



**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 2006**

The Board of Directors of China Merchants China Direct Investments Limited (the “Company”) announces that the consolidated results for the year ended 31 December 2006 of the Company and its subsidiaries (the “Group”) together with the 2005 comparative figures are as follows:–

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	2006 <i>US\$</i>	2005 <i>US\$</i>
Turnover (<i>Note 3</i>)	5,443,293	3,118,649
Increase in fair value of financial assets at fair value through profit or loss	149,763,178	9,976,994
Net gain on disposal of financial assets at fair value through profit or loss	637,302	262,380
Net gain on disposal of an associate	1,019,051	–
Other income	1,434,878	976,529
Administrative expenses	(21,744,834)	(3,182,117)
Share of results of associates	1,203,233	(1,301,764)
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Profit before taxation	137,756,101	9,850,671
Taxation (<i>Note 4</i>)	(22,338,826)	(2,020,645)
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Profit attributable to equity shareholders	115,417,275	7,830,026
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Earnings per share – basic (<i>Note 5</i>)	0.842	0.057
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CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	2006 <i>US\$</i>	2005 <i>US\$</i>
Non-current assets		
Interests in associates	13,983,895	16,062,662
Financial assets at fair value through profit or loss	266,160,877	118,263,568
Other investments in financial assets	5,698,563	5,698,157
	<u>285,843,335</u>	<u>140,024,387</u>
Current assets		
Other receivables	106,766	81,143
Cash and bank balances	27,672,116	17,354,211
	<u>27,778,882</u>	<u>17,435,354</u>
Current liabilities		
Other payables	19,036,410	1,302,222
Taxation payable	51,533	65,477
	<u>19,087,943</u>	<u>1,367,699</u>
Net current assets	<u>8,690,939</u>	<u>16,067,655</u>
Total assets less current liabilities	294,534,274	156,092,042
Non-current liability		
Deferred taxation	31,662,164	9,421,080
Net assets	<u>262,872,110</u>	<u>146,670,962</u>

Capital and reserves		
Share capital	13,714,560	13,714,560
Reserves	249,157,550	132,956,402
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Total capital and reserves	262,872,110	146,670,962
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Net asset value per share (<i>Note 6</i>)	1.917	1.069
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Notes:

1. BASIS OF PRESENTATION

The consolidated financial statements have been reviewed by the Company’s Audit Committee.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

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

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the Group’s results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective for the year ended 31 December 2006. The Group considers that it is not yet in a position to reasonably ascertain how the following new standards, amendment 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
HKFRS 7	Financial instruments: Disclosures ¹
HKFRS 8	Operating segments ⁸
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-INT 8	Scope of HKFRS 2 ³
HK(IFRIC)-INT 9	Reassessment of embedded derivatives ⁴
HK(IFRIC)-INT 10	Interim financial reporting and impairment ⁵
HK(IFRIC)-INT 11	HKFRS 2: Group and treasury shares transactions ⁶
HK(IFRIC)-INT 12	Service concession arrangements ⁷

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

⁵ Effective for annual periods beginning on or after 1 November 2006.

⁶ Effective for annual periods beginning on or after 1 March 2007.

⁷ Effective for annual periods beginning on or after 1 January 2008.

⁸ Effective for annual periods beginning on or after 1 January 2009.

3. TURNOVER

	2006	2005
	<i>US\$</i>	<i>US\$</i>
Interest income	774,778	810,203
Dividend income	4,668,515	2,308,446
	5,443,293	3,118,649

4. TAXATION

	2006 US\$	2005 US\$
The Company and its subsidiaries:		
Current tax:		
Other regions in the PRC	98,516	50,432
	<u>98,516</u>	<u>50,432</u>
Overprovision in prior year in Hong Kong	(774)	(328)
	<u>97,742</u>	<u>50,104</u>
Deferred taxation	22,241,084	1,970,541
	<u>22,338,826</u>	<u>2,020,645</u>

Hong Kong profits tax is calculated at 17.5% (2005: 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. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of US\$115,417,275 (2005: US\$7,830,026) and 137,145,600 ordinary shares (2005: 137,145,600 ordinary shares) in issue during the year.

6. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of US\$262,872,110 (2005: US\$146,670,962) and 137,145,600 ordinary shares (2005: 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 2006 (2005: Nil).

BOOK CLOSURE

The register of members of the Company will be closed from 22 May 2007 to 25 May 2007, 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 transfers 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 21 May 2007.

