



# 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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

The Board of Directors of China Merchants China Direct Investments Limited (the "Company") announces that the audited consolidated results for the year ended 31 December 2004 of the Company and its subsidiaries (the "Group") together with the 2003 comparative figures are as follows:—

	2004 US\$	2003 US\$
Turnover ( <i>Note 2</i> )	<b>2,670,343</b>	2,906,501
Net unrealised holding gain on unlisted investments in securities	<b>160,212</b>	11,894,819
Net gain on disposal of listed investments in securities	<b>487,467</b>	381,049
Unrealised holding gain on listed investments in securities	<b>27,970</b>	375,932
Gain on disposal of a contractual joint venture	<b>99,921</b>	769,797
Write-back of impairment loss recognised in respect of a contractual joint venture	—	144,976
Other operating income	<b>13,876</b>	9,395
Administrative expenses	<b>(2,951,880)</b>	(2,734,424)
Profit from operations	<b>507,909</b>	13,748,045
Finance costs	<b>(74,023)</b>	—
Share of results of associates	<b>902,761</b>	261,272
Profit before taxation	<b>1,336,647</b>	14,009,317
Taxation ( <i>Note 3</i> )	<b>(234,170)</b>	(1,920,493)
Profit attributable to shareholders	<b>1,102,477</b>	12,088,824
Dividends	<b>960,019</b>	1,782,893
Earnings per share ( <i>Note 4</i> )	<b>0.008</b>	0.088
Net asset value per share ( <i>Note 5</i> )	<b>1.014</b>	1.012

#### Notes:

- In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has considered these new HKFRSs but does not expect that the issuance of these HKFRSs will have a material effect on how the results of operations and financial position of the Group are prepared and presented.
- Turnover**

	2004 US\$	2003 US\$
Interest income	<b>646,252</b>	671,876
Dividend income from listed investments in securities	<b>146,110</b>	120,108
Dividend income from unlisted investments in securities	<b>1,877,981</b>	2,114,517
	<b>2,670,343</b>	2,906,501

#### 3. Taxation comprises:

	2004 US\$	2003 US\$
The Company and its subsidiaries:		
Current tax:		
Hong Kong	<b>3,162</b>	696
Other regions in the PRC	—	2,937
	<b>3,162</b>	3,633
Deferred taxation	<b>113,755</b>	1,861,449
	<b>116,917</b>	1,865,082
Share of taxation on results of associates:		
Other regions in the PRC	<b>117,253</b>	55,411
	<b>234,170</b>	1,920,493

Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) on the estimated assessable profits for the year. 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 for the year of US\$1,102,477 (2003: US\$12,088,824) and 137,145,600 ordinary shares (2003: 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\$139,030,538 (2003: US\$138,853,885) and 137,145,600 ordinary shares (2003: 137,145,600 ordinary shares) in issue.

#### DIVIDENDS

The Board of Directors has resolved to recommend at the forthcoming Annual General Meeting to be held on 31 May 2005 the payment of a final dividend of US\$0.7 or HK\$5.46 per share. This final dividend, if approved, will be paid on 30 June 2005 in cash to shareholders whose names appear on the Register of Members on 31 May 2005.

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 16 June 2005. 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 26 May 2005 to 31 May 2005, 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 25 May 2005.

#### REVIEW AND OUTLOOK

##### Overall Performance

As of 31 December 2004, the net assets of the Group were US\$139 million, with a net asset value per share of US\$1.014 – representing a 0.2% increase over year 2003. The Group recorded a profit attributable to shareholders of US\$1.10 million for the year 2004, representing a decrease of 90.9% from 2003. This decrease resulted largely from a drop in the valuation of China Merchants Bank, whose A Shares declined in price during the year.

Total turnover for the year decreased by 8.1% to US\$2.67 million (2003: US\$2.91 million). Turnover included dividend income from unlisted investments, which decreased 10.9% to US\$1.88 million (2003: US\$2.11 million). Turnover also included interest income, which decreased slightly to US\$0.65 million (2003: US\$0.67 million) due to a lower average deposit balance in 2004 and to declines throughout the year in deposit rates on the Hong Kong dollars (in spite of a 1.25% increase in US interest rates since the middle of 2004).

The net unrealised holding gain on unlisted investments for the year was US\$0.16 million (2003: US\$11.89 million), representing a decrease of 98.7% from 2003. This decrease was attributable to a drop in the value of China Merchants Bank, as a result of the decrease of its share price. For listed stocks, both realised and unrealised gains together amounted to US\$0.52 million (2003: US\$0.75 million), in line with market indices.

