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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 2023 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 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2023	2022
		(unaudited)	(unaudited)
	NOTES	US\$	US\$
Net gain (loss) on financial assets at fair value through profit or loss	3	80,411,139	(85,640,580)
Investment income	4	1,072,112	1,646,785
Other gains		1,070,507	339,484
Administrative expenses		(5,567,698)	(6,549,964)
Profit (loss) before taxation	6	76,986,060	(90,204,275)
Taxation	7	(13,303,100)	19,212,692
Profit (loss) for the period		63,682,960	(70,991,583)
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		(20,523,309)	(33,800,738)
Total comprehensive income (expense) for the period		43,159,651	(104,792,321)
Profit (loss) for the period attributable to owners of the Company		63,682,960	(70,991,583)
Total comprehensive income (expense) for the period attributable to owners of the Company		43,159,651	(104,792,321)
Basic earnings (loss) per share	8	0.418	(0.466)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2023 <i>(unaudited)</i> US\$	31 December 2022 <i>(audited)</i> US\$
	<i>NOTES</i>		
Non-current asset			
Financial assets at fair value through profit or loss		679,324,548	656,253,381
Current assets			
Financial assets at fair value through profit or loss		65,194,362	33,817,225
Other receivables and prepayments		263,708	59,450
Cash and cash equivalents		19,211,903	25,489,216
		84,669,973	59,365,891
Current liabilities			
Other payables		22,067,378	24,695,000
Dividend payable		10,663,311	-
Taxation payable		451,067	1,725,491
		33,181,756	26,420,491
Net current assets		51,488,217	32,945,400
Total assets less current liabilities		730,812,765	689,198,781
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss		1,181,580	872,416
Deferred taxation		125,564,392	116,755,912
		126,745,972	117,628,328
Net assets		604,066,793	571,570,453
Capital and reserves			
Share capital		139,348,785	139,348,785
Reserves	<i>10</i>	48,314,673	68,837,982
Retained profits	<i>10</i>	416,403,335	363,383,686
Equity attributable to owners of the Company		604,066,793	571,570,453
Net asset value per share	<i>9</i>	3.965	3.752

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 2022 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 2022 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 2023 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022.

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 and relevant for the preparation of the Group’s condensed consolidated financial information:

Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior interim periods and/or on the 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 an analysis of net gain (loss) on investments of the Group for the six months ended 30 June 2023. 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	
	2023	2022
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>US\$</i>	<i>US\$</i>
Net gain (loss) on financial assets at fair value through profit or loss ("FVTPL")		
Listed investments		
Realised	44,889	-
Unrealised	(1,973,443)	(68,596,793)
Unlisted investments		
Realised	-	7,947,299
Unrealised	82,339,693	(24,991,086)
Total	80,411,139	(85,640,580)

4. INVESTMENT INCOME

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

	Six months ended 30 June	
	2023	2022
	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>US\$</i>	<i>US\$</i>
Interest income on bank deposits	254,818	133,758
Dividend income on financial assets at FVTPL	817,294	1,513,027
Total	1,072,112	1,646,785

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; and
- (c) Information technology: investees engaged in information technology activities.

The Group also invested in manufacturing, energy and resources and medical activities (2022: manufacturing, energy and resources and medical activities), and 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 2023

	Reportable segments			Total reportable segments US\$	Others US\$	Total US\$
	Financial services US\$	Culture, media and consumption US\$	Information technology US\$			
Net (loss) gain on financial assets at FVTPL	(26,159,229)	32,218,523	75,041,075	81,100,369	(689,230)	80,411,139
Dividend income on financial assets at FVTPL	-	817,294	-	817,294	-	817,294
Other gains	-	1,235,061	-	1,235,061	-	1,235,061
Segment (loss) profit	(26,159,229)	34,270,878	75,041,075	83,152,724	(689,230)	82,463,494
Unallocated:						
- Administrative expenses						(5,567,698)
- Interest income on bank deposits						254,818
- Other losses						(164,554)
Profit before taxation						76,986,060

5. SEGMENTAL INFORMATION - CONTINUED

For the six months ended 30 June 2022

	Reportable segments			Total reportable segments	Others	Total
	Financial services	Culture, media and consumption	Information technology			
	US\$	US\$	US\$	US\$	US\$	US\$
Net (loss) gain on financial assets at FVTPL	(131,650,023)	3,988,492	34,760,631	(92,900,900)	7,260,320	(85,640,580)
Dividend income on financial assets at FVTPL	454,068	830,819	105,876	1,390,763	122,264	1,513,027
Other gains	-	559,632	-	559,632	-	559,632
Segment (loss) profit	<u>(131,195,955)</u>	<u>5,378,943</u>	<u>34,866,507</u>	<u>(90,950,505)</u>	<u>7,382,584</u>	<u>(83,567,921)</u>
Unallocated:						
- Administrative expenses						(6,549,964)
- Interest income on bank deposits						133,758
- Other losses						(220,148)
Loss before taxation						<u>(90,204,275)</u>

Segment (loss) profit represents the net (loss) gain on financial assets at FVTPL, 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 losses. 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 (loss) profit.