REVIEW AND OUTLOOK

Overall Performance

China Merchants China Direct Investments Limited and its subsidiaries (the "Group") recorded a profit attributable to shareholders of US\$115.42 million for the year ended 31 December 2006, representing an increase of 1,374% over the year 2005. This was attributable to a significant increase in the fair value of financial assets at fair value through profit or loss (the "financial assets"). As of 31 December 2006, the net assets of the Group were US\$262.87 million (31 December 2005: US\$146.67 million), with a net asset value per share of US\$1.917 (31 December 2005: US\$1.069).

Total turnover for the year increased by 74% to US\$5.44 million (2005: US\$3.12 million). It was mainly due to an increase in dividend income from China Merchants Bank.

For the year 2006, the fair value of the financial assets increased by US\$149.76 million (2005: US\$9.98 million). The significant increase in the fair value was mainly attributed to the revaluation of both China Merchants Bank and Industrial Bank whose values increased by US\$116.01 million and US\$31.26 million respectively against the end of 2005.

Material Acquisition and Disposal of Investments

The Fund has been actively searching for investment opportunities. Lots of studies were done on the projects in financial services sector and manufacturing sector. During the reporting period, the Group did not have any concluded investment projects.

On 30 June 2006, the Group entered into a share transfer agreement with China Merchants Financial Services Limited, a connected person of the Group in relation to the disposal of its 10% equity interest in Houlder China Insurance Brokers Limited at a cash consideration of approximately US\$625,039. The transaction was completed on 31 July 2006. The Group recorded a loss of approximately US\$26,282 from the transaction.

On 25 July 2006, the Group entered into a share transfer agreement with two independent third parties in relation to the disposal of its 30% equity interest in Chenzhou Heshang Environmental Protection Company Limited at a total cash consideration of RMB18.5 million. As a part of the transaction, the Group had received a full repayment of shareholder's loan of RMB10.5 million. The transaction was completed on 21 October 2006. The Group obtained an internal rate of return of approximately 16% from the project.

Liquidity, Financial Resources, Gearing and Capital Commitments

The Group's cash on hand increased by 60%, from US\$17.35 million as at the end of 2005 to US\$27.67 million as of 31 December 2006, due to disposal of listed, unlisted investments and the entire interest in an associate.

As of 31 December 2006, the Group had no outstanding bank loans (2005: Nil).

As of 31 December 2006, the Group had no capital commitments (2005: Nil).

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"). Since the People's Bank of China announced the reform of the RMB exchange rate regime in 2005, the RMB against the U.S. dollar appreciated gradually. Such RMB appreciation has a positive impact on the Group since the Group holds 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 2006, the Group had total investments of US\$285.84 million comprising of US\$277.48 million in unlisted investments, US\$1.69 million in listed investments, and US\$6.67 million in bonds, notes and callable deposits. The major unlisted investment projects were in financial services (84.00% of total assets), manufacturing (3.65%) and real estate (0.80%). In addition, the Group had cash on hand of US\$27.67 million, accounting for 8.82% of the Group's total assets.

Prospects

Looking forward into 2007, it is expected that the central government continues to implement macro-economic control policies, promote the construction of new rural villages and step up efforts in rationalising industry production, conserving energy and protecting the environment while pushing forward further reforms and opening up. With internal factors that drive the rapid economic growth gathering further momentum and the global economic outlook remaining promising, China is believed to be able to maintain its steady and relatively rapid economic growth in 2007. Meanwhile, the year of 2007 will be a year that witnesses the deepening of system reforms and the further opening up. Both the taxation reforms and the end of the transition period for World Trade Organisation Members will exert pressure on the Group's operation. However, the long-term steady and coordinated development of the national economy resulted from the system reforms will benefit the Group's financial services investment that already accounted for a major portion of the Group's portfolio. In the meantime, it will also bring more business opportunities for the Group to invest in other industries. As always, the Group will actively identify investment projects with relatively low risks and stable returns, and focus on investment in financial services sector, while switching projects on a timely basis so as to provide shareholders with more stable returns.

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 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.

Further, owing to a business trip, the Chairman, Dr. Fu Yuning, has given an apology for not hosting the annual general meeting of the Company which was held on 30 May 2006.

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.

By Order of the Board
Dr. Fu Yuning
Chairman

Hong Kong, 20 April 2007

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 Mr. WANG Jincheng. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor and Mr. LI Kai Cheong, Samson is the Alternate Director to Dr. The Hon. David LI Kwok-po.