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)

Interim Report

For the six months ended 30 June 2009

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Mr. LI Yinquan* *(Chairman)*
Mr. HONG Xiaoyuan*
Mr. CHU Lap Lik, Victor*
Ms. ZHOU Linda Lei*
Mr. TSE Yue Kit
Ms. KAN Ka Yee, Elizabeth*
(alternate to Mr. CHU Lap Lik, Victor)*

Independent Non-executive Directors:
Mr. KUT Ying Hay
Mr. WANG Jincheng
Mr. LI Kai Cheong, Samson

* *members of Investment Committee*

AUDIT COMMITTEE

Mr. LI Kai Cheong, Samson
Mr. KUT Ying Hay
Mr. WANG Jincheng

INVESTMENT MANAGER

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Industrial and Commercial Bank of China Limited
China Merchants Bank Co., Ltd.

COMPANY SECRETARY

Mr. LEUNG Chong Shun
(appointed on 14 July 2009)
Mr. Peter Y. W. LEE
(resigned on 14 July 2009)

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Linklaters
Victor Chu & Co

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

Stock Code: 0133.HK
Web-site: www.cmcdi.com.hk

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 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2009	2008
		(unaudited)	*(unaudited)*
	NOTES	***US$***	*US$*
Change in fair value of financial assets at fair value through profit or loss		**346,240,362**	(471,802,373)
Investment income	*3*	**6,289,189**	12,067,116
Other income		**142,015**	142,338
Administrative expenses		**(36,338,102)**	(9,002,488)
Share of results of associates		**(361,270)**	1,544,307
Profit (loss) before taxation	*5*	**315,972,194**	(467,051,100)
Taxation	*6*	**(89,541,659)**	103,607,126
Profit (loss) for the period		**226,430,535**	(363,443,974)
Other comprehensive income (loss)			
Exchange differences arising on translation of foreign operations		**(11,486,618)**	50,125,874
Share of change in translation reserve of associates		**6,258**	1,207,685
Change in fair value of available-for-sale financial assets		**(3,022)**	–
Other comprehensive income (loss) for the period (net of tax)		**(11,483,382)**	51,333,559
Total comprehensive income (loss) for the period		**214,947,153**	(312,110,415)
Profit (loss) for the period attributable to owners of the Company		**226,430,535**	(363,443,974)
Total comprehensive income (loss) attributable to owners of the Company		**214,947,153**	(312,110,415)
Basic and diluted earnings (loss) per share	*7*	**1.518**	(2.437)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30 June 2009 (unaudited) US$	31 December 2008 (audited) US$
Non-current assets			
Interests in associates		**15,722,780**	16,077,183
Financial assets at fair value through profit or loss		**66,353,182**	61,409,483
Other investments in financial assets		**694,117**	697,139
		82,770,079	78,183,805
Current assets			
Financial assets at fair value through profit or loss		**577,824,823**	345,748,162
Other receivables	9	**633,240**	1,071,794
Cash and bank balances		**175,886,604**	101,994,877
		754,344,667	448,814,833
Current liabilities			
Other payables		**107,611,901**	106,737,490
Provision	10	**30,095,868**	–
Taxation payable		**9,820,416**	11,493,691
		147,528,185	118,231,181
Net current assets		**606,816,482**	330,583,652
Total assets less current liabilities		**689,586,561**	408,767,457
Non-current liabilities			
Financial liabilities	11	**129,031**	–
Deferred taxation	12	**140,103,163**	74,360,243
		140,232,194	74,360,243
Net Assets		**549,354,367**	334,407,214
CAPITAL AND RESERVES			
Share capital	13	**14,914,560**	14,914,560
Reserves		**174,054,542**	185,537,244
Retained earnings		**360,385,265**	133,955,410
Equity attributable to owners of the Company		**549,354,367**	334,407,214
Net asset value per share	14	**3.683**	2.242

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital US$	Share premium US$	Exchange reserve US$	General reserve US$	Available-for-sale financial assets reserve US$	Retained profits US$	Equity attributable to owners of the Company US$
Balance at 1 January 2009 (audited)	**14,914,560**	**109,493,184**	**70,150,247**	**5,893,813**	**–**	**133,955,410**	**334,407,214**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**226,430,535**	**226,430,535**
Exchange difference on translation	**–**	**–**	**(11,486,618)**	**–**	**–**	**–**	**(11,486,618)**
Share of change in translation reserve of associates	**–**	**–**	**6,258**	**–**	**–**	**–**	**6,258**
Change in fair value of available-for-sale financial assets	**–**	**–**	**–**	**–**	**(3,022)**	**–**	**(3,022)**
Total comprehensive income (loss) for the period	**–**	**–**	**(11,480,360)**	**–**	**(3,022)**	**226,430,535**	**214,947,153**
Transfer to general reserve	**–**	**–**	**–**	**680**	**–**	**(680)**	**–**
Balance at 30 June 2009 (unaudited)	**14,914,560**	**109,493,184**	**58,669,887**	**5,894,493**	**(3,022)**	**360,385,265**	**549,354,367**
Balance at 1 January 2008 (audited)	14,914,560	109,493,184	20,799,512	2,055,131	–	758,072,556	905,334,943
Loss for the period	–	–	–	–	–	(363,443,974)	(363,443,974)
Exchange difference on translation	–	–	50,125,874	–	–	–	50,125,874
Share of change in translation reserve of associates	–	–	1,207,685	–	–	–	1,207,685
Total comprehensive income (loss) for the period	–	–	51,333,559	–	–	(363,443,974)	(312,110,415)
Balance at 30 June 2008 (unaudited)	14,914,560	109,493,184	72,133,071	2,055,131	–	394,628,582	593,224,528

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2009	2008
	(unaudited)	*(unaudited)*
	US$	*US$*
Net cash from operating activities	**73,734,011**	24,367,151
Investing activities		
Advance to associates	**(609)**	(1,153)
Cash used in investing activities	**(609)**	(1,153)
Net increase in cash and bank balances	**73,733,402**	24,365,998
Cash and bank balances as at 1 January	**101,994,877**	45,687,332
Effect of foreign exchange rate changes	**158,325**	967,215
Cash and bank balances as at 30 June	**175,886,604**	71,020,545

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2009

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 (the "Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, 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 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial information, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of assets with reference to the operation of the investees. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see Note 4).

