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 2013

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)*

Non-executive Director:
Mr. KE Shifeng

Independent Non-executive Directors:
Mr. LIU Baojie
Mr. XIE Tao
Mr. ZHU Li
Mr. TSANG Wah Kwong

INVESTMENT COMMITTEE

Mr. LI Yinquan
Mr. HONG Xiaoyuan
Mr. CHU Lap Lik, Victor
Ms. ZHOU Linda Lei
Ms. KAN Ka Yee, Elizabeth
(alternate to Mr. CHU Lap Lik, Victor)

AUDIT COMMITTEE

Mr. TSANG Wah Kwong
Mr. XIE Tao
Mr. ZHU Li

NOMINATION COMMITTEE

Mr. LI Yinquan
Mr. XIE Tao
Mr. ZHU Li

COMPANY SECRETARY

Mr. LEUNG Chong Shun

INVESTMENT MANAGER

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

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Linklaters
Victor Chu & Co
Woo Kwan Lee & Lo

PRINCIPAL BANKERS

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

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wan Chai,
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**") announces the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Six months ended 30 June **2013** *(unaudited)* ***US$***	2012 *(unaudited)* *US$*
Change in fair value of financial assets at fair value through profit or loss	*16*	**28,583,660**	(10,326,989)
Investment income	*3*	**21,188,122**	12,899,645
Other gains and losses		**581,342**	186,987
Administrative expenses		**(5,191,693)**	(5,671,605)
Share of results of associates		**(1,354,027)**	(91,072)
Profit (loss) before taxation	*5*	**43,807,404**	(3,003,034)
Taxation	*6*	**(7,761,502)**	(6,431,998)
Profit (loss) for the period attributable to owners of the Company		**36,045,902**	(9,435,032)
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss			
Exchange difference arising on translation		**8,248,306**	(1,715,722)
Share of change in translation reserve of associates		**360,866**	(86,741)
Item that may be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale financial assets		**(7,045)**	(4,875)
Other comprehensive income (loss) for the period, net of tax		**8,602,127**	(1,807,338)
Total comprehensive income (loss) for the period		**44,648,029**	(11,242,370)
Profit (loss) for the period attributable to owners of the Company		**36,045,902**	(9,435,032)
Total comprehensive income (loss) for the period attributable to owners of the Company		**44,648,029**	(11,242,370)
Earnings (loss) per share			
Basic	*7*	**0.228**	(0.062)
Diluted	*7*	**0.224**	(0.061)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30 June 2013 *(unaudited)* *US$***	31 December 2012 *(audited)* *US$*
Non-current assets			
Interests in associates		**20,244,106**	21,237,267
Financial assets at fair value through profit or loss	*14*	**299,441,155**	252,189,653
		319,685,261	273,426,920
Current assets			
Financial assets at fair value through profit or loss	*14*	**208,480,237**	236,147,975
Available-for-sale financial assets		**706,223**	713,268
Other receivables	*8*	**15,072,351**	709,793
Bank balances and cash		**73,970,530**	57,778,638
		298,229,341	295,349,674
Current liabilities			
Other payables		**22,292,439**	22,654,936
Dividend payable	*9*	**7,917,171**	–
Taxation payable		**114,404**	3,943,887
		30,324,014	26,598,823
Net current assets		**267,905,327**	268,750,851
Total assets less current liabilities		**587,590,588**	542,177,771
Non-current liabilities			
Financial liabilities at fair value through profit or loss	*15*	**1,778,177**	1,192,063
Deferred taxation	*10*	**70,679,191**	62,583,346
		72,457,368	63,775,409
Net assets		**515,133,220**	478,402,362
Capital and reserves			
Share capital	*11*	**15,834,342**	15,834,342
Share premium and reserves		**246,314,658**	237,712,531
Retained profits		**252,984,220**	224,855,489
Equity attributable to owners of the Company		**515,133,220**	478,402,362
Net asset value per share	*12*	**3.253**	3.021

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital US$	Share premium US$	Translation 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 2013 (audited)	**15,834,342**	**121,682,644**	**108,918,737**	**7,095,021**	**16,129**	**224,855,489**	**478,402,362**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**36,045,902**	**36,045,902**
Exchange difference on translation	**-**	**-**	**8,248,306**	**-**	**-**	**-**	**8,248,306**
Share of change in translation reserve of associates	**-**	**-**	**360,866**	**-**	**-**	**-**	**360,866**
Change in fair value of available-for-sale financial assets	**-**	**-**	**-**	**-**	**(7,045)**	**-**	**(7,045)**
Total comprehensive income (loss) for the period	**-**	**-**	**8,609,172**	**-**	**(7,045)**	**36,045,902**	**44,648,029**
2012 final dividend declared	**-**	**-**	**-**	**-**	**-**	**(7,917,171)**	**(7,917,171)**
Balance at 30 June 2013 (unaudited)	**15,834,342**	**121,682,644**	**117,527,909**	**7,095,021**	**9,084**	**252,984,220**	**515,133,220**
Balance at 1 January 2012 (audited)	15,149,904	113,574,480	107,909,427	6,773,764	29,559	233,473,382	476,910,516
Loss for the period	–	–	–	–	–	(9,435,032)	(9,435,032)
Exchange difference on translation	–	–	(1,715,722)	–	–	–	(1,715,722)
Share of change in translation reserve of associates	–	–	(86,741)	–	–	–	(86,741)
Change in fair value of available-for-sale financial assets	–	–	–	–	(4,875)	–	(4,875)
Total comprehensive loss for the period	–	–	(1,802,463)	–	(4,875)	(9,435,032)	(11,242,370)
2011 final and special dividends declared	–	–	–	–	–	(18,179,884)	(18,179,884)
Balance at 30 June 2012 (unaudited)	15,149,904	113,574,480	106,106,964	6,773,764	24,684	205,858,466	447,488,262

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	
	2013	2012
	(unaudited)	*(unaudited)*
	US$	*US$*
Net cash generated from (used in) operating activities	**15,580,575**	(6,967,268)
Cash generated from investing activities		
Advance from associates	**–**	25,741
Net increase (decrease) in cash and cash equivalents	**15,580,575**	(6,941,527)
Cash and cash equivalents as at 1 January	**57,778,638**	95,824,723
Effect of foreign exchange rate changes	**611,317**	(505,260)
Cash and cash equivalents as at 30 June	**73,970,530**	88,377,936

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 *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. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("**HKFRSs**") and amendments issued by the HKICPA:

HKFRSs (Amendments)	Annual improvements to HKFRSs 2009 – 2011 Cycle
HKFRS 7 (Amendments)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 10, 11 and 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 13	Fair value measurement
HKAS 1 (Amendments)	Presentation of financial statements – Presentation of items of other comprehensive income
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information in relation to financial instruments are set out in note 14.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised HKFRSs and amendments in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. INVESTMENT INCOME

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

	Six months ended 30 June	
	2013	2012
	(unaudited)	*(unaudited)*
	US$	*US$*
Interest income	**699,305**	905,219
Dividend income on financial assets designated at fair value through profit or loss ("**FVTPL**")	**20,488,817**	11,994,426
Total	**21,188,122**	12,899,645

4. SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the executive management for the purposes of resources allocation and performance assessment (since the size of investments in energy and resources, agriculture, real estate and other types of investing activities is not significant, these investments are aggregated and reported as "Others"), are 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) Information technology: investees engaged in information technology activities.
(e) Others: investees engaged in investments related to energy and resources, agriculture, real estate activities and other types of investing activities.

4. SEGMENTAL INFORMATION (CONTINUED)

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 2013

	Financial services US$	Culture and media US$	Manufacturing US$	Information technology US$	Others US$	Total US$
Change in investment value	(28,282,727)	53,610,074	(6,234,186)	(718,630)	8,855,102	27,229,633
Dividend income on financial assets designated at FVTPL	18,438,532	1,519,463	–	530,822	–	20,488,817
Interest income from available-for-sale financial assets	–	–	–	–	20,300	20,300
Other gains and losses	–	98,912	–	–	–	98,912
Segment (loss) profit	(9,844,195)	55,228,449	(6,234,186)	(187,808)	8,875,402	47,837,662
Unallocated:						
– Administrative expenses						(5,191,693)
– Interest income on bank deposits						679,005
– Other gains and losses						482,430
Profit before taxation						43,807,404

4. SEGMENTAL INFORMATION (CONTINUED)

For the six months ended 30 June 2012

	Financial services *US$*	Culture and media *US$*	Manufacturing *US$*	Information technology *US$*	Others *US$*	Total *US$*
Change in investment value	14,282,697	(19,406,150)	(10,049,653)	5,579,734	(824,689)	(10,418,061)
Dividend income on financial assets designated at FVTPL	10,626,790	1,367,636	–	–	–	11,994,426
Interest income from available-for-sale financial assets	–	–	–	–	20,300	20,300
Other gains and losses	–	143,559	–	2,855	–	146,414
Segment profit (loss)	24,909,487	(17,894,955)	(10,049,653)	5,582,589	(804,389)	1,743,079
Unallocated:						
– Administrative expenses						(5,671,605)
– Interest income on bank deposits						884,919
– Other gains and losses						40,573
Loss before taxation						(3,003,034)

Segment profit (loss) represents the change in investment value (including change in fair value of financial assets at FVTPL and share of results of associates) and the corresponding dividend income, interest income and other gains and losses earned by each segment without allocation of central administrative expenses, fees to the Investment Manager, interest income on bank deposits and certain other gains and losses. This is the measure reported to the executive management 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 profit (loss).

