



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 2007**

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 2007 of the Company and its subsidiaries (the “Group”) together with the 2006 comparative figures are as follows:-

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	<u>2007</u>	<u>2006</u>
	<i>US\$</i>	<i>US\$</i>
Investment income (<i>Note 3</i>)	8,669,147	5,443,293
Change in fair value of financial assets designated at fair value through profit or loss	917,350,318	150,400,480
Net gain on disposal of an associate	-	1,019,051
Other income	1,967,603	1,434,878
Administrative expenses	(121,750,784)	(21,744,834)
Share of results of associates	3,422,469	1,203,233
Profit before taxation	809,658,753	137,756,101
Taxation (<i>Note 4</i>)	(214,990,720)	(22,338,826)
Profit attributable to equity shareholders	594,668,033	115,417,275
Basic earnings per share (<i>Note 5</i>)	4.041	0.842

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	<u>2007</u> US\$	<u>2006</u> US\$
Non-current assets		
Interests in associates	17,898,812	13,983,895
Financial assets at fair value through profit or loss	637,431,863	266,160,877
Other investments in financial assets	697,011	5,698,563
	<u>656,027,686</u>	<u>285,843,335</u>
Current assets		
Financial assets at fair value through profit or loss	560,168,661	-
Other receivables	99,308	106,766
Cash and bank balances	45,687,332	27,672,116
	<u>605,955,301</u>	<u>27,778,882</u>
Current liabilities		
Other payables	110,098,943	19,036,410
Taxation payable	163,558	51,533
	<u>110,262,501</u>	<u>19,087,943</u>
Net current assets	<u>495,692,800</u>	<u>8,690,939</u>
Total assets less current liabilities	1,151,720,486	294,534,274
Non-current liability		
Deferred taxation	246,385,543	31,662,164
Net assets	<u>905,334,943</u>	<u>262,872,110</u>
Capital and reserves		
Share capital	14,914,560	13,714,560
Reserves	890,420,383	249,157,550
Total capital and reserves	<u>905,334,943</u>	<u>262,872,110</u>
Net asset value per share (<i>Note 6</i>)	<u>6.070</u>	<u>1.917</u>

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, the following new standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - INT 8	Scope of HKFRS 2
HK(IFRIC) - INT 9	Reassessment of embedded derivatives
HK(IFRIC) - INT 10	Interim financial reporting and impairment

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group and the Company have not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ⁵
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ⁵
HKFRS 8	Operating segments ¹
HK(IFRIC) - INT 11	HKFRS 2: Group and treasury shares transactions ²
HK(IFRIC) - INT 12	Service concession arrangements ³
HK(IFRIC) - INT 13	Customer loyalty programmes ⁴
HK(IFRIC) - INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction ³

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

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

⁴ Effective for annual periods beginning on or after 1 July 2008.

⁵ Effective for annual periods beginning on or after 1 July 2009.

The Directors anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group and the Company.

3. INVESTMENT INCOME

Investment income represents the income received and receivable on investments during the year as follows:

	<u>THE GROUP</u>	
	<u>2007</u>	<u>2006</u>
	<u>US\$</u>	<u>US\$</u>
Interest income	1,716,488	774,778
Dividend income	6,952,659	4,668,515
	<u>8,669,147</u>	<u>5,443,293</u>

4. TAXATION

The profits tax charge for the year comprises:

	<u>THE GROUP</u>	
	<u>2007</u>	<u>2006</u>
	<u>US\$</u>	<u>US\$</u>
The Company and its subsidiaries:		
Current tax:	63,600	-
Hong Kong	203,741	98,516
Other regions in the PRC		
	267,341	98,516
Overprovision in prior year		
Hong Kong	-	(774)
	267,341	97,742
Deferred taxation		
Current year	196,792,303	22,241,084
Attributable to a change in tax rate in opening balance	17,931,076	-
	<u>214,990,720</u>	<u>22,338,826</u>

Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) on the estimated assessable profits. Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant regions.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 15% to 25% gradually from 2008 to 2012 for the PRC subsidiaries effective on 1 January 2008. The deferred tax balance has been adjusted accordingly to reflect the change of tax rates from 15% to 25% that are expected to apply to the respective periods when the asset is realised.