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The Group has not early applied the following new and revised standards, amendments and interpretations, that have been issued but are not yet effective and are pertinent to the operations of the Group. The Group considers that it is not yet in a position to reasonably ascertain the impact on the preparation and presentation of the results of operations and financial positions of the Group.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008 [1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 [2]
HKFRS 3 (Revised in 2008)	Business combinations [1]
HKAS 27 (Revised in 2008)	Consolidated and separate financial statements [1]
HKAS 39 (Amendment)	Eligible hedged items [1]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners [1]
HK(IFRIC) – INT 18	Transfers of assets from customers [3]

1 *Effective for annual periods beginning on or after 1 July 2009*
2 *Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate*
3 *Effective for transfers on or after 1 July 2009*

3. INVESTMENT INCOME

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

	Six months ended 30 June	
	2009	2008
	(unaudited)	*(unaudited)*
	US$	*US$*
Interest income	**941,073**	312,661
Dividend income	**5,348,116**	11,754,455
Total	**6,289,189**	12,067,116

4. SEGMENTAL INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. As mentioned in Note 2, the financial information reported to the executive management for the purpose of resources allocation and performance assessment is presented on an industrial basis.

The Group's reportable segments under HKFRS 8 are therefore as follows:

(a) Financial services: investees engaged in financial services activities.
(b) Culture and media: investees engaged in culture and media activities.
(c) Manufacturing: investees engaged in manufacturing of products activities.
(d) All other segments: investees engaged in investments related to real estates, and other types of business activities.

Information regarding the above segments is reported below.

The following is an analysis of the Group's operating segments for the period under review. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8:

For the six months ended 30 June 2009

	Financial services US$	Culture and media US$	Manufacturing US$	All other segments US$	Unallocated US$	Consolidated US$
Change in investment value	346,242,462	(2,100)	(262,281)	(98,989)	–	345,879,092
Dividend income	5,348,116	–	–	–	–	5,348,116
Segment profit (loss)	351,590,578	(2,100)	(262,281)	(98,989)	–	351,227,208
Interest income	–	–	–	–	941,073	941,073
Other income	–	–	–	–	142,015	142,015
Administrative expenses	–	–	–	–	(36,338,102)	(36,338,102)
Profit (loss) before taxation	351,590,578	(2,100)	(262,281)	(98,989)	(35,255,014)	315,972,194
Statement of financial position						
As at 30 June 2009						
Assets	614,498,051	29,637,647	14,521,167	1,938,037	176,519,844	837,114,746
Liabilities	148,854,074	145,712	71,393	7,573	138,681,627	287,760,379

4. SEGMENTAL INFORMATION (CONTINUED)

For the six months ended 30 June 2008

	Financial services *US$*	Culture and media *US$*	Manufacturing *US$*	All other segments *US$*	Unallocated *US$*	Consolidated *US$*
Change in investment value	(471,802,373)	–	1,476,077	68,230	–	(470,258,066)
Dividend income	11,754,455	–	–	–	–	11,754,455
Segment profit (loss)	(460,047,918)	–	1,476,077	68,230	–	(458,503,611)
Interest income	–	–	–	–	312,661	312,661
Other income	–	–	–	–	142,338	142,338
Administrative expenses	–	–	–	–	(9,002,488)	(9,002,488)
Profit (loss) before taxation	(460,047,918)	–	1,476,077	68,230	(8,547,489)	(467,051,100)
Statement of financial position As at 30 June 2008						
Assets	755,025,585	23,000,000	18,264,206	3,126,341	71,129,667	870,545,799
Liabilities	172,045,822	411,818	327,023	48,764	104,487,844	277,321,271

Segment profit (loss) represents the change in value of investments (including change in fair value of financial assets at fair value through profit or loss and share of results of associates) and the corresponding dividend income earned by each segment without allocation of central administrative expenses, fees to the Investment Manager, interest income and other income. This is the measure reported to the executive management for the purpose of resources allocation and performance assessment.

5. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2009	2008
	(unaudited)	*(unaudited)*
	US$	*US$*
Profit (loss) before taxation has been arrived at after charging (crediting)		
Share of taxation on results of associates		
Other regions in the PRC	**–**	147,265
Investment Manager's management fee	**5,757,182**	8,592,541
Investment Manager's performance fee *(Note 17(b))*	**30,095,868**	–
Net foreign exchange loss (gain)	**28,507**	(126,624)

6. TAXATION

	Six months ended 30 June	
	2009	2008
	(unaudited)	*(unaudited)*
	US$	*US$*
The tax (charge) credits for the period comprises:		
Current tax:		
Other regions in the PRC	**(23,843,453)**	(6,990,351)
Deferred taxation *(Note 12)*	**(65,698,206)**	110,597,477
	(89,541,659)	103,607,126

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profits for the period. No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements as the Company and its subsidiaries had no assessable profits for both periods. Taxation arising in other regions in the PRC is calculated at the rates prevailing in the relevant regions.

The PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC on 16 March 2007. The State Council of the PRC issued Implementation Regulations of the New Law and The Notification of the State Council on carrying out the Transitional Preferential Policies concerning Enterprise Income Tax (Guo Fa [2007] No. 39) on 6 December 2007 and 26 December 2007 respectively. Accordingly, the applicable Enterprise Income Tax rate for a PRC subsidiary of the Company in 2009 is 20% (2008: 18%) and such tax rate will be gradually increased to 25% in 2012. Other PRC incorporated entities which incorporated after 15 March 2007, are subject to 25% tax rate for Enterprise Income Tax.

7. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on the following data:

	Six months ended 30 June	
	2009	2008
	(unaudited)	*(unaudited)*
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share (US$)	**226,430,535**	(363,443,974)
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**149,145,600**	149,145,600
Basic and diluted earnings (loss) per share (US$)	**1.518**	(2.437)

8. INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: nil).

9. OTHER RECEIVABLES

	30 June	31 December
	2009	2008
	(unaudited)	*(audited)*
	US$	*US$*
Dividend receivable	**128,475**	182,215
Interest receivable	**232,743**	88,511
Other receivable	**272,022**	801,068
	633,240	1,071,794

10. PROVISION

The amount represents the provision for performance fee for the six months ended 30 June 2009 (2008: nil). Please refer to Note 17(b) for details.

11. FINANCIAL LIABILITIES

The financial liabilities are related to the sub-participation agreements (the "**Agreements**") entered into between the Company and co-investment participants with respect to an investment by the Group in 北京東方銀廣文化傳媒有限公司 (Inbank Media (China) Co., Ltd.). Details of the Agreements are disclosed in the section of Investment Manager's Discussion and Analysis and under the heading of Co-investment Scheme.

12. DEFERRED TAXATION

The Group's deferred tax liability relates to the taxation on capital gains for investments in the PRC and dividend withholding tax on undistributed earnings of subsidiaries incorporated 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 2008 (audited)	246,385,543
Credit to the profit or loss for the period	(110,597,477)
Exchange difference	15,669,299
Balance at 30 June 2008 (unaudited)	151,457,365
Credit to the profit or loss for the period	(73,619,744)
Exchange difference	(3,477,378)
Balance at 31 December 2008 (audited)	74,360,243
Charge to the profit or loss for the period	65,698,206
Exchange difference	44,714
Balance at 30 June 2009 (unaudited)	140,103,163

13. SHARE CAPITAL

	Number of shares	***US$***
Ordinary shares of US$0.10 each		
Authorised:		
At 1 January 2008, 31 December 2008, 1 January 2009 and 30 June 2009	**300,000,000**	**30,000,000**
Issued and fully paid:		
At 1 January 2008, 31 December 2008, 1 January 2009 and 30 June 2009	**149,145,600**	**14,914,560**

14. NET ASSET VALUE PER SHARE

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

	30 June 2009 *(unaudited)*	31 December 2008 *(audited)*
Net asset value (US$)	**549,354,367**	334,407,214
Number of ordinary shares in issue	**149,145,600**	149,145,600
Net asset value per share (US$)	**3.683**	2.242

15. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2009 *(unaudited)* ***US$***	31 December 2008 *(audited)* *US$*
Within one year	**9,440**	9,276
In the second to fifth years inclusive	**7,867**	12,368
	17,307	21,644

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases and rentals are negotiated for a term of three years.

16. CAPITAL COMMITMENT

The Group has entered into an agreement with 廣州珠江數碼集團有限公司 (Guangzhou Digital Media Group Ltd., "**Guangzhou Digital**"), pursuant to which the Group agreed to make a cash injection of RMB210 million (equivalent to approximately US$30.74 million) into the capital of Guangzhou Digital in return for approximately 21% equity interest in Guangzhou Digital. The transaction was subsequently completed on 26 August 2009.

17. RELATED PARTY TRANSACTIONS

The Company has appointed China Merchants China Investment Management Limited ("Investment Manager") 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 2009, the Group has incurred the following related party transactions:

(a) Management fees totalling US$5,757,182 (30 June 2008: US$8,592,541) were paid or accrued to the Investment Manager. The fee is calculated based on a fixed percentage on the value of the Group's assets as stipulated in the Investment Management Agreement.

The amount due to the Investment Manager included in other payables as for the six months ended 30 June 2009 was US$107,486,549 (31 December 2008: US$106,456,766). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

(b) A performance fee of US$30,095,868 (30 June 2008: nil) is provided for the six months ended 30 June 2009. The fee is estimated based on a fixed percentage on the excess of an agreed increment of the Group's net asset value as at 30 June 2009 after certain adjustment as stipulated in the Investment Management Agreement. The fee will be finalised based on the Group's net asset value at the end of the financial year.

(c) Rental fees in respect of the office properties totalling US$4,720 (30 June 2008: US$9,866) were paid or payable to a wholly-owned subsidiary of a substantial shareholder of the Company.

(d) Securities brokerage commission fees totalling US$52,145 (30 June 2008: US$10,938) were paid or payable to a subsidiary of a substantial shareholder of the Company.

(e) Pursuant to the sub-participation agreements, the financial liabilities of the Group with Mr. HONG Xiaoyuan, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit, who are Directors of both the Company and the Investment Manager, were US$12,900, US$12,900 and US$1,290 respectively (31 December 2008: nil).

