



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 2008 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 2008 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2008	2007
		(unaudited)	(unaudited)
	<i>NOTES</i>	US\$	US\$
Investment income	3	12,067,116	7,079,431
Change in fair value of financial assets at fair value through profit or loss		(471,802,373)	364,368,059
Other income		142,338	1,096,215
Administrative expenses		(9,002,488)	(48,150,000)
Share of results of associates		1,544,307	1,346,342
(Loss)/profit before taxation	5	(467,051,100)	325,740,047
Taxation	6	103,607,126	(54,229,498)
(Loss)/profit attributable to equity shareholders		(363,443,974)	271,510,549
(Loss)/earnings per share	7	(2.437)	1.845

CONDENSED CONSOLIDATED BALANCE SHEET

	30 June 2008 (unaudited) US\$	31 December 2007 (audited) US\$
<i>NOTES</i>		
Non-current assets		
Interests in associates	20,651,957	17,898,812
Financial assets at fair value through profit or loss	475,056,445	637,431,863
Other investments in financial assets	696,284	697,011
	496,404,686	656,027,686
Current assets		
Financial assets at fair value through profit or loss	295,508,157	560,168,661
Other receivables	7,612,411	99,308
Cash and bank balances	71,020,545	45,687,332
	374,141,113	605,955,301
Current liabilities		
Other payables	118,660,665	110,098,943
Taxation payable	7,203,241	163,558
	125,863,906	110,262,501
Net current assets	248,277,207	495,692,800
Total assets less current liabilities	744,681,893	1,151,720,486
Non-current liability		
Deferred taxation	151,457,365	246,385,543
NET ASSETS	593,224,528	905,334,943
CAPITAL AND RESERVES		
Share capital	14,914,560	14,914,560
Reserves	578,309,968	890,420,383
TOTAL CAPITAL AND RESERVES	593,224,528	905,334,943
NET ASSET VALUE PER SHARE	8	3.977
		6.070

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 ("HKAS34") "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.

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 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008.

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 adoption of the new Interpretations had no material effect on the results or financial position of the Group for current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23(Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combination ²
HKFRS 8	Operating segments ¹
HK(IFRIC) - INT 13	Customer loyalty programmes ³

¹ Effective for accounting periods beginning on or after 1 January 2009

² Effective for accounting periods beginning on or after 1 July 2009

³ Effective for accounting periods beginning on or after 1 July 2008

The Group anticipates that the application of the new and revised standards, amendments or interpretations will have no material impact on the financial position of the Group.

3. INVESTMENT INCOME

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

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	US\$	US\$
Interest income	312,661	918,922
Dividend income	11,754,455	6,160,509
	12,067,116	7,079,431

4. SEGMENTAL INFORMATION

During the period, the principal business of the Group was 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. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	US\$	US\$
(Loss)/profit before taxation has been arrived at after charging (crediting)		
Share of taxation on results of associates		
Other regions in the PRC	147,265	290,201
Investment manager's management fee	8,592,541	5,684,274
Investment manager's performance fee	-	42,084,626
Net foreign exchange gain	(126,624)	(1,087,188)

6. TAXATION

Six months ended 30 June	
2008	2007
(Unaudited)	(Unaudited)
US\$	US\$

The tax charge for the period comprises:

The Company and its subsidiaries

Current tax:

Other regions in the PRC	6,990,351	79,153
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Deferred taxation

(110,597,477)	54,150,345
(103,607,126)	54,229,498

Hong Kong profits tax is calculated at 16.5% (2007 : 17.5%) on the estimated assessable profits for the period. 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. Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant periods.

The PRC 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 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 effective from 1 January 2008.

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the following data:

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
(Loss)/earnings for the purpose of basic (loss)/earnings per share (US\$)	(363,443,974)	271,510,549
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	149,145,600	147,145,600
(Loss)/earnings per share (US\$)	(2.437)	1.845

8. NET ASSET VALUE PER SHARE

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

	30 June 2008 (Unaudited)	31 December 2007 (Audited)
Net asset value (US\$)	593,224,528	905,334,943
Number of ordinary shares in issue	149,145,600	149,145,600
Net asset value per share (US\$)	3.977	6.070

