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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 2008**

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 2008 of the Company and its subsidiaries (the “Group”) together with the 2007 comparative figures are as follows:-

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	<u>2008</u> US\$	<u>2007</u> US\$
Investment income (<i>Note 3</i>)	12,767,998	8,669,147
Change in fair value of financial assets designated at fair value through profit or loss	(783,313,725)	917,350,318
Other income	1,239,053	1,967,603
Administrative expenses	(14,547,449)	(121,750,784)
Share of results of associates	(2,206,239)	3,422,469
(Loss) profit before taxation	(786,060,362)	809,658,753
Taxation (<i>Note 4</i>)	165,781,898	(214,990,720)
(Loss) profit attributable to equity holders of the Company	(620,278,464)	594,668,033
Basic and diluted (loss) earnings per share (<i>Note 5</i>)	4.159	4.041

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	<u>2008</u> US\$	<u>2007</u> US\$
Non-current assets		
Interest in associates	16,077,183	17,898,812
Financial assets at fair value through profit or loss	61,409,483	637,431,863
Other investments in financial assets	697,139	697,011
	<u>78,183,805</u>	<u>656,027,686</u>
Current assets		
Financial assets at fair value through profit or loss	345,748,162	560,168,661
Other receivables	1,071,794	99,308
Bank balances and cash	101,994,877	45,687,332
	<u>448,814,833</u>	<u>605,955,301</u>
Current liabilities		
Other payables	106,737,490	110,098,943
Taxation payable	11,493,691	163,558
	<u>118,231,181</u>	<u>110,262,501</u>
Net current assets	<u>330,583,652</u>	<u>495,692,800</u>
Total assets less current liabilities	408,767,457	1,151,720,486
Non-Current liabilities		
Deferred taxation	74,360,243	246,385,543
Net assets	<u>334,407,214</u>	<u>905,334,943</u>
Capital and reserves		
Share capital	14,914,560	14,914,560
Share premium and reserves	319,492,654	890,420,383
Total capital and reserves attributable to the equity holders of the Company	<u>334,407,214</u>	<u>905,334,943</u>
Net asset value per share (Note 6)	<u>2.242</u>	<u>6.07</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 and the Company, for the first time, have applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective for the Group's financial year beginning 1 January 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) - INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) - INT 12	Service concession arrangements
HK(IFRIC) - INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

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

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

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of financial statements ²
HKAS 23 (Revised)	Borrowing costs ²
HKAS 27 (Revised)	Consolidated and separate financial statements ³
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate ²
HKFRS 2 (Amendment)	Vesting conditions and cancellations ²
HKFRS 3 (Revised)	Business combinations ³
HKFRS 7 (Amendment)	Improving disclosures about financial instruments ²
HKFRS 8	Operating segments ²
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives ⁴
HK(IFRIC) - INT 13	Customer loyalty programmes ⁵
HK(IFRIC) - INT 15	Agreements for the construction of real estate ²
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation ⁶
HK(IFRIC) - INT 17	Distribution of non-cash assets to owners ³
HK(IFRIC) - INT 18	Transfers of assets from customers ⁷

¹ Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

² Effective for annual periods beginning on or after 1 January 2009.

³ Effective for annual periods beginning on or after 1 July 2009.

⁴ Effective for annual periods ending on or after 30 June 2009.

⁵ Effective for annual periods beginning on or after 1 July 2008.

⁶ Effective for annual periods beginning on or after 1 October 2008.

⁷ Effective for transfers of assets from customers received on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the Group's first annual reporting period beginning on or after 1 January 2010. HKAS 27 (Revised) will affect the Group's accounting treatment for changes in a parent's ownership interest in a subsidiary. The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. INVESTMENT INCOME

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

	<u>THE GROUP</u>	
	<u>2008</u>	<u>2007</u>
	<u>US\$</u>	<u>US\$</u>
Interest income	868,762	1,716,488
Dividend income	11,899,236	6,952,659
	<u>12,767,998</u>	<u>8,669,147</u>

4. TAXATION

The tax credit (charge) for the year comprises:

