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 2014 INTERIM RESULTS

FINANCIAL RESULTS

The Board of Directors of China Merchants China Direct Investments Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
	NOTES	**2014** **(unaudited)** ***US$***	2013 *(unaudited)* *US$*
Change in fair value of financial assets at fair value through profit or loss		**28,990,000**	28,583,660
Investment income	*3*	**16,231,041**	21,188,122
Other gains		**220,978**	581,342
Administrative expenses		**(5,991,493)**	(5,191,693)
Share of results of associates		**(2,146,513)**	(1,354,027)
Gain on disposal of an associate		**9,751,658**	-
Profit before taxation	*5*	**47,055,671**	43,807,404
Taxation	*6*	**(8,204,547)**	(7,761,502)
Profit for the period attributable to owners of the Company		**38,851,124**	36,045,902
Other comprehensive (loss) income			
Items that will not be reclassified subsequently to profit or loss			
Exchange difference arising on translation		**(4,491,288)**	8,248,306
Share of change in translation reserve of associates		**(166,855)**	360,866
Item that may be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale financial assets		**-**	(7,045)
Other comprehensive (loss) income for the period, net of tax		**(4,658,143)**	8,602,127
Total comprehensive income for the period		**34,192,981**	44,648,029
Profit for the period attributable to owners of the Company		**38,851,124**	36,045,902
Total comprehensive income for the period attributable to owners of the Company		**34,192,981**	44,648,029
Earnings per share			
Basic	*7*	**0.255**	0.228
Diluted	*7*	**0.255**	0.224

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	**30 June 2014** ***(unaudited)*** ***US$***	31 December 2013 *(audited)* *US$*
Non-current assets			
Interests in associates		**-**	17,158,887
Financial assets at fair value through profit or loss		**288,229,825**	310,640,112
		288,229,825	327,798,999
Current assets			
Financial assets at fair value through profit or loss		**282,606,697**	244,845,058
Other receivables		**15,921,390**	758,048
Bank balances and cash		**45,190,755**	27,253,376
		343,718,842	272,856,482
Assets classified as held for sale		**14,845,519**	-
		358,564,361	272,856,482
Current liabilities			
Other payables		**31,325,809**	24,467,197
Dividend payable		**9,139,981**	-
Taxation payable		**1,884**	41,028
		40,467,674	24,508,225
Net current assets		**318,096,687**	248,348,257
Total assets less current liabilities		**606,326,512**	576,147,256
Non-current liabilities			
Financial liabilities at fair value through profit or loss		**2,055,178**	1,759,244
Deferred taxation		**77,683,568**	72,853,246
		79,738,746	74,612,490
Net assets		**526,587,766**	501,534,766
Capital and reserves			
Share capital		**139,348,785**	15,233,301
Share premium and reserves		**127,090,389**	255,864,016
Retained profits		**260,148,592**	230,437,449
Equity attributable to owners of the Company		**526,587,766**	501,534,766
Net asset value per share	*8*	**3.457**	3.292

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these condensed consolidated financial statements is determined on such a basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – Int 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. INVESTMENT INCOME

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

	Six months ended 30 June	
	2014	2013
	(unaudited)	*(unaudited)*
	US$	*US$*
Interest income	**628,345**	699,305
Dividend income on financial assets designated at fair value through profit or loss ("**FVTPL**")	**15,602,696**	20,488,817
Total	**16,231,041**	21,188,122

4. SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the executive management for the purposes of resources allocation and performance assessment (since the size of investments in energy and resources, agriculture, medical and pharmaceutical, real estate and other types of investing activities is not significant, these investments are aggregated and reported as "Others"), are as follows:

(a) Financial services: investees engaged in financial services activities.
(b) Culture and media: investees engaged in culture and media activities.
(c) Manufacturing: investees engaged in manufacturing of products activities.
(d) Information technology: investees engaged in information technology activities.
(e) Others: investees engaged in investments related to energy and resources, agriculture, medical and pharmaceutical, real estate activities and other types of investing activities.

Information regarding the above segments is reported below:

The following is an analysis of the Group's reportable and operating segments for the period under review.