4. SEGMENTAL INFORMATION (CONTINUED)

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

	30 June 2013 *(unaudited)* *US$*	31 December 2012 *(audited)* *US$*
Segment assets		
Financial services	**337,509,233**	347,435,860
Culture and media	**136,231,686**	96,602,886
Manufacturing	**31,930,136**	37,578,686
Information technology	**20,863,321**	21,222,433
Others	**16,974,407**	7,911,903
Total segment assets	**543,508,783**	510,751,768
Unallocated	**74,405,819**	58,024,826
Consolidated assets	**617,914,602**	568,776,594
Segment liabilities		
Financial services	**5,502**	5,654
Culture and media	**1,001,012**	556,780
Manufacturing	**161,777**	181,422
Information technology	**321,984**	325,149
Others	**287,902**	123,058
Total segment liabilities	**1,778,177**	1,192,063
Unallocated	**101,003,205**	89,182,169
Consolidated liabilities	**102,781,382**	90,374,232

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to reportable segments other than certain other receivables, bank balances and cash, and all liabilities are allocated to reportable segments other than 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 PRC, hence no geographical information in relation to the investing activities are presented.

5. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2013	2012
	(unaudited)	*(unaudited)*
	US$	*US$*
Profit (loss) before taxation has been arrived at after charging (crediting):		
Investment Manager's management fee	**4,469,545**	4,707,947
Net foreign exchange gains	**(1,784)**	(40,573)

6. TAXATION

	Six months ended 30 June	
	2013	2012
	(unaudited)	*(unaudited)*
	US$	*US$*
The tax charge for the period comprises:		
Current tax:		
PRC Enterprise Income Tax	**(654,941)**	(3,070,155)
Deferred taxation (note 10)		
Current year	**(7,106,561)**	(3,361,843)
Total	**(7,761,502)**	(6,431,998)

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. PRC Enterprise Income Tax is calculated at the rates prevailing in the relevant regions.

Under the Law of the PRC on Enterprise Income Tax, the applicable Enterprise Income Tax rate for the PRC subsidiaries of the Company in 2013 is 25% (2012: 25%) and the 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 statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries.

7. 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	
	2013	2012
	(unaudited)	*(unaudited)*
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share (US$)	**36,045,902**	(9,435,032)
Number of ordinary shares for the purpose of basic earnings (loss) per share	**158,343,417**	151,499,036
Effect of dilutive potential ordinary shares: Scrip shares under dividend payment	**2,342,757**	4,352,231
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**160,686,174**	155,851,267
Earnings (loss) per share Basic (US$)	**0.228**	(0.062)
Diluted (US$)	**0.224**	(0.061)

8. OTHER RECEIVABLES

	30 June 2013	31 December 2012
	(unaudited)	*(audited)*
	US$	*US$*
Dividend receivable from associates	**463,605**	463,605
Other dividend receivables	**14,173,457**	–
Interest receivable	**117,058**	203,073
Other receivables	**318,231**	43,115
Total	**15,072,351**	709,793

9. DIVIDEND PAYABLE

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

A dividend payment of US$7,917,171, being a final dividend of US$0.05 per share (with scrip option), for the year ended 31 December 2012 was approved by the shareholders on 16 May 2013. A cash dividend of US$5,293,654 was paid and a total number of 1,906,767 scrip shares were allotted and issued at the price of HK$10.732 on 31 July 2013 by the Company.

10. DEFERRED TAXATION

The Group's deferred tax liability comprises deferred taxation of US$10,120,590 (31 December 2012: US$8,697,712) related to undistributed earnings of PRC subsidiaries since 1 January 2008 and of US$60,558,601 (31 December 2012: US$53,885,634) related to the taxation on capital gains for certain investments in securities 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 2012 (audited)	52,953,100
Charge to profit or loss for the period related to undistributed earnings of PRC subsidiaries	8,598,862
Credit to profit or loss for the period related to taxation on capital gains for investments	(5,237,019)
Exchange differences	(183,202)
Balance at 30 June 2012 (unaudited)	56,131,741
Charge to profit or loss for the period related to undistributed earnings of PRC subsidiaries	98,850
Charge to profit or loss for the period related to taxation on capital gains for investments	6,029,694
Exchange differences	323,061
Balance at 31 December 2012 (audited)	62,583,346
Charge to profit or loss for the period related to undistributed earnings of PRC subsidiaries	1,422,878
Charge to profit or loss for the period related to taxation on capital gains for investments	5,683,683
Exchange differences	989,284
Balance at 30 June 2013 (unaudited)	70,679,191

11. SHARE CAPITAL

	Number of shares	US$
Ordinary shares of US$0.10 each		
Authorised:		
At 31 December 2012, 1 January and 30 June 2013	**300,000,000**	**30,000,000**
Issued and fully paid:		
At 31 December 2012, 1 January and 30 June 2013	**158,343,417**	**15,834,342**

A total number of 7,917,171 ordinary shares of US$0.10 each in issue were repurchased at the price of HK$20.94 per share and were cancelled by the Company on 3 July 2013 pursuant to a voluntary cash offer approved by the shareholders at an extraordinary general meeting held on 7 June 2013. Details of the voluntary cash offer are set out in the Company's circular dated 13 May 2013.

A total number of 1,906,767 ordinary shares of US$0.10 each were allotted and issued at the price of HK$10.732 on 31 July 2013 by the Company to satisfy the partial payment of the 2012 final dividend of US$7,917,171. These shares rank pari passu in all respects with other shares in issue.

12. NET ASSET VALUE PER SHARE

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

	30 June 2013 *(unaudited)*	31 December 2012 *(audited)*
Net asset value (US$)	**515,133,220**	478,402,362
Number of ordinary shares in issue	**158,343,417**	158,343,417
Net asset value per share (US$)	**3.253**	3.021

13. CAPITAL COMMITMENT

At the end of the reporting period, the Group had capital commitment as follows:

On 29 April 2010, the Group entered into an agreement with, among others, China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**"), pursuant to which the Group agreed to make a cash injection of RMB200 million (equivalent to approximately US$31.42 million) in total by installments into the capital of China Media Investment in return for approximately 10% interest in China Media Investment. In addition, the other investors agreed to make cash injections proportionate to their holdings. As at the end of the reporting period, the Group has injected RMB120.17 million, equivalent to approximately US$18.50 million (31 December 2012: RMB120.17 million, equivalent to approximately US$18.50 million) into China Media Investment and classified the investment as a financial asset at FVTPL under non-current assets.

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Most of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets	30 June 2013 *(unaudited)* *US$*	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value	Increase(+)/ decrease(–) in carrying value of assets if 10% higher/lower of the unobservable inputs (Note 2) *US$*
Available-for-sale financial assets							
Debt securities classified as available-for-sale financial assets	**706,223**	Level 3	Third party pricing	N/A	N/A	N/A	N/A
Balance as at 30 June 2013	**706,223**						
Financial assets at FVTPL							
Listed equity securities classified as financial assets at FVTPL (Note 1)	**207,430,146**	Level 1	Quoted bid prices in active market	N/A	N/A	N/A	N/A
Unlisted equity securities and preferred equity classified as financial assets at FVTPL (Note 1)	**255,864,092**	Level 3	Market comparable companies	– Earnings multiples – Revenue multiples – Book value multiples	8.2x – 86.2x 0.9x – 4.8x 2.0x	The higher the multiples, the higher the fair value	+28,000,000/ –28,000,000
				– Discount for lack of marketability and specific risk	50%	The higher the discount rate, the lower the fair value	–51,000,000/ +51,000,000
Unlisted equity securities classified as financial assets at FVTPL (Note 1)	**17,563,565**	Level 3	Fund's net asset value	N/A	N/A	N/A	N/A
Unlisted equity securities classified as financial assets at FVTPL (Note 1)	**26,013,498**	Level 3	Recent transaction prices	N/A	N/A	N/A	N/A
Convertible bond classified as financial assets at FVTPL (Note 1)	**1,050,091**	Level 3	Discounted cashflow model	Discount rate	3.66%	The higher the discount rate, the lower the fair value	N/A
Balance as at 30 June 2013	**507,921,392**						

Note 1: Financial assets at FVTPL represent those designated at FVTPL upon initial recognition.

Note 2: Amount represents increase(+)/decrease(–) in carrying value of the financial assets if the unobservable inputs were 10% higher/lower while all the other variables were held constant.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values at both period or year end.

