



**CHINA MERCHANTS CHINA DIRECT
INVESTMENTS LIMITED**

(Incorporated in Hong Kong with limited liability)

INTERIM REPORT

For the six months ended 30th June, 1996

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, 1996, were as follows:

	For the six months ended 30th June, 1996 US\$	For the six months ended 30th June, 1995 US\$
Gross revenue		
Interest income	1,809,660	2,159,847
Dividend income from listed investments	7,816	23,135
Income from contractual joint-ventures	1,541,124	979,017
	<u>3,358,600</u>	<u>3,161,999</u>
Operating profit before exceptional item	2,527,125	2,187,646
Exceptional item (Note 1)	555,866	-
Profit from ordinary activities	3,082,991	2,187,646
Share of profits less losses of associated companies	89,910	210,783
Profit before taxation	3,172,901	2,398,429
Taxation (Note 2)	-	-
Profit after taxation	3,172,901	2,398,429
Dividend	952,400	952,400
Retained profit for the period	<u>2,220,501</u>	<u>1,446,029</u>
Per share:		
Earnings (Note 3)	<u>0.033</u>	<u>0.025</u>
Interim dividend	<u>0.010</u>	<u>0.010</u>
Net asset value (Note 4)	<u>1.059</u>	<u>1.039</u>

Notes:

1. The exceptional gain represents the profit on disposal of a wholly-owned subsidiary, CMCDI Property Management Company Limited.

2. 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.

3. The calculation of earnings per share is based on the earnings for the period of US\$3,172,901 and 95,240,000 ordinary shares in issue during the period.

No figure for fully diluted earnings per share is shown as the subscription rights attaching to the warrants in issue during the period have lapsed since 30th June, 1996.

4. The calculation of net asset value per share is based on the net asset value of US\$100,873,805 and 95,240,000 ordinary shares in issue as at 30th June, 1996. 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\$1.069.

INTERIM DIVIDEND

The Board of Directors declared the payment of a dividend of US\$0.01 (1995: US\$0.01) per share for the period ended 30th June, 1996, which will be paid on 5th November, 1996 in cash to shareholders whose names appear on the Register of Members on 18th October, 1996.

BOOK CLOSURE

The Register of Members of the Company will be closed from Tuesday, 15th October, 1996 to Friday, 18th October, 1996 (both dates inclusive), during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms 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, 14th October, 1996.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the financial period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the non-executive directors are not appointed for a specific term as they are subject to retirement at the next Annual General Meeting following their appointment in accordance with Article 101 of the Company's Articles of Association.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 30th June, 1996, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS

As at 30th June, 1996, none of the Directors or their associates was interested, beneficially or otherwise, in any listed securities of the Company or its associated corporations as recorded in the register required under Section 29 of the Securities (Disclosure of Interests) Ordinance.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 1996, 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	15,250,000	16.01%
HSBC (Nominees) Limited	24,241,500	25.45%

INVESTMENT REVIEW

For the six months ended 30th June, 1996, the Group has achieved an unaudited net profit of US\$3,172,901 (equivalent to HK\$24,748,628), representing an increase of 32% over that of the same period last year. The increase mainly came from the sales of an unlisted investment in the People's Republic of China ("P.R.C.") and part of the listed securities during the period.

To date, the Group has invested approximately US\$71.5 million in 12 unlisted projects in the P.R.C. and approximately US\$3 million in listed securities, together representing approximately 74% of the Group's net assets. The unlisted investments are diversified and range from infrastructural (representing approximately 27% of the Group's net assets), financial and transportation services (approximately 14%), manufacturing (approximately 14%) to real estate (approximately 16%) investments.

Unlisted Investments

China Merchants Bank

The bank's business continued to grow at an impressive rate during the first half of 1996. Its turnover and net profit increased by 75% and 53% respectively over that of the same period last year. The bank's net profit growth for the year 1996 is expected to be significant.

Shenzhen Anda Group of Companies

Due to fierce market competition, two of the three companies' performance was not satisfactory. The Group will obtain only the minimum return which is guaranteed by the Chinese partner at 15% of the cost of investment.

Weifang Yin Yuan Aviation Industry Company Limited

Since Weifang Airport commenced operation, the management of the airport, together with the municipal government, have successfully lobbied some airline companies to increase flights to Weifang. The airport's contribution to the Weifang society becomes increasingly significant. The Group received its 1995/96 profit distribution on time.

Yantai Huashang Power Company Limited

The Group injected the required capital at the end of 1995. The performance of the joint-venture's investment, Shangdong Longkou Power Plant, has been considered satisfactory. The first profit distribution from the joint-venture has been recognized in the accounts of the Group for the six months ended 30th June, 1996.

Luomei Highways Company Limited

According to the contract terms, the Group injected US\$5 million into the joint-venture in June 1996. The highway's construction work is continuing smoothly and the highway is expected to be open for traffic in November 1996. The joint-venture will commence collection of tolls at that time.

Zhangzhou Tongda Road Development Company Limited

In September 1996, the Group signed an agreement for the acquisition of a 16.8% interest in Zhangzhou Tongda Road Development Company Limited at a cost of US\$10 million. The joint-venture company owns the concession to 114 km of toll highway on National Highway No. 324 (Zhangzhou section). The section has three toll stations and was open for traffic at the end of 1995. The transaction will be completed upon obtaining approval from the P.R.C.'s relevant government bodies.

Tangshan Kintil Ceramics Company Limited

Test runs for all the three production lines were completed and commercial production has commenced. As China is easing its credit control, demand for construction materials is increasing. It is expected the joint-venture will generate income contribution to the Group this year.

Zhaoyuan Jinbao Electronics Company Limited

Sales for the six months ended 30th June, 1996 increased by 14% over that of the same period last year. However, due to soaring prices of paper, films and other raw materials and, most detrimentally, to the keen market competition, profit for the period decreased by 67.8%.

Chengde Wanli Steel Tubes Company Limited

After the Group's capital injection in March 1996, plant construction has commenced. The construction and equipment installation works are expected to be completed by the end of 1997 and trial run will begin then. In the meantime, the Group will receive fixed distributions.

Shenzhen Man Kam Building

It is expected the occupation date for the shopping arcade of the building will be extended to the end of 1996. The Group, together with our joint-venture partner, are carrying out feasibility studies on setting up businesses by the joint-venture company to utilize the premises either in whole or in part.

China Merchants Plaza

Construction is progressing smoothly according to schedule. It is expected the building will be topped out by the end of 1996. Facilities installations and decoration works will take about one year. The management of the project is still looking for suitable buyers for part of the building.

Weifang Zhao Yin Real Estate Development Limited

The business is progressing as projected. The Group has received the profit distribution for the year of 1995/96.

Listed Investments

As at 30th June, 1996, our Group invested US\$2.8 million in listed shares, representing approximately 3% of our Group's net asset value. The investments provided satisfactory contribution to the Group's net profit for the period under review. To date, listed investments have increased slightly to US\$3 million. Beginning from July this year, as Shenzhen's B share market recovered substantially, the Group has taken the opportunity to realize most of its Shenzhen B share investments.

PROSPECTS

The Group continues to increase its investments in China's infrastructural projects. There are several toll highway projects under negotiation and some are expected to be finalized soon. As China's economy has returned to healthy and steady growth and the majority of the investments of the Group have profit contributions, the Directors are confident of the earnings prospects of the Group.

By Order of the Board
Dr. Sun Ju
Executive Director

Hong Kong, 27th September, 1996