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 2011 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 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2011	2010
		(unaudited)	*(unaudited)*
	NOTES	***US$***	*US$*
Change in fair value of financial assets at fair value through profit or loss		**9,783,205**	(123,777,685)
Investment income	*3*	**15,737,218**	12,281,011
Other gains and losses		**1,485,196**	167,267
Administrative expenses		**(10,450,582)**	(14,967,866)
Share of results of associates		**442,286**	3,114,507
Profit (loss) before taxation	*5*	**16,997,323**	(123,182,766)
Taxation	*6*	**(7,849,855)**	38,796,440
Profit (loss) for the period		**9,147,468**	(84,386,326)
Other comprehensive income (loss)			
Exchange difference arising on translation		**9,391,160**	2,898,809
Share of change in translation reserve of associates		**(227,449)**	96,924
Change in fair value of available-for-sale financial assets		**556**	22,734
Other comprehensive income for the period		**9,164,267**	3,018,467
Total comprehensive income (loss) for the period		**18,311,735**	(81,367,859)
Profit (loss) for the period attributable to owners of the Company		**9,147,468**	(84,386,326)
Total comprehensive income (loss) attributable to owners of the Company		**18,311,735**	(81,367,859)
Basic and diluted earnings (loss) per share	*7*	**0.061**	(0.566)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30 June 2011 *(unaudited)* US$**	31 December 2010 *(audited)* US$
Non-current assets			
Interests in associates		**22,906,471**	22,382,129
Financial assets at fair value through profit or loss		**218,017,831**	207,681,626
Available-for-sale financial assets		**722,560**	722,004
		241,646,862	230,785,759
Current assets			
Financial assets at fair value through profit or loss		**225,456,389**	307,667,689
Other receivables		**5,434,254**	299,032
Bank balances and cash		**154,686,952**	63,282,735
		385,577,595	371,249,456
Current liabilities			
Other payables		**39,108,767**	34,857,649
Dividend payable		**16,406,016**	-
Taxation payable		**23,467,348**	5,015,328
		78,982,131	39,872,977
Net current assets		**306,595,464**	331,376,479
Total assets less current liabilities		**548,242,326**	562,162,238
Non-current liabilities			
Financial liabilities at fair value through profit or loss		**908,905**	661,699
Deferred taxation		**58,021,461**	74,094,298
		58,930,366	74,755,997
Net assets		**489,311,960**	487,406,241
Capital and reserves			
Share capital		**14,914,560**	14,914,560
Share premium and reserves		**211,314,213**	202,149,946
Retained profits		**263,083,187**	270,341,735
Equity attributable to owners of the Company		**489,311,960**	487,406,241
Net asset value per share	*8*	**3.281**	3.268

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2011

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*.

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 2010.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issues
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 1 (Revised) (Amendments)	Presentation of financial statements – Presentation of items of other comprehensive income[2]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]

1 *Effective for annual periods beginning on or after 1 January 2013.*
2 *Effective for annual periods beginning on or after 1 July 2012.*

The new and revised HKFRSs on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these new and revised HKFRSs are applied early at the same time. The Group anticipates that these new and revised HKFRSs will be applied in the Group's consolidated financial statements for the financial year ending 31 December 2013.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

The Group is in the process of making an assessment of the impact of above-mentioned new and revised HKFRSs.

3. INVESTMENT INCOME

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	US$	*US$*
Interest income	**656,038**	449,728
Dividend income	**15,081,180**	11,831,283
Total	**15,737,218**	12,281,011

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, real estate and other types of investing activities are 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) Others: investees engaged in investments related to energy and resources, 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 segments for the period under review.

For the six months ended 30 June 2011

	Financial services *US$*	Culture and media *US$*	Manufacturing *US$*	Others *US$*	Total *US$*
Change in investment value	**11,505,817**	**(3,174,635)**	**1,710,895**	**183,414**	**10,225,491**
Dividend income	**11,998,461**	**3,081,344**	**-**	**1,375**	**15,081,180**
Interest income from available-for-sale financial assets	**-**	**-**	**-**	**20,300**	**20,300**
Other gains and losses	**7,421**	**53,628**	**309,007**	**-**	**370,056**
Segment profit (loss)	**23,511,699**	**(39,663)**	**2,019,902**	**205,089**	**25,697,027**
Unallocated:					
- Administrative expenses					**(10,450,582)**
- Interest income on bank deposits					**635,738**
- Net foreign exchange gains					**1,115,140**
Profit before taxation					**16,997,323**

For the six months ended 30 June 2010

	Financial services *US$*	Culture and media *US$*	Manufacturing *US$*	Others *US$*	Total *US$*
Change in investment value	(132,367,904)	8,947,425	3,114,507	(357,206)	(120,663,178)
Dividend income	9,429,150	2,401,091	-	1,042	11,831,283
Interest income from available-for-sale financial assets	-	-	-	20,300	20,300
Other gains and losses	11,689	155,578	-	-	167,267
Segment (loss) profit	(122,927,065)	11,504,094	3,114,507	(335,864)	(108,644,328)
Unallocated:					
- Administrative expenses					(14,967,866)
- Interest income on bank deposits					429,428
Loss before taxation					(123,182,766)

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

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

	30 June 2011 *(unaudited)* US$	31 December 2010 *(audited)* US$
Segment assets		
Financial services	**334,193,023**	421,070,077
Culture and media	**97,711,601**	87,427,019
Manufacturing	**28,942,036**	27,027,082
Others	**6,256,591**	2,929,270
Total segment assets	**467,103,251**	538,453,448
Unallocated	**160,121,206**	63,581,767
Consolidated assets	**627,224,457**	602,035,215
Segment liabilities		
Financial services	**6,009**	5,295
Culture and media	**675,625**	522,487
Manufacturing	**118,996**	90,772
Others	**108,275**	43,145
Total segment liabilities	**908,905**	661,699
Unallocated	**137,003,592**	113,967,275
Consolidated liabilities	**137,912,497**	114,628,974

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

All assets are allocated to reportable segments other than 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 PRC, hence no geographical information in relation to the investing activities are presented.

5. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	US$	*US$*
Profit (loss) before taxation has been arrived at after charging (crediting):		
Investment Manager's management fee	**5,182,788**	6,314,758
Net foreign exchange (gains) losses	**(1,115,140)**	37,062
Share of tax of associates (included in share of results of associates)	**168,876**	387,576

6. TAXATION

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	US$	*US$*
The tax (charge) credit for the period comprises:		
Current tax:		
PRC Enterprise Income Tax	**(25,230,784)**	(8,888,697)
Deferred taxation	**17,380,929**	47,685,137
Total	**(7,849,855)**	38,796,440

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 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 "**Tax 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 Tax 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 2011 is 24% (2010: 22%) and such tax rate will be increased to 25% in 2012. Other PRC incorporated entities which were incorporated after 15 March 2007, are subject to 25% tax rate for Enterprise Income Tax with effect from 1 January 2008. The applicable PRC tax rate for the Company as non-resident is 10%.

7. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share (US$)	**9,147,468**	(84,386,326)
Number of ordinary shares for the purpose of basic earnings (loss) per share	**149,145,600**	149,145,600
Basic and diluted earnings (loss) per share (US$)	**0.061**	(0.566)

The dilutive effect of potential conversion of scrip shares under dividend payment for the year ended 31 December 2010 is not significant as at 30 June 2011. No diluted earnings (loss) per share was noted at 30 June 2010 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 2011	31 December 2010
	(unaudited)	*(audited)*
Net asset value (US$)	**489,311,960**	487,406,241
Number of ordinary shares in issue	**149,145,600**	149,145,600
Net asset value per share (US$)	**3.281**	3.268

9. MOVEMENT IN RESERVES

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	US$	*US$*
At 1 January	**472,491,681**	583,155,772
Change in translation reserve	**9,163,711**	2,995,733
Change in fair value of available-for-sale financial assets	**556**	22,734
Profit (loss) for the period	**9,147,468**	(84,386,326)
Final and special dividends declared for the last year	**(16,406,016)**	(14,914,560)
At 30 June	**474,397,400**	486,873,353

REVIEW AND PROSPECTS

OVERALL PERFORMANCE

The Group recorded a profit attributable to equity shareholders of US$9.15 million for the six months ended 30 June 2011, compared to a loss attributable to equity shareholders of US$84.39 million for the same period last year. The achievement of a profit attributable to equity shareholders for the period was mainly due to the increase in the fair value of the financial assets designated at fair value through profit or loss (the "**Financial Assets**"). As of 30 June 2011, the net assets of the Group were US$489.31 million (31 December 2010: US$487.41 million), with a net asset value per share of US$3.281 (31 December 2010: US$3.268).

For the period, the gain in fair value of the Financial Assets was US$9.78 million (2010: loss on change in fair value of US$123.78 million), which was chiefly attributable to the Group's two major investments, namely China Merchants Bank Co., Ltd. ("**CMB**") and Industrial Bank Co., Ltd. ("**IBC**"), accounting for US$2.31 million and US$11.37 million, respectively.

Total investment income for the period increased by 28% from the same period last year to US$15.74 million (2010: US$12.28 million), due primarily to an increase in dividend income from investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In the first half of 2011, the Group searched for investment opportunities and made or proposed to make capital investments in the energy, culture and media and manufacturing related sectors:

On 28 January 2011, the Group invested US$3.03 million in Xi'an Jinpower Electrical Co., Ltd. ("**Jinpower Electrical**") for a 5.26% enlarged equity interest. Jinpower Electrical is principally engaged in the research, development and production of intelligent on-line monitoring systems for transmission lines and substation equipment of power grid.

On 20 April 2011, the Group made a cash investment of US$11 million in Renren Inc. ("**Renren**") through a joint venture established with other investors, and is beneficially interested in 785,714 American depositary shares of Renren. The American depositary shares of Renren have been listed on the New York Stock Exchange since 4 May 2011. Renren is a leading real name social networking internet platform in China.

On 14 June 2011, the Group entered into a capital increase agreement in relation to Guangxi Hwagain Group Co., Ltd. ("**Hwagain**"), and will make a cash injection of US$14.35 million into the capital of Hwagain after the conditions set forth in the agreement have been fulfilled. Upon completion of the capital injection, the Group will hold approximately 5.50% equity interest in the enlarged capital of Hwagain. Hwagain is principally engaged in the research, development and production of high quality printing paper and tissue paper.

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

In March 2011, the Group disposed of its 10% equity interest in Morgan Stanley Huaxin Fund Management Co., Ltd. ("**Morgan Stanley Fund**") to a connected party of the Group at a consideration of RMB33 million (equivalent to US$5.03 million). The consideration was arrived at after an arm's length negotiation between the Group and the connected party with reference to a valuation assessed by a professional independent third party. The pre-tax internal rate of return of the Group's investment in Morgan Stanley Fund amounts to 20%.

The Group has obtained shareholders' authorisation to dispose of its entire holding of A shares of both CMB and IBC. During the period, the Group did not dispose of any A shares of CMB, but did dispose of 38.40 million A shares of IBC for a net proceeds of US$102.09 million.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

The Group's cash on hand increased by 144%, from US$63.28 million at the end of last year to US$154.69 million as of 30 June 2011, due primarily to the disposal of a significant number of A shares of IBC during the period.

As of 30 June 2011, the Group had no outstanding bank loans (31 December 2010: Nil).

As of 30 June 2011, the Group had capital commitments of US$38.11 million (31 December 2010: US$24.16 million) for investments that were approved, but not yet provided for in the financial statements—specifically, for future payments related to the investment in China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) and the investment in Hwagain.

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 2.28% in the first half of 2011, which had a positive impact on the Group since it holds a 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 employees. The Investment Manager handles the portfolio and day-to-day administration of the Group.

THE PORTFOLIO

As of 30 June 2011, the Group's total investments amounted to US$467.10 million, which comprised US$466.38 million in direct investments and US$0.72 million in bonds. The sector distribution of direct investments was US$334.19 million in financial services (representing 53.28% of the Group's total assets), US$97.71 million in culture and media (15.59%), US$28.94 million in manufacturing (4.61%), and US$5.54 million in other ventures (including energy and resources, real estate, etc.) (0.87%). In addition, cash on hand was US$154.69 million, representing 24.66% of the Group's total assets as of 30 June 2011.

PROSPECTS

During the first half of 2011, "inflation" and "monetary tightening" were the key words. In view of domestic economic conditions, the Central Government adopted stronger macroeconomic control measures and took steps to tighten monetary policy—which included raising deposit reserve requirements and increasing interest rates—in order to contain inflation while protecting economic growth from excessive harm. Overall gross domestic product (GDP) growth in China during the first half was 9.6% year-over-year, which represented a good start to the year.

While the impact of the active fiscal policy and conservative monetary policy has been felt in the Chinese economy, it is expected that China's economic growth will not experience a hard landing during the second half of 2011. For the fundamental sources of economic growth—investment, domestic consumption and imports and exports, investment is expected to maintain at a rapid growth: local government investment will be strong; the construction of affordable housing will sustain on-going investment in real estate; and private sector investment will continue its strong growth, all of which are pillars supporting the fixed assets investment. Consumer spending will be stable to slightly down, with stronger growth in suburban areas and in services while growth in key consumer products gradually stabilising. Export growth will continue, although at a slower pace given sluggish global demand and appreciation of the Renminbi. The Central Government's monetary policy is expected to be ease somewhat in the second half of the year, but tighter credit, rising production costs and slowing export growth may lead to correspondingly slower growth in corporate profits. This macroeconomic environment may pose challenges to the Group's investment returns but, at the same time, tighter credit and lower liquidity may also lead to new direct investment opportunities for the Group.

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), financial services, culture and media, pharmaceuticals, energy and environmental protection. The Group will also seek to optimise its mix of investments in order to create greater shareholder value.

INTERIM DIVIDEND

A dividend payment of US$16,406,016 (2009: US$14,914,560), comprising a final dividend of US$0.04 per share (2009: US$0.04) and a special dividend of US$0.07 per share (2009: US$0.06), totalling US$0.11 per share (with scrip option) (2009: US$0.10), for the year ended 31 December 2010 was approved by the shareholders on 19 May 2011.

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2011 (Six months ended 30 June 2010: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the six months ended 30 June 2011, 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.

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 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
LI Yinquan
Chairman

Hong Kong, 26 August 2011

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