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Designated at FVTPL *US$*	**Available-for-sale** *US$*	**30 June 2013 Total** *(unaudited)* *US$*
Opening balance	**252,189,653**	**713,268**	**252,902,921**
Gains or losses recognised in:			
Profit or loss – unrealised	**61,052,812**	**–**	**61,052,812**
Other comprehensive income	**–**	**(7,045)**	**(7,045)**
Exchange differences arising on translation	**4,498,781**	**–**	**4,498,781**
Return of captial	**(17,250,000)**	**–**	**(17,250,000)**
Closing balance	**300,491,246**	**706,223**	**301,197,469**

	Designated at FVTPL *US$*	Available-for-sale *US$*	31 December 2012 Total *(audited)* *US$*
Opening balance	219,725,630	726,698	220,452,328
Gains or losses recognised in:			
Profit or loss – unrealised	(19,784,123)	–	(19,784,123)
Other comprehensive income	–	(13,430)	(13,430)
Exchange differences arising on translation	398,566	–	398,566
Purchases	51,849,580	–	51,849,580
Closing balance	252,189,653	713,268	252,902,921

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements of financial liabilities

	30 June 2013 ***(unaudited)*** ***US$***	31 December 2012 *(audited)* *US$*
Designated at FVTPL		
Opening balance	**1,192,063**	1,268,441
Additions	**–**	427,590
Disposals	**–**	(51,010)
Change in fair value	**586,114**	(452,958)
Closing balance	**1,778,177**	1,192,063

Of the total gains for the period included in profit or loss, US$61,052,812 relates to financial assets designated at FVTPL categorised in Level 3 held at the end of the current reporting period. Fair value gains or losses on financial assets designated at FVTPL are included in "Change in fair value of financial assets at fair value through profit or loss".

Included in other comprehensive income is a loss of US$7,045 relating to available-for-sale financial assets held at the end of the current reporting period and is reported as a movement in available-for-sale financial assets reserve.

Fair value measurements and valuation processes

A guideline on the fair value measurements has been applied to the regular assessment of fair value of an asset. Fair value of listed investments is determined based on the quoted market bid prices available on the relevant exchanges. Fair value of unlisted investments is arrived at by reference to their recent transaction prices. For unlisted investments with no recent transactions noted, their fair values are arrived at on the basis of valuations carried out by an independent valuer on a half-yearly basis. Determination of fair value is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability. Factors considered in determining the fair value of these investments include multiples of comparable companies listed on stock exchanges and discount rates based on market information. The valuation report prepared by the independent valuer is reported to the executive management on a half-yearly basis.

15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial liabilities designated at FVTPL as at 30 June 2013 were related to the sub-participation agreements (the "**Sub-participation Agreements**") entered into between the Company and the participants in respect of certain of the Group's unlisted investments which are designated at FVTPL and are categorised into Level 3 fair value hierarchy. The fair value of the Sub-participation Agreements is associated directly with these underlying investments and their valuation details and sensitivity analysis are set out in note 14 under financial assets item "Unlisted equity securities and preferred equity classified as financial assets at FVTPL".

16. CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group primarily invests directly in high quality investment projects in the PRC. For the current period, the gain on change in fair value of financial assets at FVTPL was US$28,583,660 (six months ended 30 June 2012: a loss of US$10,326,989). The overall increase in fair values of investment projects was benefited from the favourable performances of business sectors in which certain investment projects operated and the individual investment projects' better operating performance.

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 2013, the Group has incurred the following related party transactions:

(a) Management fees totalling US$4,469,545 (six months ended 30 June 2012: US$4,707,947) 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 (Note 1).

The amount due to the Investment Manager included in other payables in the condensed consolidated statement of financial position as at 30 June 2013 was US$2,365,602 (31 December 2012: US$2,508,433). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

(b) No securities brokerage commission fees were paid or payable to a subsidiary of a substantial shareholder of the Company (the "**Substantial Shareholder**") who has significant influence over the Company for the six months ended 30 June 2013 (six months ended 30 June 2012: US$3,805). Since the Substantial Shareholder has significant influence over the Company and has control over its subsidiary, the securities brokerage commission fees are considered to be related party transactions (Note 1).

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) 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, as at 30 June 2013, were US$159,285, US$210,304 and US$22,744 respectively (31 December 2012: US$109,622, US$143,726 and US$14,942 respectively). Moreover, the financial liability of the Group with Mr. WU Huifeng, a Director of the Investment Manager and resigned on 30 May 2013, was US$179,574 (31 December 2012: US$120,804).

Note 1: These related party transactions also constitute continuing connected transactions and are disclosed in accordance with Chapter 14A of the Listing Rules.

18. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Other than management fees paid or accrued to the Investment Manager, there is no compensation to key management personnel for both interim periods.

19. EVENT AFTER THE REPORTING PERIOD

In addition to the events specified in note 11, the Group had the following event after the reporting period:

On 25 July 2013, Unisplendour Corporation Limited ("**UNIS**"), a company whose shares are listed on the Shenzhen Stock Exchange, Shenzhen Tian Zheng Investment Co., Ltd. ("**Tian Zheng**"), a wholly-owned subsidiary of the Company, and all the other shareholders of NTong, an investment classified as a financial asset at FVTPL, entered into a conditional agreement (the "**Agreement**") whereby Tian Zheng and all the other shareholders of NTong collectively agreed to sell and UNIS agreed to purchase, in aggregate, 100% of the equity interests in the capital of NTong (the "**Transaction**").

Tian Zheng has agreed to sell to UNIS all of the 12.34% equity interests it holds in NTong with a tentative consideration of approximately RMB86,362,000. Based on the tentative consideration for the Transaction and pursuant to the Agreement, it is currently expected that Tian Zheng shall receive a total of (a) approximately RMB21,590,000 in cash, and (b) approximately 4,837,000 new ordinary shares of UNIS as consideration upon completion of the Transaction.

Details of the Transaction are set out in the Company's announcement dated 29 July 2013.

Deloitte.
德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the condensed consolidated financial statements of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 2 to 21, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements consists of making inquiries, 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 August 2013

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$36.05 million for the six months ended 30 June 2013, compared to a loss attributable to equity shareholders of US$9.44 million for the same period last year – with the movement from loss to profit largely attributable to a turnaround in the fair value of the financial assets designated at FVTPL (the "**Financial Assets**"). As of 30 June 2013, the net assets of the Fund (net of dividends of US$7.92 million for 2012) were US$515.13 million (31 December 2012: US$478.40 million) with a net asset value per share of US$3.253 (31 December 2012: US$3.021).

For the period, the gain on change in fair value of the Financial Assets was US$28.58 million (six months ended 30 June 2012: a loss of US$10.33 million), represented by the fair value change of listed and unlisted direct investments with a loss of US$32.47 million and a gain of US$61.05 million, respectively. Since there were no disposals of investments during the period, there were no realised gains or losses.

Total investment income for the period was US$21.19 million (six months ended 30 June 2012: US$12.90 million), representing an increase of 64.3% over the same period last year, due primarily to a substantial increase in dividend income from investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In the first half of 2013, the Fund continued to seek out and evaluate investment opportunities, but did not enter into any new investment projects in the period.

In addition, the Fund did not dispose of any unlisted investments during the period.

The Fund was granted authorisation by its shareholders to dispose of its entire holding of A shares of both China Merchants Bank Co., Ltd. ("**CMB**") and Industrial Bank Co., Ltd. ("**IBC**"). During the period, the Fund did not dispose of any A shares of CMB or IBC.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

The Fund's cash on hand increased by 28.0%, from US$57.78 million at the end of last year to US$73.97 million as of 30 June 2013, due primarily to the return of a portion of the Fund's capital investment in NBA China L.P. in the amount of US$17.25 million, pursuant to the partnership agreement.

As of 30 June 2013, the Fund had no outstanding bank loans (31 December 2012: Nil).

As of 30 June 2013, the Fund had capital commitment of US$12.92 million (31 December 2012: US$19.86 million) for an investment that was approved but not yet provided for in the financial statements – specifically, for future payments related to an investment in China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership).

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**"). For the first half of 2013, the conversion rate of the RMB against the US dollar recorded an increase of approximately 1.70%, which had a positive impact on the Fund since it continues to hold a considerable amount of assets denominated in RMB.

EMPLOYEES

Other than a qualified accountant whose remuneration package is determined and 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 2013, the Fund's total investments amounted to US$528.87 million, which comprised US$528.16 million in direct investments and US$0.71 million in bonds. The sector distribution of direct investments was US$324.87 million in financial services (representing 52.57% of the Fund's total assets), US$134.70 million in culture and media (21.80%), US$31.47 million in manufacturing (5.10%), and US$37.12 million in other ventures (including energy and resources, information technology, agriculture and real estate) (6.01%). In addition, cash on hand was US$73.97 million, representing 11.97% of the Fund's total assets as of 30 June 2013.

