CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. FU Yuning *(Chairman)*
Dr. HUANG Dazhan
CHU Lap Lik, Victor
XIE Kuixing
TSE Yue Kit
KAN Ka Yee, Elizabeth
(alternate to Mr. CHU Lap Lik, Victor)
The Hon. LI Kwok Po, David**
KUT Ying Hay**
POON Kwok Lim, Steven**
WANG Xingdong*
GONG Jianzhong*
Jimmy PHOON Siew Heng *
LI Kai Cheong, Samson
*(alternate to The Hon. LI Kwok Po, David**)*
TAN Cheong Hin
(alternate to Mr. Jimmy PHOON Siew Heng)*
MOK Hay Hoi
*(alternate to Mr. POON Kwok Lim, Steven**)*

* non-executive directors
** independent non-executive directors

COMPANY SECRETARY

Peter Y. W. Lee

INVESTMENT MANAGER

China Merchants China Investment Management Limited
1803 China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
26th Floor, Wing On Centre,
111 Connaught Road Central,
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
122-126 Queen's Road Central,
Hong Kong

China Merchants Bank Company, Limited
China Merchants Bank Tower,
No. 7088, Shennan Boulevard,
Shenzhen,
People's Republic of China

Bank of China (Hong Kong) Limited
Bank of China Tower,
1 Garden Road,
Hong Kong

Dah Sing Bank, Limited
36th Floor, Dah Sing Financial Centre,
108 Gloucester Road,
Hong Kong

LEGAL ADVISERS

Victor Chu & Co
77th Floor, Two International Finance Centre,
8 Finance Street, Central
Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1803 China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

RESULTS

The Board of Directors of China Merchants China Direct Investments Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 as follows:

CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2005	2004
		(unaudited)	*(unaudited)*
	NOTES	***US$***	*US$*
Turnover	*3*	**2,754,882**	2,244,083
Net gain on disposal of financial assets at fair value through profit and loss		**18,421**	–
Increase in fair value of financial assets at fair value through profit and loss		**3,512,551**	–
Net gain on disposal of listed investments in securities		**–**	60,728
Unrealised holding loss on listed investments in securities		**–**	(393,017)
Unrealised holding gain on unlisted investments in securities		**–**	247,716
Other operating income		**5,603**	5,330
Administrative expenses		**(1,535,550)**	(1,436,695)
Profit from operations		**4,755,907**	728,145
Share of profit of associates		**295,993**	295,102
Profit before taxation	*5*	**5,051,900**	1,023,247
Taxation	*6*	**(664,206)**	(40,251)
Profit attributable to shareholders		**4,387,694**	982,996
Earnings per share	*7*	**0.032**	0.007
Interim dividend	*8*	**–**	–

CONSOLIDATED BALANCE SHEET

	NOTES	**30 June 2005 (unaudited) US$**	31 December 2004 (audited) US$
Non-current assets			
Interests in associates		**17,954,322**	17,909,420
Investments in securities		**–**	95,502,365
Held-to-maturity financial assets		**5,697,960**	–
Financial assets at fair value through profit and loss		**111,256,447**	–
		134,908,729	113,411,785
Current assets			
Dividend and other receivables	*9*	**99,093**	123,917
Cash and bank balances		**16,584,094**	33,879,726
		16,683,187	34,003,643
Current liabilities			
Other payables		**1,035,003**	920,462
Taxation payable		**13,876**	13,889
		1,048,879	934,351
Net current assets		**15,634,308**	33,069,292
Total assets less current liabilities		**150,543,037**	146,481,077
Non-current liability			
Deferred taxation	*10*	**8,114,745**	7,450,539
NET ASSETS		**142,428,292**	139,030,538
CAPITAL AND RESERVES			
Share capital	*11*	**13,714,560**	13,714,560
Reserves		**128,713,732**	125,315,978
		142,428,292	139,030,538
NET ASSET VALUE PER SHARE	*12*	**1.039**	1.014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(Unaudited)					
	Share capital	**Share premium**	**Exchange equalisation**	**General reserve**	**Retained profits**	**Total**
	US$	***US$***	***US$***	***US$***	***US$***	***US$***
Balance at 1 January 2005	**13,714,560**	**81,525,984**	**617,622**	**1,091,885**	**42,080,487**	**139,030,538**
Exchange difference on translation of financial statements of foreign entities not recognised in the income statement	**–**	**–**	**(29,921)**	**–**	**–**	**(29,921)**
Profit for the period	**–**	**–**	**–**	**–**	**4,387,694**	**4,387,694**
Final dividend paid for 2004	**–**	**–**	**–**	**–**	**(960,019)**	**(960,019)**
Balance at 30 June 2005	**13,714,560**	**81,525,984**	**587,701**	**1,091,885**	**45,508,162**	**142,428,292**
Balance at 1 January 2004	13,714,560	81,525,984	446,281	879,965	42,287,095	138,853,885
Exchange difference on translation of financial statements of foreign entities not recognised in the income statement	–	–	2,966	–	–	2,966
Profit for the period	–	–	–	–	982,996	982,996
Final dividend paid for 2003	–	–	–	–	(1,097,165)	(1,097,165)
Balance at 30 June 2004	13,714,560	81,525,984	449,247	879,965	42,172,926	138,742,682