Moreover, the financial liability of the Group with Mr. WU Huifeng, a director of the Investment Manager, was US$12,900 (31 December 2008: nil).

18. COMPENSATION OF KEY MANAGEMENT PERSONNEL

There is no compensation to key management personnel for both interim periods.

19. EVENT AFTER BALANCE SHEET DATE

On 14 July 2009, the Group entered into an agreement with, among others, 武漢日新科技有限公司 (Wuhan Rixin Technology Co., Ltd., "**Wuhan Rixin**") and another investor, pursuant to which the Group agreed to make a cash injection of RMB15 million (equivalent to approximately US$2.20 million) into the capital of Wuhan Rixin in return for approximately 5% equity interest of Wuhan Rixin. The transaction was completed on 14 July 2009.

Deloitte.
德勤

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF
CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 2 to 14, which comprises the condensed consolidated statement of financial position of China Merchants China Direct Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flow for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, 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.

Scope of review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
15 September 2009

INVESTMENT MANAGER'S DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

China Merchants China Direct Investments Limited and its subsidiaries (the "Fund") recorded a profit attributable to equity shareholders of US$226.43 million for the six months ended 30 June 2009, compared to a loss attributable to equity shareholders of US$363.44 million for the same period in 2008. The profit was mainly attributable to a significant increase in the fair value of financial assets designated at fair value through profit or loss (the "financial assets"). As of 30 June 2009, the net assets of the Fund were US$549.35 million (31 December 2008: US$334.41 million), with a net asset value per share of US$3.683 (31 December 2008: US$2.242).

For the period, the increase in fair value of the financial assets was US$346.24 million (2008: a loss of US$471.80 million) and was concentrated in two investments, namely China Merchants Bank Co., Ltd. ("CMB") and Industrial Bank Co., Ltd. ("INDB"). Their valuation substantially increased by US$141.00 million and US$163.89 million respectively as compared to the end of the previous year.

Total investment income for the period decreased by 48% to US$6.29 million (2008: US$12.07 million). This decrease was due mainly to a significant decline in dividend income.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

The Fund continuously investigates new investment opportunities, and intensive due diligence was completed on projects in financial services, culture and media, energy, environmental protection, pharmaceuticals, manufacturing, hi-tech and consumer related industries. On 1 June 2009, the Fund entered into an agreement with Inbank Media (China) Co., Ltd. ("Inbank Media") and agreed to invest US$4.39 million to acquire an equity interest of 9.09% in the enlarged capital of Inbank Media. In the same transaction, Inbank Media also agreed to issue a convertible bond to the Fund in the amount of US$2.20 million. The convertible bond bears interest at a rate of 6.7% per annum and will mature on the day falling on the third anniversary of the date of payment of the principal amount into the bank account of Inbank Media. The transaction was completed on 12 June 2009.

The Fund held an extraordinary general meeting on 15 December 2008 and was authorised to dispose of its entire holding of A shares of both CMB and INDB at prices of not less than RMB4.62 per share and RMB7.78 per share, respectively, within a year. During the reporting period, the Fund disposed of 22.80 million A shares of CMB and 15.20 million A shares of INDB, and the aggregate net proceeds amounted to RMB711.53 million.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

The Fund's cash on hand increased by 73%, from US$101.99 million at the end of last year to US$175.89 million as of 30 June 2009, mainly due to the persistent sale of our interests in CMB and INDB.

As of 30 June 2009, the Fund had no outstanding bank loans.

As of 30 June 2009, the Fund had a capital commitment of approximately US$30.74 million (2008: nil). It was an investment in Guangzhou Digital Media Group Ltd. which was approved and not provided in the financial statements.

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"). The conversion rate of RMB against U.S. dollar recorded an increase of 0.04% in the first half of 2009, which had a positive impact on the Fund since it holds a considerable amount of assets denominated in 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 2009, the Fund's total investment was US$659.95 million, which comprised US$659.26 million in direct investments (representing 78.83% of the Fund's total assets) and US$0.69 million in bonds (representing 0.08% of the Fund's total assets). The sector distribution of direct investments was US$613.90 million in financial services (representing 73.41% of the Fund's total assets), US$29.64 million in culture and media (representing 3.54% of the Fund's total assets) and an aggregate of US$15.72 million in manufacturing, real estate and education facilities (representing 1.88% of the Fund's total assets). Cash on hand was US$175.89 million, representing 21.01% of the Fund's total assets as of 30 June 2009.

REVIEW OF DIRECT INVESTMENTS

The following table shows the direct investment projects held by the Fund as at 30 June 2009:

Name of projects	Location	Business nature	Net book value (US$ million)	Percentage of total assets %
Financial Services:				
1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	308	36.78
2. Industrial Bank Co., Ltd.	Fuzhou, Fujian	Banking	270	32.25
3. China Credit Trust Co., Ltd.	Beijing	Trust management	32	3.88
4. Industrial Securities Co., Ltd.	Fuzhou, Fujian	Securities	3	0.35
5. Morgan Stanley Huaxin Fund Management Co., Ltd.	Shenzhen, Guangdong	Fund management	1	0.15
		Sub-total:	614	73.41
Culture and Media:				
6. NBA China, L.P.	Beijing	Sports marketing	23	2.75
7. Inbank Media (China) Co., Ltd. *(Note 1)*	Beijing	Media	7	0.79
		Sub-total:	30	3.54
Manufacturing:				
8. Shandong Jinbao Electronics Co., Ltd.	Zhaoyuan, Shandong	Copper foil & laminates	15	1.74
		Sub-total:	15	1.74
Real Estate:				
9. Langfang Oriental Education Facilities Development Co., Ltd.	Langfang, Hebei	Student dormitory	1	0.14
10. Shenzhen Mankam Square	Shenzhen, Guangdong	Retail shops	–	–
11. China Merchants Plaza (Shanghai) Property Co., Ltd.	Shanghai	Office & commercial	–	–
		Sub-total:	1	0.14
Other:				
12. Shenzhen Jutian Investment Co., Ltd.	Shenzhen, Guangdong	Investment	–	–
		Sub-total:	–	–
		Total:	660	78.83

Note 1: Investment in Inbank Media included US$4.39 million in equity interest and US$2.20 million in convertible bond issued by Inbank Media.

China Merchants Bank Co., Ltd. ("CMB") is the first joint-stock commercial bank established in the PRC, and its shares have been listed on the Shanghai Stock Exchange since 2002. CMB now has over 700 branches and offices across the country. It also owns 100% of Wing Lung Bank in Hong Kong and has established a branch in New York, U.S. As of the balance sheet date, the Fund held 93.82 million A shares of CMB, representing a 0.64% equity interest in CMB, with an investment cost of RMB90.06 million (equivalent to US$10.76 million). The net book value of the Fund's holding in CMB was US$307.90 million. In July 2009, the Fund received a cash dividend of RMB9.38 million for 2008 and 28.15 million bonus shares from CMB.

In the first half of 2009, the Fund disposed of 22.80 million A shares of CMB, and the net proceeds amounted to RMB367.95 million.

Since 2 March 2009, CMB's shares in issue have become circulating shares.

On 19 June 2009, two financing plans were approved at the shareholders meeting of CMB: the issuance of capital bonds of up to RMB30 billion to supplement its capital, and the issuance of financial bonds in the next three years with the amount not to exceed 10% of the outstanding liabilities of the CMB at the end of the previous year.

In August 2009, CMB announced a proposed issuance of A shares and H shares to all shareholders, with the issuance to not exceed 2.5 shares for every 10 shares outstanding. The issuance is expected to raise RMB18 billion to RMB22 billion and the proceeds will be used to supplement capital, raise the capital adequacy ratio and sustain a fast and healthy business growth.

In view of the expected dilution effect, the Fund is considering the feasibility of subscribing the A shares to be placed.

Industrial Bank Co., Ltd. ("INDB") is a joint-stock commercial bank incorporated in the PRC. It has over 470 branches and offices across the country. As of the balance sheet date, the Fund held 49.60 million A shares of INDB, representing an equity interest of 0.99% in INDB, with an investment cost of RMB86.09 million (equivalent to US$10.39 million). The net book value of the Fund's holding in INDB was US$269.93 million. In June 2009, the Fund received a cash dividend of RMB23.40 million for 2008 from INDB.

In the first half of 2009, the Fund disposed of 15.20 million A shares of INDB, and the net proceeds amounted to RMB343.58 million.

In early September of 2009, INDB succeeded in issuing subordinated bond of RMB10 billion on the inter-bank market in order to replenish its supplementary capital.

China Credit Trust Co., Ltd. ("CCT") was established in 1995. The principal activities of CCT are trust management, fund management, investments and loan financing. The Fund invested US$15.31 million in CCT in 2005, and holds a 6.8167% stake. In June 2009, the Fund received a cash dividend of US$1.79 million for 2008 from CCT.

CCT recorded an unaudited net profit of RMB126 million for the first half of 2009, representing a decrease of 51% from the same period of the previous year; an unaudited net interest income of RMB20.64 million, representing a decrease of 11% from the same period of the previous year; an unaudited fees and commissions net income of RMB80.89 million, representing a decrease of 42% from the same period of the previous year; and an unaudited investment income of RMB35.60 million, representing a decrease of 81% from the same period of the previous year. During the first half of 2009, the unprecedented loosening of domestic credit markets had a squeeze-out effect on the real estate loans and related trust products provided by CCT, and which also led to early repayment of many trust projects. As such, the number and size of subsisting trust projects, along with fees and commissions income from trust operations, decreased significantly for the period ended 30 June 2009 compared to the same period of the previous year.

The business registration of The People's Insurance Company (Group) of China as a shareholder was completed on 10 April 2009, and it has become the single largest shareholder of CCT.

In April 2009, the board of CCT authorised participation in the share issuance of China Guodu (Hong Kong) Financial Holdings Limited ("Guodu Hong Kong", a wholly owned subsidiary of Guodu Securities Co., Ltd. in Hong Kong). CCT intends to subscribe for HK$60 million of the offering, representing 30% of Guodu Hong Kong's registered capital after the share issuance. The offering is subject to the approval of the China Securities Regulatory Commission ("CSRC").

In August 2009, CCT received approval from the China Banking Regulatory Commission to conduct private equity fund investment business with its own funds.

Industrial Securities Co., Ltd. ("ISCL") is a comprehensive securities company incorporated in the PRC. With approval by the CSRC, ISCL obtained a new securities business license in April 2009. As a result, its scope of operations has been expanded to include brokerage, securities investment consulting, financial advisory with respect to securities transactions and securities investments, securities underwriting and sponsoring, proprietary securities trading, securities asset management, distribution of securities investment funds, and intermediary services for commodities companies.

The Fund invested RMB8.51 million (equivalent to US$1.03 million) in 1999, and held 8.736 million shares, representing a 0.45% equity interest in ISCL at the balance sheet date. In the first half of 2009, trading volume on the stock markets in Shenzhen and Shanghai increased significantly and contributed to an expansion of commission income for securities companies who participate in these markets. ISCL recorded an unaudited net profit of RMB545 million for the first half of 2009, representing an increase of 102% from the same period of the previous year.

