



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 2007 INTERIM RESULTS

FINANCIAL RESULTS

The Board of Directors of China Merchants China Direct Investments Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2007	2006
		(unaudited)	(unaudited)
	NOTES	US\$	US\$
Turnover	3	7,079,431	1,988,805
Increase in fair value of financial assets at fair value through profit or loss		364,336,547	20,054,251
Net gain on disposal of financial assets at fair value through profit or loss		31,512	539,329
Other income		1,096,215	392,211
Administrative expenses		(48,150,000)	(1,748,891)
Share of results of associates		1,346,342	936,409
Profit before taxation	5	325,740,047	22,162,114
Taxation	6	(54,229,498)	(2,967,326)
Profit attributable to equity shareholders		271,510,549	19,194,788
Earnings per share	7	1.845	0.140

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2007 (unaudited) US\$	31 December 2006 (audited) US\$
NOTE		
Non-current assets		
Interests in associates	15,727,074	13,983,895
Financial assets at fair value through profit or loss	628,720,279	266,160,877
Other investments in financial assets	4,698,773	5,698,563
	649,146,126	285,843,335
Current assets		
Financial assets at fair value through profit or loss	2,753,001	-
Other receivables	2,095,041	106,766
Cash and bank balances	45,671,176	27,672,116
	50,519,218	27,778,882
Current liabilities		
Other payables	49,522,106	19,036,410
Taxation payable	65,331	51,533
	49,587,437	19,087,943
Net current assets	931,781	8,690,939
Total assets less current liabilities	650,077,907	294,534,274
Non-current liability		
Deferred taxation	85,812,509	31,662,164
NET ASSETS	564,265,398	262,872,110
CAPITAL AND RESERVES		
Share capital	14,914,560	13,714,560
Reserves	549,350,838	249,157,550
TOTAL CAPITAL AND RESERVES	564,265,398	262,872,110
NET ASSET VALUE PER SHARE	3.783	1.917

Notes:

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 ("HKAS 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 under the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2007. The adoption of these new HKFRSs has no material effect on how the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Potential impact arising from the recently issued accounting standards

The Group has not early applied the following new HKFRSs, that have been issued but are not yet effective and are pertinent to the operations of the Group. The Group considers that it is not yet in a position to reasonably ascertain how the following new HKFRSs may affect the preparation and presentation of the results of operations and financial position of the Group.

HKAS 23 (Revised)	Borrowing Cost ¹
HKFRS 8	Operating Segments ¹
HK (IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions ²
HK (IFRIC) – INT 12	Service Concession Arrangements 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.

3. TURNOVER

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

	Six months ended 30 June	
	2007	2006
	US\$	US\$
Interest income	918,922	334,299
Dividend income	6,160,509	1,654,506
	7,079,431	1,988,805

4. SEGMENTAL INFORMATION

During the period, the Group was principally involved in investing in companies with significant business involvement in the PRC. Accordingly, no analysis of segmental information by principal activity or by geographical location is presented.

5. PROFIT BEFORE TAXATION

Six months ended 30 June	
2007	2006
US\$	US\$

Profit before taxation has been arrived at after charging (crediting):

Share of taxation on results of associates		
Other regions in the PRC	290,201	260,527
Investment manager's management fee	5,684,274	1,555,567
Investment manager's performance fee	42,084,626	-
Net foreign exchange gain	(1,087,188)	(382,578)

6. TAXATION

Six months ended 30 June	
2007	2006
US\$	US\$

The tax charge for the period comprises:

The Company and its subsidiaries

Current tax:

Other regions in the PRC	79,153	35,232
Deferred taxation	54,150,345	2,932,094
	54,229,498	2,967,326

No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaries had no assessable profits for both periods.

