



**CHINA MERCHANTS CHINA DIRECT
INVESTMENTS LIMITED**

(Incorporated in Hong Kong with limited liability)

INTERIM REPORT

For the six months ended 30th June, 1995

FINANCIAL RESULTS

The Board of Directors is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 1995, were as follows:

| | For the six months ended 30th June, 1995 US\$ | For the six months ended 30th June, 1994 US\$ |
|--|--|--|
| Gross revenue | | |
| Interest income | 2,159,847 | 1,792,274 |
| Dividend income from listed investments | 23,135 | 2,695 |
| Income from contractual joint ventures | 979,017 | - |
| Gains on sale of listed investments | 55,251 | 26,123 |
| | <u>3,217,250</u> | <u>1,821,092</u> |
| Profit before taxation | 2,398,429 | 890,708 |
| Taxation (Note 1) | - | - |
| Profit after taxation | 2,398,429 | 890,708 |
| Dividend | 952,400 | - |
| Retained profit for the period | <u>1,446,029</u> | <u>890,708</u> |
| Per share: | | |
| Earnings (Note 2) | <u>0.025</u> | <u>0.009</u> |
| Interim dividend | <u>0.010</u> | <u>-</u> |
| Net asset value (Note 3) | <u>1.039</u> | <u>1.024</u> |

Notes:

- No Hong Kong profits tax has been provided as there are no assessable profits 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.
- The calculation of earnings per share is based on the earnings for the period of US\$2,398,429 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.
- The calculation of net asset value per share is based on the net asset value of US\$98,932,372 and 95,240,000 ordinary shares in issue as at 30th June, 1995. The net asset value per share has been adjusted for the payment of interim dividend. Net asset value per share before the adjustment is US\$1.049.

INTERIM DIVIDEND

The Board of Directors declared the payment of a dividend of US\$0.01 (1994: Nil) per share for the period ended 30th June, 1995, which will be paid on 23rd October, 1995 in cash to shareholders whose names appear on the Register of Members on 6th October, 1995.

BOOK CLOSURE

The Register of Members of the Company will be closed from Tuesday, 3rd October, 1995 to Friday, 6th October, 1995 (both dates inclusive), during which period, no transfer of shares will be registered and no share which will fall to be allotted and issued on the exercise of the subscription rights attaching to the outstanding warrants of the Company will be registered. In order to qualify for the interim dividend, (i) all transfer of shares accompanied by the relevant share certificates and transfer forms and (ii) all subscription forms and relevant subscription monies relating to the exercise of outstanding warrants of the Company in respect of which holders of such warrants wish to exercise their rights so as to qualify for the interim dividend, must be lodged with the Company's Share Registrars, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:00 p.m. on Monday, 2nd October, 1995.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 30th June, 1995, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS

As at 30th June, 1995, none of the Directors were interested, beneficially or otherwise, in any listed securities of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 1995, 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 | 24,011,500 | 25.21% |
| Yamaichi International (HK) Nominees Limited | 9,985,000 | 10.48% |

INVESTMENT REVIEW

For the six months ended 30th June, 1995, the unaudited consolidated net asset value of the Group, before adjusting for payment of interim dividend, increased to US\$1.049 per share from

US\$1.025 per share as at 31st December, 1994. (The unaudited consolidated net asset value after adjustment for the payment of interim dividend is US\$1.039 per share.)

As at 30th June, 1995, the Group has committed approximately US\$53.7 million and US\$2.3 million respectively in unlisted projects and listed shares, altogether representing approximately 57% of the total net assets of the Group. Unlisted investments were spread amongst real estate (approximately representing 18% of the net assets of the Group), financial and transportation services (approximately 14%), infrastructure facilities (approximately 13%) and manufacturing (approximately 9%) sectors.

Unlisted Investments

Tangshan Yjnli Ceramics Limited and Tangshan Shenjian Ceramics Limited

The investment manager has conducted a study on-site, where the construction work and the installation of equipment is near completion. Trial production is expected to commence in September 1995.

Zhaoyuan Jinbao Electronics Company Limited

The joint venture company was established in the beginning of 1994. The Group accounts for 30% of the shareholding with total investment of US\$6 million. It produces copper foil and paper phenolic laminates. Profit for the first six months of 1995 increased by 9% compared with those of the previous year.

Beijing Hua Peng Building

Decoration works are proceeding according to plan. Completion is expected in October as scheduled. As at August 1995, leases in respect of 70% of space have been entered into with various tenants. The management of the project believes that all office spaces will be let by the end of this year.

Shenzhen Man Kam Square

The Group has invested approximately US\$4,755,000, representing 35% interest in the joint venture. It has injected 90% of its attributable interest into the joint venture. The remaining will be paid upon the completion of the construction of the building by the end of 1995.

China Merchants Bank

The Bank has been expanding quickly. As at June 1995, the amount of deposits and loans of the Bank increased by 29.4% and 26.5%, compared with those in the year-end of 1994. Although the macro-economic control measures and the tightening monetary policies have an adverse effect on the business of the Bank, the Bank is confident that it will achieve the projected level of profit in 1995.

China Merchants Plaza

The Group has invested US\$7,680,000, representing 20% of the equity interests of the joint venture. Piling works for the substructure

of the project were completed in August 1995. Tendering for the construction of the superstructure has been finished. Shanghai No. 2 Construction Company has commenced on site operations.

Weifang Yin Yuan Aviation Industry Company Limited

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

Weifang Zhao Yin Real Estate Development Limited

The Group has injected US\$4 million in the project for the development of low cost housing. The first phase of construction is partially completed. Sales of such flats will commence in the current year. The Group has received the first annual dividend payment.

Shenzhen Anda Group of Companies

The Group acquired a 25 percent stake in each of the three transportation subsidiaries of Shenzhen Shekou Anda Industry Co. Ltd., a company listed on the Shenzhen Stock Exchange, for a total of US\$4.875 million. Those companies are mainly engaged in the passenger, container and cargo transportation services. The Group has received the profit distribution for 1994 early this year.

Yantai Huashang Power Company Limited

The Group will invest US\$10 million for the acquisition of a 27 percent stake in the Longkou Power Station Phase II. The power station consists of two 200,000 kW coal-fired generators. The contractual joint venture contract has been entered into early this year. Contribution from this project is expected to be satisfactory.

Listed Investments

As at 30th June, 1995, total market value of the Group's investment in listed shares was US\$1,669,815, representing approximately 1.67 percent of the net assets of the Group.

PROSPECTS

In the past few years, China's overheated economy gradually cooled down after the implementation of macro-economic control measures by the Chinese government. This indicates that China's economy is returning to a healthy condition and the exchange rate of Renminbi has gradually stabilised. At the same time, there is significant improvement in the investment environment in China. The patient and prudent attitude towards investments adopted by us has proven effective. We believe that both the profit and the net asset value of the Group will grow as we anticipated.

By Order of the Board
Sun, Ju
Executive Director

Hong Kong, 15th September, 1995