REVIEW OF DIRECT INVESTMENTS

The following table shows the direct investment projects held by the Fund as at 30 June 2013:

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Carrying value *(US$ million)*	Percentage of total assets *%*
Financial Services:					
1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	101	16.34
2. Industrial Bank Co., Ltd.	Fuzhou, Fujian	Banking	Shanghai Stock Exchange	106	17.23
3. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	117	18.87
4. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	1	0.13
			Sub-total:	325	52.57
Culture and Media:					
5. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	17	2.71
6. NBA China, L.P.	Beijing	Sports marketing	Unlisted	12	2.01
7. Unibank Media Group Inc.	Beijing	Indoor media	Unlisted	3	0.48
8. Guangzhou Digital Media Group Ltd.	Guangzhou, Guangdong	Cable television & broadband access	Unlisted	45	7.29
9. China Business Network	Shanghai	Provision of financial information service	Unlisted	26	4.21
10. Esurfing Media Co., Ltd.	Shanghai	Mobile & online videos platform	Unlisted	32	5.10
			Sub-total:	135	21.80
Manufacturing:					
11. Shandong Jinbao Electronics Co., Ltd.	Zhaoyuan, Shandong	Copper foil & laminates	Unlisted	21	3.28
12. Shenzhen Geesun Automation Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	0	0.04
13. Jiangsu Huaer Quartz Materials Co., Ltd.	Yangzhou, Jiangsu	High purity silica crucibles	Unlisted	0	0.04
14. Liaoning Zhenlong Native Produce Holding Company Ltd.	Fuxin, Liaoning	Food processing	Unlisted	5	0.87
15. Guangxi Hwagain Group Co., Ltd.	Nanning, Guangxi	Printing paper & tissue paper	Unlisted	5	0.87
			Sub-total:	31	5.10

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Carrying value (US$ million)	Percentage of total assets %
Others:					
(i) Energy & Resources:					
16. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	Unlisted	8	1.25
(ii) Information Technology:					
17. Xi'an Jinpower Electrical Co., Ltd.	Xi'an, Shaanxi	Power grid monitoring system	Unlisted	4	0.62
18. NTong Technology Co., Ltd.	Beijing	Software development	Unlisted	16	2.58
19. Teralane Semiconductor (Shenzhen) Co., Ltd.	Shenzhen, Guangdong	IC design	Unlisted	1	0.17
(iii) Agriculture:					
20. Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd.	Bazhou, Xinjiang	Cotton, jujube	Unlisted	8	1.39
(iv) Real Estate:					
21. China Merchants Plaza (Shanghai) Property Co., Ltd.	Shanghai	Office & commercial	Unlisted	–	–
			Sub-total:	37	6.01
			Total:	528	85.48

China Merchants Bank Co., Ltd. ("CMB") is China's first joint-stock commercial bank, with shares listed on the Shanghai Stock Exchange since 2002 and on the Hong Kong Stock Exchange since 2006. In addition to its network of over 970 branches and offices across China, CMB has established a branch in Hong Kong and owns 100% of Wing Lung Bank, and has also established a branch and a representative office in New York, the United States, as well as representative offices in both London, the United Kingdom, and Taipei. As of 30 June 2013, the Fund held 53.83 million A shares of CMB, representing an equity interest of 0.249%, with a corresponding investment cost of RMB90.03 million (equivalent to US$9.36 million). In June 2013, the Fund received a cash dividend of RMB33.91 million from CMB for 2012.

At the end of March 2013, CMB announced that it had obtained approval from the China Banking Regulatory Commission ("**CBRC**") and the China Insurance Regulatory Commission to acquire a 50.0% equity interest in CIGNA & CMC Life Insurance Co., Ltd. for consideration of approximately RMB142 million. CMB first announced the transaction in May 2008.

At the beginning of June and in late August 2013, CMB announced that it, respectively, had obtained approval from the CBRC and the China Securities Regulatory Commission ("**CSRC**") to acquire a 21.6% equity interest in China Merchants Fund Management Co., Ltd. ("**CMFM**"), held by ING Asset Management B.V., for consideration of approximately EUR63.57 million, after which CMB would hold a 55.0% equity interest in CMFM in aggregate. CMB first announced the transaction in October 2012.

On 23 August 2013, CMB announced both its A and H share rights issuances following the CSRC's recent approvals. The A share rights issuance will be conducted on the basis of 1.74 rights shares for every 10 existing shares with a subscription price of RMB9.29 per A rights share. The Fund, with the authorisation of its shareholders, will subscribe to the A share rights issuance according to its entitlements.

For the first half of 2013, the Fund did not dispose of any A shares of CMB.

Industrial Bank Co., Ltd. ("IBC") is a joint-stock commercial bank incorporated in the PRC, with shares listed on the Shanghai Stock Exchange since 2007. IBC has a network of over 750 branches and offices across China. As of 30 June 2013, the Fund held 44.62 million A shares of IBC, representing an equity interest of 0.351%, with a corresponding investment cost of RMB110.18 million (equivalent to US$11.55 million). In July 2013, the Fund received a cash dividend of RMB25.44 million from IBC for 2012. In addition, in July 2013, IBC distributed bonus shares to its shareholders on the basis of 5 bonus shares for every 10 existing shares. The A shares of IBC held by the Fund correspondingly increased to 66.94 million shares, maintaining the percentage of equity held at 0.351%.

At the end of March 2013, IBC announced that it had obtained approval from the CSRC to establish Industrial Fund Management Co., Ltd., with registered capital of RMB500 million, of which 90% is attributable to IBC and 10% to China Shipping Investment Co., Ltd.

Beginning in early June 2013, because interbank short-term funds have been tight and interest rates have soared in China, the market became concerned about the impact of shortage of funds on IBC, as it conducts a sizeable volume of business with peers in the interbank market. In response, the management of IBC has reassured investors in late June that it has adequate liquidity reserves and is free of any liquidity problems.

For the first half of 2013, the Fund did not dispose of any A shares of IBC.

China Credit Trust Co., Ltd. ("CCT") was established in 1995. The principal activities of CCT are trust management, fund management, investments and loan financing. As of 30 June 2013, the Fund held a 6.94% equity interest in CCT, with a total investment cost of US$50.49 million. In July and August 2013, the Fund received a total cash dividend of US$9.53 million from CCT for 2012.

For the first half of 2013, CCT recorded an unaudited net profit of RMB639 million, representing an increase of 14.3% over the same period last year. During this period, net interest income declined slightly while investment income rose, primarily because CCT reduced the volume of new loans funded with its proprietary capital in order to increase liquidity. In addition, the growth rate of commissions and handling fees increased from the same period last year.

For the first half of 2013, the size of assets under trust management in China reached a new high, but the growth of collective trusts, which offer a higher profit margin for trust companies, slowed. In addition, CCT expects it will face several challenges for its trust management business this year. One is that, beginning in the second half of 2012, under new rules and regulations, securities companies, fund companies and insurance companies have consecutively obtained approval from the CSRC to conduct asset management businesses similar to trust management, leading to more intense competition in the trust industry. Another is that the supply of high-quality and low-risk real estate projects has decreased in alignment with declining yields. And, lastly, a number of real estate trusts are due for repayment this year and next, and CCT will continue to strengthen its tracking and oversight of these trusts in order to manage any risks of repayment.

CCT announced in June 2012 that Zhenfu Energy Group Co., Ltd. (山西振富能源集團有限公司), to whom funds of about RMB3.03 billion had been invested from a collective trust scheme, namely "2010年中誠•誠至金開1號集合信託計劃", had become involved in a private off-balance-sheet financing arrangement. Under the central leadership of a dedicated team organised by the local government, CCT continues to participate actively and is working to resolve the issue properly, with maximum protection for the interests of investors of the trust.

China Media (Tianjin) Investment Management Co., Ltd. ("China Media Management") was established in Tianjin, with registered capital of RMB60 million. The Fund invested RMB4.62 million (equivalent to US$0.68 million) in April 2010 for a 7.70% equity interest in China Media Management. As the general partner and investment manager of China Media Investment (see the section on China Media Investment below), China Media Management is responsible for defining and executing the investment strategy for China Media Investment, as well as for managing their operations.

In the first half of 2013, China Media Management continued to strengthen the post-investment management work for each project, and actively promoted the progress of potential investment projects which have entered the stage of terms negotiation. Meanwhile, it continued to enhance the strength of industry tracking and research efforts, especially for the faster-growing areas such as live entertainment, film and education, so as to provide more realistic case examples and information to facilitate project screening. China Media Management has planned to complete one to two investment projects in the second half of 2013 for China Media Investment.

China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("China Media Investment") was established in Shanghai, and is the first fund in the culture and media sector approved for registration by the National Development and Reform Commission ("**NDRC**"). Total capital of RMB5 billion is expected to be raised, with an initial capitalisation of RMB2 billion. China Media Investment has an investment horizon of 10 years. The scope of investments for China Media Investment includes major projects in broadcasting and media, publishing, animation and creative media, as well as direct investments in the culture and media sector in both China and overseas. China Media Management, in which the Fund has an interest, is the general partner and investment manager of China Media Investment.