5. BASIC EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of US\$594,668,033 (2006: US\$115,417,275). The basic earnings per share is based on the weighted average number of 147,145,600 ordinary shares (2006: 137,145,600 ordinary shares) of US\$0.10 each 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\$905,334,943 (2006: US\$262,872,110) and 149,145,600 ordinary shares (2006: 137,145,600 ordinary shares) of US\$0.10 each in issue.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil).

BOOK CLOSURE

The register of members of the Company will be closed from 22 May 2008 to 26 May 2008, 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 4:30 p.m. on 21 May 2008.

REVIEW AND OUTLOOK

Overall Performance

China Merchants China Direct Investments Limited and its subsidiaries (the "Group") recorded profit attributable to equity shareholders of US\$594.67 million for the year ended 31 December 2007, representing an increase of 415% over the year 2006. This was attributable to a significant gain on change in fair value of financial assets designated at fair value through profit or loss (the "financial assets"). As of 31 December 2007, the net assets of the Group were US\$905.33 million (31 December 2006: US\$262.87 million), with a net asset value per share of US\$6.07 (31 December 2006: US\$1.917).

Total investment income for the year increased by 59% to US\$8.67 million (2006: US\$5.44 million). This was due mainly to a significant increase in interest income and dividend income and the resumption of dividend payments by the investee companies.

For the year 2007, gain on change in fair value of the financial assets was US\$917.35 million (2006: US\$150.40 million). The significant change in the fair value was attributed to the favourable valuation of both China Merchants Bank and Industrial Bank whose values increased by US\$413.36 million and US\$494.16 million respectively against the end of 2006.

Material Acquisition

The Group has been actively searching for investment opportunities, lots of due diligence were done on projects in financial services, manufacturing, consumer related and pharmaceutical industry, etc. The Group agreed to cooperate with National Basketball Association of the United States by the end of 2007 and invested US\$23 million in NBA China, L.P. in early 2008.

Liquidity, Financial Resources, Gearing and Capital Commitments

In January 2007, the Company entered into a placing and subscription agreement to place 12 million ordinary shares by way of placing and top-up subscription and raised an amount of US\$29.17 million.

The Group's cash on hand increased by 65%, from US\$27.67 million as at the end of 2006 to US\$45.69 million as of 31 December 2007, due to the fund raising exercise and the disposal of trade equities as well as bonds and notes.

As of 31 December 2007, the Group had no outstanding bank loans (2006: Nil).

As of 31 December 2007, the Group had a capital commitment of US\$23 million (2006: Nil), being an investment that has been authorised 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 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 net 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 2007, the Group had total investments of US\$1,216.20 million – US\$1,214.53 million in direct investments, US\$1.67 million in bonds, notes and callable deposits. The major direct investment projects ^(Note) were in financial services (94.82% of total assets), manufacturing (1.24%) and real estate (0.17%). In addition, the Group had cash on hand of US\$45.69 million, accounting for 3.62% of the Group's total assets.

Note: Unlisted equity interests for two investments in banking sector were acquired by the Group initially. At present, those interests have already become listed equity interests.

Prospects

Looking forward into 2008, it is expected that the Central Government will implement both a conservative fiscal policy and a tight monetary policy to step up efforts in macro-economic control so as to curb inflation. The rapid growth of the GDP of China in the past few years is expected to slow down. However, it is believed that the appreciation of the Renminbi against the US dollar will continue. Domestic consumption is expected to maintain a rapid growth and the momentum of fixed investment growth will sustain. The stepping up of macro-economic control may have an adverse impact on the valuation of the financial assets held by the Group in the short term, but in the medium to long term, it is expected that the economic development of China will maintain a rapid but stable trend and thereby to create room for long-term development for different industries, including the financial services industry.

As always, the Group will actively identify investment projects with potential and stable returns, and focus on investments in financial services sector, while paying appropriate attention to investment projects in the consumption, pharmaceutical, energy and infrastructure sectors, so as to explore new investment opportunities and increase shareholder value of the Group.

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 deviation 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.

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, 25 April 2008

As at the date hereof, the Board of Directors of the Company comprises eight Directors, of which five are Executive Directors, namely Dr. FU Yuning, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit; 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.