The general reserve represents the general reserve fund set aside by a subsidiary in accordance with relevant laws and regulations of the People's Republic of China ("PRC"), which is not available for distribution.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2005	2004
	(unaudited)	*(unaudited)*
	US$	*US$*
Net cash from (used in) operating activities	**1,364,108**	(236,292)
Net cash used in investing activities		
Advances to associates	**(12,764)**	(1,268,600)
Acquisition of financial assets at fair value through profit and loss	**(18,138,121)**	–
Acquisition of listed investments in securities	**–**	(5,291,181)
Acquisition of unlisted investments in securities	**–**	(1,000,000)
Other investing cash flows	**426,122**	177,808
	(17,724,763)	(7,381,973)
Net cash used in financing activities		
Dividend paid	**(960,019)**	(1,097,165)
Net decrease in cash and bank balances	**(17,320,674)**	(8,715,430)
Cash and bank balances as at 1 January	**33,879,726**	37,615,925
Effect of foreign exchanges rate changes	**25,042**	14,677
Cash and bank balances as at 30 June	**16,584,094**	28,915,172
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**16,584,094**	28,915,172

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2005

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 and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost convention except for certain financial instruments, which are measured at fair value, as appropriate.

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 2004, except as described below.

A. In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement and balance sheet. In particular, the presentation of share of tax of associates has been changed. The change in presentation has been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. Other investments and held-to-maturity investments classified under investments in securities with carrying amount of US$89,804,598 and US$5,697,767 were reclassified to financial assets at fair value through profit or loss and held-to-maturity financial assets on 1 January 2005 respectively.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

B. Summary of the effects of the changes in accounting policies

The effects of the application of the new HKFRSs for the six months ended 30 June 2004 are summarised below:

	1.1.2004 to 30.6.2004 *(originally stated)* *US$*	**Adjustment** *US$*	**1.1.2004 to 30.6.2004** *(restated)* *US$*
Income statement items			
Share of profit of associates	333,698	(38,596)	295,102
Taxation	(78,847)	38,596	(40,251)
Change in profit for the period		–	

3. TURNOVER

Turnover represents the amounts received and receivable on investments during the period as follows:

	Six months ended 30 June	
	2005	2004
	US$	*US$*
Interest income	**489,836**	322,123
Dividend income from financial assets at fair value through profit and loss	**2,265,046**	–
Dividend income from listed investments in securities	**–**	45,994
Dividend income from unlisted investments in securities	**–**	1,875,966
	2,754,882	2,244,083

4. SEGMENTAL INFORMATION

During the period, the Group was principally involved in investing in companies with significant business involvement in the PRC. Accordingly, no analysis of segmental information by principal activity or by geographical location is presented.

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2005	2004
	US$	*US$*
Profit before taxation has been arrived at after charging:		
Share of taxation on profit of associates		
Other regions in the PRC	**34,656**	38,596

6. TAXATION

	Six months ended 30 June	
	2005	2004
	US$	*US$*
The tax charge for the period comprises:		
The Company and its subsidiaries		
Current tax:		
Hong Kong	**–**	–
Other regions in the PRC	**–**	2,894
	–	2,894
Deferred taxation *(Note 10)*	**664,206**	37,357
	664,206	40,251

No provision for Hong Kong profits tax has been made in the financial statements as the Company and its subsidiaries had no assessable profits for both periods.