For the six months ended 30 June 2014

	Financial services *US$*	**Culture and media** *US$*	**Manufacturing** *US$*	**Information technology** *US$*	**Others** *US$*	**Total** *US$*
Change in investment value	**(3,941,203)**	**16,442,452**	**(3,953,225)**	**19,296,128**	**(1,000,665)**	**26,843,487**
Gain on disposal of an associate	**-**	**-**	**-**	**-**	**9,751,658**	**9,751,658**
Dividend income on financial assets designated at FVTPL	**15,537,823**	**-**	**64,873**	**-**	**-**	**15,602,696**
Interest income on financial assets designated at FVTPL	**-**	**-**	**-**	**194,619**	**-**	**194,619**
Other gains	**-**	**220,978**	**-**	**-**	**-**	**220,978**
Segment profit (loss)	**11,596,620**	**16,663,430**	**(3,888,352)**	**19,490,747**	**8,750,993**	**52,613,438**
Unallocated:						
- Administrative expenses						**(5,991,493)**
- Interest income on bank deposits						**433,726**
Profit before taxation						**47,055,671**

For the six months ended 30 June 2013

	Financial services *US$*	Culture and media *US$*	Manufacturing *US$*	Information technology *US$*	Others *US$*	Total *US$*
Change in investment value	(28,282,727)	53,610,074	(6,234,186)	(718,630)	8,855,102	27,229,633
Dividend income on financial assets designated at FVTPL	18,438,532	1,519,463	-	530,822	-	20,488,817
Interest income from available-for-sale financial assets	-	-	-	-	20,300	20,300
Other gains	-	98,912	-	-	-	98,912
Segment (loss) profit	(9,844,195)	55,228,449	(6,234,186)	(187,808)	8,875,402	47,837,662
Unallocated:						
- Administrative expenses						(5,191,693)
- Interest income on bank deposits						679,005
- Other gains						482,430
Profit before taxation						43,807,404

Segment profit (loss) represents the change in investment value (including change in fair value of financial assets at FVTPL and share of results of associates) and the corresponding dividend income, interest income and other gains earned by each segment without allocation of central administrative expenses, fees to the Investment Manager, interest income on bank deposits and certain other gains. This is the measure reported to the executive management for the purposes of resources allocation and performance assessment. No separate segment revenue (i.e. investment income) is disclosed as it had been presented in the computation of segment profit (loss).

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	30 June 2014 *(unaudited)* *US$*	31 December 2013 *(audited)* *US$*
Segment assets		
Financial services	**342,690,358**	348,162,186
Culture and media	**169,292,107**	149,151,488
Manufacturing	**25,365,932**	30,066,521
Information technology	**34,631,387**	15,434,400
Others	**29,015,049**	30,293,067
Total segment assets	**600,994,833**	573,107,662
Unallocated	**45,799,353**	27,547,819
Consolidated assets	**646,794,186**	600,655,481
Segment liabilities		
Financial services	**7,236**	5,718
Culture and media	**1,129,939**	1,029,484
Manufacturing	**141,359**	172,263
Information technology	**468,879**	221,834
Others	**307,765**	329,945
Total segment liabilities	**2,055,178**	1,759,244
Unallocated	**118,151,242**	97,361,471
Consolidated liabilities	**120,206,420**	99,120,715

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to reportable segments other than certain other receivables, bank balances and cash, and all liabilities are allocated to reportable segments other than other payables, dividend payable, current and deferred tax liabilities.

During the period, the Group was principally involved in investing in companies with significant business involvement in the People's Republic of China ("**PRC**"), hence no geographical information in relation to the investing activities are presented.

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2014	2013
	(unaudited)	*(unaudited)*
	US$	*US$*
Profit before taxation has been arrived at after charging (crediting):		
Investment Manager's management fee	**4,947,998**	4,469,545
Net foreign exchange losses (gains)	**17,317**	(1,784)

6. TAXATION

	Six months ended 30 June	
	2014	2013
	(unaudited)	*(unaudited)*
	US$	*US$*
The tax charge for the period comprises:		
Current tax:		
PRC Enterprise Income Tax	**(2,844,595)**	(654,941)
Deferred taxation		
Current period	**(5,359,952)**	(7,106,561)
Total	**(8,204,547)**	(7,761,502)

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company and its subsidiaries had no assessable profits for both periods. PRC Enterprise Income Tax is calculated at the rates prevailing in the relevant regions.

Under the Law of the PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June	
	2014	2013
	(unaudited)	*(unaudited)*
Earnings for the purpose of basic and diluted earnings per share (US$)	**38,851,124**	36,045,902
Number of ordinary shares for the purpose of basic earnings per share	**152,333,013**	158,343,417
Effect of dilutive potential ordinary shares:		
Scrip shares under dividend payment	-	2,342,757
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**152,333,013**	160,686,174
Earnings per share		
Basic (US$)	**0.255**	0.228
Diluted (US$)	**0.255**	0.224

Basic and diluted earnings per share were the same as at 30 June 2014 as there were no dilutive potential shares outstanding during the period.

8. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the following data:

	30 June 2014	31 December 2013
	(unaudited)	*(audited)*
Net asset value (US$)	**526,587,766**	501,534,766
Number of ordinary shares in issue	**152,333,013**	152,333,013
Net asset value per share (US$)	**3.457**	3.292

9. MOVEMENT IN SHARE PREMIUM AND RESERVES

	Six months ended 30 June	
	2014	2013
	(unaudited)	*(unaudited)*
	US$	*US$*
At 1 January	**486,301,465**	462,568,020
Change in translation reserve	**(4,658,143)**	8,609,172
Change in fair value of available-for-sale financial assets	**-**	(7,045)
Profit for the period	**38,851,124**	36,045,902
Dividends declared for the last year	**(9,139,981)**	(7,917,171)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	**(124,115,484)**	-
At 30 June	**387,238,981**	499,298,878

REVIEW AND PROSPECTS

OVERALL PERFORMANCE

The Group recorded a profit attributable to equity shareholders of US$38.85 million for the six months ended 30 June 2014, compared to a profit attributable to equity shareholders of US$36.05 million for the same period last year, representing an increase of US$2.80 million or 7.77% – with the profit increase largely attributable to a rise in fair value of the financial assets designated at FVTPL (the "**Financial Assets**") as well as a gain on the disposal of an associate. As of 30 June 2014, the net assets of the Group (net of the dividend of US$9.14 million for 2013) were US$526.59 million (31 December 2013: US$501.53 million), with a net asset value per share of US$3.457 (31 December 2013: US$3.292).

For the period, the gain on change in fair value of the Financial Assets was US$28.99 million (six months ended 30 June 2013: US$28.58 million), representing an increase of 1.43% over the same period last year and comprised the fair value change of listed and unlisted direct investments with a loss of US$7.38 million and a gain of US$36.37 million, respectively.

Total investment income for the period decreased by 23.41% to US$16.23 million compared to the same period last year (six months ended 30 June 2013: US$21.19 million), due primarily to a decrease in dividend income from investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In the first half of 2014, the Group continued to seek out and rigorously evaluate investment opportunities, and entered in a culture and media project in the period:

On 16 April 2014, the Group made a cash injection of US$2.02 million into China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**") for the sole purpose of investing in IMAX China Holding, Inc. ("**IMAX China**"). IMAX China holds the exclusive rights to conduct, offer and expand the various businesses, products and services currently conducted in the Greater China Region by IMAX Corporation.

In addition, the Group disposed of certain investment projects in the period:

On 5 June 2014, the Group completed the disposal of its holding of a 19.80% effective equity interest in China Merchants Plaza (Shanghai) Property Co., Ltd. ("**China Merchants Plaza**") to a connected person for a price of RMB60 million (Hong Kong dollar equivalent), an amount that was arrived at through an arm's length negotiation between the Group and the connected person and with reference to an appraisal by a professional independent third party. The pre-tax internal rate of return to the Group from China Merchants Plaza was 2.49%.

The Group was granted authorisation by its shareholders to dispose of its entire holding of A shares of both China Merchants Bank Co., Ltd. ("**CMB**") and Industrial Bank Co., Ltd. ("**IBC**"). During the period, the Group did not dispose of any A shares of IBC, but disposed of 8 million A shares of CMB, with net proceeds from the disposal of US$13.88 million.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

The Group's cash on hand increased by 65.83%, from US$27.25 million at the end of last year to US$45.19 million (representing 6.99% of the Group's total assets) as of 30 June 2014, due primarily to the disposal of some of the A shares of CMB as well as the China Merchants Plaza project in the period.

As of 30 June 2014, the Group had no outstanding bank loans (31 December 2013: Nil).

As of 30 June 2014, the Group had a capital commitment of US$6.72 million (31 December 2013: US$9.71 million) for an investment that was approved but not yet provided for in the financial statements – specifically, for future payments related to an investment in China Media Investment.

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**"). For the first half of 2014, the conversion rate of the RMB against the US dollar recorded a decrease of approximately 0.92%, which had an impact on the Group since it holds a considerable amount of assets denominated in RMB.

EMPLOYEES

Other than a qualified accountant whose remuneration package is determined and borne by the Investment Manager, the Group has no employees. The Investment Manager handles the portfolio and day-to-day administration of the Group.

THE PORTFOLIO

As of 30 June 2014, the Group's total investments, which were all direct investments, amounted to US$585.68 million. The sector distribution of direct investments was US$327.38 million in financial services (representing 50.62% of the Group's total assets), US$169.29 million in culture and media (26.17%), US$25.37 million in manufacturing (3.92%), and US$63.64 million in other ventures (including energy and resources, information technology, agriculture and medical and pharmaceutical) (9.84%). In addition, cash on hand was US$45.19 million, representing 6.99% of the Group's total assets as of 30 June 2014.