In June 2009, a proposal for the distribution of a dividend of RMB1 for every 10 shares was approved at the shareholders meeting of ISCL. The Fund is therefore entitled to receive a cash dividend in the amount of RMB0.87 million from ISCL.

Morgan Stanley Huaxin Fund Management Co., Ltd. ("Morgan Stanley Fund"), formerly known as Jutian Fund Management Co., Ltd., was established in 2003 with registered capital of RMB100 million. The Fund invested RMB10 million (equivalent to US$1.21 million) in 2003, and holds a 10% equity interest in Morgan Stanley Fund.

Morgan Stanley Fund recorded an unaudited net loss of RMB6.08 million for the first half of 2009, compared to a net loss of RMB1.92 million for the same period of the previous year. Unaudited management fee income for the first half of 2009 was RMB13.41 million, representing a decrease of 37% from the same period of the previous year. Operating expenses for the first half of 2009 were RMB24.63 million, representing an increase of 11% from the same period of the previous year. Fewer average assets under management, lower management fee income and an increase in operating expenses contributed to the loss.

As of 30 June 2009, the aggregate net asset value of funds under the management of Morgan Stanley Fund increased to RMB2.13 billion from RMB1.66 billion at the end of 2008. In order to increase the assets under management, Morgan Stanley Fund is actively preparing for the issue of new funds, and has submitted applications to the CSRC for a new equity investment fund and a new bond investment fund.

Morgan Stanley Fund plans to increase investment in the coming years, to enhance business infrastructure, and to maintain a compensation structure that will attract and retain top talent. In addition, despite the expected gradual increase in assets under management, Morgan Stanley Fund expects to remain in a development stage for 2009 and 2010, and the company's loss may continue.

NBA China, L.P. ("NBA China") is a limited liability partnership entity that was incorporated in the Cayman Islands in 2007. The Fund invested US$23 million in January 2008, accounting for 1% of the preferred equity in NBA China. Other strategic investors hold the remaining 10% of preferred equity. NBA China has exclusive rights to operate the NBA's businesses in the Greater China Region, including television broadcasting rights, advertising, sponsorship, events, digital media, and merchandising, among other new businesses.

Since its inception, NBA China has actively developed a variety of businesses, and sponsorship is one important source of growth. NBA China has established cooperative relationships with many large enterprises such as Toyota, Peak, Mengniu, OPPO and Tsingtao Beer. Due to uncertainty in the economic outlook for the coming year, some sponsors may become more cautious in making investments in sponsorship and advertisement. NBA China will develop more new sponsors to support its business growth.

The content business (including traditional TV broadcasts and internet media) is maintaining stable and relatively fast growth. NBA China has developed a variety of programmes with an NBA theme to support the growth of its content business. One example was the launch of "Mengniu-NBA Ultimate Blueprint for Basketball Players", a TV reality show, in cooperation with Shandong TV Satellite Station and the Mengniu Group in May 2009.

Since July 2008, NBA China has established seven franchised NBA specialty shops in Beijing, Shanghai, Guangzhou, Changsha and Wenzhou. It intends to actively develop franchised NBA specialty shops, NBA-branded products and joint-branded products into an important revenue source.

NBA China has been in partnership with AEG Group to participate in the design, marketing and operation of multi-purpose NBA-style sports and entertainment arenas in various cities across the PRC. As the number of such arenas increases and reaches a certain scale, the business will become one of the key drivers for NBA China's business growth. In addition, NBA China has announced its commercial cooperation with the Shanghai World Expo Performing Arts Centre and Guangzhou International Sports Performing Arts Centre, which are under construction.

Inbank Media (China) Co., Ltd. ("Inbank Media") was established in June 2007, and its registered capital was then RMB13.75 million. The Fund invested a total of RMB45 million (equivalent to US$6.59 million) in June 2009, and holds a 9.09% equity interest in the enlarged capital of Inbank Media, as well as a convertible bond amounting to RMB15 million with a three year maturity and at a rate of 6.7% per annum. In August 2009, all approvals for the Fund's acquisition of an equity interest in Inbank Media were completed, and the change of business registration is now in process.

In the first half of 2009, Inbank Media was still establishing its network and team. Currently, over 2,000 terminal facilities have been installed at key banking service outlets in Beijing, Shanghai and Guangzhou. Inbank Media plans to have over 4,000 terminal facilities installed in the above three cities by the end of 2009. Meanwhile, Inbank Media commenced advertising sales in August 2009 and begins to see growth in this revenue stream.

Shandong Jinbao Electronics Co., Ltd. ("Jinbao") was established in Zhaoyuan City of Shandong Province in 1993 and engages in the production and sale of copper-foil and laminate. The Fund's cumulative investment is US$7.85 million, representing an interest of 30% in Jinbao. For the first half of 2009, Jinbao recognised a revenue of RMB591 million, and earned an unaudited net profit of RMB8.63 million, representing a decrease of 23% and 74%, respectively, over the same period of the previous year. The decrease was mainly due to a sharp reduction in business at the end of the previous year under the influence of the financial crisis at that time. Jinbao experienced a recovery in the first quarter of 2009, along with a gradual improvement in operating results. Jinbao's sales in the second quarter improved significantly, and its capacity utilisation has recovered from below 30% at the end of the previous year to above 90% at the end of June. However, price volatility in electrolytic copper as well as selling products is relatively high during the period and sales can be unpredictable, resulting in a relatively large decrease in profit compared to the same period in the previous two years.

