



**CHINA MERCHANTS CHINA DIRECT
INVESTMENTS LIMITED**

(Incorporated in Hong Kong with limited liability)

INTERIM REPORT

For the six months ended 30th June, 1994

FINANCIAL RESULTS

The Board of Directors is pleased to announce that the unaudited consolidated results of the Company for the six months ended 30th June, 1994, were as follows:

	US\$ (Note 1)
Gross revenue	
Interest income	1,792,274
Gains on sale of listed investments	26,123
Dividend income	2,695
	<u>1,821,092</u>
Profit before taxation	890,708
Taxation (Note 2)	-
	<u>890,708</u>
Profit attributable to shareholders	<u>890,708</u>
Earnings per share (Note 3)	<u>0.009</u>
Net asset value per share (Note 4)	<u>1.024</u>

Notes:

1. No comparative figures for the corresponding previous period were applicable as the Company was incorporated on 13th April, 1993 and only commenced business on 15th July, 1993.
2. No Hong Kong profits tax has been provided as there are no taxable earnings for the period.
No deferred taxation has been provided as there are no significant timing differences arising between profits as computed for taxation purposes and profits as stated in the financial statements.
3. The calculation of earnings per share is based on the earnings for the period of US\$890,708 and 95,240,000 ordinary shares in issue during the period.
No figure for fully diluted earnings per share is shown as the exercise of the subscription rights attached to the warrants in issue during the period would not have a diluting effect.
4. The calculation of net asset value per share is based on the net asset value of US\$97,585,188 and 95,240,000 ordinary shares in issue as at 30th June, 1994.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the period ended 30th June, 1994.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 30th June, 1994, the Company neither purchased, sold nor redeemed any of its own listed securities.

DIRECTORS' INTERESTS

As at 30th June, 1994, none of the Directors were interested, beneficially or otherwise, in any listed securities of the Company.

SUBSTANTIAL INTERESTS

As at 30th June, 1994, the register kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance showed that the Company had been notified of the following interests, being 10% or more of the Company's issued share capital.

Name	Number of shares	Percentage
China Merchants Holdings (Hong Kong) Company Limited	10,000,000	10.50%
HSBC (Nominees) Limited	27,644,800	29.03%
Yamaichi International (HK) Nominees Limited	9,780,000	10.27%

INVESTMENT REVIEW

For the six months ended 30th June, 1994, the unaudited consolidated net asset value of the Company increased to US\$1.024 per share from US\$1.019 per share as at 31st December, 1993.

As at 30th June, 1994, the Company has committed approximately US\$42 million and US\$2.5 million respectively in unlisted projects and listed shares, altogether representing approximately 45% of the total net assets of the Company. Unlisted investments were spread amongst real estate (42%), financial services (20%), manufacturing (19%), transportation (12%) and infrastructure (7%) sectors.

Unlisted Investments

Tangshan Yinli Ceramics Limited and Tangshan Shenjian Ceramics Limited

Managers of Yinli and Shenjian reported that construction programme is on schedule and trial production will begin in early 1995. The Company will inject last phase instalment following satisfactory equipment installation.

Zhaoyuan Jinbao Electronics Company Limited

Total investment is US\$6 million and the Company has injected US\$4 million so far. Production of copper foil and paper-phenolic laminate for the first six months of 1994 was 480 tonnes and 1373 tonnes respectively, representing a 19.2% and 24.7% increase over the same period last year.

Beijing Hua Peng Building

Due to a revision in the construction plans, the building will be ready for occupation in October 1995 instead of early 1995. In line with the market demand, the joint venture's preparatory group has proposed to upgrade the building material and equipment to be used which would increase total investment from US\$4 million to US\$5.46 million.

Shenzhen Man Kam Square

The project is 90 percent funded and the balance will be paid upon the building's completion scheduled for June 1995. Estimated current value of the building represents 5 to 10 percent above acquisition cost.

China Merchants Bank

The Bank has been expanding quickly with substantial increase in both deposits and loans. 1994 profit is forecasted to be double that of 1993 and the Bank has met 50 percent of its projected earnings in the first six months of 1994.

China Merchants Plaza

Land survey and preliminary soil tests have been completed and architects are working on design drawings based on the structural grid map. Relocation work is also being carried out by the Jingan District Construction Committee.

Weifang Airport Yin Yuan Aviation Industry Company Limited

This project involved the conversion and operation of a military airport for civilian use in Weifang. The Company has invested US\$2.875 million and expects to receive first dividend payment in May 1995.

Weifang Zhao Yin Real Estate Development Limited

The Company invested US\$4 million in the project for the construction of low cost housing within the Weifang Hi and New Tech Industries Development Zone. Target buyers are enterprises within the development zone that require housing for employees. The first phase construction has already begun and will be ready for sale by the middle of 1995.

Shenzhen Anda Group of Companies

In June 1994, the Company invested US\$4.875 million in 3 major subsidiaries of Shenzhen Shekou Anda Industry Co. Ltd. for a 25 percent stake. The Group is engaged mainly in passenger and cargo transportation business. Capital injection from the Company will be used for the purchase of extra vehicles in the expansion of service network.

"B" and "H" shares

As at 30th June, 1994, the Company invested US\$2,575,096 in listed shares which had a total market value of US\$2,291,204. Sentiments towards China cooled considerably in the second quarter of 1994. Investors concerned about inflation and overexpansion in the PRC turned bearish on B shares and H shares, causing large scale correction in the market.

PROSPECTS

Since implementation of the austerity programme last year, China's economy has slowed considerably. Foreign investments fell by more than 40 percent, year on year, for the first five months of 1994. This change in investment environment presents the Company with more alternatives in the selection of projects, as state-owned enterprises are increasingly strapped for cash in the implementation of their expansion programmes.

The Directors continue to be optimistic about the economic growth in China. The rate of expansion of Chinese economy will stabilise as the government steps up its effort to control inflation and curb government spending. Concurrently, the Chinese government is working to provide a better investment environment by amending regulations and policies. The Directors therefore remain confident that the Company will profit from such endeavors.

By Order of the Board
Wang Bai Yong
Executive Director

Hong Kong, 29th September, 1994