In April 2010, the Fund agreed to make a capital investment of RMB200 million by installment in China Media Investment. The first installment of RMB40 million (equivalent to US$5.86 million) was made by the Fund in June 2010. The second installment of RMB6.26 million (equivalent to US$0.95 million) was made in March 2011, and additional capital investments of RMB6.77 million (equivalent to US$1.08 million), RMB28.82 million (equivalent to US$4.57 million), RMB3.08 million (equivalent to US$0.48 million) and RMB35.24 million (equivalent to US$5.56 million) were made in February, July, August and September 2012, respectively. Cumulatively, the Fund has invested RMB120.17 million (equivalent to US$18.50 million) in China Media Investment, representing 60% of the total investment committed by the Fund.

By the end of the first half of 2013, China Media Investment had completed investments in five new projects, namely, Star China, Renren Inc., OCJ (東方購物), Shanghai Jade East Propagation Co., Ltd. (上海翡翠東方傳播有限公司) and Shanghai Oriental DreamWorks Co., Ltd. (上海東方夢工廠有限公司). Among these, Shanghai Oriental DreamWorks launched a domestic film distribution business in April of this year and quickly introduced its first film, "The Croods", which met with outstanding box office success. Looking ahead, Shanghai Oriental DreamWorks expects to introduce "Kung Fu Panda 3" in 2015. In addition, a TV production company under Star China has introduced "The Pepsi Strongest Voice (百事最強音)" this year, following the unprecedented success of "The Voice of China (中國好聲音)". And, lastly, Shanghai Jade East Propagation has had its many TV dramas invited to participate in "Shanghai TV Festival" in April this year.

NBA China, L.P. ("NBA China") is a limited liability partnership incorporated in the Cayman Islands in 2007. The Fund invested US$23 million in 2008 for a 1.00% preferred equity stake in NBA China. 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. The Fund received a cash distribution from NBA China of US$98,900 in January 2013.

The Fund received a partial return of capital from NBA China in early January 2013, in the amount of US$17.25 million, representing 75% of the capital originally invested. After this partial return of capital, the Fund continues to hold a 1.00% preferred equity stake in NBA China and continues to be entitled to all rights as set out in the partnership agreement.

The length of the last competitive season (year of 2011/2012) was shortened due to a labour dispute between the NBA League and the National Basketball Players Association, affecting the profits of NBA China in the previous financial year. However, for the financial year ending September 2013, the net profit of NBA China should be higher for the reason of a normal competitive season, and due to revenues from a new television partnership formed in November 2012 between NBA China, China Central Television (CCTV), and CCTV Future Advertising Company. This alliance is also expected to positively impact the revenues and profits of NBA China in the years to come.

NBA China is launching the "NBA Nation" initiative from June to August 2013 for the second consecutive year, offering fans a basketball and entertainment playground which integrates numerous elements including basketball and music. Visiting 12 cities around the country this year, the event will be supported by NBA stars and an abundance of on-site activities and musical performances.

Unibank Media Group Inc. ("Unibank Media") was established in Beijing in 2011 as an operating entity following a merger and reorganisation, and is principally engaged in commercial advertising through its video display network in banking service outlets across China. The Fund made a total investment of RMB75 million (equivalent to US$10.98 million) in one of its predecessors, Inbank Media (China) Co., Ltd. ("**Inbank Media**") in June 2009 and February 2010, and held a 14.51% equity interest in Inbank Media. After the completion of the merger and reorganisation as well as a capital increase by Inbank Media in the fourth quarter of 2011, the Fund holds a 7.62% equity interest in Unibank Media. (Note: The Fund has made a contingent commitment to transfer a 1.14% stake in Unibank Media to the management of Unibank Media, as an incentive earned upon completion of an IPO or sale of the business. The total incentive to the management of Unibank Media is a 15% stake in Unibank Media, to be transferred by all shareholders, and 1.14% is the Fund's pro rata portion of the incentive. Net of this incentive, the Fund's stake in Unibank Media will be 6.48%.)

Through the end of June 2013, Unibank Media has installed approximately 25,000 advertising display devices in banking service outlets at over 15,400 network locations in major cities across China (of these, more than 22,100 have been fully tested and are operational). With advertising display devices now largely in place, the focus of Unibank Media has shifted from expansion of the banking network resources to advertising sales, leading the company from loss to profit in the first half of 2013.

Guangzhou Digital Media Group Ltd. ("Guangzhou Digital") was established in Guangzhou, Guangdong in 1993 to engage in the operation of cable television transmission and internet broadband access. The Fund invested RMB210 million (equivalent to US$30.74 million) in August 2009 for a 21.0% equity interest in Guangzhou Digital. In July 2013, the Fund received a cash dividend of RMB9.48 million from Guangzhou Digital for 2012.

Continuing its promotional efforts for interactive high definition TV (HDTV) in 2013, Guangzhou Digital launched the "Broadband Access – 3G Mobile Phone – Interactive HDTV" joint-product package in cooperation with the Guangzhou Branch of China Unicom in March, and has designed a variety of tariff packages intended to attract more users of interactive HDTV and broadband access (with a higher ARPU value, as compared with the users of common digital TV) through the offering of more attractive prices and services. By the end of June 2013, Guangzhou Digital had approximately 166,000 interactive HDTV users and approximately 146,000 broadband access users in total, with an increase of about 46,000 users and 3,000 users, respectively, compared to the end of 2012. In the first half of 2013, the profits of Guangzhou Digital increased, reflecting growth in the number of users.

The integration work between Guangzhou Digital and Guangdong Broadcasting and Television Network Co., Ltd. remains at a standstill. The Fund will continue to monitor the progress of the integration in order to protect the interests of the Fund.

China Business Network ("CBN") was established in Shanghai in 2003 and is currently one of the financial information providers with the greatest breadth of media communication channels for financial information in China. CBN's business segments include television (that is, CBN Channel and CBN | Ning Xia Satellite TV), newspapers, radio, magazines, websites, and research institutes. CBN is also actively exploring digital media. The Fund invested RMB120 million (equivalent to US$18.10 million) in December 2010 for a 5.29% equity interest in CBN. At the end of April 2013, CBN completed its new issuance of shares to Yingda Media Investment Group Co., Ltd. ("**Yingda Media**"), a company under State Grid, and the percentage of equity in CBN held by the Fund was diluted accordingly to 5.02%.

Constantly developing the media business, CBN has accelerated its transition from financial media to financial information supplier. CBN obtained approval to launch a broadcasting business in Singapore in 2012 and has become China's first company to operate a foreign public channel. In the first quarter of this year, CBN authorised TDM in Macau to broadcast certain programme content of the CBN channel. Then, in the second quarter, CBN launched a Chinese version of "21st Century", offered jointly with the Department of Public Information of the United Nations. CBN also established a dedicated page, namely, "China Business Network" via the Bloomberg terminal, to enable Bloomberg's global users to search, browse and use its news and information. Lastly, CBN has also published "Great Company《好公司》" magazine in collaboration with Yingda Media in order to strengthen synergies through new cooperation.

Under the influence of a slow recovery in the global economy, a slowdown of the Chinese economy, and a downturn in the stock market, the growth of advertising in traditional media has been weak. Coupled with competition from new media, the business of CBN in the first half of 2013 declined significantly compared with the same period last year, and similar conditions may persist into the second half of the year.

Esurfing Media Co., Ltd. ("Esurfing") was established in Shanghai in 2011. It is principally engaged in providing platform services for mobile and online videos, and is one of the larger mobile video platform enterprises in China. The Fund invested RMB102 million (equivalent to US$16.07 million) in August 2012 for a 5.37% equity interest in Esurfing.

Esurfing has entered into partnerships with 140 mainstream content providers in China and has become the largest mobile platform for paid videos in China.

By the end of June 2013, Esurfing had approximately 105 million mobile video users, an increase of approximately 15 million users since December 2012. Of these users, almost 16 million were paid users. The composition of paid users has continued to improve, and the proportion of active subscription users with higher payments has increased and now approaches 60% of all users. The ARPU is increasing steadily. Since the online video business transitioned from a free service to a paid service in June 2012, the number of paid users has increased by about 400,000 within a year. Benefiting from a continuing increase in the number of users and ARPU, Esurfing's profit in the first half of 2013 has already exceeded its profit for all of 2012.

China Telecom Corporation Limited, the publicly listed controlling shareholder of Esurfing, has transferred its 80% equity interest in Esurifng to its parent company, China Telecom Group ("**Telecom Group**"). The relevant business registration in relation to this transaction was completed on 1 July 2013. It is understood that after Esurfing has become a subsidiary of Telecom Group, it is favourable for keeping and extending relevant permits for running video business. Meanwhile, business development can be accelerated by making use of the edge in resources of Telecom Group and the diversification of shareholding.

Shandong Jinbao Electronics Co., Ltd. ("Jinbao") was established in Zhaoyuan, Shandong in 1993 to engage in the production and sale of copper foil and laminate. The Fund's cumulative investment in Jinbao is US$7.85 million, representing an equity interest of 25.91% as of 30 June 2013.