Given that Jinbao incurred a substantial loss for 2008, the listing application was temporarily suspended in accordance with a resolution from the 2008 shareholders meeting.

Langfang Oriental Education Facilities Development Co., Ltd. ("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 contract term. In June 2002, the Fund invested US$5 million for an equity interest of 25%.

Oriental is engaged in the operation and management of the Phase 1 dormitories of Oriental University City of Langfang City, which has a capacity of approximately 17,000 students. It accommodated less than 13,000 students in the school year of 2008/2009, over 3,000 students fewer than the previous school year.

Due to factors that included additional charges, additional taxes, a decrease in the number of students and a reduction in rental income, Oriental recorded an unaudited net loss of RMB0.187 million for the first half of 2009, compared to a net profit of RMB4.81 million in the same period of the previous year.

Some of the universities and colleges in the Langfang City area are relocating back to Beijing and occupancy in the school year of 2009/2010 may not improve.

Pursuant to the relevant agreement, the Fund is in negotiations with its new joint venture partner, Raffles Education Corp. of Singapore, for the termination of its participation in Oriental.

Shenzhen Mankam Square ("Mankam") is a 33-storey business/commercial complex on North Wen Jin Road, Shenzhen. In 1994, the Fund invested US$4.30 million through Hansen Enterprises Limited ("Hansen"), which has a 35% equity interest in the complex, to purchase 5,262 square metres of retail space on the third floor of Mankam. Due to problems concerning ownership, the first and second floors have not yet commenced operation which has caused great difficulty in renting or selling the third floor. The Fund is still actively seeking an opportunity to exit the investment. The Fund reserved for the full amount of this investment in 2005.

China Merchants Plaza (Shanghai) Property Co., Ltd. ("China Merchants Plaza") was incorporated in Shanghai in 1994, to engage in the development of a commercial and business complex. The Fund invested US$5.685 million in 1994 and holds an effective equity interest of 19.8% in China Merchants Plaza. The commercial complex is a 28-storey office/retail building located at North Chengdu Road, Jingan District, Shanghai, with a total saleable area of 60,217 square metres, of which 49,438 square metres (net of the area sold) remain available for leasing. The Fund reserved for the full amount of this investment in 2000 due to the substantial leverage, high financing costs and significant accumulated losses of China Merchants Plaza. For the first half of 2009, China Merchants Plaza recorded an unaudited net profit of RMB3.82 million, representing a decrease of 72% over the same period last year. The significant decrease in net profit was mainly attributable to a reduction in occupancy due to the impact of the financial crisis. In addition, the indebtedness of China Merchants Plaza is denominated primarily in foreign currencies, and appreciation of the RMB contributed to a significant increase in exchange gains in the prior year. However, appreciation of the RMB since the beginning of this year was not material and exchange gains decreased, which in turn affected profit.

Shenzhen Jutian Investment Co., Ltd. ("Jutian Investment"). In 2001, the Fund invested RMB35.36 million (equivalent to US$4.27 million) in Jutian Investment, representing an equity interest of 4.66%. The Fund reserved for the full amount of this investment in 2005. Jutian Investment is fully committed to recovering outstanding debts, disposing of assets, and setting taxation issues and remaining litigation.

REVIEW OF LISTED INVESTMENTS

The Fund invests primarily through direct participation in high quality investment projects in the PRC involving mostly unlisted enterprises. Given that the Fund still holds a large quantity of A shares of listed banks, and except for disposing of certain shares in INDB and CMB, the Fund did not trade any equities in the secondary market during the reporting period, with an intent to decrease exposure to equity markets.

PROSPECTS

In response to the deterioration of the global financial crisis and its negative effect on the economy of China, the Central Government has decisively implemented an active fiscal policy and an easing monetary policy since the end of 2008. It has also considered and launched a series of specific policies and measures to reduce the over-dependence of China's economy on external demand, to expand domestic demand in order to maintain stable economic growth and to prevent a rapid economic downturn. According to the National Bureau of Statistics of China, China's economy grew 6.1% in the first quarter of 2009, which was 4.5% below the same period of last year. The economy revived in the second quarter, both the breadth and speed of recovery increased, and China's gross domestic product (GDP) grew at 7.1%. For the first half of 2009, the general level of China's consumer price index (CPI) declined 1.1% and producer price index (PPI) declined 7.8% year-over-year. As an easing monetary environment increases the risk of future inflation, price increases may return in the second half of 2009. Nevertheless, China is likely to maintain a relaxed monetary policy in the near term, and at least until the Central Economic Work Conference to be held at the end of the year, at which time any policy adjustments will be communicated. Even so, tightening measures other than an interest rate hike would be adopted first. It is expected that loans would not be compressed significantly since many long term infrastructure projects have just commenced their construction stage and loans for such projects could not be suspended abruptly. It is anticipated that GDP growth will be above 8% and 9% in the third and fourth quarter, respectively, and at around 8% for the year as a whole. A reduction in exports, a shrinkage in markets and a tighter credit supply may lead to a decrease in profits recorded by enterprises, which may restrain returns for some of the Fund's investments. However, tighter credit and the cooling off of capital markets will also bring new opportunities to the Fund for making direct investments. The Fund will continuously make every effort to identify new potential investment projects, with an emphasis still on investment opportunities in sectors of financial services, culture and media, consumer goods, pharmaceuticals, energy and environmental protection. The Fund will also carefully evaluate the right time to switch its assets in order to increase returns for shareholders.