5. SEGMENTAL INFORMATION - CONTINUED

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

	30 June 2023 (unaudited) US\$	31 December 2022 (audited) US\$
Segment assets		
Financial services	412,858,699	454,236,174
Culture, media and consumption	83,584,368	53,659,356
Information technology	229,839,106	162,887,995
Total assets for reportable segments	726,282,173	670,783,525
Others	18,236,737	19,287,081
Unallocated	19,475,611	25,548,666
Consolidated assets	763,994,521	715,619,272
Segment liabilities		
Financial services	41,896	38,955
Culture, media and consumption	352,660	175,413
Information technology	659,348	512,963
Total liabilities for reportable segments	1,053,904	727,331
Others	127,676	145,085
Unallocated	158,746,148	143,176,403
Consolidated liabilities	159,927,728	144,048,819

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	
	2023	2022
	(unaudited)	(unaudited)
	US\$	US\$
Profit (Loss) before taxation has been arrived at after charging:		
Investment Manager's management fee	5,153,690	6,228,528
Net foreign exchange loss	164,554	220,148

7. TAXATION

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	US\$	US\$
The tax (charge) credit for the period comprises:		
Current tax:		
PRC Enterprise Income Tax	(167)	(520)
Withholding tax for distributed earnings	-	(49,753)
Deferred taxation		
Current period	(13,302,933)	19,262,965
Total	(13,303,100)	19,212,692

No provision for taxation in Hong Kong has been made as the Company and its subsidiaries do not have assessable profits for both 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	
	2023	2022
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit (loss) for the purpose of basic earnings (loss) per share (US\$)	63,682,960	(70,991,583)
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\$)	0.418	(0.466)

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

9. NET ASSET VALUE PER SHARE

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

	30 June	31 December
	2023	2022
	<i>(unaudited)</i>	<i>(audited)</i>
Net asset value (US\$)	604,066,793	571,570,453
Number of ordinary shares in issue	152,333,013	152,333,013
Net asset value per share (US\$)	3.965	3.752

10. MOVEMENT IN RESERVES AND RETAINED PROFITS

	Six months ended 30 June	
	2023	2022
	<i>(unaudited)</i>	<i>(unaudited)</i>
	US\$	US\$
At 1 January	432,221,668	666,348,678
Change in reserves	(20,523,309)	(33,800,738)
Profit (loss) for the period	63,682,960	(70,991,583)
Dividends declared for the last year	(10,663,311)	(21,326,622)
At 30 June	464,718,008	540,229,735

REVIEW AND PROSPECTS

OVERALL PERFORMANCE

The Group recorded a profit attributable to equity shareholders of US\$63.68 million for the six months ended 30 June 2023, compared to a loss attributable to equity shareholders of US\$70.99 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 2023, the net assets of the Group (net of the final dividend of US\$10.66 million for 2022, paid in July 2023) were US\$604.07 million (31 December 2022: US\$571.57 million), with a net asset value per share of US\$3.965 (31 December 2022: US\$3.752).

The net gain on the Financial Assets for the period was US\$80.41 million, compared to a net loss of US\$85.64 million for the same period last year. Looking deeper, the Group’s listed and unlisted investments recorded net loss of US\$1.93 million and net gain of US\$82.34 million, respectively.

Total investment income for the period decreased by 35.15% to US\$1.07 million (six months ended 30 June 2022: US\$1.65 million) as compared to the same period last year, due mainly to a decrease in dividend income from investments.

ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In the first half of 2023, the Group continued to seek out and rigorously evaluate investment opportunities. And subsequent to the balance sheet date, the Group has signed agreements to invest in an information technology project.

On 7 July 2023, the Group entered into an investment agreement and other relevant agreements in relation to Beijing Hanwei Innovation Technology Co., Ltd. (“**Hanwei**”), pursuant to which the Group agreed to contribute capital of RMB50 million to Hanwei in order to subscribe to the preferred shares issued by Hanwei and to obtain a 6.42% equity interest. The Group paid the investment amount of RMB50 million (equivalent to US\$7.02 million) to Hanwei on 27 July 2023 to complete the transaction. Hanwei is a fabless IC (Integrated Circuit) design company focusing on ultra-wideband (UWB) technology, and its products developed primarily for consumer goods such as automotives, smartphones and wearables.

In addition, the Group completed a full exit from a listed investment in the period.