For the first half of 2013, Jinbao's unaudited revenues decreased compared to the same period last year, and the company sustained a significant net loss. The current problem of over-capacity in the copper foil and laminate industry has continued to intensify, contributing to intense price competition and weaker financial results.

Shenzhen Geesun Automation Technology Co., Ltd. ("Geesun Technology") was established in Shenzhen, Guangdong in 2006 and is a leading manufacturer of equipment and automated production lines for lithium ion batteries and supercapacitors. The Fund invested RMB20 million (equivalent to US$2.93 million) in May 2010, and held a 20.78% stake in Geesun Technology as of 30 June 2013.

Due to a number of factors, including weak market demand and internal operational issues, Geesun Technology has recorded losses since 2011. Geesun Technology also recorded a loss for the first half of 2013. As a result, shareholders such as the Fund suffered greater losses. At the shareholders' meeting, it was resolved that the controlling shareholder of Geesun Technology would transfer shares of Geesun Technology to certain other shareholders at no cost. Consequently, the Fund has received shares that confer an additional 8.16% stake. The relevant business registration in relation to this transfer was completed on 31 May 2013, and the Fund's total stake in Geesun Technology increased from 12.62% to 20.78%.

Jiangsu Huaer Quartz Materials Co., Ltd. ("Jiangsu Huaer"), was established in Yangzhou, Jiangsu and is principally engaged in the research, development and production of high purity silica crucibles. Jiangsu Huaer is a manufacturer producing silica crucibles with comprehensive specifications, and has the capability to produce 28-inch silica crucibles on a large scale. The silica crucible products are consumable auxiliary equipment required to produce single crystalline silicon ingots, which are used in turn to produce single crystalline silicon solar cells and semiconductor chips. The Fund invested RMB15 million (equivalent to US$2.23 million) in September 2010 for a 7.50% equity interest in Jiangsu Huaer.

As a result of anti-dumping and anti-subsidy measures taken by Europe and the United States against China's solar energy industry, many downstream operators in the solar photovoltaic industry have seen weaker financial status. Jiangsu Huaer has thus seen its average trade receivables collection period increase gradually since 2012, reaching a level that now exceeds 6 months. This has had a significant impact on the normal production cycle of the company. In the first half of 2013, the unaudited revenues of Jiangsu Huaer continued to show a downward trend that began in 2012, and a loss was recorded for the period.

The management of Jiangsu Huaer believes that demand in the global solar photovoltaic market is still growing and that the currently difficult market conditions are due primarily to over-production by downstream operators, who will need more time than expected to consume their existing inventories of finished goods on hand. In addition, many downstream operators have seen financial losses and capital constraints, and this has also contributed to weak demand and falling prices for solar cells, which in turn affects upstream suppliers. As over-production is gradually absorbed downstream, demand for high quality silica crucibles should increase in the future.

Currently, Jiangsu Huaer is dedicated to increasing its product quality from solar grade to electronics grade, and to extending its largest product specification from 28-inch to 32-inch. Jiangsu Huaer's efforts to improve its products have gradually gained recognition in the market. In the second quarter of 2013, Jiansu Huaer began to receive export orders with better payment terms.

Liaoning Zhenlong Native Produce Holding Company Ltd. ("Liaoning Zhenlong") was established in Fuxin, Liaoning in 2000. It is a joint-stock limited company with an export license, principally engaged in the acquisition, processing, and sale of pumpkin seeds and other nut products. Its main products include pumpkin seeds, pumpkin nuts, sunflower seeds, sunflower nuts, pine nuts, pistachios, and almonds, as well as other baked nuts, pumpkin dried buckwheat noodles and cereals, etc. Products are sold via two channels, overseas and domestic. The overseas market covers more than twenty countries and regions in Europe, America, Asia Pacific and Oceania, while the domestic market covers mid-size to large cities, including Shanghai, Beijing, Nanjing and Chengdu. The Fund invested a total of RMB19.20 million (equivalent to US$2.97 million) in August 2011 for a 2.00% equity interest in Liaoning Zhenlong.

For the first half of 2013, both the unaudited revenues and net profit of Liaoning Zhenlong increased, due primarily to the company's active development of the domestic and overseas markets, and to its expanded sales channels.

Liaoning Zhenlong is moving forward with the listing of the company as planned, and the company is presently responding to feedback from the CSRC.

Guangxi Hwagain Group Co., Ltd. ("Hwagain") was formed by the merger of two paper manufacturers located in Nanning, Guangxi in 1998. It is principally engaged in the research, development and production of high quality printing paper and tissue paper. The Fund invested RMB119.99 million (equivalent to US$19 million) in January 2012 for a 7.10% equity interest in Hwagain.

The overall printing paper industry remained weak during the first half of 2013 due to a slow recovery in the global economy, but it improved slightly compared to the second half of 2012 as market prices for imported pulp stood at relatively low level and many smaller firms had exited the industry after suffering huge loss. The days of inventory for the industry have gradually dropped to a level close to the average of previous years and profitability has recovered to some extent.

For Hwagain, which operates with a "Forest-Pulp-Paper Integration" business strategy, its forest resources have gradually entered into a felling cycle beginning in the second half of 2012. Since then, the forestry business has realised a profit and has reduced the production cost of pulp for Hwagain.

The construction of its 150,000 tonne high-end tissue paper project in Ganzhou, Jiangxi has been deferred for some time due to problems with electricity supply, etc. The factors that led to this delay in construction have now been resolved. The main and auxiliary equipment are undergoing final testing and adjustment, and official production is expected to begin in September 2013. The delay in construction has slowed Hwagain's transition from printing paper to tissue paper and has increased costs during this period. However, it has also allowed Hwagain to be better prepared in establishing sales channels and developing promotional plans for its new products.

Following the commencement of operation of the first phase of the Ganzhou high-end tissue paper project in September 2013, Hwagain expects that its business mix will gradually shift from printing paper to high-end tissue paper, as capacity utilisation gradually increases. Hwagain's profitability will recover and grow in this process.

Wuhan Rixin Technology Co., Ltd. ("Wuhan Rixin") was incorporated in Wuhan, Hubei in 2001 and is a state-accredited high technology enterprise engaged in the design, production and installation of solar modules and Building Integrated Photovoltaic (BIPV) products, as well as in the operation, maintenance and management of solar powered electric systems. The Fund invested RMB15 million (equivalent to US$2.20 million) in July 2009 for a 5.00% equity interest in Wuhan Rixin.

Because Wuhan Rixin engages primarily in the construction and operation of BIPV power stations, and is an end user of the supply chain, the downturn in the solar photovoltaic industry since 2011 has in fact benefited the company by reducing the construction and operating costs of power stations, and thereby increasing its profitability.

In the first half of 2013, Wuhan Rixin fully completed the delivery and connection to power grids for all photovoltaic power units in Wuhan and Huangshi, Hubei province, as well as in Dezhou, Shangdong province, which are demonstration projects of the State's "Golden Sun Projects" and "Solar Roofs Program". Wuhan Rixin is currently submitting applications of various new distributed photovoltaic power unit projects to the National Energy Administration and the NDRC for approval.

Xi'an Jinpower Electrical Co., Ltd. ("Jinpower Electrical") was established in Xi'an, Shaanxi in 2001 and is a high technology enterprise principally engaged in the research, development and production of intelligent on-line monitoring systems for transmission lines and substation equipment for the power grid. The Fund invested RMB20 million (equivalent to US$3.03 million) in January 2011. As of 30 June 2013, the Fund holds a 4.83% equity interest in Jinpower Electrical. In May 2013, the Fund received a cash dividend of RMB463,000 from Jinpower Electrical for 2012.

In early 2013, the national power grid completed the formulation of many of the standards for smart power grid online monitoring equipment. In the first half of the year, tests were conducted in certain provinces on products manufactured according to the new standards, including tests on their actual operational results and the compatibility with original systems, etc. This led to a decrease of equipment tender offered compared to the same period in 2012. Although Jinpower Electrical remains a market leader in on-line monitoring for transmission lines, both its unaudited revenues and net profit decreased in the first half of 2013 compared to the same period last year.

In the first half of 2013, Jinpower Electrical made progress in its endeavours to conduct monitoring of lines by unmanned equipment, as well as to replace lithium batteries with newer magnesium batteries that are better adapted to difficult operating conditions in remote locations. This progress has built a strong foundation for the introduction of new and more competitive products in the future.

NTong Technology Co., Ltd. ("NTong") was established in Beijing in 2002 and is principally engaged in software development, operation and maintenance of information technology systems and systems integration. The Fund invested RMB66.50 million (equivalent to US$10.41 million) in August 2011 for a 12.34% equity interest in NTong. In February 2013, the Fund received a cash dividend of RMB2.85 million from NTong for 2012.

For the first half in 2013, NTong's unaudited revenues and net profit were roughly the same compared to the same period last year. However, net profit for the full year is expected to show growth over 2012.