	<u>THE GROUP</u>	
	<u>2008</u>	<u>2007</u>
	<u>US\$</u>	<u>US\$</u>
The Company and its subsidiaries:		
Current tax:		
Hong Kong	-	(63,600)
Other regions in the PRC	(18,435,323)	(203,741)
	(18,435,323)	(267,341)
Deferred taxation		
Current year	192,971,447	(196,792,303)
Attributable to a change in tax rate in opening balance	-	(17,931,076)
Attributable to the change in expected reversal date of temporary differences	(8,754,226)	-
	<u>165,781,898</u>	<u>(214,990,720)</u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for the years. Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant regions.

The PRC promulgated the Law of The PRC on Enterprise Income Tax (the "New Law") by Order No.63 of the President of the PRC on 16 March 2007. The State Council of the PRC issued Implementation Regulations of the New Law and the Notification of the State Council on Carrying Out the Transitional Preferential Policies concerning Enterprise Income Tax (Guo Fa (2007) No.39) on 6 December 2007 and 26 December 2007 respectively. Accordingly, the applicable Enterprise Income tax rate for a PRC subsidiary of the Company in 2008 is 18% (2007: 15%) and such tax rate will be gradually increased to 25% in 2012. Other PRC incorporated entities which incorporated after 15 March 2007, are subject to 25% tax rate for Enterprise Income Tax with effect from 1 January 2008.

5. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share is based on the loss for the year of US\$620,278,464 (2007: a profit of US\$594,668,033) and the weighted average number of 149,145,600 ordinary shares (2007: 147,145,600 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\$334,407,214 (2007: US\$905,334,943) and 149,145,600 ordinary shares (2007: 149,145,600 ordinary shares) of US\$0.10 each in issue.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year of 2008 (2007: Nil).

BOOK CLOSURE

The register of members of the Company will be closed from 14 May 2009 to 18 May 2009, 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 13 May 2009.

REVIEW AND OUTLOOK

Overall Performance

China Merchants China Direct Investments Limited and its subsidiaries (the "Group") recorded a loss attributable to equity shareholders of US\$620.28 million for the year ended 31 December 2008, as compared to a profit attributable to equity shareholders for 2007 of US\$594.67 million. This performance was attributable to a significant decrease in fair value of financial assets designated at fair value through profit or loss (the "financial assets"). As of 31 December 2008, the net assets of the Group were US\$334.41 million (31 December 2007: US\$905.33 million), with a net asset value per share of US\$2.242 (31 December 2007: US\$6.07).

For the year 2008, loss on change in fair value of the financial assets was US\$783.31 million (gain on change in fair value of the financial assets for 2007: US\$917.35 million). The significant change in the fair value was attributed to the fact that the Group's investments in both China Merchants Bank Co., Ltd. ("CMB") and Industrial Bank Co., Ltd. ("INDB") recorded a loss on change in fair value and with a decrease of US\$400.01 million and US\$421.74 million, respectively, compared to the end of 2007.

Total investment income for the year increased by 47.28% to US\$12.77 million (2007: US\$8.67 million). This was mainly due to a significant increase in dividend income from CMB, INDB and China Credit Trust Co., Ltd.

Material Acquisitions and Disposals of Investments

The Group has stepped up its efforts in the search for investment opportunities, and intensive due diligence was completed on projects in financial services, culture and media, energy, environmental protection and consumer related industries. The Group entered into an agreement with the National Basketball Association of the United States (NBA) on 10 January 2008 and invested US\$23 million in NBA China, L.P., representing a 1% preferred equity stake in the project.

The Group held an extraordinary general meeting on 16 January 2008, and at the meeting a mandate was issued to the Group. Under the mandate, the Group could dispose of its entire holding of A shares of INDB within one year, at a price no less than RMB28 per share. The Group held another extraordinary general meeting on 15 December 2008, and at the meeting two separate mandates were issued to the Group. Under the mandates, the Group can dispose of its entire holding of A shares of both CMB and INDB within one year, at prices of no less than RMB4.62 per share and no less than RMB7.78 per share, respectively. During the reporting period, the Group disposed of 5.945 million A shares of CMB and 19.20 million A shares of INDB in total, and the aggregate net proceeds amounted to RMB472.90 million.

