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 2005

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 2005 of the Company and its subsidiaries (the "Group") together with the 2004 comparative figures are as follows:–

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2005

	2005	2004
	US$	*US$*
		(restated)
Turnover *(Note 3)*	**3,118,649**	2,670,343
Increase in fair value of financial assets at fair value through profit and loss	**9,976,994**	–
Net gain on disposal of financial assets at fair value through profit and loss	**262,380**	–
Net unrealised holding gain on unlisted investments in securities	**–**	160,212
Net gain on disposal of listed investments in securities	**–**	487,467
Unrealised holding gain on listed investments in securities	**–**	27,970
Gain on disposal of a contractual joint venture	**–**	99,921
Other income	**976,529**	13,876
Administrative expenses	**(3,182,117)**	(2,951,880)
Share of results of associates	**(1,301,764)**	785,508
Finance costs	**–**	(74,023)
Profit before taxation	**9,850,671**	1,219,394
Taxation *(Note 4)*	**(2,020,645)**	(116,917)
Profit for the year	**7,830,026**	1,102,477
Earnings per share – basic *(Note 5)*	**0.057**	0.008

CONSOLIDATED BALANCE SHEET
As at 31 December 2005

	2005	2004
	US$	*US$*
Non-current assets		
Interests in associates	**16,062,662**	17,909,420
Financial assets at fair value through profit and loss	**118,263,568**	–
Other investments in financial assets	**5,698,157**	–
Investments in securities	**–**	95,502,365
	140,024,387	113,411,785
Current assets		
Trade and other receivables	**81,143**	123,917
Cash and bank balances	**17,354,211**	33,879,726
	17,435,354	34,003,643
Current liabilities		
Trade and other payables	**1,302,222**	920,462
Taxation payable	**65,477**	13,889
	1,367,699	934,351
Net current assets	**16,067,655**	33,069,292
Total assets less current liabilities	**156,092,042**	146,481,077
Non-current liability		
Deferred taxation	**9,421,080**	7,450,539
Net assets	**146,670,962**	139,030,538
Capital and reserves		
Share capital	**13,714,560**	13,714,560
Reserves	**132,956,402**	125,315,978
	146,670,962	139,030,538
Net asset value per share *(Note 6)*	**1.069**	1.014

Notes:

1. BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements, except for the application of new and revised Hong Kong Financial Reporting Standards set out in note 2. The financial statements have been reviewed by the Company's Audit Committee. The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2005, but is derived from those financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

A. In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement and consolidated balance sheet. In particular, the presentation of share of tax of associates has been changed. The change in presentation has been applied retrospectively. The application of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: Disclosure and Presentation" ("HKAS 32") and HKAS 39 "Financial instruments: Recognition and Measurement" ("HKAS 39"). HKAS 32 requires retrospective application. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. HKAS 39 which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, de-recognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below.

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Up to 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. Other investments and held-to-maturity investments classified under investments in securities with carrying amount of US$89,804,598 and US$5,697,767 were re-classified to financial assets at fair value through profit and loss and other investments in financial assets including held-to-maturity financial assets and loans and receivables on 1 January 2005 respectively.

B. **Summary of the effects of the changes in accounting policies**

The effects of the application of the new HKFRSs are summarised below:

	2005	2004
	US$	*US$*
Income statement items:		
Decrease in share of results of associates	**(193,531)**	(117,253)
Decrease in taxation	**193,531**	117,253
Change in profit for the year	**–**	–

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective for the year ended 31 December 2005. The Group considers that it is not yet in a position to reasonably ascertain how the following new standards, amendments and interpretations may affect the preparation and presentation of the results of operations and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK (IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK (IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK (IFRIC) – INT 6	Liabilities arising from participating in a specific market–waste electrical and electronic equipment[3]
HK (IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.

3. TURNOVER

	2005	2004
	US$	*US$*
Interest income	**810,203**	646,252
Dividend income from financial assets at fair value through profit and loss	**2,308,446**	–
Dividend income from listed investments in securities	**–**	146,110
Dividend income from unlisted investments in securities	**–**	1,877,981
	3,118,649	2,670,343

4. TAXATION

	2005	2004
	US$	*US$*
The Company and its subsidiaries:		
Current tax:		
Hong Kong	**–**	3,162
Other regions in the PRC	**50,432**	–
	50,432	3,162
Overprovision in prior year	**(328)**	–
	50,104	3,162
Deferred taxation	**1,970,541**	113,755
	2,020,645	116,917

Hong Kong profits tax is calculated at 17.5% (2004: 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.

5. The calculation of earnings per share is based on the profit for the year of US$7,830,026 (2004: US$1,102,477) and 137,145,600 ordinary shares (2004: 137,145,600 ordinary shares) in issue during the year.

6. The calculation of the net asset value per share is based on the net assets of US$146,670,962 (2004: US$139,030,538) and 137,145,600 ordinary shares (2004: 137,145,600 ordinary shares) in issue.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2005 (2004: US0.7 cents per share).

BOOK CLOSURE

The register of members of the Company will be closed from 26 May 2006 to 30 May 2006, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance at the annual general meeting, shareholders must ensure that all transfer documents 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 2006.

REVIEW AND OUTLOOK

Overall Performance

China Merchants China Direct Investments Limited and its subsidiaries (the "Group") recorded a profit attributable to shareholders of US$7.83 million for the year ended 31 December 2005, representing an increase of 610% over the year 2004. This was attributable to a significant increase in the fair value of financial assets at fair value through profit and loss (the "financial assets"). As of 31 December 2005, the net assets of the Group were US$146.67 million (31 December 2004: US$139.03 million), with a net asset value per share of US$1.069 (31 December 2004: US$1.014).

