



# CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

## 招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 133)

### ANNOUNCEMENT OF 2004 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 2004 were as follows:

	For the six months ended 30 June 2004 US\$	For the six months ended 30 June 2003 US\$
Turnover ( <i>Note 3</i> )	2,244,083	2,552,187
Net gain (loss) on disposal of listed investments in securities	60,728	(96,733)
Unrealised holding loss on listed investments in securities	(393,017)	(85,622)
Unrealised holding gain on unlisted investments in securities	247,716	16,480,475
Write back of impairment loss of contractual joint venture	–	144,977
Other operating income	5,330	5,277
Administrative expenses	(1,436,695)	(1,389,076)
Profit from operations	728,145	17,611,485
Share of results of associates	333,698	104,235
Profit before taxation	1,061,843	17,715,720
Taxation ( <i>Note 4</i> )	(78,847)	(2,489,285)
Profit attributable to shareholders	982,996	15,226,435
Earnings per share ( <i>Note 5</i> )	0.007	0.111
Interim dividend	–	685,728
	30 June 2004	31 December 2003
Net asset value per share ( <i>Note 6</i> )	1.012	1.012

#### Notes:

- The interim results for the six months ended 30 June 2004 have been reviewed by the Company's auditors, whose review report is included in the interim report to be sent to shareholders.
- 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 2003.
- Turnover

	Six months ended 30 June 2004 US\$	2003 US\$
Interest income	322,123	342,427
Dividend income from listed investments in securities	45,994	101,606
Dividend income from unlisted investments in securities	1,875,966	2,108,154
	2,244,083	2,552,187

- Taxation

	Six months ended 30 June 2004 US\$	2003 US\$
The profits tax charge for the period comprises:		
Company and its subsidiaries		
Current tax:		
Hong Kong	–	–
Other regions in the People's Republic of China ("PRC")	2,894	–
	2,894	–
Deferred taxation	37,357	2,472,072
	40,251	2,472,072
Share of taxation on results of associates		
Other regions in the PRC	38,596	17,213
	78,847	2,489,285

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 both periods.

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

- The calculation of earnings per share is based on the profit attributable to shareholders for the period of US\$982,996 (2003: US\$15,226,435) and 137,145,600 (2003: 137,145,600) ordinary shares currently in issue.
- The calculation of net asset value per share is based on the net asset value of US\$138,742,682 (31 December 2003: US\$138,853,885) and 137,145,600 (31 December 2003: 137,145,600) ordinary shares currently in issue.
- Movements in reserves

	Six months ended 30 June 2004 US\$	2003 US\$
At 1 January	125,139,325	114,525,572
Exchange difference on translation of financial statements of foreign entities not recognised in income statement	2,966	277
Net profit for the period	982,996	15,226,435
Prior year final dividends	(1,097,165)	(1,097,165)
At 30 June	125,028,122	128,655,119

#### INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the year ending 31 December 2004 (2003: US0.5 cent per share).

#### REVIEW AND PROSPECTS

##### Overall Performance

China Merchants China Direct Investments Limited and its subsidiaries (the "Group") recorded a profit attributable to shareholders of US\$0.98 million for the six months ended 30 June 2004, representing a decrease of 93.5% over the same period of 2003. This was attributable to a significant decrease in unrealised holding gains on unlisted investments in securities. As of 30 June 2004, the net assets of the Group were US\$139 million (31 December 2003: US\$139 million), with a net asset value per share of US\$1.012 (31 December 2003: US\$1.012).

Total turnover for the period decreased by 12.1% to US\$2.24 million (2003: US\$2.55 million). This was due mainly to a decrease in dividend income from China Merchants Bank.

Unrealised holding gains on unlisted investments in securities for the period were US\$0.25 million (2003: US\$16.48 million). Although the net asset value of Industrial Bank was boosted by the capital injection of the new foreign investors of the bank, a decrease in the average stock price of China Merchants Bank for June 2004, compared to that for last December, offset most of the unrealised holding gains on unlisted investments in securities.

##### Material Acquisitions of Investments

On 10 September 2004, the Group entered into a conditional subscription and share purchase agreement with Maytron (BVI) Corporation ("Maytron") and the two founding shareholders to acquire a 30% stake in Maytron at a consideration not more than HK\$28 million. Maytron is engaged in the design, merchandising, manufacture and sales of bags products, which include handbags, backpacks and luggage products. Moreover, Maytron has been developing a retail and distribution business in Hong Kong and Mainland for the European brand bag products since 2002.

On 17 September 2004, the Group entered into an agreement with Yong Cheng Mei Dian (Group) Limited to acquire a 6.8167% stake in China Credit Trust Co., Ltd. ("CCT"). According to the agreement, the consideration is RMB127 million. CCT was established in 1995. As of 31 December 2003, the total assets and net assets of CCT were RMB2.10 billion and RMB1.863 billion respectively. The core businesses of CCT include trust management, fund management, investments and loan financing.

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

Net cash decreased by 23.1%, from US\$37.62 million as of 31 December 2003 to US\$28.92 million as of 30 June 2004. The decrease was due mainly to a capital injection into an unlisted investment project and an increase in listed share investments.

As of 30 June 2004, the Group had no outstanding bank loans or capital commitments.

On the 10th and 17th day of September 2004, the Group respectively committed two unlisted investment projects amounted to US\$18.88 million.

##### 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

Other than a qualified accountant, the Group has no other employees. The Investment Manager handles the portfolio and day-to-day administration of the Group.

##### The Portfolio

As of 30 June 2004, the Group had total investments of US\$116.50 million – US\$105.65 million (76.1% of the Group's net assets) in unlisted investment projects, US\$5.52 million (4.0%) in listed share investments, and US\$5.33 million (3.8%) in bonds/notes. The majority of the Group's unlisted investment projects resides in financial services (63.1% of the Group's net assets), with the rest in manufacturing, real estate, education facilities and environmental protection facilities (totalled 13%). As of 30 June 2004, net cash amounted to US\$28.92 million, accounting for 20.8% of the Group's net assets.

##### Prospects

Although China's economy has shown signs of slowing down as a result of the macro economic austerity measures, we believe China's economy will grow at a healthy pace. We therefore continue to pursue investment opportunities in the Mainland. On 10 September 2004 and 17 September 2004, the Group respectively committed two unlisted investment projects with one in financial services sector and the other in retail and manufacturing sector. As both projects are already in operation, they will make profit contribution to the Group immediately after capital injection.

By Order of the Board  
**Linda L. Zhou**  
Executive Director

Hong Kong, 17 September 2004

As at the date hereof, the Board of Directors of the Company comprises of eleven Directors, of which five are Executive Directors, namely Dr. Fu Yuning, Dr. Huang Dazhan, Mr. Chu Lap Lik, Victor, Ms. Zhou Linda Lei and Mr. Tse Yue Kit; and three are Non-executive Directors, namely Mr. Wang Xingdong, Mr. Gong Jianzhong and Mr. Hiew Yoon Khong; and three are Independent Non-executive Directors, namely Dr. Li Kwok Po, David, Mr. Kut Ying Hay and Mr. Poon Kwok Lim, Steven. In addition, Ms. Kan Ka Yee, Elizabeth is the alternate Director to Mr. Chu Lap Lik, Victor, Mr. Li Kai Cheong, Samson is the alternate Director to Dr. Li Kwok Po, David and Mr. Tan Cheong Hin is the alternate Director to Mr. Hiew Yoon Khong.

*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 in force prior to 31 March 2004, which remain applicable to results announcements in respect of accounting periods commencing before 1 July 2004 under transitional arrangements, will be published on the Stock Exchange's website in due course.*