On 30 April 2008, the Group entered into a share transfer agreement with an independent third party for the sale of its 0.28% equity interest in China Merchants Securities Co., Ltd. ("CMS") at a consideration of RMB140.30 million, which was confirmed to be reasonable by an independent assessment. The transaction was completed in May 2008 and our internal rate of return from the investment was 42%.

Liquidity, Financial Resources, Gearing and Capital Commitments

The Group's cash on hand increased by 123%, from US\$45.69 million as of the end of 2007 to US\$101.99 million as of 31 December 2008, mainly due to the cash received from disposition of certain A shares of CM B, certain A shares of INDB and its entire holding in CMS, in excess of its investment in NBA China, L.P.

As of 31 December 2008, the Group had no outstanding bank loans (2007: nil) nor capital commitments (2007: US\$23 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 conversion rate of RMB against U.S. dollar recorded an increase of 6.4% in 2008, which had a positive impact on the Group since it holds considerable amount of assets denominated in RMB.

Employees

Other than a qualified accountant whose remuneration is 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 2008, the Group had total investments of US\$423.93 million – US\$423.23 million in direct investments and US\$0.70 million in bonds. The major direct investment projects were in financial services of US\$384.06 million (72.88% of total assets), culture and media of US\$23.05 million (4.37%), manufacturing of US\$14.78 million (2.80%), and real estate and others of US\$1.34 million (0.26%). In addition, the Group had cash on hand of US\$101.99 million, accounting for 19.35% of the Group's total assets as of 31 December 2008.

Prospects

In 2009, the impact of world financial crisis on China's macroeconomy is expected to deepen. The excessive production capacity, sharp reduction in exports and high unemployment rate will all put pressure on Chinese economy. Despite the positive fiscal policy and monetary policy initiated by the Central Government involving a series of measures such as increases in infrastructure investment, improvements in people's livelihood and boosting consumption, which will help China's macroeconomy withstand the negative effects brought about by the world financial crisis, we are still unable to be optimistic about the pace of economic growth in 2009. The operation and investment activities of the Group will be influenced by all these factors, such as reduction of profit level of corporates, financial strain, an increasing possibility of poorly-performing assets of banks, and fluctuation of RMB exchange rates. However, at the same time, the adjustment of industry structure and the substantial decrease in asset prices that have come along with the financial crisis will bring more investment opportunities for the Group.

The Group will continuously make every effort to identify new potential investment projects, with an emphasis on investment opportunities in sectors such as financial services, culture and media, consumption, pharmaceutical, energy and environmental protection. The Group will also seek to turn its existing investments in order to seek better returns for shareholders.

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. Meanwhile, 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 suitable for the Company to hold regular Board meeting twice a year at a minimum.

Besides, at the forthcoming annual general meeting of the Company, resolutions will be put forth to approve the re-election of Mr. LI Yinquan and Mr. LI Kai Cheong, Samson as Directors of the Company pursuant to Article 101 of the Articles of Association of the Company. Under the authority granted by the shareholders at the annual general meeting of the Company held on 26 May 2008, the Board of Directors resolved that the Directors’ fee payable to Mr. LI Yinquan and Mr. LI Kai Cheong, Samson for the year ended 31 December 2008 be fixed at HK\$80,000 and HK\$60,000 respectively with reference to their duties and responsibility with the Company. However, according to the code provision A.4.2, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, i.e. the extraordinary general meeting of the Company held on 15 December 2008.

Finally, owing to a business trip, the former Chairman, Dr. FU Yuning has given an apology for not being able to host the annual general meeting of the Company which was held on 26 May 2008.

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 listed shares.

By Order of the Board
Mr. LI Yinquan
Chairman

Hong Kong, 7 April 2009

As at the date hereof, the Board of Directors of the Company comprises eight Directors, of which five are Executive Directors, namely Mr. LI Yinquan, 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 Mr. LI Kai Cheong, Samson, 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.