Total turnover for the year increased by 17% to US$3.12 million (2004: US$2.67 million). This was due mainly to an increase in both dividend income from China Merchants Bank and interest income.

For the year 2005, the fair value of the financial assets increased by US$9.98 million (2004: US$0.19 million). The significant increase in the fair value was attributed to the favourable valuation of both China Merchants Bank and Industrial Bank whose values increased by US$9.68 million and US$2.86 million respectively against the end of 2004.

Material Acquisition and Major Event 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 Co., Ltd. at a consideration of US$15.31 million. The acquisition was approved by the China Banking Regulatory Commission in May 2005 and the Group then paid the acquisition price to the transferor in June 2005. The acquisition was then completed.

China Merchants Bank Company, Limited ("CMB") proposed its Share Reform Plan on 29 December 2005, which was subsequently approved in a shareholders' meeting in early 2006 and was successfully implemented. After the completion of the Share Reform Plan in February 2006, the Group's interest in CMB decreased from 1.18% to 0.998% (after taking into account the conversion of the convertible notes). The originally non-freely transferable shares held by the Group will be available for trading two years from the date of completion of the Share Reform Plan.

On 16 March 2006, CMB announced to hold a shareholders' meeting for the purpose of considering a proposal for issuing H Shares and listing in Hong Kong. According to the proposal, the H Shares to be issued will be 2.2 billion, representing no less than 15% of its enlarged share capital (excluding the over-allotment option). The proposal was duly approved by the shareholders' meeting on 17 April 2006. If the proposal for issuing H Shares and listing is successfully implemented, the Group's interest in CMB should be diluted. Nevertheless, it is believed that the capital enlargement will help the business development of CMB. In turn, it will benefit the Group as a whole.

Liquidity, Financial Resources, Gearing and Capital Commitments

Net cash decreased by 48.8%, from US$33.88 million as of 31 December 2004 to US$17.35 million as of 31 December 2005, mainly due to a capital injection into an unlisted investment project and an increase in listed share investments.

As of 31 December 2005, the Group had no outstanding bank loans (2004: Nil).

As of 31 December 2005, the Group had no capital commitments (2004: US$15.31 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 Renminbi ("RMB"). The People's Bank of China announced the reform of the RMB exchange rate regime and simultaneously revalued the RMB against the US dollar by approximately 2% in July 2005. Such RMB revaluation has a positive impact on the Group since the Group holds a considerable amount of assets denominated in the RMB.

Employees

Other than a qualified accountant whose remuneration packages are borne by the Investment Manager, the Group has no salaried employees. The Investment Manager handles the portfolio and day-to-day administration of the Group.

The Portfolio

As of 31 December 2005, the Group had total investments of US$140.02 million – US$129.94 million in unlisted investments, US$3.41 million in listed investments, and US$6.67 million in bonds, notes and callable deposits. The major unlisted investment projects were in financial services (77.61% of net assets), manufacturing (7.12%), real estate (2.08%) and environmental protection facility (1.75%). In addition, the Group had net cash of US$17.35 million, accounting for 11.80% of the Group's net assets.

Prospects

Following the deepening of reform and the widening of opening up, China economy will further gain momentum of growth and the economy is able to maintain to grow at a relatively faster pace. It is expected that China annual GDP growth rate will keep at 7.5% during the Eleventh Five-Year Plan. The further advancement on reform will help China economy continue its steady development. The further advancement on opening up will provide a broader market for the world economy, which will also help Hong Kong maintain as an international financial centre. It is believed that this will bring more opportunities to the Group, but along with more challenges. With the resort of a fast and stable economic growth in China, coupling with the recovery of Hong Kong economy, the Group will continue to explore investment opportunities so as to increase the shareholder value.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the "Code") of the Listing Rules throughout the year under review, except for the deviations as stated below:

According to the Investment Management Agreement, the portfolio and day-to-day administration of the Company are handled by the Investment Manager. Except the qualified accountant whose remuneration packages are borne by the Investment Manager, the Company has no salaried employees. Thus, no remuneration committee has been established by the Company and it is appropriate to remain holding board meeting twice a year at a minimum.

Further, owing to the flight delay, the Chairman, Dr. Fu Yuning, has given an apology for not hosting the annual general meeting of the Company which was held on 31 May 2005.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors and relevant employees. Having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code throughout the year under review.

PURCHASE, SALE AND REDEMPTION OF SHARES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

CHANGE IN DIRECTORSHIP

With effect from 20 April 2006, due to personal reasons, Mr. PHOON Siew Heng resigned as Non-executive Director and Mr. TAN Cheong Hin resigned as alternate Director to Mr. PHOON Siew Heng. They have confirmed that they have no disagreement with the Board and there is no matter relating to their resignation that needs to be brought to the attention of the shareholders.

By Order of the Board
Dr. Fu Yuning
Chairman

Hong Kong, 20 April 2006

As at the date hereof, the Board of Directors of the Company comprises ten Directors, of which five are Executive Directors, namely Dr. Fu Yuning, Dr. Huang Dazhan, Mr. Chu Lap Lik, Victor, Mr. Xie Kuixing and Mr. Tse Yue Kit; and two are Non-executive Directors, namely Mr. Wang Xingdong and Mr. Gong Jianzhong; and three are Independent Non-executive Directors, namely Dr. The Hon. David Li Kwok-po, Mr. Kut Ying Hay and Dr. 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. The Hon. David Li Kwok-po and Mr. Mok Hay Hoi is the alternate Director to Dr. Poon Kwok Lim, Steven.