Unisplendour Corporation Limited ("**UNIS**"), which is listed on the Shenzhen Stock Exchange, announced on 26 July 2013 that it will purchase 100% of the shares of NTong, valued at approximately RMB700 million, with a combination of cash and equity. 25% of the consideration for the NTong's shares held by the Fund will be received as cash, and the remaining 75% will be received as shares in UNIS, with a lock-up period of 12 months. The relevant conditions and procedures of this transaction have yet to be completed, including approval by UNIS shareholders and regulatory authorities. In addition, certain terms of the transaction remain to be confirmed. Therefore, it is not certain that the transaction will eventually be completed. However, if the transaction is completed, the Fund will receive approximately RMB21.59 million in cash and 4.84 million shares in UNIS.

Teralane Semiconductor (Shenzhen) Co., Ltd. ("Teralane Semiconductor") was established in Shenzhen, Guangdong in 2004 and is principally engaged in the design of integrated circuits (IC), the research and development, manufacturing and sale of related products, and the provision of related systems integration and technical services. Its current principal products and services comprise: liquid crystal display (LCD) driver ICs, light emitting diode (LED) displays and illumination driver ICs, touch screen display driver ICs, battery pack control ICs, audio and sound control ICs and power management applications. Furthermore, its business spans the entire process of IC design. Teralane Semiconductor is a state-accredited high technology enterprise and software enterprise. The development of IC design and applications, on the basis of its proprietary patents and technological research and development, is at an advanced level by national standards. In December 2011, the Fund subscribed to an issuance of convertible bonds by Teralane Semiconductor in the amount of RMB5 million (equivalent to US$0.79 million). The convertible bonds can be converted into an approximately 1.80% equity interest in the enlarged capital of Teralane Semiconductor (per the registered capital at the time of subscription).

In the first half of 2013, Teralane Semiconductor experienced a slight drop in its unaudited revenues and net profit compared to the same period last year, due in part to market share gains by Apple and Samsung for large-screen smartphones and a resulting increase in competition for display driver IC designs for other mobile phone brands, being the segment served by Teralane Semiconductor.

Teralane Semiconductor is currently conducting shareholding aggregation and business integration of a newly acquired company. Whether this task can be completed smoothly, and in a relatively short period of time, may have a significant impact on Teralane Semiconductor's future financial results and listing plans.

In the first quarter of 2013, a private equity fund injected new capital into Teralane Semiconductor in the amount of RMB25 million, representing a 7.35% of its enlarged capital.

Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd ("Chengtian") was established in Yuli County of Bayingolin Mongol Autonomous Prefecture, Xinjiang in 2007. Chengtian's current principal businesses include acquisition of unginned cotton and cottonseed; processing of unginned cotton; wholesale and retail sales of ginned cotton, cotton by-products, cotton linter, and cottonseed; processing and sale of cottonseed oil, cottonseed husk, cottonseed meal, and cottonseed protein; and cultivation and sale of cotton, jujube, fruit, animal forage and other crops. Chengtian also intends to extend its business to the husbandry, slaughter and processing of cattle and sheep. The Fund invested RMB30 million (equivalent to US$4.73 million) in July 2012 for a 6.25% equity interest in Chengtian.

The first half of each year is typically a slower season for the industry, and the unaudited revenues and net profit of Chengtian for the first half of 2013 remained flat compared with the same period last year, with breakeven results. At the end of April 2013, the "2013 Temporary Program for Cotton Purchasing and Reserves" (《2013年度棉花臨時收儲預案》), jointly issued by the NDRC and the Ministry of Finance, disclosed that the purchase price of standard ginned cotton would be RMB20,400 per ton for the current production season (from 1 September 2013 to 31 March 2014) – the same as in 2012. In addition, although prices for cottonseed protein feeds had risen slightly, prices for cottonseed oil and other agricultural products had been lower than expected in the first half of the year. At the same time, raw material costs have been increasing, brought about by the rise in the prices of cottonseed due to a decrease in the size of cotton-growing areas. This combination of factors is likely to have a negative impact on Chengtian's annual financial results for 2013.

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, Jing'an District, Shanghai, with a remaining 49,438 square metres available for lease. The Fund made a full provision for 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 2013, China Merchants Plaza recorded an unaudited net profit of RMB7.50 million, representing an increase of 63.9% over the same period last year. The improvement in profit was primarily due to a substantial reduction in selling expenses.

REVIEW OF LISTED INVESTMENTS

The SSE Composite Index closed at 1979 for the first half of this year, representing a decrease of approximately 12.78% from the end of last year, while the SZSE Component Index closed at 7694, representing a decrease of approximately 15.60% from the end of last year – the worst performance by A shares for the first half of a year since 2010. In the first half of 2013, the SSE Composite Index began the year with a rally and then gave back these early gains. Early this year, the market supply of capital was more favourable, while gradual improvement in economic data, including China's PMI and PPI, led to the expectation of economic recovery, driving the SSE Composite Index to a peak of 2445 in February. Later, the data showed a slowdown in economic growth (for example, China's PMI announced by HSBC for May hit a 7-month low), while interbank short-term funding began to tighten in June, driving the SSE Composite Index to plunge to a low of 1850 on 25 June from a high of 2334 on 29 May, representing a decrease of 20.76%. Following the announcement of provision of liquidity support to certain financial institutions by the People's Bank of China ("**PBOC**") on 25 June, A shares rose from their lows. On the other hand, the China GEM index, which represents emerging industries, performed well during the first half of this year and closed at 1012, up 41.72% from the end of last year.

Hong Kong's Hang Seng Index closed at 20803 for the first half of the year, representing a decrease of approximately 8.18% from the end of last year. Benefiting from an expectation of China's economic recovery, the Hang Seng Index rose to a high of 23945 in early February, followed by a volatile decrease as Hong Kong stocks were impacted by new concerns over the European debt crisis and other factors. During April and May, the better-than-expected results of blue-chip companies led to a rebound. However, under the influence of market worries over the tapering of QE in the United States in late May, a small crash in the Japanese stock market, a slowdown in China's economic growth and soaring interest rates in China's interbank short-term capital market in June, the Hang Seng Index dropped abruptly to a low of 19426 on 25 June, and bottomed out after the announcement of provision of liquidity support to certain financial institutions by the PBOC.

The Fund primarily invests directly in high quality investment projects in China, and mostly in unlisted enterprises. Given the large quantity of listed shares that the Fund still holds, the Fund intends to not increase its exposure to the stock markets. Therefore, the Fund did not trade any listed equities in the secondary market during the first half of 2013.

PROSPECTS

In the first half of 2013, in face of a complex and ever-changing domestic and international environment, the Central Government continued to pursue active fiscal policies and steady monetary policies under the general principle of achieving growth amid greater stability in the national economy. China reached a GDP of RMB24.8 trillion for the first half of the year, for an increase of 7.6% over the same period last year, suggesting a slowdown in China's economic growth in the first half of the year, but within a reasonable range.

Looking ahead to the second half of 2013, overall global economic growth will remain slow, while market conditions for Chinese exports may be less than ideal, given the intensifying trend of protectionism. In terms of domestic demand, growth of consumption and investment are also likely to gradually slow. In terms of domestic supply, PMI and other indicators suggest insufficient momentum for a strong economic recovery. For the functioning of the national economy in China during the second half of the year, structural change in GDP will dominate. With weaker momentum from traditional sources, the major driving force for economic development in the second half of the year will come from household consumption and fixed asset investment, which is dominated by government-oriented urban construction. In keeping with this transition, "deleveraging, decreasing excess capacity and destocking" will be the main macroeconomic themes for the second half of the year. Specifically, under the thinking of "Vitalising existing funding and making good use of growth funding", the banks will restrict loans to industries with excess capacity and severe inventory issues, thus gradually reducing the proportion of such loans in relation to the total amount of credit, and increasing capital can flow into strategic emerging industries, such as those that improve people's livelihood and utilise high technology. As excess capacity is eliminated and existing inventories are drawn down, it is inevitable that economic growth will slow and that some portion of the labour force will face the risk of structural unemployment during this transition phase of the industrial upgrading.

On 5 July 2013, the State Council issued "Guidance on the supports from financial industry for the restructuring, transformation and upgrading of economic structure" (《關於金融支持經濟結構調整和轉型升級的指導意見》), (known as the Ten Financial Rules), of which eight rules relate to structural adjustment and modal transition. Therefore, China's macroeconomic policy will exert "both protection and suppression" during the second half of 2013. For the industries and enterprises which are conducive to structural adjustment and modal transition, the Central Government will offer its utmost support; while for industries which contradict the development direction of the Central Government, the macro-control policy will exert suppression. In this way, the economic development of China will not follow a flat and balanced path, but will show structural differences instead.

The PBOC announced that it would further promote the market reform of interest rates and fully liberalise the lending rates of financial institutions from 20 July 2013. The market generally believes that full liberalisation of the lending rates can help to reduce corporate financing costs and enhance the market's inherent capacity to allocate resources, thereby further strengthening support from the financial industry for the development of the real economy, as well as facilitating stable, healthy and sustainable economic development. While a decrease in corporate financing costs can bring certain challenges to investment opportunities for the Fund, the positive real economy will bring more direct investment opportunities to the Fund. The Fund will continue to keep a close watch on China's financial lending rates policy so as to make timely adjustments on investment strategies and focus.

The Fund will continue to make every effort to identify new investment projects, while maintaining an emphasis on investment opportunities in consumer goods (with particular focus on consumer-oriented projects in second and third tier cities), culture and media, advanced manufacturing, non-traditional financial services, energy and agriculture. The Fund will also seek to optimise its mix of investments in order to create greater shareholder value.

SUB-PARTICIPATION SCHEME (THE "SCHEME")

In order to strengthen the investment management process, and to align the interests of management and staff with the interests of the Fund in entering new investment projects, the Investment Manager, with the consent of the Fund, has administered the Scheme since 2009.

Under the Scheme, the Fund has entered into sub-participation agreements (the "**Agreements**") with certain executive Directors of the Fund, certain directors and employees of the Investment Manager, and persons nominated by shareholders of the Investment Manager (collectively the "**Participants**"), with respect to new investments made by the Fund beginning in 2009. Pursuant to the Agreements, the Participants will receive a portion of the return (in the form of dividends, interest, or other distributions or proceeds from realisation) from the Funds investment in the project company that is proportional to the amount provided by the Participants to the Fund as a percentage of the total Fund's investment in the project company. If the Fund suffers a loss from its investment in the project company, the Participants will correspondingly share a loss in the amount they provided to the Fund on a pro rata basis. The Agreements will terminate upon either the realisation of the investment in the project company 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 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 the project company. In the latter case, the Participants will receive a pro rata portion of the value of the equity interest in the project company held by the Fund as of 90 days prior to the termination date of the Agreements. The value of the equity interest in the project company will be assessed by an independent valuer appointed jointly by the Fund and the Investment Manager. In addition, the costs and expenses incurred for the preparation and execution of the Agreements, the costs incidental to the implementation of the Scheme, and the relevant portion of the identifiable costs related to the Fund's investment in the project company that corresponds to the amount provided by the Participants to the Fund under the Agreements will be borne by the Investment Manager.

Under the Scheme, it was originally determined that the aggregate amount provided by the Participants in each of the Fund's new investment projects should not exceed 2% of the Fund's investment in each project (the "**Ceiling of Relative Proportion**"). In order to further strengthen the investment management process, with the consent of the Fund and starting from 26 August 2011, the Ceiling of Relative Proportion for each of the Fund's new investment projects is revised as follows: 1) for projects with an investment amount of RMB30 million or less, the Ceiling of Relative Proportion will be 5%; 2) for projects with an investment amount of more than RMB30 million and up to RMB100 million, the Ceiling of Relative Proportion will be RMB1.50 million or 2%, whichever is higher; and 3) for projects with an investment amount of more than RMB100 million, the Ceiling of Relative Proportion will be 2%.

As of 30 June 2013, details of aggregate amounts provided by the Participants and their relative proportion to the investment amounts paid by the Fund were as follows:

Name of projects	Original investment amount of the Fund US$*	Original amounts paid by the Participants US$*	Relative proportion
Unibank Media (1st round capital injection)	6,585,600	129,000	1.959%
Wuhan Rixin	2,195,500	43,900	2.000%
Guangzhou Digital	30,737,700	175,500	0.571%
Unibank Media (2nd round capital injection)	4,394,100	87,500	1.991%
China Media Management	676,100	4,500	0.666%
Geesun Technology	2,929,500	58,000	1.980%
China Media Investment (1st installment capital contribution)	5,858,300	38,800	0.662%
Jiangsu Huaer	2,226,200	43,800	1.966%
CBN	18,098,200	235,700	1.302%
Jinpower Electrical	3,033,500	60,300	1.988%
China Media Investment (2nd installment capital contribution)	953,500	6,100	0.638%
Liaoning Zhenlong	2,974,500	59,000	1.986%
NTong	10,409,700	130,300	1.252%
Teralane Semiconductor	789,500	34,200	4.335%
Hwagain	19,004,900	161,100	0.847%
China Media Investment (3rd installment capital contribution)	1,075,300	6,200	0.575%
China Media Investment (4th installment capital contribution)	4,566,600	26,300	0.577%
Chengtian	4,733,300	74,100	1.566%
China Media Investment (5th installment capital contribution)	484,900	2,800	0.580%
Esurfing	16,068,600	125,100	0.778%
China Media Investment (6th installment capital contribution)	5,555,100	32,200	0.579%

* *Calculated with prevalent exchange rates at the time of the amounts paid*

In addition, as of 30 June 2013, details of the amounts paid by Directors of the Fund as well as a Director of the Investment Manager for the Scheme were as follows:

Name of projects	**Mr. HONG Xiaoyuan** (Note 1) *US$*	**Ms. ZHOU Linda Lei** (Note 2) *US$*	**Mr. TSE Yue Kit** (Note 3) *US$*	**Mr. WU Huifeng** (Note 4) *US$*
Unibank Media (1st round capital injection)	12,900	12,900	1,290	12,900
Wuhan Rixin	3,510	4,390	1,290	3,510
Guangzhou Digital	12,900	25,810	1,290	12,900
Unibank Media (2nd round capital injection)	6,950	8,750	1,290	6,950
China Media Management	300	580	30	300
Geesun Technology	4,640	5,800	1,290	4,640
China Media Investment (1st installment capital contribution)	2,500	5,010	250	2,500
Jiangsu Huaer	3,500	4,380	1,290	3,500
CBN	12,850	25,700	1,290	25,700
Jinpower Electrical	4,830	6,030	1,280	4,830
China Media Investment (2nd installment capital contribution)	390	780	40	390
Liaoning Zhenlong	4,720	5,900	1,280	4,720
NTong	16,420	12,830	1,280	16,420
Teralane Semiconductor	3,090	3,860	1,290	3,090
Hwagain	12,880	25,770	1,290	19,330
China Media Investment (3rd installment capital contribution)	430	850	40	430
China Media Investment (4th installment capital contribution)	1,820	3,630	180	1,820
Chengtian	12,890	12,890	1,290	12,890
China Media Investment (5th installment capital contribution)	190	390	20	190
Esurfing	12,890	12,890	1,290	12,890
China Media Investment (6th installment capital contribution)	2,220	4,440	220	2,220

Note 1: Director of the Fund and Chairman of the Investment Manager
Note 2: Director of the Fund and Managing Director of the Investment Manager
Note 3: Director of the Fund and Director of the Investment Manager
Note 4: Director of the Investment Manager and resigned on 30 May 2013

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

Hong Kong, 29 August 2013

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

A dividend payment of US$7,917,171 (2011: US$18,179,884), being a final dividend of US$0.05 per share (2011: final dividend of US$0.04 per share and special dividend of US$0.08 per share), for the year ended 31 December 2012 was approved by the shareholders on 16 May 2013. The final dividend was payable in cash, with an option to receive new and fully paid shares in lieu of cash.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

At an extraordinary general meeting of the Company held on 7 June 2013, it was approved to make a voluntary cash offer to repurchase for cancellation up to 7,917,171 ordinary shares of US$0.10 each of the Company in issue, representing approximately 5% of the entire issued share capital of the Company as at 13 May 2013, at a price of HK$20.94 per share, subject to the terms and conditions set out in the offer document dated 13 May 2013. As a result, a total number of 7,917,171 ordinary shares of US$0.10 each were repurchased and cancelled on 3 July 2013.

Save as disclosed above, during the six months ended 30 June 2013, 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 2013, 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 Issuers were as follows:

Name of Director	Number of ordinary shares interested	Capacity	Percentage of total issued shares
Mr. CHU Lap Lik, Victor	3,224,000	Interest of controlled corporation	2.04%

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 2013, 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 six months ended 30 June 2013.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, 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 of shareholder	Long/short position	Capacity	Number of ordinary shares interested	Percentage of total issued shares
China Merchants Group Limited (Note 3)	Long position	Interest of controlled corporation	42,604,015	26.91%
China Merchants Steam Navigation Company Limited (Note 3)	Long position	Interest of controlled corporation	42,604,015	26.91%
China Merchants Holdings (Hong Kong) Company Limited (Note 1)	Long position	Interest of controlled corporation	42,604,015	26.91%
China Merchants Finance Holdings Company Limited (Note 2)	Long position	Interest of controlled corporation	42,604,015	26.91%
China Merchants Financial Services Limited (Note 3)	Long position	Interest of controlled corporation	39,393,627	24.88%
Good Image Limited	Long position	Beneficial owner	39,393,627	24.88%
Lazard Asset Management LLC	Long position	Investment manager	32,972,945	20.82%
華夏全球精選股票型證券投資基金	Long position	Beneficial owner	9,682,000	6.11%
UBS AG	Long position	Beneficial owner	752,000	5.09%
		Security interest	6,439,000	
		Interest of controlled corporation	871,000	
	Short position	Beneficial owner	700,000	0.99%
		Interest of controlled corporation	871,000	

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.

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 condensed consolidated financial statements are unaudited, but have 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 report 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
Mr. LI Yinquan
Chairman

Hong Kong, 29 August 2013