9. MOVEMENT IN RESERVES

	Six months ended 30 June 2008 (Unaudited) US\$	2007 (Unaudited) US\$
At 1 January	890,420,383	249,157,550
Exchange difference on translation of financial statements of foreign entities not recognised in income statement	51,333,559	715,539
Share premium on issue of ordinary shares	-	27,967,200
(Loss)/profit for the period	(363,443,974)	271,510,549
At 30 June	578,309,968	549,350,838

REVIEW AND PROSPECTS

Overall Performance

The Group recorded a loss attributable to equity shareholders of US\$ 363.44 million for the six months ended 30 June 2008, compared to a profit attributable to equity shareholders of US\$ 271.51 million for the same period in 2007. The loss was mainly attributable to a significant decline in the fair value of financial assets. As of 30 June 2008, the net assets of the Group were US\$ 593.22 million (31 December 2007: US\$ 905.33 million), with a net asset value per share of US\$ 3.977 (31 December 2007: US\$ 6.070).

Total investment income for the period increased by 70 % to US\$ 12.07 million (2007: US\$ 7.08 million). This increase was due mainly to significant growth in dividend income from China Merchants Bank, Industrial Bank and China Credit Trust Company, Limited.

For the period, the loss on the change in fair value of financial assets was US\$ 471.80 million (2007: a gain of US\$ 364.37 million), and was mainly attributable to the significant decrease in fair value of two financial assets, namely China Merchants Bank and Industrial Bank. Their valuation decreased by US\$ 190.26 million and US\$ 264.66 million respectively as compared to the end of last year.

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, energy, environmental protection, manufacturing 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\$ 23.00 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 was authorised at the meeting to sell all 84 million A shares of Industrial Bank at a price of not less than RMB28 per share within a year. Pursuant to the authorisation and after considering market conditions, the Group has sold a portion of the shares.

On 30 April 2008, the Group entered into a share transfer agreement with an independent third party for the sale of its 0.28% interest in China Merchants Securities Company, Limited at consideration of RMB 140.30 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 55 %, from US\$ 45.69 million at the end of 2007 to US\$ 71.02 million as of 30 June 2008, due to the sales of our interests in China Merchants Securities Company, Limited and Industrial Bank.

As of 30 June 2008, 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 implemented a reform of the Renminbi ("RMB") exchange rate mechanism, the RMB has appreciated gradually against the U.S. dollar. As most of the Group's investments are located in China where the official currency is the RMB, the Group has benefited from the appreciation of the RMB.

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 2008, the Group's total investment was US\$ 791.91 million, of which US\$ 791.17 million was direct investments (representing 90.88% of the Group's total assets) and US\$ 0.74 million was bonds (representing 0.08% of the Group's total assets). The sector distribution of our direct investment was US\$ 747.52 million in financial services (representing 85.87% of the Group's total assets), US\$23 million in consumer media (representing 2.64% of the Group's total assets) and an aggregate of US\$20.65 million in manufacturing, real estate and education facilities (representing 2.37% of the Group's total assets). Cash on hand was US\$ 71.02 million, representing 8.16% of the Group's total assets.

Prospects

During the first half of 2008, as the world economy slowed due to the U.S. sub-prime crisis, tight macroeconomic control measures implemented by the Central Government, and the occurrence of a series of natural disasters, China's economy cooled somewhat, and yet maintained a relatively high growth rate. During the half year, China's economy grew 10.4% year-on-year, which was 1.8% lower than the growth rate in the same period of 2007. The Consumer Price Index ("CPI") rose 7.9% year-on-year in the first half of the year. The CPI, after reaching a two-year high in May, decreased in June. For the second half of 2008, it is expected that the main targets of macroeconomic policy will continue to be fighting inflation and excess liquidity, and the Central Government will implement such measures with an appropriate level of tightness. While the tight credit control, production cost increases and lower exports may reduce the profit of some corporations and create challenges for the Group's investment return, the continuing need for business financing may also provide the Group with new opportunities for direct investment. The Group will continuously make every effort to identify new investment projects, with an emphasis on investment opportunities in sectors such as financial services, energy, environmental protection, consumer and cultural promotion, and will also actively turn its existing investments in order 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 2008 (2007: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the period ended 30 June 2008, 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.

Further, owing to a business trip, the then Chairman, Dr. Fu Yuning, has given an apology for not hosting the annual general meeting of the Company which was held on 26 May 2008.

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

Mr. Li Yinquan

Chairman

Hong Kong, 12 September 2008

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. KUT Ying Hay, Mr. WANG Jincheng and Mr. LI Kai Cheong, Samson. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor.