Dr. Fu Yuning
Chairman

"The liberalization of China's domestic markets will translate into greater investment opportunities for the Group."

CHAIRMAN'S STATEMENT

The Directors are pleased to announce that the audited consolidated profit after taxation of China Merchants China Direct Investments Limited and its subsidiaries (the "Group") for the year ended 31 December 2000 totalled US$3,652,727, a 49% increase on that of 1999. The net asset value per share as at 31 December 2000 was US$0.883, compared with US$0.869 of 1999, an increase of 1.6%.

The Board of Directors has proposed a final dividend of US¢0.8, or HK¢6.23 per share. The total cash dividend for the year will be US¢1.3, or HK¢10.13 per share.

In 2000, while the economies of Hong Kong and other Asian countries continued to recover, the PRC's economy sustained steady growth. Since the end of last year, the U.S. economy, however, has showed signs of recession, which in turn slowed down the pace of recovery in Hong Kong and other Asian countries. Based on investment experience in the past, the Board of Directors revised the Group's investment strategy into three key areas. Firstly, to continue pursuing investment opportunities in the infrastructure sector, in order to ensure a stable source of income for the Group. Secondly, to place increased weight on financial services investments – a promising sector in the PRC; and thirdly, to make a proactive move into hi-tech investments to create profit growth potential for the Group. In order to mitigate the risk in hi-tech investments, the Group focused on projects with listing potential. In this regard, the Board of Directors increased the investment limit in listed investment of 10% of the Group's net assets by US$10 million. In addition, the scope of listed investments of the Group has been enlarged to include listed companies with Hong Kong operations.

The Group's investment manager actively pursued investment projects which would meet the revised strategy. Although negotiations and evaluation of certain hi-tech projects were approaching the final stages in the reporting period, the investment manager decided to slow down the investment process so as to re-assess these projects' potential and valuation and to re-negotiate the investment terms, in light of the significant adjustment of the hi-tech stock in 2000.

The Group's current investments encompass projects in the sector of financial services, infrastructure, manufacturing and real estate in the PRC. Financial services investments continued to contribute a satisfactory return for the Group, resulting from a rapid increase in demand for financial services. Infrastructure investments, mostly involving a toll road, remained one of the major income contributors. The contribution from manufacturing investments mainly came from Zhaoyuan Jinbao Electronics Company Limited in Shandong. The Group's investments in real estate continued underperforming. As a matter of prudence, the Board decided to make provisions totalling US$6.66 million for the real estate projects, which include Shandong Weifang real estate project, where the responsible Chinese parties and the local government had not complied with their payment commitment, despite repeated efforts by the investment manager in pursuing the overdue payments. Also, the sale and rental of Shanghai China Merchants Plaza continued to be unsatisfactory, and in turn caused considerable losses in the operating entity. In respect of project company Shenzhen Mankam Square, a judgment for the re-trial was received in November 2000. The court ordered the two contracted parties to honor the obligations of the pre-sale agreement. The valuation of the property has declined 20% since the valuation of 1999.

As at the end of 2000, the Group had unlisted investments valued at approximately US$77.33 million, representing 63.85% of its total net asset value. Listed shares were valued at US$3.22 million, 2.66% of its net asset value, and cash at US$40.52 million, 33.45% of its net asset value.

Looking at 2001, the economy of the PRC will continue growing, despite the global economic slowdown resulting from a slowing U.S. economy. After the PRC's entry into the World Trade Organization, its investment environment will continue to improve and investors' interest will also be further protected. The liberalization of China's domestic markets will translate into greater investment opportunities for the Group, which will also benefit from the PRC's deepening of financial reform. In 2001, the Group will continue to strengthen the management of existing projects and aim to consolidate the existing real estate projects so as to enable the Group to re-divert funds for other investments. In adhering to its existing investment strategy, the Group will continue to pursue investments in the financial services, infrastructure, and hi-tech sectors. Certain financial institutions the Group has invested are applying for listing their shares in the PRC, and significant capital gains will be expected to channel to the Group when these listing plans are realized. With the further adjustment of valuation of hi-tech stock worldwide to a more reasonable level, the Group's intention of investing in the technology arena will be expected to make progress. I believe these investments will generate considerable returns in the future for the shareholders of the Company.

Finally, on behalf of the Board, I wish to express our sincere thanks to the members of the investment committee, as well as the staff of the investment manager, for their dedicated contribution and support.

Fu Yuning
Chairman

Hong Kong, 20 April 2001