No provision for PRC profits tax has been made in the financial statements as the Company and its subsidiaries had no assessable profits for the six months ended 30 June 2005.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2005	2004
Earnings for the purpose of basic earnings per share (US$)	**4,387,694**	982,996
Number of ordinary shares for the purpose of basic earnings per share	**137,145,600**	137,145,600

8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the year ending 31 December 2005 (2004: nil).

9. DIVIDEND AND OTHER RECEIVABLES

	30 June 2005	31 December 2004
	US$	*US$*
Dividend receivables	**19,288**	3,898
Interest receivables	**56,618**	98,018
Other receivables	**23,187**	22,001
	99,093	123,917

10. DEFERRED TAXATION

The Group's deferred tax liability relates to the taxation on capital gains for certain investments in the PRC. The following is the deferred tax liability recognised by the Group and movements thereon during the current and prior periods:

	US$
Balance at 1 January 2004	7,336,784
Charge to the income statement for the period	37,357
Balance at 30 June 2004	7,374,141
Charge to the income statement for the period	76,398
Balance at 31 December 2004	7,450,539
Charge to the income statement for the period	664,206
Balance at 30 June 2005	8,114,745

11. SHARE CAPITAL

There were no movements in the share capital of the Company in both periods.

12. NET ASSET VALUE PER SHARE

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

	30 June 2005	31 December 2004
Net asset value (US$)	**142,428,292**	139,030,538
Number of ordinary shares in issue	**137,145,600**	137,145,600

13. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following commitments:

	30 June 2005	31 December 2004
	US$	*US$*
Capital expenditure contracted but not provided for in the financial statements in respect of unlisted investments in securities	**–**	15,312,613

14. RELATED PARTY TRANSACTION

The Company has appointed China Merchants China Investment Management Limited as the Investment Manager for both listed and unlisted investments. Certain directors of the Company are also directors and/or shareholders of the Investment Manager.

During the six months ended 30 June 2005, management fees totalling US$1,346,517 (2004: US$1,297,208) were paid or payable to the Investment Manager, which is calculated based on a fixed percentage on the value of the Group's assets as stipulated in the Investment Management Agreement. The amounts owing to the Investment Manager of US$754,113 as at 30 June 2005 (31 December 2004: US$646,115) were included in other payables in the consolidated balance sheet.

Deloitte.
德勤

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF
CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

Introduction

We have been instructed by China Merchants China Direct Investments Limited to review the interim financial report set out on pages 1 to 12.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards No. 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 26 September 2005

INVESTMENT MANAGER'S DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

China Merchants China Direct Investments Limited and its subsidiaries (the "Fund") recorded a profit attributable to shareholders of US$4.39 million for the six months ended 30 June 2005, representing an increase of 346% over the same period of 2004. This was attributable to a significant increase in the fair value of financial assets at fair value through profit and loss (the "financial assets"). As of 30 June 2005, the net assets of the Fund were US$142 million (31 December 2004: US$139 million), with a net asset value per share of US$1.039 (31 December 2004: US$1.014).

Total turnover for the period increased by 23% to US$2.75 million (2004: US$2.24 million). This was due mainly to an increase both in dividend income from China Merchants Bank and interest income.

For the reporting period, the fair value of the financial assets increased by US$3.51 million (2004: decreased by US$0.15 million). The significant increase in the fair value was attributed to the favourable valuation of both China Merchants Bank and Industrial Bank whose values increased by US$1.87 million and US$2.56 million respectively against the end of 2004.

MATERIAL ACQUISITIONS OF INVESTMENTS

In September 2004, the Fund entered into an agreement with Yong Cheng Mei Dian (Group) Limited to acquire a 6.8167% stake in China Credit Trust Co., Ltd. at a consideration of US$15.3 million. The acquisition was approved by the China Banking Regulatory Commission ("CBRC") in May 2005 and the Fund then paid the acquisition price to the transferor in June 2005. The acquisition is about to be completed.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

Cash decreased by 51%, from US$33.88 million as of 31 December 2004 to US$16.58 million as of 30 June 2005. The decrease was due mainly to a capital injection into an unlisted investment project and an increase in listed share investments.