During the period of September 2022 to January 2023, the Group sold its entire holding of 67.24 million H shares of China Reinsurance (Group) Corporation (“**China Re**”) for net proceeds of HK\$34.77 million (equivalent to US\$4.46 million), and has fully exited from the project. The pre-tax internal rate of return to the Group from China Re was negative 15.47%.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND COMMITMENTS

The Group's cash and cash equivalents decreased by 24.64%, from US\$25.49 million at the end of last year to US\$19.21 million (representing 2.51% of the Group's total assets) as of 30 June 2023, due mainly to the payment of administrative expenses.

As of 30 June 2023, the Group had no outstanding bank loans (31 December 2022: Nil).

As of 30 June 2023, the Group had no commitments (31 December 2022: Nil).

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 decrease of 3.52% in the first half of 2023, which had a 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 2023, the Group's total investments amounted to US\$744.52 million. The sector distribution of investments was US\$412.86 million in financial services (representing 54.05% of the Group's total assets), US\$83.58 million in culture, media and consumption (10.94%), US\$229.84 million in information technology (30.08%), and US\$18.24 million in other ventures (including manufacturing, energy and resources, and medical, etc.) (2.39%). In addition, cash and cash equivalents were US\$19.21 million, representing 2.51% of the Group's total assets as of 30 June 2023.

PROSPECTS

In the first half of 2023, China remained on a path of restorative economic growth. According to data released by the National Bureau of Statistics, Gross Domestic Product (GDP) in the first half of the year was RMB59.3 trillion, up 5.5% year-on-year, calculated in constant prices. In terms of industries, the added value of the primary industry in the first half of the year was RMB3.0 trillion, with a year-on-year increase of 3.7%; the added value of the secondary industry was RMB23.1 trillion, with an increase of 4.3%; the added value of the tertiary industry was RMB33.2 trillion, with an increase of 6.4%. In terms of quarters, GDP grew by 4.5% year-on-year in the first quarter, and by 6.3% year-on-year in the second quarter. Furthermore, the Consumer Price Index of China for the first half of the year rose by 0.7% year-on-year, representing a still low level of inflation.

Looking ahead to the second half of the year, the World Bank stated in June 2023 that global economic growth has significantly slowed amidst rising global interest rates, intensifying the risk of financial pressures on emerging markets and developing economies. Global economic growth is projected to slow from 3.1% in 2022 to 2.1% in 2023. In emerging markets and developing economies, excluding China, the growth rate is expected to decrease from 4.1% in 2022 to 2.9% in 2023. Multiple impacts, including the coronavirus pandemic, the Russia-Ukraine conflict and the significant slowdown of economic growth caused by the tightening of global financial conditions, have dealt a major setback to the development of emerging markets and developing economies, with their effects expected to persist into the foreseeable future. In China, at the start of 2023, a strong recovery in the economy took root due to the release of suppressed market demand during the pandemic, which stimulated consumption. Retail sales experienced a significant increase, and industrial production showed a moderate rebound. Factors such as the rebound in contact-intensive service industries, strong spending during the Spring Festival, the recovery of travel, and the rapid return of migrant workers to their workplaces have provided support for economic activity. Increased stimulus measures in China's infrastructure industry since 2022 have helped to offset weakness in the real estate industry. The real estate sector, burdened by high levels of debt, has shown preliminary signs of emerging from a long period of stagnation, and various policies implemented by the Central Government to ensure the completion of ongoing projects and restore industry confidence have driven up real estate prices in many cities. In addition, the reopening of the economy and the excess savings accumulated by domestic citizens are expected to support household expenditure growth, especially in service spending. In conclusion, it is expected that China's economy can achieve a target growth rate of around 5.0% in 2023. Given that China's overall economic growth environment is expected to stabilise and to pursue progress in 2023, and that China's economic restructuring is continuing under the "14th Five-Year" plan, it is expected that the operating results of the investment projects (mainly operating in China) held by the Group may continue to improve.

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 digital finance, on emerging technology industries featuring artificial intelligence (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 2023 (six months ended 30 June 2022: Nil).

A dividend payment of US\$10,663,311 (2021: US\$21,326,622), being a final dividend of US\$0.07 per share (2021: a final dividend of US\$0.07 per share and a special dividend of US\$0.07 per share, totaling US\$0.14 per share), for the year ended 31 December 2022 was approved by the shareholders on 29 May 2023 and was subsequently paid by the Company in cash on 27 July 2023.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the six months ended 30 June 2023, 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
WANG Xiaoding
Director

Hong Kong, 28 August 2023

As at the date hereof, the Executive Directors of the Company are Mr. WANG Xiaoding and Ms. KAN Ka Yee, Elizabeth; the Non-executive Directors are Mr. ZHOU Xing, Mr. ZHANG Rizhong, Mr. KE Shifeng and Mr. TSE Yue Kit; and the Independent Non-executive Directors are Mr. TSANG Wah Kwong, Dr. LI Fang, Dr. GONG Shaolin, Mr. Michael Charles VITERI and Mr. ZHU Qi.