#### Material Acquisitions of Investments

In 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 Company, Limited ("CCT") for a consideration of US\$15.31 million. Established in 1995, the core businesses of CCT include trust management, fund management, investments and loan financing. At the end of 2003, total assets and net assets of CCT were RMB2.1 billion and RMB1.863 billion, respectively. The investment is awaiting approval by the China Banking Regulatory Commission.

In the interim report of 2004, the Group disclosed that it had entered into a conditional agreement to invest in Maytron (BVI) Corporation. Since then, certain conditions in the agreement had not been fulfilled and the Group decided to terminate the agreement on 19 October 2004.

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

Net cash decreased by 9.9%, from US\$37.62 million as of 31 December 2003 to US\$33.88 million as of 31 December 2004, mainly due to a capital injection into an unlisted investment project and to an increase in bond and note investments.

As of 31 December 2004, the Group had no outstanding bank loans (2003: Nil).

As of 31 December 2004, the Group had capital commitments of US\$15.31 million (2003: US\$2.54 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 in the near future.

#### Employees

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

#### The Portfolio

As of 31 December 2004, the Group had total investments of US\$113.41 million – US\$105.51 million in unlisted investments, US\$1.23 million in listed investments, and US\$6.67 million in bonds and notes. The major unlisted investment projects were in financial services (63.0% of net assets), manufacturing (6.8%), real estate (4.2%) and environmental protection facility (1.8%). In addition, the Group had net cash of US\$33.88 million, accounting for 24.4% of the Group's net assets.

The year 2004 began with vigorous growth in China's economy – a continuation of trends from the previous two years. Rapid growth in fixed asset investments, together with some distortion in investment levels across industries led to shortages in electricity, coal, transportation, oil products and other energy resources. The Chinese government realised the potential risks posed by an overheating economy and began to implement austerity measures to curtail expansion in the first quarter of 2004. The measures were further strengthened in the middle of the year. In October, the government increased interest rates for both deposits and loans, shifting from administrative measures to monetary policy to balance economic growth. These macroeconomic policies clearly had some impact on the operations and asset quality of banks in China. Nevertheless, strong demand for capital, driven by rapid economic growth, helped banks in the PRC to sustain profit growth through expansion of lending activities. China Merchants Bank and Industrial Banks both achieved satisfactory profit growth for 2004. However, the securities companies of the Group continued to under-perform due to the sluggish stock markets in China. During the year, the government implemented a series of market-boosting policies, aimed at speeding up the infrastructural development of the market and providing a pro-capital market environment. However, pending a final resolution as to issues including the legal person shares, the market remained lacklustre. Such a market condition affected not only the performance of the securities companies of the Group, but also the valuation of the Group's holding in China Merchants Bank, which decreased by 4% from 2003.

To further strengthen and diversify the Group's financial services portfolio, the Group entered into an agreement to acquire a 6.8167% stake in a trust and investment company for a consideration of US\$15.31 million. The investment is awaiting approval by the China Banking Regulatory Commission and is expected to contribute cash income to the Group in the first year of investment.

Against the backdrop of continuing high demand for electronic products started in 2003, both in China and overseas, the Group's laminate and copper-foil company achieved a significant increase in sales and profit. The Group's investment in the Phase I student dormitory in Langfang University City also performed admirably, with both rental income and profit for the year showing increases over 2003 of 8.7% and 22.9%, respectively. The Group has received dividends and capital repayments for the year according to the investment agreement.

After many years of negotiations with the Chinese partner in the Shangdong Weifang Airport project and with the Weifang municipal government, the Group finally exited from the fully provided project and received RMB0.83 million in December 2004. The IRR of the project was 3.9%.

#### Prospects

Looking ahead to 2005, it is expected that China's economy will grow at a rate of about 8.5%. The government intends to boost growth in domestic consumption and exports, while continuing to rein in excessive fixed asset investments. We expect that China's macroeconomic measures will lead to a soft landing in economy. Apart from taking an active role in pursuing investment projects, efforts will also be made to seek divestment opportunities in order to realise capital gains.

By Order of the Board  
**Dr. Fu Yuning**  
Chairman

Hong Kong, 21 April 2005

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. Zbou Linda L. 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 The Hon. 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 The Hon. Li Kwok Po, David and Mr. Tan Cheong Hin is the alternate Director to Mr. Hiew Yoon Khong.

All the financial and other related information of the Company required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in force prior to 31 March 2004, which remains 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.