CO-INVESTMENT SCHEME (THE "SCHEME")

In order to strengthen the investment management process and to align the interests of management and relevant staff with the interests of the Fund in entering new investment projects, the Investment Manager, with the consent of the Fund, is implementing the Scheme. Under the Scheme, the Fund will enter into sub-participation agreements with certain executive directors of the Fund, certain directors and employees of the Investment Manager, and persons nominated by the Investment Manager (collectively the "**Participants**") with respect to new investments made by the Fund beginning in 2009.

For the period ended 30 June 2009, sub-participation agreements with respect to the investment in Inbank Media (the "**Agreements**") have been made. Pursuant to the Agreements, the Participants have paid to the Fund in aggregate HK$1 million (equivalent to RMB0.88 million) for participation in the Fund's investment in Inbank Media, amounting to 1.96% of such investment by the Fund of RMB45 million. The Participants will receive a portion of the return (in the form of dividends, interest or other distributions or proceeds from realisation) from the Fund's investment in Inbank Media that is equivalent to the percentage of the investment amount contributed by the Participants in relation to the total amount invested by the Fund in Inbank Media. If the Fund suffers a loss from its investment in Inbank Media, the Participants will share the loss on a pro rata basis.

The Agreements will terminate upon either the realisation of the investment in Inbank Media by the Fund or upon the Investment Manager, who provides a guarantee to the Participants for the performance of the Fund's obligations under the Agreements, ceasing to be the investment manager of the Fund. In the former case, the Participants shall receive a pro rata portion of the proceeds from disposal of the Fund's interest in Inbank Media. In the latter case, the Participants will receive a pro rata portion of the value of the equity interest in Inbank Media held by the Fund as of 90 days prior to the termination date of the Agreements, as assessed by an independent valuer appointed jointly by the Fund and the Investment Manager.

Sub-participation agreements on the same terms as the Agreements will be entered into with respect to other new investment projects of the Fund. It is intended that the aggregate investment amount contributed by the Participants in each of the Fund's other new investment projects will not exceed 2% of the Fund's investment in each project.

Since the Scheme will enhance both the motivation and carefulness of the Participants in assessing investment opportunities for the Fund, and shareholders of the Fund will benefit indirectly from the returns of the investment projects through their shareholding in the Fund, it is therefore considered in the interests of the Fund and its shareholders as a whole.

As of 30 June 2009, the following Directors of the Fund as well as a director of the Investment Manager have participated the Scheme:

	Title	Co-investment amount for Inbank Media project *US$*
Mr. HONG Xiaoyuan	Director of the Fund and Chairman of the Investment Manager	12,900
Ms. ZHOU Linda Lei	Director of the Fund and Managing Director of the Investment Manager	12,900
Mr. TSE Yue Kit	Director of the Fund and Director of the Investment Manager	1,290
Mr. WU Huifeng	Director of the Investment Manager	12,900

Ms. ZHOU Linda Lei
Managing Director
China Merchants China Investment Management Limited

Hong Kong, 15 September 2009

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: nil).

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the six months ended 30 June 2009, 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 2009, 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	Percentage of total issued share
Mr. Victor Lap-Lik CHU	3,224,000	Interest of controlled corporation	2.16%

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 2009, 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 2009.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, the following persons, other than a Director or chief executive of the Company, had 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	Long/Short position	Capacity	Number of ordinary shares interested	Percentage of total issued share
China Merchants Group Limited *(Note 3)*	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Steam Navigation Company Limited *(Note 3)*	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Holdings (Hong Kong) Company Limited *(Note 1)*	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Finance Holdings Company Limited *(Note 2)*	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Financial Services Limited *(Note 3)*	Long position	Interest of controlled corporation	33,989,760	22.79%
Good Image Limited	Long position	Beneficial owner	33,989,760	22.79%
Kuchanny Christopher Philip Charles *(Note 4)*	Long position	Interest of controlled corporation	10,086,500	6.76%
Osmium Capital Management Limited	Long position	Investment manager	10,086,500	6.76%
Osmium Special Situations Fund Limited	Long position	Beneficial owner	10,086,500	6.76%
華夏全球精選股票型證券投資基金	Long position	Beneficial owner	9,682,000	6.49%
Lazard Asset Management LLC	Long position	Investment manager	25,269,300	16.94%
UBS AG	Long position	Beneficial owner	68,800	8.16%
		Security interest	12,100,500	

Note 1: China Merchants Holdings (Hong Kong) Company Limited is deemed to have corporate interests in the shares by virtue of its controlling shareholding (i.e. 99.32%) in the company whose name is set out immediately under it.

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

Note 3: China Merchants Group Limited, China Merchants Steam Navigation Company Limited and China Merchants Financial Services Limited are deemed to have corporate interests in the shares by virtue of its entire shareholding in the company whose name is set out immediately under it.

Note 4: Kuchanny Christopher Philip Charles is deemed to have corporate interests in the shares by virtue of its interest in the company whose 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 had 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 interim financial report 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 this interim report. The interim financial report has also been reviewed by the Company's Audit Committee.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of 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. Except the qualified accountant whose remuneration packages are borne by the Investment Manager, the Company has no salaried employees. Thus, no remuneration committee has been established by the Company.

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 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.

DISCLOSURE OF CHANGE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of directors' information since the issue date of the 2008 Annual Report are as follows:

Mr. CHU Lap Lik, Victor is a Director of Siam Select Fund Limited (whose shares are listed on the Irish Stock Exchange) and Zurich Financial Services AG (whose shares are listed on the SIX Swiss Exchange). In addition, Ms. KAN Ka Yee, Elizabeth is also a Director of Siam Select Fund Limited.

By order of the Board
Mr. LI Yinquan
Chairman

Hong Kong, 15 September 2009