



Dr. Fu Yuning

Chairman

“The further opening of the China market, as well as enhancements of investment environment in the PRC will bring greater investment opportunities for the Group.”

CHAIRMAN'S STATEMENT

The Board of Directors is 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 2001 totalled US\$4.99 million, a 37% increase on that of 2000. The net asset value per share as at 31 December 2001 was US\$0.915, compared with US\$0.891 of 2000, an increase of 2.6%.

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 2001, the world economy went into a recession, triggered by the slowing economy of the U.S. and other developed countries. After ten years of rapid economic growth, the U.S. economy has gone into recession following the burst of the "new economy" bubbles. The "September-11 tragedy" may have aggravated the downturn of the U.S. and the world economies. The sectors the Group involved demonstrated that they are increasingly affected by many factors, including international economic forces. Therefore, the Board has made certain adjustments to its investment strategy in 2001 accordingly, i.e. expediting the disposal of poor performing projects, increasing investments in financial services sector which has growth potential, and seeking other investments that yields stable incomes. In accordance with the Group's investment strategy, the Investment Manager has been actively negotiating with its PRC contractual joint venture partners and has successfully disposed of two projects. Meanwhile, the Group invested in four financial services investment projects in the year.

The Group's current investments encompass projects in the sectors of financial services, manufacturing, infrastructure and real estate in the PRC. Financial services investments continue to yield a satisfactory return for the Group, resulting from rapid increase in demand for financial services. In 2001, the Group has completed capital injection for two securities companies, one insurance brokerage firm and an additional investment in one bank. The contribution from manufacturing investments mainly came from Zhaoyuan Jinbao Electronics Company Limited in Shandong. Disposal of the investment in Chengde Wanli Steel Tubes Company Limited during the year also contributed to the profit of the Group. Infrastructure investments, mainly in toll roads, remained as our focus. Although the Group has completed the disposal of its stakes in Maoming Tongfa Highway Company Limited in early February 2002, it will continue to pursue profitable infrastructure projects for investments which will generate steady long-term return in cash. The performances of the real estate projects are still not encouraging, although according to the independent appraisal companies, the market values of Beijing Longbao Mansion and Shenzhen Man Kam Square are above their carrying values. As for those projects which had been fully provided, some progress has been made as a result of ongoing efforts of the Investment Manager.

As of the end of 2001, the Group had unlisted investments valued at approximately US\$87.49 million, representing 69.75% of its net asset value. Listed investments were valued at US\$0.93 million, 0.74% of its net asset value, and working capital at US\$37.01 million, 29.51% of its net asset value.

Looking forward, the PRC economy will face challenges. The World Bank estimated that the U.S. economy could recover by the second half of 2002 at the earliest. In 2002, the investment environment in the PRC will experience some fundamental changes following the PRC's entry into the World Trade Organization, including modification of rules and regulations. Foreign investors will be allowed to participate in the fields of merger-and-acquisition, venture-capital investments and securities investments. The further opening of the China market, as well as enhancements of investment environment in the PRC will bring greater investment opportunities for the Group. Therefore, the Group will continue to strengthen the management of existing projects, consolidate the existing real estate projects and seek new investment in attractive fields in 2002. Apart from the successful listing of China Merchants Bank, several enterprises, which the Group has invested in, are currently applying for IPO in the PRC. If these listing plans are successfully carried out, significant capital gains for the Group are expected.

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, 22 April 2002