PRC profits tax is calculated at 15% on the estimated assessable profits for the periods. On 16 March 2007, the People's Republic of China 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 People's Republic of China, which will change the tax rate from 15% to 25% for a PRC subsidiary of the Group from 1 January 2008. The New Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Group will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2007	2006
Earnings for the purpose of basic earnings per share (US\$)	271,510,549	19,194,788
Weighted average number of ordinary shares for the purpose of basic earnings per share	147,145,600	137,145,600

8. NET ASSET VALUE PER SHARE

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

	30 June	31 December
	2007	2006
Net asset value (US\$)	564,265,398	262,872,110
Number of ordinary shares in issue	149,145,600	137,145,600

9. MOVEMENT IN RESERVES

	Six months ended 30 June	
	2007	2006
	US\$	US\$
At 1 January	249,157,550	132,956,402
Exchange difference on translation of financial statements of foreign entities not recognised in income statement	715,539	221,311
Share premium on issue of ordinary shares	27,967,200	-
Profit for the period	271,510,549	19,194,788
At 30 June	549,350,838	152,372,501

REVIEW AND PROSPECTS

Overall Performance

The Group recorded a profit attributable to shareholders of US\$271.51 million for the six months ended 30 June 2007, representing an increase of 1,315% over the same period of 2006. This was attributable to a significant increase in the fair value of financial assets at fair value through profit or loss (the "financial assets"). As of 30 June 2007, the net assets of the Group were US\$564.27 million (31 December 2006: US\$262.87 million), with a net asset value per share of US\$3.783 (31 December 2006: US\$1.917).

Total turnover for the period increased by 256% to US\$7.08 million (2006: US\$1.99 million). This was due mainly to an increase in dividend income from Industrial Bank and China Credit Trust.

During the period under review, the increase in fair value of the financial assets amounted to US\$364.34 million (2006: US\$20.05 million). This was attributable to the substantial revaluation gains of both China Merchants Bank and Industrial Bank whose values increased by US\$129.98 million and US\$228.01 million respectively.

Material Acquisitions and Disposals of Investments

The Group actively explored new investment opportunities, and studied a certain number of potential investment projects during the reporting period. Some of the projects have been identified and are now under implementation.

Liquidity, Financial Resources, Gearing and Capital Commitments

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

The Group's cash on hand increased by 65%, from US\$27.67 million as of the end of last year to US\$45.67 million as of 30 June 2007. The increase was mainly due to the completion of the fund raising exercise during the reporting period.

As of 30 June 2007, the Group had no outstanding bank loans or capital commitments.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Since the People's Bank of China announced the reform of the Renminbi ("RMB") exchange rate regime in 2005, the exchange rate of RMB against USD has been appreciating gradually. As most of the Group's investments are located in China where the official currency is the RMB, the continual appreciation of the RMB has been benefiting the Group.

Employees

Other than a qualified accountant whose remuneration is 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 2007, the Group had total investments of US\$651.89 million which consisted of US\$643.47 million (91.96% of the Group's total assets) in direct investment projects, US\$2.75 million (0.39%) in listed shares, and US\$5.67 million (0.81%) in bonds/notes. The majority of the Group's direct investment projects resided in financial services which amounted to US\$627.71 million (89.71% of the Group's total assets), with the rest in manufacturing, real estate and educational facilities which amounted to US\$15.76 million (totalling 2.25%). As of 30 June 2007, net cash amounted to US\$45.67 million, accounting for 6.52% of the Group's total assets.

Prospects

The year-on-year growth of the Chinese economy accelerated to 11.5% in the first half of 2007 against 10.9% recorded in the same period of last year. The consumer price index rose 3.2% year-on-year in the first half of the year and even hitting 6.5% in August, a record high in recent years. It is believed that the central government will step up its austerity measures in the latter part of 2007 to prevent economic overheating. Nevertheless, the Chinese economy is believed to keep its growth in a steady but relatively rapid pace. The Group's financial services investments that already accounted for a major portion of the Group's portfolio continue to benefit from the steady growth of the economy and the deepening of the reforms. In the meantime, it continues to bring more business opportunities for the Group to invest in other industries. The Group continuously makes every effort to identify suitable investment projects, while it actively helps promote the listing of its existing projects and tries to switch projects on a timely basis so as to seek better returns for shareholders.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period ended 30 June 2007 (2006: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the period ended 30 June 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

CORPORATE GOVERNANCE

The interim financial report is unaudited, but has 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 interim financial report has also been reviewed by the Company's Audit Committee.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the reporting period except 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.

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 of 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
Xie Kuixing
Executive Director

Hong Kong, 14 September 2007

As at the date hereof, the Board of Directors of the Company comprises ten Directors, of which five are Executive Directors, namely Dr. FU Yuning, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Mr. XIE Kuixing and Mr. TSE Yue Kit; and two are Non-executive Directors, namely Mr. WANG Xingdong and Mr. GONG Jianzhong; 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.