



# 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 2003 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 2003 were as follows:

	<b>For the six months ended 30 June 2003</b>	For the six months ended 30 June 2002 <i>(restated)</i>
	<b>US\$</b>	<b>US\$</b>
Turnover (Note 3)	<b>2,552,187</b>	1,842,363
Net (loss) gain on disposal of listed investments in securities	<b>(96,733)</b>	43,155
Unrealised holding loss on listed investments in securities	<b>(85,622)</b>	(199,646)
Unrealised holding gain on unlisted investments in securities	<b>16,480,475</b>	10,178,925
Write back of impairment loss of contractual joint venture	<b>144,977</b>	100,153
Other operating income	<b>5,277</b>	5,561
Administrative expenses	<b>(1,389,076)</b>	(1,334,642)
Profit from operations	<b>17,611,485</b>	10,635,869
Finance cost	<b>—</b>	(107,475)
Share of results of associates	<b>104,235</b>	135,905

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Profit before taxation	<b>17,715,720</b>	10,664,299
Taxation ( <i>Note 4</i> )	<b>(2,489,285)</b>	(1,553,429)
Profit attributable to shareholders	<b><u>15,226,435</u></b>	<u>9,110,870</u>
Earnings per share ( <i>Note 5</i> )	<b><u>0.111</u></b>	<u>0.066</u>
Interim dividend declared of US\$0.5 per share	<b><u>685,728</u></b>	<u>685,728</u>
	<b>30 June 2003</b>	31 December 2002
Net asset value per share ( <i>Note 6</i> )	<b><u>1.038</u></b>	<u>0.935</u>

## Notes:

1. The interim results for the six months ended 30 June 2003 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 2002, except for the adoption of the Statements of Standard Accounting Practice No. 12 (Revised) "Income taxes" ("SSAP 12 (Revised)") issued by the Hong Kong Society of Accountants. SSAP 12 (Revised) has introduced a new basis of accounting for income tax (including both current tax and deferred tax). The adoption of SSAP 12 (Revised) by the Group has resulted in restatement in the carrying value of investments in securities and the amount of unrealised holding gain on unlisted investment in securities for periods prior to 2003. Since the Group has recognised the deferred tax liability for periods prior to 2003 in respect of capital gain tax for certain investments in securities in the People's Republic of China ("PRC"), the adoption of SSAP 12 (Revised) has not had any significant effect on the results for the current or prior accounting periods.

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## 3. Turnover

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>US\$</b>	US\$
Interest income	<b>342,427</b>	449,471
Dividend income from unlisted investments in securities	<b>2,108,154</b>	1,367,695
Dividend income from listed investments in securities	<b>101,606</b>	25,197
	<b><u>2,552,187</u></b>	<u>1,842,363</u>

## 4. Taxation

The profits tax charge (credit) for the period comprises:

	<b>Six months ended 30 June</b>	
	<b>2003</b>	2002
	<b>US\$</b>	(restated) US\$
Company and its subsidiaries		
Current tax:		
Hong Kong	—	3,246
Other regions in the PRC	—	(17,215)
	—	(13,969)
Deferred taxation	<b>2,472,072</b>	1,526,839
	<b>2,472,072</b>	1,512,870
Share of taxation on results of associates		
Other regions in the PRC	<b>17,213</b>	40,559
	<b><u>2,489,285</u></b>	<u>1,553,429</u>

No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaries had no assessable profits for the period (2002: 16%).

Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant regions.

5. The calculation of earnings per share is based on the profit attributable to shareholders for the period of US\$15,226,435 (2002: US\$9,110,870 ) and 137,145,600 (2002: 137,145,600) ordinary shares currently in issue.

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6. The calculation of net asset value per share is based on the net asset value of US\$142,369,679 (31 December 2002: US\$128,240,132 ) and 137,145,600 (31 December 2002: 137,145,600) ordinary shares currently in issue.

7. Movements in reserves

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2003</b>	2002
	<b>US\$</b>	<b>US\$</b>
At 1 January	<b>114,525,572</b>	111,713,679
Exchange difference on translation of financial statements of foreign entities not recognised in income statement	<b>277</b>	(576)
Net profit for the period	<b>15,226,435</b>	9,110,870
Prior year final dividends	<b>(1,097,165)</b>	(1,097,165)
At 30 June	<b><u>128,655,119</u></b>	<b><u>119,726,808</u></b>

## INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of US¢0.5 or HK¢3.9 (2002: US¢0.5) per share for the year ending 31 December 2003, which will be paid on 5 November 2003 to shareholders whose names appear on the Register of Members on 17 October 2003.

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 Company's Share Registrars on or before 24 October 2003. 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, 15 October 2003 to Friday, 17 October 2003 (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-

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25-9-2003

1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on Tuesday, 14 October 2003.

## **REVIEW AND PROSPECTS**

### **Overall Performance**

The Group recorded a profit attributable to shareholders of US\$15.23 million for the six months ended 30 June 2003, representing an increase of 67.1% over the same period of 2002. This was attributable to a significant increase in unrealised holding gains on unlisted investments in securities. As of 30 June 2003, the net assets of the Group were US\$142 million, with a net asset value per share of US\$1.038 – an 11.0% increase over the year-end value of 2002.

Total turnover for the period increased by 38.5% to US\$2.55 million (2002: US\$1.84 million). This was due mainly to an increase in dividend income from unlisted investments in securities.

Unrealised holding gains on unlisted investments in securities for the period were US\$16.48 million (2002 (restated): US\$10.18 million), as a result of a surge in the stock price of China Merchants Bank.

### **Material Acquisitions and Disposals of Investments**

In February 2003, the Group disposed of its entire interest in Beijing Longbao Mansion to an independent third party for a consideration of US\$3.00 million, which was received in full during the period by the Group. Since the carrying value of the investment was written down to the net proceeds of disposal at the end of last year, there was no impact to financial results in the current period.

In July 2003, the Group disposed of its entire interest in Weifang Zhaoyin Real Estate Development Limited to a Chinese partner for a consideration of US\$0.80 million. The net proceeds of US\$0.77 million, equal to the sale price net of disposal expenses, will be recognised as a gain on disposal in the second half of the year, since this investment had been fully provided for in prior periods.

### **Liquidity, Financial Resources, Gearing and Capital Commitments**

Net cash increased by 7.0%, from US\$34.06 million as of 31 December 2002 to US\$36.46 million as of 30 June 2003. The increase was due mainly to proceeds received from divestments.

As of 30 June 2003, the Group had no outstanding bank loans or capital commitments.

### **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, which remained stable in the reporting period, and is expected to remain so in the near future.

### **Employees**

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

### **The Portfolio**

As of 30 June 2003, the Group had total investments of US\$114 million – US\$108 million (75.8% of the Group's net assets) in unlisted investment projects, US\$1.20 million (0.8%) in listed investments, and US\$4.60 million (3.2%) in certificates of deposit and notes. The major unlisted investment projects reside in three industry sectors: financial services (64.2% of the Group's net assets), manufacturing (6.3%), and real estate (5.2%). As of 30 June 2003, net cash amounted to US\$36.46 million, accounting for 25.6% of the Group's net assets.

### **Prospects**

Although China's economy was slowed by the SARS outbreak in the first half of the year, its recovery has been faster than expected. In addition, foreign economies have shown promising signs of a rebound. China is perceived as a promising growth country. We are now continuing our search for new investment projects. We hope to tap China's environmental facility and infrastructure sectors for their growth potential, so as to increase the investment returns of the Group.

### **APPOINTMENT AND RESIGNATION OF DIRECTORS**

Mr. Hiew Yoon Khong has been appointed as a non-executive director of the Company with effect from 24 September 2003 in place of Mr. Kelvin Tan Wee Peng who has resigned as a non-executive director of the Company with effect from the same date.

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The Board thanks Mr. Kelvin Tan Wee Peng for his efforts and support to the success of the Company.

By Order of the Board

**Linda L. Zhou**

*Executive Director*

Hong Kong, 24 September 2003

*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.*

Please also refer to the published version of this announcement in South China Morning Post dated on 25-9-2003.