As of 30 June 2005, the Fund had no outstanding bank loans or capital commitments.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Fund's investments are located in China where the official currency is the Renminbi ("RMB"), which remained stable in the reporting period. Subsequent to the reporting date, the People's Bank of China announced the reform of the RMB exchange rate regime and simultaneously revalued the RMB against the US dollar by approximately 2% in July 2005. It is expected that the movement of the RMB will be modest in the near future. In addition, the RMB revaluation has a positive impact on the Fund since the Fund holds a considerable amount of net assets denominated in the RMB.

EMPLOYEES

Other than a qualified accountant whose remuneration is borne by the Investment Manager, the Fund has no employees. The Investment Manager handles the portfolio and day-to-day administration of the Fund.

THE PORTFOLIO

As of 30 June 2005, the Fund had total investments of US$134.91 million – US$124.38 million (87.3% of the Fund's net assets) in unlisted investment projects, US$3.86 million (2.7%) in listed shares, and US$6.67 million (4.7%) in bonds/notes. The majority of the Fund's unlisted investment projects resides in financial services (74.7% of the Fund's net assets), with the rest in manufacturing, real estate, educational facilities and environmental protection facilities (totalled 12.6%). As of 30 June 2005, net cash amounted to US$16.58 million, accounting for 11.6% of the Fund's net assets.

REVIEW OF UNLISTED INVESTMENTS

China Merchants Bank Company, Limited ("CMB"), a registered commercial bank in China, is the first stock-joint commercial bank established by mainland enterprises and the shares of which were first listed on the Shanghai Stock Exchange in 2002. CMB has over 400 branches and offices across the country. The Fund invested US$14.06 million and currently holds a 1.19% stake in CMB. For the first half of 2005, CMB achieved good results with the revenue of RMB11.34 billion and a profit after taxation of RMB2.13 billion, increased by 20% and 26% respectively against the same period of last year. Regarding business development, CMB is within the first batch of institutions authorised by the Labour and Social Security Department of China to act as account manager and custodian of corporate pension funds.

During the reporting period, CMB made a capitalisation issue in the proportion of 5 shares for every 10 existing shares. Number of shares held by the Fund increases to 123 million whilst the stake in CMB remains intact.

According to the adopted valuation method, CMB's shares were valued at RMB3.83 per share as of 30 June 2005, and the value of the Fund's investment in CMB increased by US$1.87 million as compared to the end of 2004. The Fund received 2004 dividends of RMB9.06 million in the first half of the year.

Industrial Bank Company, Limited ("IBCL") is a registered commercial bank in the PRC with over 300 branches and offices throughout the country. Since 1998, the Fund has cumulatively invested RMB146 million (equivalent to US$17.62 million) in IBCL and currently holds a 2.1% stake in IBCL. For the first half of 2005, IBCL recorded a profit after taxation of RMB1.524 billion, representing an increase of 19% over the same period of last year. The Fund received 2004 dividends of RMB9.24 million during the reporting period.

As regards the listing plan, affected both by the government policies and depressed local securities market, it is uncertain whether IBCL could issue A shares through IPO successfully. In order to secure sufficient capital for sustainable development, IBCL plans to increase capital by different alternatives such as private placement of equity, issuance of debt or H shares, etc.. The concrete proposal is awaiting the final decision of its board of directors.

China Credit Trust Company, Limited ("CCT") was established in 1995 and formerly known as China Coal Trust Company, Limited. Its principal activities are trust management, fund management, investments and loan financing. The Fund reached an agreement in September 2004 with Yong Cheng Mei Dian (Group) Limited to acquire a 6.8167% stake in CCT at a consideration of US$15.3 million. The acquisition was approved by the CBRC in May 2005 and the Fund then paid the acquisition price to the transferor in June 2005. CCT is now carrying out the procedures to update the shareholder's register, which is expected to be completed soon.

CCT recorded a profit after taxation of RMB15.02 million for the first half of 2005, dropped by 59% when comparing to the same period of 2004. The net assets were RMB1.852 billion as of 30 June 2005.

Industrial Securities Company, Limited ("ISCL") is a comprehensive securities company registered in China. Its businesses include IPO sponsorship, securities underwriting, brokerage, proprietary trading and investment consulting. It has 23 sales offices in cities throughout the country, including Beijing, Shanghai, Shenzhen, Wuhan, Fuzhou and Xiamen, etc.. The Fund invested RMB8.51 million (equivalent to US$1.03 million) to acquire a 0.74% stake in ISCL. There was a significant decline in income from brokerage business for ISCL as the market turnover of China stock market slumped in the first half of 2005. As a result, ISCL sustained a loss of RMB61.40 million for the first half of 2005 whereas it recorded a profit before taxation of RMB26.16 million for the same period of last year.

China Merchants Securities Company, Limited ("CMSC") is a comprehensive securities company registered in China. Its businesses include IPO sponsorship, securities underwriting, brokerage, proprietary trading, investment consulting and financial advisory. The Fund invested RMB13.05 million (equivalent to US$1.58 million) to acquire a 0.52% stake in CMSC. For the first six months of 2005, CMSC recorded a profit after taxation of RMB2.99 million. This represented a 95% decrease from the same period of 2004, due to the declines in incomes from various businesses, in particular, the income from brokerage business, given descending China stock market and shrinking market turnover during the first half of the year. The proposal for capital enlargement is still pending.

Jutian Securities Company Limited ("Jutian Securities") is one of the earliest established comprehensive securities companies in China. Its businesses include IPO sponsorship, securities underwriting, brokerage and investment consulting. Jutian Securities has 17 sales offices throughout the country. In 2001, the Fund invested RMB35.36 million (equivalent to US$4.27 million) in Jutian Securities, representing an interest of 4.66%. Suffered from shrinking market turnover and significant decline in income from brokerage business, Jutian Securities sustained a loss of RMB12.57 million for the first six months of 2005, compared to a profit before taxation of RMB7.56 million over the same period of last year. As the relevant supervising authorities require securities companies to formulate feasible proposals for clearing up issues on appropriation of customers' deposits within specific time limit, Jutian Securities is trying its best to arrange funds for replenishing customers deposits through the disposal of assets and accelerated efforts to recover debts. The Fund is closely monitoring the progress.

Jutian Fund Management Company Limited ("JFM") was established in 2003 with a registered capital of RMB100 million. The Fund invested RMB10 million (equivalent to US$1.21 million) in JFM and currently holds a 10% stake in JFM. For the first half of 2005, JFM sustained a loss of RMB0.974 million, decreased by RMB8.9 million when comparing to the same period of 2004. As of 30 June 2005, the net asset value of the first fund launched by JFM – Jutian Infrastructure Equity Investment Fund was RMB1.307 billion. In order to increase its revenue, JFM are planning to launch two new funds. One of them – Jutian Resources Selective & Mixed Equity Investment Fund, has been authorised to be launched by the China Securities Regulatory Commission and will be promoted for sale once the market conditions are favourable.

Houlder China Insurance Brokers Limited ("Houlder"), set up in 2001, is an insurance broker authorised by the China Insurance Regulatory Commission. The Fund invested RMB5 million (equivalent to US$0.6 million) to acquire an interest of 10%. Owing to the market expansion strategies and costs saving, Houlder scored good results for the first half of 2005. The revenue increased to RMB6.49 million and the profit after taxation to RMB0.65 million, representing an 80% and a 27% increase respectively against the same period of 2004. In the coming year, Houlder will continue to reinforce its efforts in training its core business team, enhancing its management regime and expanding into different business activities.

Zhaoyuan Jinbao Electronics Company Limited ("Jinbao") was set up in 1993 in Zhaoyuan City of Shandong Province as a manufacturer of copper-foil and laminates. The Fund owns a 30% interest in Jinbao and has made a cumulative investment of US$8.12 million. In the first half of 2005, as the sales of electronics parts and supplies were satisfactory, Jinbao's revenue increased to RMB317 million from RMB255 million of last year over the same period, representing a 24% increase. Nonetheless, owing to the shrinking gross profit margin with elevated raw materials cost, the profit after taxation still dropped by 10% against the same period of 2004 to RMB5.42 million. In an effort to facilitate the long-term growth of Jinbao, CMSC visited and presented a preliminary IPO proposal to Jinbao this April. The proposal is being considered by its shareholders.

Langfang Oriental Education Facilities Development Company Limited ("Oriental") is a Sino-foreign cooperative joint venture established in Langfang City of Hebei Province. The total project cost is US$20 million, with a 20-year contractual period. In June 2002, the Fund invested US$5 million for an equity stake of 25%. Oriental is engaged in the operation and management of the Phase 1 dormitories of Oriental University City of Langfang City. Current capacity of the Phase 1 dormitories is about 17,000 students. It accommodated 12,600 students in the school year of 2004/2005, an 8% decrease over last school year. Oriental recorded a profit before taxation of RMB3.83 million for the first half of 2005, an increase of 66% over the same period of last year as payments of rents from students were more promptly received this year than last year.

In late June this year, Oriental had a dispute with State Taxation Bureau of the development zone on issue concerning the income tax for 2002 to 2005. After fulfilling the requirements of the relevant regulation, Oriental has submitted an application for administrative review on such tax issue and the case has been officially accepted. If the case of administrative review is not successful eventually, there will have a considerable negative impact on the share of profit after taxation of Oriental attributable to the Fund this year.

Shenzhen Mankam Square ("Mankam") is a 33-storey commercial complex on North Wen Jin Road, Shenzhen. In 1994, the Fund invested US$4.3 million through a 35% holding in Hansen Enterprises Limited ("Hansen") to purchase 5,262 square metres of retail space on the third floor of Mankam. Hansen has had difficulty in selling or leasing the third floor because the first two floors of Mankam have not yet been brought into use due to the issue of ownership. Nonetheless, Hansen is actively seeking all other exit scenarios. According to the valuation report issued by an independent assessor on 31 March 2005, the value of the property decreased by 6% to HK$48.16 million (equivalent to US$6.20 million) against the same date of last year.

Chenzhou Heshang Environmental Protection Company Limited ("Heshang") is a Sino-foreign cooperative joint venture formed by the Fund and Shenzhen Harvest Environment Development Company Limited in November 2003. Total investment in the project is RMB70 million. In 2004, the Fund invested US$2.54 million for an equity stake of 30%. Heshang owns the right to construct and operate a landfill for domestic waste in Chenzhou, Hunan Province for 10 years. The designed capacity of the landfill is 3.2 million cubic metres, with a daily waste handling capacity of 500 tons. The construction work is in progress. Although the construction work was delayed by the awful weather in the second quarter of the year, it is anticipated that the construction work will on schedule be completed before the year end. According to the terms of the concession agreement, the Fund has so far received a fee prepayment of RMB3.24 million.

REVIEW OF LISTED INVESTMENTS

In the first half of 2005, the Hong Kong stock market was overshadowed by surging crude oil prices, hiking interest rates and macroeconomic control in Mainland China. During the period, the Hang Seng Index swung between 14365 to 13321 and without any direction. The Fund recorded a net income of US$23,000 from listed investments for the period. As it is expected that the Hong Kong stock market will advance along with the improvement of fundamentals in the second half of the year, the Fund therefore increased its listed investments in the first half of the year. As of the end of June 2005, the value of listed investments was US$3.86 million, increased by US$2.63 million as compared to the end of last year.

PROSPECTS

For the first half of 2005, China recorded an economic growth of 9.5% while the consumer price index rose mildly by 2.3%. The figures showed that under the macroeconomic control, China's economy seems likely to have entered into a new round of stable growth. Under this kind of favourable economic environment, the Fund's investments, particularly the banking projects, should benefit from it. On the other hand, we continue to strive for better returns for the Fund's investment projects and cash.

Xie Kuixing
Managing Director
China Merchants China Investment Management Limited

Hong Kong, 26 September 2005

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the year ending 31 December 2005 (2004: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the period ended 30 June 2005, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2005, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Director	Number of shares	Capacity	Nature of interest	Percentage of total issued share
Mr. Victor Lap-Lik Chu	14,400,000	Interest of controlled corporation	Corporate	10.50%

Note: Mr. Victor Lap-Lik Chu is deemed to have interest in 14,400,000 shares of the Company in which China Bright Holdings Limited is interested.

Save as disclosed above, none of the directors or chief executives, or their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO as at 30 June 2005, and none of the directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the period ended 30 June 2005.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2005, the following persons, other than a director or chief executive of the Company, have interests in the shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Name	Capacity	Number of ordinary shares interested	Percentage of total issued share
China Merchants Group Limited *(Note 4)*	Interest of Controlled Corporation	34,309,760	25.02%
China Merchants Steam Navigation Company Limited *(Note 4)*	Interest of Controlled Corporation	34,309,760	25.02%
China Merchants Holdings (Hong Kong) Company Limited *(Note 1)*	Interest of Controlled Corporation	34,309,760	25.02%
China Merchants Finance Holdings Company Limited *(Note 2)*	Interest of Controlled Corporation	34,309,760	25.02%
China Merchants Financial Services Limited *(Note 4)*	Interest of Controlled Corporation	33,989,760	24.78%
Good Image Limited *(Note 3)*	Beneficial Owner	33,989,760	24.78%
China Bright Holdings Limited *(Note 3)*	Beneficial Owner	14,400,000	10.50%
Deutsche Bank Aktiengesellschaft	Security Interest	8,356,000	6.09%
QVT Financial GP LLC *(Note 6)*	Interest of Controlled Corporation	8,240,000	6.01%
QVT Financial LP	Fund Manager	8,240,000	6.01%
Temasek Holdings (Private) Limited *(Note 4)*	Interest of Controlled Corporation	7,200,000	5.25%
Hong Lim Fund Investments Pte Ltd. *(Note 3)*	Beneficial Owner	7,200,000	5.25%
Central Huijin Investment Company Limited *(Note 4)*	Interest of Controlled Corporation	7,200,000	5.25%
Bank of China Limited *(Note 4)*	Interest of Controlled Corporation	7,200,000	5.25%
Bank of China Group Investment Limited *(Note 3)*	Beneficial Owner	7,200,000	5.25%
China Minmetals Corporation *(Note 4)*	Interest of Controlled Corporation	7,200,000	5.25%
China Minmetals H.K. (Holdings) Limited *(Note 4)*	Interest of Controlled Corporation	7,200,000	5.25%
June Glory International Limited *(Note 5)*	Interest of Controlled Corporation	7,200,000	5.25%
ONFEM Holdings Limited *(Note 4)*	Interest of Controlled Corporation	7,200,000	5.25%
ONFEM Investments Limited *(Note 3)*	Beneficial Owner	7,200,000	5.25%
Swiss Reinsurance Company *(Note 3)*	Beneficial Owner	7,200,000	5.25%
QVT Associates GP LLC *(Note 6)*	Interest of Controlled Corporation	6,919,610	5.05%
QVT Fund LP *(Note 3)*	Beneficial Owner	6,919,610	5.05%

Note 1 : The company is deemed to have corporate interests in the shares opposite to its name by virtue of its controlling shareholding (i.e. 99.32%) in the company whose name is set out immediately under it.

Note 2 : The company is deemed to have corporate interests in the shares opposite to its name by virtue of its entire shareholding in Everlink Limited and the company whose name is set out immediately under it.

Note 3 : The company has a beneficial interest in the shares opposite to its name.

Note 4 : The company is deemed to have corporate interests in the shares opposite to its name by virtue of its entire shareholding in the company whose name is set out immediately under it.

Note 5 : The company is deemed to have corporate interests in the shares opposite to its name by virtue of its controlling shareholding (i.e. 53.95%) in the company whose corporate name is set out immediately under it.

Note 6: The company is deemed to have corporate interests in the shares opposite to its name by virtue of its interest in the company whose corporate name is set out immediately under it.

Save as disclosed above, there was no person, other than a director or chief executive of the Company, who has an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE

The Audit Committee has reviewed the Interim Report with the Investment Manager and the Company's external auditors.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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. The Company also has no salaried employees. Thus, no remuneration committee has been established by the Company and it is appropriate to remain holding board meeting twice a year at a minimum.

Further, owing to the flight delay, the Chairman, Dr. Fu Yuning, has given an apology for not hosting the Annual General Meeting of the Company which was held on 31 May 2005.

The Company has adopted codes of conduct regarding securities transactions by Directors and by relevant employees 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

Dr. Huang Dazhan
Executive Director

Hong Kong, 26 September 2005