and 137,145,600 ordinary shares (2001: 137,145,600 ordinary shares) in issue during the year.
4. The calculation of the net asset value per share is based on the net assets of US\$128,240,132 (2001: US\$125,428,239) and 137,145,600 ordinary shares (2001: 137,145,600 ordinary shares) in issue.

DIVIDENDS

An interim dividend of US\$0.5 or HK\$3.9 per share was paid in cash to shareholders on 1 November 2002.

The Board of Directors has resolved to recommend at the forthcoming Annual General Meeting to be held on 30 May 2003 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 4 July 2003 in cash to shareholders whose names appear on the Register of Members on 30 May 2003. 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 20 June 2003. 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 28 May 2003 to 30 May 2003, 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 forthcoming Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 27 May 2003.

REVIEW AND OUTLOOK

Overall Performance

The Group recorded a profit attributable to shareholders of US\$4.59 million for the year 2002, representing an 8.1% decrease over that of 2001. Despite the increase in the unrealised holding gain of an investment following its successful listing, the Group recorded a drop in its net profit as a result of the decrease in turnover and the increase in provision for investments. As of 31 December 2002, the net assets of the Group were US\$128 million, with net asset value ("NAV") per share of US\$0.935, representing a 2.2% increase over 2001.

Total turnover for the year fell by 33.8% to US\$2.44 million (2001: US\$3.69 million). Turnover included dividend income from unlisted investments, which increased 60.9% to US\$1.51 million. Another component of turnover was interest income, which decreased 53.0% to US\$0.87 million (2001: US\$1.86 million) due to interest rates continued to decline throughout the year. The average 90-day US Treasury Bill rate

declined from 3.5% in 2001 to 1.6% in 2002. In addition, following the disposal of a contractual fixed income investment in February 2002, there was no income from this investment for the year (2001: US\$0.75 million).

The net unrealised holding gain on unlisted investments for the year was US\$8.21 million, representing an increase of 259.5% over 2001. The gain resulted from the successful listing of China Merchants Bank on the Shanghai Stock Exchange in 2002.

As a result of the unsatisfactory performance of the Hong Kong stock market in 2002, the Group took a provision of US\$1.31 million against listed securities. The Group also took a provision of US\$2.40 million related to the sale of a real estate project in Beijing.

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 in the year.

On 29 May 2002, the Group entered into an agreement with Oriental University City Development Company to form a joint venture in Langfang Economic Development Zone, Hebei Province, PRC, to provide Phase I dormitory facilities for students studying at the University City. The Group invested US\$5 million in the joint venture for an interest of 25%.

On 8 August 2002, the Group, together with Jutian Securities Company Limited, Citic Guoan Information Industry Company Limited, Hantang Securities Company Limited, and Zhejiang Zhongda Holdings Company Limited, signed a promoter agreement to establish Jutian Fund Management Company Limited in Shenzhen, PRC. The company will be engaged in the listed equity fund management business in the PRC. According to the agreement, the Group will invest RMB10 million for an interest of 10% in the company. The company obtained approval to form at the end of 2002, and the investment was completed in February 2003.

Liquidity, Financial Resources, Gearing and Capital Commitments

Net cash fell by 7.9%, from US\$36.98 million as of 31 December 2001 to US\$34.06 million as of 31 December 2002, due to outlays for capital investments and dividend payments in excess of cash received from the disposal of investments.

As of 31 December 2002, the Group had no outstanding bank loans (2001: US\$6.45 million).

As of 31 December 2002, the Group had capital commitments of US\$1.20 million (2001: US\$1.00 million), earmarked for an investment that has been committed to, but not yet provided for in the financial statements.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Most of the Group's investments are located in China, where the official currency is the Yuan. The Yuan remained stable during the reporting period, and is expected to remain so.

Employees

The Group has no employees, because its portfolio and operations are administered by the Investment Manager.

The Portfolio

As of 31 December 2002, the Group had total investments of US\$94.96 million–US\$87.25 million in unlisted investments, US\$3.97 million in listed investments, and US\$3.74 million in certificates of deposit and notes. The major unlisted investment projects were in financial services (53.3% of net assets), manufacturing (6.8%), and real estate (7.9%). In addition, the Group had net cash of US\$34.06 million, accounting for 26.6% of the Group's net assets.

In the financial services field of the Group's investment, the listing of China Merchants Bank in China during the year under review brought a substantial capital gain for the Group. On the other hand, there were no signs of a global economic recovery in 2002. The substantial increase in the price of crude oil caused by the tense situation in the Middle East worsened the stagnant world economy. As a result, the performances of the world's major stock markets remained disappointing. This, coupled with uncertainty in the reforms of China's capital market, led to a decline of both the indexes and trading volumes of China's stock markets. In consequence, the securities industry in China experienced losses across the sector for the first time. Inevitably, the performances of the securities companies in which the Group has invested were unsatisfactory, leading to a reduction in the value of investments. At the end of 2002, the Group invested in Jutian Fund Management Company Limited, which became operational in early 2003. The Group believes this new investment will help to diversify its investment risk within the financial services sector.

The Zhaoyuan Jinbao Electronics Company Limited in Shandong Province is now the Group's only investment in the manufacturing industry. Ongoing adjustments in the global economic environment, fierce competition in the electronics industry and a continued decline in the prices of electronic products, have resulted in the lowering of the company's net profit, despite growth in its sales volume. However, demand for electronic products has showed some signs of increasing since the end of 2002; and prices have begun to rise as well. The Group intends to proactively assist the company to prepare for an IPO, in order to raise more funds to develop new products and expand its existing production capacity, with the ultimate goal of enhancing its revenue contribution.

In real estate, the Group entered into an agreement with Oriental University City Development Company to set up a joint venture company to develop Phase I dormitory facilities for students studying in the University City located in Langfang Economic Development Zone in Hebei Province. This project is expected to provide a stable source of cash income for the Group. On the other hand, the Group entered from a non-performing real estate investment – Beijing Longbao Mansion.

Prospects

Looking ahead, China's economy is expected to experience continued growth as a result of its entry into the WTO. The newly elected Chinese leaders will maintain the drive for economic reform and open market policies, and further improve the investment environment. The Group will strengthen the management of its existing projects and actively assist their preparation for listing, in order to strive for greater returns on investment. At the same time, it will take advantage of new opportunities for investment that are being created by the government policy of privatisation of state-owned enterprises, aiming to increase cash income. Meanwhile, as over 50% of the Group's assets are in the financial services area, the Group will be more selective in investing in new projects in this sector. In addition, the Group will explore investment opportunities in infrastructure projects.

By Order of the Board
Fu Yuning
Chairman

Hong Kong, 23 April 2003

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 Salon III & IV, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Hong Kong, on Friday, 30 May 2003 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 2002.
- To declare a final dividend for the year ended 31 December 2002.
- 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) of this Resolution 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) of this Resolution 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) of this Resolution, 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 of 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 Article 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.

"Rights 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 recognised regulatory body or any stock exchange in, any territory outside Hong Kong).

B. "THAT:

- subject to paragraph (b) of this Resolution 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 recognised 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) of this Resolution 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, 23 April 2003

Notes:

- A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy 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 notorially 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 28 May 2003 to 30 May 2003, 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, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on 27 May 2003.
- At the Annual General Meeting of the Company held on 28 May 2002, 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 2003, unless renewed at that meeting. The Ordinary Resolutions sought in items 5.A. and 5.B. of this notice renew these mandates.
- With reference to the Ordinary Resolutions sought in items 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 dispatched to shareholders together with the Annual Report of the Company.