PROSPECTS

In the first half of 2014, in the face of a complex and ever-changing domestic and international environment, the Central Government launched relatively mild "growth-stabilising" economic stimulation policies, including two targeted reserve ratio cuts, adjustments to loan-to-deposit ratios, the "renovation of shanty houses" arranged by the State Council, affirmation of deepening the reform on the investment and financing of railways, and tax reductions for small and medium sized enterprises. These, among other measures, encouraged the national economy to run steadily as a whole. In the first half of 2014, the gross domestic product (GDP) reached RMB26.90 trillion, representing an increase of 7.4% year on year. It is shown from the data that, the economic growth rate of China in the first half of the year slowed as compared to the same period last year, but remained within a reasonable range, and new progresses had been made in the adjustment of economic structures, as well as in industrial transformation and improvement. Given the relatively slowing GDP growth of China in 2014, it is expected that operating results of the Group's investee companies, which have operations mainly in China, are affected to some extent.

Looking ahead to the second half of 2014, the global economy as a whole will bottom out and slowly recover, despite the fact that improving prospects and the global recovery remain vulnerable, with material downside risks. As the advanced economies resume and enhance economic growth along the way, their demands for exported goods from emerging and developing economies will also increase. However, in view of concerns on potential risks of capital flow reversals, demand for large scale financing and disordered currency devaluations, some emerging market economies have further tightened their financial measures, leading to an increase in the cost of capital, which is expected to curb investment and slow economic growth. Under these circumstance, the Central Government for the first time proposed that the economic development in China should adapt to a new normal status, and raised the perspective of national security to the most prominent position. It placed emphasis on reducing reliance on foreign capital in the financial and industrial sectors. This will result in a new change, i.e. national enterprises will become the more important candidates for the upgrading and reorganisation of industrial structure. This is the trend of the economic structure adjustment in China in the future, i.e. the Central Government will focus more on the development of proprietary intellectual property rights and on strengthening its own economic power. In addition, the Central Government also emphasized that it will refrain from re-initiating large scale stimulation, and will instead revitalise market forces through reform and enhancing targeted regulation on top of interval regulation, and stabilising China's economy through a series of growth-stabilising, reform-promoting, structure-adjusting and livelihood benefiting measures, so that the major economic indicators, such as the economic growth rate, unemployment rate and price level inflation can be maintained within a reasonable range. In general, along with a consistent recovery of the overseas economy in the second half of the year, China's economy will consistently and mildly recover. The changes within China in its internal and external development strategies will have a profound influence on the stabilisation and recovery of the economy. It is expected that despite the measures to curb consumption with public funds and the slowdown of income growth, domestic consumption will maintain stable growth; the real estate investment growth rate will gradually fall; the manufacturing industry affected by excess production capacity will decline slowly, and as driven by the favourable policies, the investment in infrastructures will maintain a stable source of growth, with demonstrating effect to the investment in fixed assets. In addition, the growth rate of foreign trade will return to a medium to low level with limited room for growth. Given the macroeconomic framework of growth-stabilising, reform-promoting, structure-adjusting as advocated by the Central Government, and the mild acceleration of the China's economy in the second half of 2014, it is expected that new investment opportunities for the Group will emerge.

In the environment where challenges and opportunities co-exist, the Group will continue to make every effort to identify new investment projects, while maintaining an emphasis on investment opportunities in consumer goods (with particular focus on consumer-oriented projects in second and third tier cities), culture and media, advanced manufacturing, non-traditional financial services, energy, agriculture, medical and pharmaceutical, etc., and to seek to optimise its mix of investments in order to create greater shareholder value.

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

A dividend payment of US$9,139,981 (2012: US$7,917,171), being a final dividend of US$0.06 per share (2012: final dividend of US$0.05 per share (with scrip option)), for the year ended 31 December 2013 was approved by the shareholders on 21 May 2014 and was subsequently paid by the Company in cash on 31 July 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

CORPORATE GOVERNANCE

The condensed consolidated financial statements are unaudited, but have been reviewed by Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, whose independent review report is included in the interim report to be sent to shareholders. The condensed consolidated financial statements have been reviewed by the Company's Audit Committee.

The Company has complied with all the code provisions of Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the reporting period except as stated below:

The Stock Exchange of Hong Kong Limited has granted a waiver to the Company for establishment of remuneration committee on condition that the Executive Directors and senior management of the Company will not receive any Directors' fee or emolument from the Company. Thus, no remuneration committee has been established by the Company.

Besides, owing to a business trip, the Chairman, Mr. LI Yinquan, has given an apology for not being able to attend and chair the annual general meeting of the Company which was held on 21 May 2014.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted codes of conduct regarding securities transactions by Directors set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules. On specific enquiries made, all Directors have confirmed that, in respect of the reporting period, they have complied with the required standard set out in the Model Code regarding Directors' securities transactions.

By Order of the Board
LI Yinquan
Chairman

Hong Kong, 28 August 2014

As at the date hereof, the Executive Directors of the Company are Mr. LI Yinquan, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit; the Non-executive Director is Mr. KE Shifeng; and the Independent Non-executive Directors are Mr. LIU Baojie, Mr. XIE Tao, Mr. ZHU Li and Mr. TSANG Wah Kwong. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor.