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 2019 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 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2019	2018
		(unaudited)	*(unaudited)*
	NOTES	***US$***	*US$*
Net gain (loss) on financial assets at fair value through profit or loss	*3*	**145,543,955**	(62,000,711)
Investment income	*4*	**3,587,275**	10,929,348
Other gains		**824,428**	656,419
Administrative expenses		**(6,013,878)**	(7,062,792)
Profit (loss) before taxation	*6*	**143,941,780**	(57,477,736)
Taxation	*7*	**(32,543,881)**	9,962,712
Profit (loss) for the period		**111,397,899**	(47,515,024)
Other comprehensive expense for the period Item that will not be reclassified subsequently to profit or loss Exchange difference arising on translation to presentation currency		**(2,361,607)**	(7,714,655)
Total comprehensive income (expense) for the period		**109,036,292**	(55,229,679)
Profit (loss) for the period attributable to owners of the Company		**111,397,899**	(47,515,024)
Total comprehensive income (expense) for the period attributable to owners of the Company		**109,036,292**	(55,229,679)
Basic earnings (loss) per share	*8*	**0.731**	(0.312)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30 June 2019 *(unaudited)* *US$***	31 December 2018 *(audited)* *US$*
Non-current asset			
Financial assets at fair value through profit or loss		**698,845,479**	579,151,538
Current assets			
Financial assets at fair value through profit or loss		**51,780,955**	55,058,638
Other receivables and prepayments		**2,493,520**	5,239,397
Cash and cash equivalents		**75,138,064**	48,450,040
		129,412,539	108,748,075
Current liabilities			
Other payables		**27,580,090**	27,620,833
Dividend payable		**18,279,962**	-
Taxation payable		**66,794**	396,223
		45,926,846	28,017,056
Net current assets		**83,485,693**	80,731,019
Total assets less current liabilities		**782,331,172**	659,882,557
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss		**1,171,709**	1,306,574
Deferred taxation		**115,347,965**	83,520,815
		116,519,674	84,827,389
Net assets		**665,811,498**	575,055,168
Capital and reserves			
Share capital		**139,348,785**	139,348,785
Reserves	*10*	**68,004,488**	70,366,095
Retained profits	*10*	**458,458,225**	365,340,288
Equity attributable to owners of the Company		**665,811,498**	575,055,168
Net asset value per share	*9*	**4.371**	3.775

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as 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**").

The financial information relating to the year ended 31 December 2018 that is included in this results announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial information for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

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

HK(IFRIC) - Int 23	Uncertainty over income tax treatments
Amendments to HKAS 28	Long-term interests in associates and joint ventures
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 - 2017 Cycle

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

3. NET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following is the analysis of net gain (loss) on investments of the Group for the six months ended 30 June 2019. The amounts of realised gain (loss) represent the difference between the fair value at the beginning of the period or purchase date in the period and the disposal date of financial instruments while the amounts of unrealised gain (loss) represent the change of fair value during the period of financial instruments held by the Group as at the period end:

	Six months ended 30 June	
	2019	2018
	(unaudited)	*(unaudited)*
	US$	*US$*
Net gain (loss) on financial assets at fair value through profit or loss ("**FVTPL**")		
Listed investments		
Realised	**8,272,042**	6,813,386
Unrealised	**95,898,625**	(43,310,909)
Unlisted investments		
Unrealised	**41,373,288**	(25,503,188)
Total	**145,543,955**	(62,000,711)

4. INVESTMENT INCOME

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

	Six months ended 30 June	
	2019	2018
	(unaudited)	*(unaudited)*
	US$	*US$*
Interest income on bank deposits	**469,810**	350,961
Dividend income on financial assets at FVTPL	**3,117,465**	10,578,387
Total	**3,587,275**	10,929,348

5. SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and performance assessment, are as follows:

(a) Financial services: investees engaged in financial services activities.
(b) Culture, media and consumption: investees engaged in culture, media and consumption activities.
(c) Information technology: investees engaged in information technology activities.
(d) Energy and resources: investees engaged in energy and resources activities.

The Group also invested in manufacturing, agriculture and education activities, none of these segments met the quantitative thresholds for the reportable segments in both current and prior periods. Accordingly, these were grouped in "Others" during the current period.

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 2019

	Reportable segments						
	Financial services	Culture, media and consumption	Information technology	Energy and resources	Total reportable segments	Others	Total
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Net gain (loss) on financial assets at FVTPL	**112,855,052**	**20,760,479**	**12,665,387**	**1,028,801**	**147,309,719**	**(1,765,764)**	**145,543,955**
Dividend income on financial assets at FVTPL	**2,442,686**	**674,779**	**-**	**-**	**3,117,465**	**-**	**3,117,465**
Other gains	**-**	**761,612**	**-**	**-**	**761,612**	**-**	**761,612**
Segment profit (loss)	**115,297,738**	**22,196,870**	**12,665,387**	**1,028,801**	**151,188,796**	**(1,765,764)**	**149,423,032**
Unallocated:							
- Administrative expenses							**(6,013,878)**
- Interest income on bank deposits							**469,810**
- Other gains							**62,816**
Profit before taxation							**143,941,780**

5. SEGMENTAL INFORMATION - CONTINUED

For the six months ended 30 June 2018

	Reportable segments						
	Financial services *US$*	Culture, media and consumption *US$*	Information technology *US$*	Energy and resources *US$*	Total reportable segments *US$*	Others *US$*	Total *US$*
Net loss on financial assets at FVTPL	(26,791,809)	(19,249,979)	(7,434,691)	(6,983,227)	(60,459,706)	(1,541,005)	(62,000,711)
Dividend income on financial assets at FVTPL	8,302,212	2,204,909	71,266	-	10,578,387	-	10,578,387
Other gains	-	656,419	-	-	656,419	-	656,419
Segment loss	(18,489,597)	(16,388,651)	(7,363,425)	(6,983,227)	(49,224,900)	(1,541,005)	(50,765,905)
Unallocated:							
- Administrative expenses							(7,062,792)
- Interest income on bank deposits							350,961
Loss before taxation							(57,477,736)

Segment profit (loss) represents the net gain (loss) on financial assets at FVTPL including net gain (loss) on investments, the corresponding dividend income and other gains earned by each segment without allocation of central administrative expenses (including fees to China Merchants China Investment Management Limited (the "**Investment Manager**")), interest income on bank deposits and certain other gains. This is the measure reported to the chief operating decision maker 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).

5. SEGMENTAL INFORMATION - CONTINUED

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

	30 June 2019 *(unaudited)* *US$*	31 December 2018 *(audited)* *US$* *(restated)*
Segment assets		
Financial services	**514,091,474**	406,212,808
Culture, media and consumption	**144,031,077**	152,030,035
Information technology	**66,381,577**	51,919,568
Energy and resources	**2,669,207**	1,656,662
Total assets for reportable segments	**727,173,335**	611,819,073
Others	**25,732,032**	27,520,691
Unallocated	**75,352,651**	48,559,849
Consolidated assets	**828,258,018**	687,899,613
Segment liabilities		
Financial services	**89,856**	129,624
Culture, media and consumption	**513,077**	612,394
Information technology	**252,149**	218,821
Energy and resources	**53,335**	33,103
Total liabilities for reportable segments	**908,417**	993,942
Others	**4,627,119**	4,683,771
Unallocated	**156,910,984**	107,166,732
Consolidated liabilities	**162,446,520**	112,844,445

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

All assets are allocated to reportable segments other than assets of non-reportable segments, certain other receivables and prepayments, cash and cash equivalents, and all liabilities are allocated to reportable segments other than liabilities of non-reportable segments, certain 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**"), and hence no geographical information in relation to the investing activities is presented.

6. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	(unaudited)	*(unaudited)*
	US$	*US$*
Profit (loss) before taxation has been arrived at after charging:		
Investment Manager's management fee	**5,610,708**	6,380,869
Net foreign exchange (gain) loss	**(62,816)**	125,874

7. TAXATION

	Six months ended 30 June	
	2019	2018
	(unaudited)	*(unaudited)*
	US$	*US$*
The tax (charge) credit for the period comprises:		
Current tax:		
PRC Enterprise Income Tax	**(86,948)**	(16,024,335)
Withholding tax for distributed earnings of PRC subsidiaries	**(133,246)**	(401,679)
Underprovision in prior period	**-**	(47,589)
Deferred taxation		
Current period	**(32,323,687)**	26,436,315
Total	**(32,543,881)**	9,962,712

No provision for taxation in Hong Kong has been made as the Company and its subsidiaries do not have assessable profits for the periods. PRC Enterprise Income Tax in the PRC 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 information in respect of temporary differences attributable to retained profits of the PRC subsidiaries.

8. BASIC EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2019	2018
	(unaudited)	*(unaudited)*
Profit (loss) for the purpose of basic earnings (loss) per share (US$)	**111,397,899**	(47,515,024)
Number of ordinary shares for the purpose of basic earnings (loss) per share	**152,333,013**	152,333,013
Basic earnings (loss) per share (US$)	**0.731**	(0.312)

No diluted earnings (loss) per share for the both periods were presented as there were no potential ordinary shares outstanding during the both periods.

9. NET ASSET VALUE PER SHARE

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

	30 June 2019 ***(unaudited)***	31 December 2018 *(audited)*
Net asset value (US$)	**665,811,498**	575,055,168
Number of ordinary shares in issue	**152,333,013**	152,333,013
Net asset value per share (US$)	**4.371**	3.775

10. MOVEMENT IN RESERVES AND RETAINED PROFITS

	Six months ended 30 June	
	2019	2018
	(unaudited)	*(unaudited)*
	US$	*US$*
At 1 January	**435,706,383**	566,277,329
Change in reserves	**(2,361,607)**	(7,714,655)
Profit (loss) for the period	**111,397,899**	(47,515,024)
Dividends declared for the last year	**(18,279,962)**	(9,139,981)
At 30 June	**526,462,713**	501,907,669

REVIEW AND PROSPECTS

OVERALL PERFORMANCE

The Group recorded a profit attributable to equity shareholders of US$111.40 million for the six months ended 30 June 2019, compared to a loss attributable to equity shareholders of US$47.52 million for the same period last year. The reversal was mainly due to a significant increase in the overall value of the financial assets at FVTPL (the "**Financial Assets**"), resulting in the recognition of a gain, rather than a loss as in the prior period. As of 30 June 2019, the net assets of the Group (net of the final and special dividends of US$18.28 million in aggregate for 2018 and paid in July 2019) were US$665.81 million (31 December 2018: US$575.06 million), with a net asset value per share of US$4.371 (31 December 2018: US$3.775).

The net gain on the Financial Assets for the period was US$145.54 million, compared to a net loss of US$62.00 million for the same period last year. The listed and unlisted investments recorded net gains of US$104.17 million and US$41.37 million, respectively.

Total investment income for the period decreased by 67.15% to US$3.59 million (six months ended 30 June 2018: US$10.93 million) as compared to the same period last year, due mainly to a decrease in dividend and distribution income from investments.

ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In the first half of 2019, the Group continued to seek out and rigorously evaluate investment opportunities, and increased its investment in an existing information technology project during the period.

Pony AI Inc. ("**Pony AI**") carried out a new round of equity financing and introduced a new investor. To avoid the dilution of interest, the Group exercised its anti-dilution rights under the relevant agreements and made a further investment of US$0.61 million in Pony AI on 25 April 2019 so as to maintain its equity interest and certain rights (including information rights) in Pony AI as unchanged.

In addition, the Group disposed of and exited from one investment in the period.

During the period of March to April 2019, the Group disposed of its entire holding of 7.21 million A shares of Besttone Holding Co., Ltd. ("**Besttone**") for net proceeds of RMB125.61 million (equivalent to US$18.69 million). The pre-tax internal rate of return to the Group from Besttone was 11.64%.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND COMMITMENTS

The Group's cash and cash equivalents increased by 55.09%, from US$48.45 million at the end of last year to US$75.14 million (representing 9.07% of the Group's total assets) as of 30 June 2019, due mainly to proceeds from the disposal of all of the A shares of Besttone, as well as a partial return of capital from certain investments during the period.

As of 30 June 2019, the Group had no outstanding bank loans (31 December 2018: Nil).

As of 30 June 2019, the Group had commitments of US$18.15 million (31 December 2018: US$20.15 million) for investments that were approved but not yet provided for in the financial statements – specifically, for future payments related to investments in China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership), Guangxi Xinhua Preschool Education Investment Corporation Limited, Yunnan Jinlanmei International Travel Investment Development Co., Ltd. and Anhui Iflytek Venture Capital LLP.

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 the US dollar recorded a slight decrease of 0.17% in the first half of 2019, which had a mild negative impact on the Group since it holds a considerable amount of assets denominated in RMB. The Group currently does not have any foreign currency hedging policy. However, the Group continues to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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 2019, the Group's total investments amounted to US$750.63 million. The sector distribution of investments was US$511.82 million in financial services (representing 61.79% of the Group's total assets), US$144.03 million in culture, media and consumption (17.39%), US$66.38 million in information technology (8.02%), and US$28.40 million in other ventures (including manufacturing, energy and resources, and education, etc.) (3.43%). In addition, cash and cash equivalents were US$75.14 million, representing 9.07% of the Group's total assets as of 30 June 2019.

PROSPECTS

In the first half of 2019 — characterised by increasing countercyclical regulation by the Central Government, steady monetary policies designed to maintain sufficient liquidity, and proactive fiscal policies conducive to cutting taxes and fees — China's macro economy made steady progress in spite of certain downward pressure. Gross Domestic Product (GDP) for the first half of 2019, calculated with comparable prices, increased by 6.3% over the prior corresponding period. In terms of quarters, China's GDP in the second quarter of 2019 was up by 6.2% year-on-year, down 0.2 percentage point from the first quarter of 2019, which remained in line with the policy goal of 6.0%-6.5% GDP growth stated in the government work report. By taking a closer look at China's economic data, the country's larger industrial enterprises grew by 6.0% year-on-year, down 0.5 percentage point from the first quarter of 2019. In terms of investment, fixed asset investments (excluding rural households) increased by 5.8% year-on-year, down 0.5 percentage point from the first quarter of 2019. In terms of consumption, total retail sales of consumer goods were up by 8.4% in aggregate year-on-year, continuing the slowing trend since mid-2017, despite being up 0.1 percentage point over the first quarter of 2019. In terms of international trade, gross import and export volume of goods increased by 3.9% year-on-year, up 0.2 percentage point over the first quarter of 2019. Given that China's economic restructuring is in a critical period, it is expected that the operating results of the investment projects (mainly operating in China) held by the Group will be impacted to a certain degree.

Looking ahead to the second half of 2019, there is growing evidence of downward pressure in the global economy, along with a greater risk of disruptions caused by political factors, trade protectionism, unilateralism and geopolitical crisis, any of which could cause instability in global economic growth. The uncertainties both from a trade war as well as global demand may lead to downward pressure on the China's economy overall, but it is possible that the annual economic growth rate in China will be no less than 6.4%. As a result of supply-side structural reforms, the fine-tuning of economic structures has increased the resilience of the China's economy. In the second half of 2019, it is expected that levels of investment will continue to be strong in the real estate sector, and may increase slightly in the infrastructure sector, but will continue to be sluggish in the manufacturing sector. However, excluding pricing factors, the actual growth of fixed asset investments should remain strong. Exports will maintain a surplus despite a slowdown in growth. And consumer consumption is expected to see improvement with the help of tax cuts policy. Given that China's economy shows both resilience and great potential, its long-term economic outlook for prosperity has not changed and the potential for investment demand remains strong. As an example, the artificial intelligence (AI) industry and new-type infrastructure construction will continue to receive greater support from government policies, as well as more attention from capital markets. With the advent of the big data era, along with improvements in algorithms and enhancements in the accuracy of unsupervised learning, AI may enter a period of rapid growth in which "big data + AI" will profoundly change the structure of traditional industries. It is here that the Group will continue to seek out the best opportunities for investment.

In this environment, where challenges and opportunities co-exist, the Group will continue to make every effort to identify new investment projects, and our investment focus will be on the financial industry with an emphasis on the insurance sector, on emerging technology industries featuring AI, on great cultural industry with an emphasis on culture and tourism, and on great healthcare industry with an emphasis on medicine and healthcare, as we seek to optimise our 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 2019 (six months ended 30 June 2018: special interim dividend of US$0.05 per share).

A dividend payment of US$18,279,962 (2017: US$9,139,981), being a final dividend of US$0.07 per share (2017: US$0.06) and a special dividend of US$0.05 per share (2017: Nil), totaling US$0.12 per share (2017: US$0.06), for the year ended 31 December 2018 was approved by the shareholders on 28 May 2019 and was subsequently paid by the Company in cash on 25 July 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the six months ended 30 June 2019, 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 information 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 condensed consolidated financial information has 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.

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
ZHANG Jian
Chairman

Hong Kong, 30 August 2019

As at the date hereof, the Executive Directors of the Company are Mr. CHU Lap Lik, Victor, Mr. WANG Xiaoding and Mr. TSE Yue Kit; the Non-executive Directors are Mr. ZHANG Jian, Mr. ZHANG Rizhong and Mr. KE Shifeng; and the Independent Non-executive Directors are Mr. LIU Baojie, Mr. TSANG Wah Kwong and Dr. LI Fang. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor.