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 2014

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 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Six months ended 30 June **2014** ***(unaudited)*** ***US$***	2013 *(unaudited)* *US$*
Change in fair value of financial assets at fair value through profit or loss	*16*	**28,990,000**	28,583,660
Investment income	*3*	**16,231,041**	21,188,122
Other gains		**220,978**	581,342
Administrative expenses		**(5,991,493)**	(5,191,693)
Share of results of associates		**(2,146,513)**	(1,354,027)
Gain on disposal of an associate		**9,751,658**	–
Profit before taxation	*5*	**47,055,671**	43,807,404
Taxation	*6*	**(8,204,547)**	(7,761,502)
Profit for the period attributable to owners of the Company		**38,851,124**	36,045,902
Other comprehensive (loss) income			
Items that will not be reclassified subsequently to profit or loss			
Exchange difference arising on translation		**(4,491,288)**	8,248,306
Share of change in translation reserve of associates		**(166,855)**	360,866
Item that may be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale financial assets		**–**	(7,045)
Other comprehensive (loss) income for the period, net of tax		**(4,658,143)**	8,602,127
Total comprehensive income for the period		**34,192,981**	44,648,029
Profit for the period attributable to owners of the Company		**38,851,124**	36,045,902
Total comprehensive income for the period attributable to owners of the Company		**34,192,981**	44,648,029
Earnings per share			
Basic	*7*	**0.255**	0.228
Diluted	*7*	**0.255**	0.224

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30 June 2014 (unaudited) US$	31 December 2013 (audited) US$
Non-current assets			
Interests in associates		–	17,158,887
Financial assets at fair value through profit or loss	14	288,229,825	310,640,112
		288,229,825	327,798,999
Current assets			
Financial assets at fair value through profit or loss	14	282,606,697	244,845,058
Other receivables	8	15,921,390	758,048
Bank balances and cash		45,190,755	27,253,376
		343,718,842	272,856,482
Assets classified as held for sale	17	14,845,519	–
		358,564,361	272,856,482
Current liabilities			
Other payables		31,325,809	24,467,197
Dividend payable	9	9,139,981	–
Taxation payable		1,884	41,028
		40,467,674	24,508,225
Net current assets		318,096,687	248,348,257
Total assets less current liabilities		606,326,512	576,147,256
Non-current liabilities			
Financial liabilities at fair value through profit or loss	15	2,055,178	1,759,244
Deferred taxation	10	77,683,568	72,853,246
		79,738,746	74,612,490
Net assets		526,587,766	501,534,766
Capital and reserves			
Share capital	11	139,348,785	15,233,301
Reserves		127,090,389	255,864,016
Retained profits		260,148,592	230,437,449
Equity attributable to owners of the Company		526,587,766	501,534,766
Net asset value per share	12	3.457	3.292

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 2014 (audited)	**15,233,301**	**124,115,484**	**123,896,442**	**7,852,090**	**-**	**230,437,449**	**501,534,766**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**38,851,124**	**38,851,124**
Exchange difference on translation	**-**	**-**	**(4,491,288)**	**-**	**-**	**-**	**(4,491,288)**
Share of change in translation reserve of associates	**-**	**-**	**(166,855)**	**-**	**-**	**-**	**(166,855)**
Total comprehensive (loss) income for the period	**-**	**-**	**(4,658,143)**	**-**	**-**	**38,851,124**	**34,192,981**
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (note 11)	**124,115,484**	**(124,115,484)**	**-**	**-**	**-**	**-**	**-**
2013 final dividend declared	**-**	**-**	**-**	**-**	**-**	**(9,139,981)**	**(9,139,981)**
Balance at 30 June 2014 (unaudited)	**139,348,785**	**-**	**119,238,299**	**7,852,090**	**-**	**260,148,592**	**526,587,766**
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

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

	NOTES	Six months ended 30 June **2014** ***(unaudited)*** ***US$***	2013 *(unaudited)* *US$*
Net cash generated from operating activities		**3,144,903**	15,580,575
Investing activities			
Deposits received from assets classified as held for sale	*17*	**4,798,848**	–
Proceeds from disposal of an associate	*18(d)*	**9,751,658**	–
Dividend received from an associate		**463,605**	–
Net cash generated from investing activities		**15,014,111**	–
Net increase in cash and cash equivalents		**18,159,014**	15,580,575
Cash and cash equivalents as at 1 January		**27,253,376**	57,778,638
Effect of foreign exchange rate changes		**(221,635)**	611,317
Cash and cash equivalents as at 30 June		**45,190,755**	73,970,530

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2014

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these condensed consolidated financial statements is determined on such a basis.

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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 10, 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – Int 21	Levies

The application of the above new interpretation and amendments to HKFRSs 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	
	2014	2013
	(unaudited)	*(unaudited)*
	US$	*US$*
Interest income	**628,345**	699,305
Dividend income on financial assets designated at fair value through profit or loss ("**FVTPL**")	**15,602,696**	20,488,817
Total	**16,231,041**	21,188,122

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, medical and pharmaceutical, 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, medical and pharmaceutical, 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 2014

	Financial services *US$*	Culture and media *US$*	Manufacturing *US$*	Information technology *US$*	Others *US$*	Total *US$*
Change in investment value	(3,941,203)	16,442,452	(3,953,225)	19,296,128	(1,000,665)	26,843,487
Gain on disposal of an associate	–	–	–	–	9,751,658	9,751,658
Dividend income on financial assets designated at FVTPL	15,537,823	–	64,873	–	–	15,602,696
Interest income on financial assets designated at FVTPL	–	–	–	194,619	–	194,619
Other gains	–	220,978	–	–	–	220,978
Segment profit (loss)	11,596,620	16,663,430	(3,888,352)	19,490,747	8,750,993	52,613,438
Unallocated:						
– Administrative expenses						(5,991,493)
– Interest income on bank deposits						433,726
Profit before taxation						47,055,671

4. SEGMENTAL INFORMATION (CONTINUED)

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	–	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						482,430
Profit before taxation						43,807,404

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 earned by each segment without allocation of central administrative expenses, fees to the Investment Manager, interest income on bank deposits and certain other gains. 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 2014 (unaudited) US$	31 December 2013 (audited) US$
Segment assets		
Financial services	**342,690,358**	348,162,186
Culture and media	**169,292,107**	149,151,488
Manufacturing	**25,365,932**	30,066,521
Information technology	**34,631,387**	15,434,400
Others	**29,015,049**	30,293,067
Total segment assets	**600,994,833**	573,107,662
Unallocated	**45,799,353**	27,547,819
Consolidated assets	**646,794,186**	600,655,481
Segment liabilities		
Financial services	**7,236**	5,718
Culture and media	**1,129,939**	1,029,484
Manufacturing	**141,359**	172,263
Information technology	**468,879**	221,834
Others	**307,765**	329,945
Total segment liabilities	**2,055,178**	1,759,244
Unallocated	**118,151,242**	97,361,471
Consolidated liabilities	**120,206,420**	99,120,715

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 BEFORE TAXATION

	Six months ended 30 June	
	2014	2013
	(unaudited)	*(unaudited)*
	US$	*US$*
Profit before taxation has been arrived at after charging (crediting):		
Investment Manager's management fee	**4,947,998**	4,469,545
Net foreign exchange losses (gains)	**17,317**	(1,784)

6. TAXATION

	Six months ended 30 June	
	2014	2013
	(unaudited)	*(unaudited)*
	US$	*US$*
The tax charge for the period comprises:		
Current tax:		
PRC Enterprise Income Tax	**(2,844,595)**	(654,941)
Deferred taxation (note 10)		
Current period	**(5,359,952)**	(7,106,561)
Total	**(8,204,547)**	(7,761,502)

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, 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 PER SHARE

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

	Six months ended 30 June	
	2014	2013
	(unaudited)	*(unaudited)*
Earnings for the purpose of basic and diluted earnings per share (US$)	**38,851,124**	36,045,902
Number of ordinary shares for the purpose of basic earnings per share	**152,333,013**	158,343,417
Effect of dilutive potential ordinary shares: Scrip shares under dividend payment	**–**	2,342,757
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**152,333,013**	160,686,174
Earnings per share Basic (US$)	**0.255**	0.228
Diluted (US$)	**0.255**	0.224

Basic and diluted earnings per share were the same as at 30 June 2014 as there were no dilutive potential shares outstanding during the period.

8. OTHER RECEIVABLES

	30 June 2014	31 December 2013
	(unaudited)	*(audited)*
	US$	*US$*
Dividend receivable from associates	**–**	463,605
Other dividend receivables	**15,312,792**	–
Interest receivable	**114,064**	70,300
Other receivables	**494,534**	224,143
Total	**15,921,390**	758,048

9. DIVIDEND PAYABLE

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

A dividend payment of US$9,139,981, being a final dividend of US$0.06 per share, for the year ended 31 December 2013 was approved by the shareholders on 21 May 2014 and was subsequently paid by the Company in cash on 31 July 2014.

10. DEFERRED TAXATION

The following is the deferred tax liability recognised by the Group and movements thereon during the current and prior periods:

	Capital gains for investments *US$*	Undistributed earnings of PRC subsidiaries *US$*	Total *US$*
Balance at 1 January 2013 (audited)	53,885,634	8,697,712	62,583,346
Charge to profit or loss for the period	5,683,683	1,422,878	7,106,561
Exchange differences	989,284	–	989,284
Balance at 30 June 2013 (unaudited)	60,558,601	10,120,590	70,679,191
Charge to profit or loss for the period	1,068,207	371,879	1,440,086
Exchange differences	733,969	–	733,969
Balance at 31 December 2013 (audited)	**62,360,777**	**10,492,469**	**72,853,246**
Charge to profit or loss for the period	**3,389,254**	**1,970,698**	**5,359,952**
Exchange differences	**(529,630)**	**–**	**(529,630)**
Balance at 30 June 2014 (unaudited)	**65,220,401**	**12,463,167**	**77,683,568**

No deferred tax asset has been recognised in relation to tax losses due to the unpredictability of future relevant taxable profit against which the tax losses can be utilised.

11. SHARE CAPITAL

	Number of shares	US$
Authorised:		
At 31 December 2013 and 1 January 2014		
– Ordinary shares of US$0.10 each	**300,000,000**	**30,000,000**
At 30 June 2014 (Note)	**N/A**	**N/A**
Issued and fully paid:		
At 31 December 2013 and 1 January 2014		
– Ordinary shares of US$0.10 each	**152,333,013**	**15,233,301**
Transfer from share premium upon abolition of par value	**–**	**124,115,484**
At 30 June 2014		
– Ordinary shares with no par value	**152,333,013**	**139,348,785**

Note: The Company has no authorised share capital and its shares have no par value since the commencement date of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

12. NET ASSET VALUE PER SHARE

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

	30 June 2014 ***(unaudited)***	31 December 2013 *(audited)*
Net asset value (US$)	**526,587,766**	501,534,766
Number of ordinary shares in issue	**152,333,013**	152,333,013
Net asset value per share (US$)	**3.457**	3.292

13. CAPITAL COMMITMENT

At the end of the reporting period, the Group had a 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$31.48 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 RMB158.66 million, equivalent to approximately US$24.76 million (31 December 2013: RMB140.80 million, equivalent to approximately US$21.85 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 are 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).

- 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 2014 *(unaudited)* *US$*	31 December 2013 *(audited)* *US$*	Fair value hierarchy	Valuation techniques	Significant unobservable input(s)	30 June 2014 *(unaudited)* Range	31 December 2013 *(audited)* Range	Relationship of unobservable inputs to fair value	30 June 2014 (unaudited) Increase(+)/ decrease (-) in carrying value of assets if 10% higher/lower of the unobservable inputs (Note 2) *US$*	31 December 2013 (audited) Increase(+)/ decrease (-) in carrying value of assets if 10% higher/lower of the unobservable inputs (Note 2) *US$*
Financial assets at FVTPL										
Listed equity securities classified as financial assets at FVTPL (Note 1)	**200,888,813**	223,989,246	Level 1	Quoted bid prices in active market	N/A	N/A	N/A	N/A	N/A	N/A
Unlisted equity securities and preferred equity classified as financial assets at FVTPL (Note 1)	**246,326,952**	272,656,875	Level 3	Market comparable companies	– Earnings multiples – Revenue multiples – Book value multiples	9.5x – 110.2x 1.1x – 9.3x 2.0x – 2.7x	8.9x – 110.9x 1.0x – 5.9x 2.1x – 2.8x	The higher the multiples, the higher the fair value	+27,000,000/ –27,000,000	+26,000,000/ –26,000,000
					– Discount for lack of marketability and specific risk	50%	50%	The higher the discount rate, the lower the fair value	-48,000,000/ +48,000,000	-54,000,000/ +54,000,000
Unlisted equity classified as financial assets at FVTPL (Note 1)	**24,837,472**	20,761,370	Level 3	Fund's net asset value	N/A	N/A	N/A	N/A	N/A	N/A
Unlisted equity securities classified as financial assets at FVTPL (Note 1)	**17,065,401**	17,221,867	Level 3	Recent transaction price	N/A	N/A	N/A	N/A	N/A	N/A
Unlisted equity securities classified as financial assets at FVTPL (Note 1)	**80,905,246**	20,035,723	Level 3	Indicative offer price	N/A	N/A	N/A	N/A	N/A	N/A
Bond classified as financial assets at FVTPL (Note 1)	**812,638**	820,089	Level 3	Recoverable amount	N/A	N/A	N/A	N/A	N/A	N/A
Closing balance	**570,836,522**	555,485,170								

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.

Note 3: The analysis of financial liabilities is set out in note 15.

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$*	Available-for-sale *US$*	Total *US$*
Balance at 1 January 2014 (audited)	**331,495,924**	**–**	**331,495,924**
Gains or losses recognised in:			
Profit or loss – unrealised	**36,367,847**	**–**	**36,367,847**
Exchange differences arising on translation	**(2,842,189)**	**–**	**(2,842,189)**
Purchases	**4,926,127**	**–**	**4,926,127**
Balance at 30 June 2014 (unaudited)	**369,947,709**	**–**	**369,947,709**
Balance at 1 January 2013 (audited)	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 capital	(17,250,000)	–	(17,250,000)
Balance at 30 June 2013 (unaudited)	300,491,246	706,223	301,197,469

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:

	Designated at FVTPL *US$*
Balance at 1 January 2014 (audited)	**1,759,244**
Additions	**56,275**
Change in fair value	**239,659**
Balance at 30 June 2014 (unaudited)	**2,055,178**
Balance at 1 January 2013 (audited)	1,192,063
Change in fair value	586,114
Balance at 30 June 2013 (unaudited)	1,778,177

Of the total gains for the period included in profit or loss, US$36,367,847 relates to financial assets designated at FVTPL categorised in Level 3 held at the end of the 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".

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 earnings, revenue or book value 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 2014 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 investment projects in the PRC. For the current period, the gain on change in fair value of financial assets at FVTPL was US$28,990,000 (six months ended 30 June 2013: US$28,583,660). The overall increase in fair values of investment projects was benefited from the favourable performances of business sectors in which certain investment projects operated.

17. ASSETS CLASSIFIED AS HELD FOR SALE

On 17 April 2014, the Group entered into a conditional equity transfer agreement in relation to the disposal of equity interest in Shandong Jinbao Electronics Co., Ltd. ("**Jinbao**"), with Zhaoyuan Changlin Industrial Co., Ltd. ("**Changlin Industrial**"), pursuant to which the Group agreed to sell its entire 25.91% equity interest in Jinbao at a consideration of RMB104.55 million (equivalent to approximately US$16.99 million). The interests in Jinbao have been classified as "Assets classified as held for sale" and are separately presented in the condensed consolidated statement of financial position. On 9 June 2014, the Group received the first installment of RMB30 million (equivalent to approximately US$4.80 million) from Changlin Industrial.

18. 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 2014, the Group has incurred the following related party transactions:

(a) Management fees totalling US$4,947,998 (six months ended 30 June 2013: US$4,469,545) 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).

 The amount due to the Investment Manager included in other payables in the condensed consolidated statement of financial position as at 30 June 2014 was US$2,600,630 (31 December 2013: US$2,485,504). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

18. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Securities brokerage commission fees totalling US$5,506 (six months ended 30 June 2013: Nil) 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 2014. 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).

(c) Pursuant to the Sub-participation Agreements, the financial liabilities of the Group with Mr. HONG Xiaoyuan and Mr. TSE Yue Kit, who are Directors of both the Company and the Investment Manager, as at 30 June 2014, were US$200,620 and US$24,969 respectively (31 December 2013: US$165,069 and US$22,005 respectively). The financial liability of the Group with Ms. ZHOU Linda Lei, a Director of the Company and resigned as a Director of the Investment Manager on 19 May 2014, was US$248,270 (31 December 2013: US$212,002). Moreover, the financial liability of the Group with Mr. TSIM Tak Chee, a Director of the Investment Manager, was US$19,341 (31 December 2013: US$12,896). The financial liability of the Group with Mr. WANG Xiaoding, a Director of the Investment Manager and appointed on 19 May 2014, was US$282,906 (31 December 2013: US$236,861).

(d) A 19.8% effective equity interest in China Merchants Plaza (Shanghai) Property Co., Ltd. was sold to a wholly-owned subsidiary of the Substantial Shareholder who has significant influence over the Company for consideration of RMB60 million. Since the Substantial Shareholder has significant influence over the Company and has control over its subsidiary, this transaction is considered to be a related party transaction (Note).

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

19. COMPENSATION TO 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.

20. EVENT AFTER THE REPORTING PERIOD

On 1 August 2014, the Group entered into a shareholders' equity transfer agreement with China Entinet Cable Holdings Co., Ltd. ("**China Entinet**"), a wholly-owned subsidiary of Hunan TV & Broadcast Intermediary Co., Ltd., pursuant to which the Group agreed to sell its entire 21% equity interest in Guangzhou Digital Media Group Ltd. to China Entinet at a total consideration of RMB462 million (equivalent to approximately US$75.09 million), on and subject to the terms and conditions of the agreement.

Deloitte.
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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 20, which comprise the condensed consolidated statement of financial position as of 30 June 2014 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
28 August 2014

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$38.85 million for the six months ended 30 June 2014, compared to a profit attributable to equity shareholders of US$36.05 million for the same period last year, representing an increase of US$2.80 million or 7.77% – with the profit increase largely attributable to a rise in fair value of the financial assets designated at FVTPL (the "**Financial Assets**") as well as a gain on the disposal of an associate. As of 30 June 2014, the net assets of the Fund (net of the dividend of US$9.14 million for 2013) were US$526.59 million (31 December 2013: US$501.53 million), with a net asset value per share of US$3.457 (31 December 2013: US$3.292).

For the period, the gain on change in fair value of the Financial Assets was US$28.99 million (six months ended 30 June 2013: US$28.58 million), representing an increase of 1.43% over the same period last year and comprised the fair value change of listed and unlisted direct investments with a loss of US$7.38 million and a gain of US$36.37 million, respectively.

Total investment income for the period decreased by 23.41% to US$16.23 million compared to the same period last year (six months ended 30 June 2013: US$21.19 million), due primarily to a decrease in dividend income from investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In the first half of 2014, the Fund continued to seek out and rigorously evaluate investment opportunities, and entered in a culture and media project in the period:

On 16 April 2014, the Fund made a cash injection of US$2.02 million into China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**") for the sole purpose of investing in IMAX China Holding, Inc. ("**IMAX China**"). IMAX China holds the exclusive rights to conduct, offer and expand the various businesses, products and services currently conducted in the Greater China Region by IMAX Corporation.

In addition, the Fund disposed of certain investment projects in the period:

On 5 June 2014, the Fund completed the disposal of its holding of a 19.80% effective equity interest in China Merchants Plaza (Shanghai) Property Co., Ltd. ("**China Merchants Plaza**") to a connected person for a price of RMB60 million (Hong Kong dollar equivalent), an amount that was arrived at through an arm's length negotiation between the Fund and the connected person and with reference to an appraisal by a professional independent third party. The pre-tax internal rate of return to the Fund from China Merchants Plaza was 2.49%.

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 IBC, but disposed of 8 million A shares of CMB, with net proceeds from the disposal of US$13.88 million.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

The Fund's cash on hand increased by 65.83%, from US$27.25 million at the end of last year to US$45.19 million (representing 6.99% of the Fund's total assets) as of 30 June 2014, due primarily to the disposal of some of the A shares of CMB as well as the China Merchants Plaza project in the period.

As of 30 June 2014, the Fund had no outstanding bank loans (31 December 2013: Nil).

As of 30 June 2014, the Fund had a capital commitment of US$6.72 million (31 December 2013: US$9.71 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 Investment.

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 2014, the conversion rate of the RMB against the US dollar recorded a decrease of approximately 0.92%, which had an impact on the Fund since it holds 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 2014, the Fund's total investments, which were all direct investments, amounted to US$585.68 million. The sector distribution of direct investments was US$327.38 million in financial services (representing 50.62% of the Fund's total assets), US$169.29 million in culture and media (26.17%), US$25.37 million in manufacturing (3.92%), and US$63.64 million in other ventures (including energy and resources, information technology, agriculture and medical and pharmaceutical) (9.84%). In addition, cash on hand was US$45.19 million, representing 6.99% of the Fund's total assets as of 30 June 2014.

REVIEW OF DIRECT INVESTMENTS

The following table shows the direct investment projects held by the Fund as at 30 June 2014:

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Carrying value *(US$ million)*	Percentage of total assets %	Percentage of net assets %
Financial Services:						
#1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	92	14.19	17.43
#2. Industrial Bank Co., Ltd.	Fuzhou, Fujian	Banking	Shanghai Stock Exchange	109	16.87	20.72
#3. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	125	19.39	23.82
4. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	1	0.17	0.20
			Sub-total:	**327**	**50.62**	**62.17**
Culture and Media:						
#5. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	24	3.67	4.51
#6. NBA China, L.P.	Beijing	Sports marketing	Unlisted	15	2.32	2.85
7. Unibank Media Group Inc.	Beijing	Indoor media	Unlisted	3	0.53	0.65
#8. Guangzhou Digital Media Group Ltd.	Guangzhou, Guangdong	Cable television & broadband access	Unlisted	75	11.61	14.26
9. China Business Network	Shanghai	Provision of financial information service	Unlisted	11	1.75	2.15
#10. Esurfing Media Co., Ltd.	Shanghai	Mobile & online videos platform	Unlisted	41	6.29	7.73
			Sub-total:	**169**	**26.17**	**32.15**
Manufacturing:						
#11. Shandong Jinbao Electronics Co., Ltd.	Zhaoyuan, Shandong	Copper foil & laminates	Unlisted	15	2.30	2.82
12. Shenzhen Geesun Automation Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	0	0.01	0.01
13. Jiangsu Huaer Quartz Materials Co., Ltd.	Yangzhou, Jiangsu	High purity silica crucibles	Unlisted	–	–	–
14. Liaoning Zhenlong Native Produce Holding Company Ltd.	Fuxin, Liaoning	Food processing	Unlisted	5	0.70	0.86
15. Hwagain Group Co., Ltd.	Nanning, Guangxi	Printing paper & tissue paper	Unlisted	6	0.91	1.13
			Sub-total:	**26**	**3.92**	**4.82**

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Carrying value (US$ million)	Percentage of total assets %	Percentage of net assets %
Others:						
(i) Energy & Resources:						
16. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	Unlisted	6	0.95	1.16
(ii) Information Technology:						
17. Xi'an Jinpower Electrical Co., Ltd.	Xi'an, Shaanxi	Power grid monitoring system	Unlisted	1	0.21	0.26
#18. NTong Technology Co., Ltd.	Beijing	Software development	Unlisted	33	5.01	6.16
19. Teralane Semiconductor (Shenzhen) Co., Ltd.	Shenzhen, Guangdong	IC design	Unlisted	1	0.13	0.15
(iii) Agriculture:						
20. Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd.	Bazhou, Xinjiang	Cotton, jujube	Unlisted	6	0.90	1.11
(iv) Medical & Pharmaceutical:						
#21. Nanjing Sanhome Pharmaceutical Co., Ltd.	Nanjing, Jiangsu	Pharmaceutical	Unlisted	17	2.64	3.24
			Sub-total:	**64**	**9.84**	**12.08**
			Total:	**586**	**90.55**	**111.22**

\# *Ten largest investments of the Fund as of 30 June 2014*

China Merchants Bank Co., Ltd. ("CMB") is China's first joint-stock commercial bank, with its headquarters in Shenzhen, Guangdong and with its shares listed on the Shanghai Stock Exchange since 2002, and on the Hong Kong Stock Exchange since 2006. As of 30 June 2014, the Fund held 55.20 million A shares of CMB, representing an equity interest of 0.219%, with a corresponding investment cost of RMB154.61 million (equivalent to US$19.79 million). In July 2014, the Fund received a cash dividend of RMB34.22 million from CMB for 2013.

Pursuant to a condition imposed by the Hong Kong Stock Exchange when granting a waiver for the subscription for the A rights shares of CMB, the Fund was required, within the 6 months following 11 September 2013, to dispose of CMB A shares to the extent that its interest in CMB would not exceed 20% of the Fund's net asset value. As of 24 January 2014, the Fund has, in aggregate, disposed of 8 million A shares of CMB. Furthermore, as of the close of trading on 24 January 2014, the Fund's interest in CMB was 19.12% of the Fund's net asset value, thereby fulfilled the condition for the waiver.

In the first half of 2014, the Fund disposed of a total of 8 million A shares of CMB, and received total net proceeds of RMB84.73 million (equivalent to US$13.88 million).

Industrial Bank Co., Ltd. ("IBC") is a joint-stock commercial bank incorporated in the PRC, with its headquarters in Fuzhou, Fujian and with its shares listed on the Shanghai Stock Exchange since 2007. As of 30 June 2014, the Fund held 66.94 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 2014, the Fund received a cash dividend of RMB30.79 million from IBC for 2013.

In June 2014, IBC issued Tier-2 capital bonds of RMB20 billion in the national interbank market in order to replenish its Tier-2 capital. The same month, a resolution with respect to issuance of preferred shares was passed in the IBC shareholders meeting with the intention to issue preferred shares in an amount not to exceed RMB30 billion, to no more than 200 qualified investors, and with no period of maturity to replenish its other Tier-1 capital. The issuance of preferred shares is awaiting approval by the relevant regulatory authorities.

In the first half of 2014, 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 2014, the Fund held a 6.94% equity interest in CCT, with a total investment cost of US$50.49 million. In July 2014, the Fund received a total cash dividend of US$4.99 million from CCT for 2013.

For the first half of 2014, CCT recorded an unaudited net profit of RMB487 million (excluding its share of the results of its affiliates under the equity method), representing a decrease of 23.77% from the same period last year. The volume of loans that CCT funded with its proprietary capital in the first half of 2014 rose slightly, as did interest income; however, net income from commissions and handling fees decreased from the same period last year.

By the end of the first quarter of 2014, the size of assets under trust management in China amounted to RMB11.73 trillion, representing an increase of RMB0.82 trillion or 7.52%, compared to the beginning of the year, but with slowing growth. During 2014, China's trust products faced great challenges with respect to new issuances, as trust products from different trust companies were in succession exposed to the risks of failure to make payment when due, prompting investors to focus on the risks of trust products and to become more cautious when purchasing them. At the same time, banks, as the primary sales channel for trust products, became increasingly strict in reviewing the sale of trust products on commission, and some banks even suspended the sale of trust products on commission.

As securities companies, fund companies, and banks developed products similar to trust products successively, there were fewer and fewer traditional high quality financing projects available, leading to more intense competition. Therefore, CCT will set up more branches in other places and increase the expenses on business promotion as countermeasures; on the other hand, in order to deal with the long-term trend of the interest rate liberalisation in China, CCT will accelerate the construction of professional asset management platforms, and transform currently dominated loan financing business model to equity investment and fund operations.

In April 2014, the China Banking Regulatory Commission issued its "Guidance Opinion on Regulation of Risks of Trust Companies" so as to enhance the supervision and management of trust companies in a comprehensive way, as well as to require shareholders of trust companies to undertake greater responsibilities.

As of 24 July 2014, CCT made a preliminary report with respect to a collective trust scheme, namely "2011年中誠•誠至金開2號集合信託計劃" (a trust fund with a size of RMB1.3 billion), that matured on 25 July 2014, stating that the properties under such trust failed to complete cash realisation. According to the terms of the trust contract, the trust period of the scheme was automatically extended to the date when cash realised from such trust properties are enough to repay the trust capital to the beneficiaries, together with the net trust income calculated by an expected rate of return, or to the date when all the trust properties are realised and all gains on realisation are transferred to the trust accounts. During the extension of the trust scheme, the expected rate of return to beneficiaries shall remain subject to the trust documents. At present, CCT has initiated an emergency handling mechanism of the trust scheme and has been actively seeking intended transferees to dispose of the assets as soon as possible, with a goal to realise the liquidation of trust properties and the recovery of cash, and strives to complete the disposal and realisation of trust properties within 15 months.

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 2014, China Media Management completed investments in IMAX China and in Shanghai Gewara Business Info Consulting Co., Ltd. for China Media Investment. In addition, the investment period for China Media Investment has officially expired and it is now in an exit (realisation) period, so that China Media Management is focusing on post-investment management and investment exit work.

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**"). Its total capitalisation is 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. The seventh installment of RMB20.64 million (equivalent to US$3.35 million) was made in September 2013, the eighth installment of RMB12.57 million (equivalent to US$2.05 million) was made in February 2014, and the ninth installment of RMB5.28 million (equivalent to US$0.86 million) was made in June 2014. Cumulatively, the Fund has invested RMB158.66 million (equivalent to US$24.76 million) in China Media Investment, representing 79.33% of the total investment of RMB200 million committed by the Fund.

In addition to the payments listed above, the Fund invested RMB12.45 million (equivalent to US$2.02 million) cash in China Media Investment in April 2014, specifically for the purpose of investing in IMAX China. IMAX Corporation ("**IMAX**") began operations in China in 2001 and IMAX China was incorporated in the Cayman Islands in 2011. IMAX China holds the exclusive rights to conduct, offer and expand the various businesses, products and services currently conducted in the Greater China Region by IMAX. In 2011, IMAX signed a joint revenue sharing agreement with Wanda Cinema Line Co., Ltd. ("**Wanda**"), for 75 theatre systems and, in 2013, Wanda committed to add an additional 120 new IMAX screens in China. As of 30 June 2014, there were 186 IMAX theatres in the Greater China Region, representing an increase of approximately 32% as compared to 141 theatres as of 30 June 2013. In addition, IMAX expects approximately 35 to 40 IMAX films to be released globally in 2014, approximately 29 of which will be released in the Mainland China.

By the end of the first half of 2014, China Media Investment had completed investments in seven 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), Shanghai Oriental DreamWorks Co., Ltd. (上海東方夢工廠有限公司), IMAX China and Shanghai Gewara Business Info Consulting Co., Ltd. Among these, Shanghai Oriental DreamWorks successfully launched "Mr. Peabody & Sherman" in March 2014 and "How to Train Your Dragon 2" in mid-August 2014. "The Voice of China 3", produced by a TV program production company that is part of Star China, was also launched in July 2014.

NBA China, L.P. ("NBA China") is a limited liability partnership incorporated in the Cayman Islands in 2007. NBA China holds the exclusive rights to operate the NBA's businesses in the Greater China Region, including television broadcasting rights, advertising, sponsorships, events, digital media, and merchandising, among other new businesses. The original investment by the Fund in 2008 was US$23 million, representing a 1% preferred equity stake in NBA China. The Fund received a partial return of capital from NBA China in January 2013, in the amount of US$17.25 million. The principal amount of the Fund's investment in NBA China then decreased to US$5.75 million. As of 30 June 2014, the Fund held a 1% preferred equity stake in NBA China. The Fund received a cash distribution from NBA China of US$221,000 in February 2014.

The basketball training institution "NBA Yao School", under the joint cooperation of NBA China and famous former basketball player Yao Ming, held its first training course in Beijing from February to May 2014, establishing a good foundation for future development. The school mainly focuses on primary and secondary school students, providing them with plans for systematic basketball training and physical exercise in extracurricular time.

After the launch of an online flagship store in Tmall (天貓商城) in 2012, NBA China opened another flagship store in JD (京東商城) in the first half of 2014 to expand the sales channels for NBA franchised products online.

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 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%.)

In order to adapt to the new operational reality of mobile applications and connectivity, Unibank Media merely took steps to optimise, replace and upgrade advertising equipment in its existing banking network during the first half of 2014. Further, it also sought to enhance the experience of bank customers to use Wi-Fi access services by increasing availability and spending on research and development of Wi-Fi access services, so as to expand the business into new forms of advertising that have the potential to generate more advertising orders. Unibank Media recorded an unaudited net profit of RMB3.67 million for the first half of 2014, representing an increase of 325.99% over the same period last year.

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% equity interest in Guangzhou Digital.

Continuing its promotional efforts for broadband and interactive high definition TV (HDTV) in 2014, Guangzhou Digital had nearly 1.4 million Cable TV users (including 300,000 users of interactive HDTV) and nearly 200,000 broadband access users at the end of June 2014, representing an increase of nearly 50,000 and 40,000 users, respectively, as compared to the end of 2013. Guangzhou Digital recorded an unaudited net profit of RMB56 million for the first half of 2014, representing a decrease compared to the same period last year due to a variety of factors such as higher costs for development of new users, research and development and promotions for new business, and the transformation of business tax into VAT.

On 1 August 2014, the Fund entered into a shareholders' equity transfer agreement with China Entinet Cable Holdings Co., Ltd. ("**China Entinet**"), a wholly-owned subsidiary of Hunan TV & Broadcast Intermediary Co., Ltd. (an A shares listed company on the Shenzhen Stock Exchange), whereby the Fund agreed to transfer its entire 21% equity interest in Guangzhou Digital to China Entinet for consideration of RMB462 million. Completion of the transaction is now conditional upon approval by the shareholders of the Fund at the shareholders meeting.

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 current business segments include television, broadcasting, newspapers, 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. As of 30 June 2014, the Fund held a 5.02% equity interest in CBN.

"Acai (阿財)", CBN's mobile terminal for securities services, was officially launched at the end of May 2014, and in the near future, CBN will launch certain mobile apps, the Acai website (www.acai365.com), and a new financial video program app, among others. In addition, "CBN Book and Video Franchise Store" officially opened in Tmall.

In the first half of 2014, CBN suffered as did many other traditional financial media firms, and experienced a significant reduction in income due to the growing popularity of digital media. For the first half of 2014, the unaudited consolidated revenues of CBN fell compared to that in the same period last year. Due to the changes in the partnership approach with Ning Xia Satellite TV and to the benefit of effective cost controls, CBN turned losses to gains in the first half of 2014 as compared to the same period last year, and profitability for 2014 will depend primarily upon advertising revenue in the second half of 2014.

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. The number of paid users declined during the first half of 2014 due to a variety of factors that included increasingly fierce competition in the video market and a net loss of China Telecom 3G users. By the end of June 2014, Esurfing had 110 million mobile video users, approximately the same as the end of December 2013. Of these users, about 15 million were paid users, representing a decrease of about 21%. Being hurt by the fact that three major telecommunication operators have been granted 4G licenses in the country, while Esurfing is incurring costs in the preparation of its entry to the new 4G business, Esurfing recorded an unaudited net profit of RMB40.07 million for the first half of 2014, representing a decrease of 39.38% year over year.

It is learnt that Esurfing plans to launch a new round of financing in 2014, with the intention to introduce new strategic investors who have compelling content resources or licenses for new value-added business. Meanwhile, Esurfing plans to utilise its adequate cash flows to integrate one or two enterprises that supplement the principal business of Esurfing, so as to further improve profitability and the quality of operations. The Fund will closely monitor progress on these matters.

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 2014.

On 17 April 2014, the Fund and Zhaoyuan Changlin Industrial Co., Ltd. ("**Changlin Industrial**") signed a share transfer agreement, whereby the Fund agreed to sell its entire 25.91% equity interest in Jinbao for consideration of RMB104.55 million in cash. The share transfer agreement has been approved by the Department of Commerce of Shandong Province. Subsequently, the Fund received the first installment of RMB30 million (US dollar equivalent) from Changlin Industrial in June 2014. Changlin Industrial has made the second installment payment of RMB50 million (US dollar equivalent) in August 2014, and is scheduled to pay the remaining balance by the end of October.

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 2014.

In the first half of 2014, Geesun Technology staged a nice recovery and recorded an unaudited net profit of RMB2.3 million, attributable mainly to an improvement in market conditions. In addition, Geesun Technology received orders totalling more than RMB36 million in the first half of 2014, and made delivery of about RMB30 million.

Jiangsu Huaer Quartz Materials Co., Ltd. ("Jiangsu Huaer"), was established in Yangzhou, Jiangsu and is principally engaged in the research and 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, or larger, on a vast 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.

With the stimulation provided by China's new photovoltaic policies, the overall solar cell industry gradually recovered following two consecutive sluggish years. Throughout this time, the products of single crystalline silicon solar cells have been mainly used in developed markets like Japan and Europe because of higher prices and conversion efficiency. This was especially true in the first half of 2014, when the EU and China reached an agreement with respect to "anti-dumping and anti-subsidy measures" that prevents China from exporting photovoltaic components with power below 270W to Europe. With the NDRC offering more policy support for distributed photovoltaic power stations than before, the domestic single crystalline silicon solar cell industry began to gradually recover (as the domestically made polycrystalline silicon solar cells currently cannot meet the minimum requirement on power of 270W, the photovoltaic products exported to Europe in the current phase are only single crystalline silicon solar cells) driving improvement in sales, operating cash flows and profitability for Jiangsu Huaer as compared to 2013. However, banks required further reductions in the size of loans to solar energy companies, including Jiangsu Huaer, and its financing cost remained high, greatly affecting normal production and operations. For the first half of 2014, Jiangsu Huaer recorded an unaudited net loss of RMB0.24 million, that was substantially better than the same period last year.

At present, it is expected that market demand for single crystalline silicon solar cells, and the silica crucible products used in their production, will recover in 2014. The credit terms of domestic orders for Jiangsu Huaer will also shorten. However, liquidity remains tight and limits the volume of orders the company can receive. On balance, the company may not see a significant improvement in operational results in the short term.

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% equity interest in Liaoning Zhenlong. In May 2014, the Fund received a cash dividend of RMB400,000 from Liaoning Zhenlong for 2013.

For the first half of 2014, the unaudited net profit of Liaoning Zhenlong increased over the same period last year, due primarily to a decrease in financing costs.

In conjunction with the restart of the IPO in China by the China Securities Regulatory Commission ("**CSRC**"), Liaoning Zhenlong pre-disclosed its relevant information in April 2014. It is still at the pre-disclosure stage of the IPO process.

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 and development, production, and sale of high quality printing paper and tissue paper. The Fund invested RMB119.99 million (equivalent to US$19.00 million) in January 2012 for a 7.10% equity interest in Hwagain.

During the first half of 2014, due to a range of factors, including the slow recovery of global economy, the gradual stabilisation and recovery of prices of imported paper pulp, the suspension of production by many smaller firms due to sizable losses and increasingly strict environment reviews, the market for printing paper remained weak, however days of inventory for the industry have gradually dropped to a level close to the average in previous years, the terminal sale price of printing paper has rebounded slightly, and the profitability has recovered to some extent as well.

For Hwagain, which operates with a "Forest-Pulp-Paper Integration" business strategy, its forest resources have gradually entered a felling cycle beginning in the second half of 2012. Since then, the forestry business has realised a profit. The construction of Project Phases I and II in Ganzhou, Jiangxi were completed and put into production in the second half of 2013 and first half of 2014, respectively, and the automation and production efficiency of equipment for the new project are high, with both factors helping to reduce the production cost of pulp for Hwagain. For the first half of 2014, Hwagain recorded an unaudited net profit of RMB14.50 million, representing an increase of 10.94% over the same period last year.

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% equity interest in Wuhan Rixin.

As Wuhan Rixin is engaged 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 enhancing the efficiency of its funds for construction of power stations and its gross margin on operations. However, in order to solve the problem of subsidy fraud, China has revised its subsidy policies from providing subsidies when a BIPV power station is constructed to providing subsidies based on measurement of the actual power generated for the grid. As a result, owners of solar energy power stations, including Wuhan Rixin, must use its own finances to develop power stations, then receive income from subsidies as power generation is claimed and settled on a monthly basis over the life cycle of the power station, leading to a significant decline in cash flows for many operators. In a change in strategy, Wuhan Rixin will therefore seek to accelerate capital turnover by transferring completed power stations to new owners, rather than continue to operate them in the future.

In the first half of 2014, Wuhan Rixin mostly undertook, reserved and submitted new construction projects of BIPV power stations for approval, to be followed by the construction and transfer of completed power stations in the second half of the year, and which will shift income from projects to the second half of the year. Accordingly, Wuhan Rixin recorded an unaudited loss of RMB7.76 million for the first half of the year, compared to a profit in the same period last year.

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 and 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 2014, the Fund held a 4.83% equity interest in Jinpower Electrical.

In the first half of 2014, the State Grid Corporation of China was still reviewing the quality improvement plans for the smart power grid online monitoring equipment, and bids and tenders of a certain scale began to gradually recover in May. Viewed in terms of the awards released, the awarded contract values to Jinpower Electrical in the first half of 2014 grew to 3 or 4 times the level seen in the same period in 2013, however the impact to operating results will not be seen until the fourth quarter and beyond. In the quality improvement plans of the State Grid Corporation of China referenced above, Jinpower Electrical ranked among the top two in comprehensive scores for the assessment of all the months in 2014. For the first half of 2014, Jinpower Electrical recorded unaudited revenues of RMB10.36 million, representing a decrease compared to the same period last year. However, in consideration of the seasonality of the company's business and the strong influence on bidding by the State Grid Corporation of China mentioned above, revenues and net profit for 2014 are expected to rise significantly as compared to 2013.

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.

Unisplendour Corporation Limited (“**UNIS**”), which is an A shares listed company on the Shenzhen Stock Exchange, announced on 27 June 2014 that the transaction to purchase a 100% equity interest in NTong along with another party through payment of new shares and cash (hereinafter referred to as “**Reorganisation Transaction**”) was terminated, for the other party proposed and required an exit from the Reorganisation Transaction, as the approval review of the Reorganisation Transaction had been suspended by the CSRC with no specific timetable for further progress. As a result, the agreement for the Fund to sell its stake in NTong to UNIS was terminated as well.

For the first half of 2014, the unaudited net profit of NTong was RMB9.09 million, representing a decrease of 30.43% year over year. The revenues and net profit decreased as compared to the same period last year due to a slowdown in domestic investment and a delay in recognising certain revenues due to changes in the engineering and design of some major projects.

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. 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 could 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).

On 15 January 2014, the Fund entered into a supplemental agreement with Teralane Semiconductor confirming the non-exercise of the conversion right. Pursuant to the supplemental agreement, Teralane Semiconductor paid interest amounting to RMB1.20 million for the period from December 2011 to December 2013, and was expected to pay the outstanding principal amount of RMB5 million prior to 30 June 2014, together with accrued interest from December 2013 through the principal payment date. However, through 30 June 3014, Teralane Semiconductor did not make any payments other than the interest payment of RMB1.20 million noted above. In order to safeguard the rights and interests of the Fund, the Fund has commissioned lawyers to sue Teralane Semiconductor in the court of Nanshan District, Shenzhen and has requested to seize its assets, including bank accounts.

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. The Fund invested RMB30 million (equivalent to US$4.73 million) in July 2012 for a 6.25% equity interest in Chengtian.

The Fund and the controlling shareholder of Chengtian entered into an agreement on 23 September 2013 whereby the Fund agreed to sell, and the controlling shareholder agreed to purchase, the Fund's entire 6.25% equity interest in Chengtian. Total consideration for the disposal is RMB35.79 million and will be payable in three installments, the last of which shall be settled on or before 31 August 2014. After the Fund has received the consideration in full, the Fund will complete the transfer of its entire equity interest in Chengtian to the controlling shareholder. The Fund received the first installment of RMB12.53 million in October 2013 and the second installment of RMB12.78 million in March 2014.

Nanjing Sanhome Pharmaceutical Co., Ltd. ("Sanhome Pharmaceutical") was incorporated in Nanjing, Jiangsu in 1996 and is principally engaged in the research and development, production and sale of pharmaceutical products. The company's main products include the Xiaoaiping Injection, Levornidazole and Sodium Chloride Injections, and Ornidazole and Sodium Chloride Injections. Sanhome Pharmaceutical is a national grade high technology enterprise. The Fund invested RMB105 million (equivalent to US$17.17 million) in December 2013 for a 3.50% equity interest in Sanhome Pharmaceutical.

In the first half of 2014, the volume of key products of Sanhome Pharmaceutical such as Xiaoaiping Injection and series of Levornidazole realised increases. For the first half of 2014, Sanhome Pharmaceutical recorded an unaudited net profit of RMB79.03 million, representing an increase of 29.43% as compared to the same period last year.

A restructuring of Sanhome Pharmaceutical was completed in the first half of 2014, and it has now become a joint-stock company with its Chinese name changed to "南京聖和藥業股份有限公司". Meanwhile, the company is preparing for listing documentation and will submit its IPO application to the CSRC as soon as possible.

REVIEW OF LISTED INVESTMENTS

In the first half of 2014, the A shares market in China experienced mild volatility. The SSE Composite Index closed at 2048 on 30 June 2014, representing a decline of 3.20% compared to the end of 2013. In the same period, the main stock markets like the U.S., Germany, France, etc., all recorded slight increases while A shares market posted a relatively poor performance. Meanwhile, in the first half of 2014, the interval amplitude of the SSE Composite Index from bottom to peak was only 10.31%, much narrower in comparison to the amplitude of 32.18% for 2013. The year-on-year growth rate of gross domestic product (GDP) in China for the first quarter of 2014 was 7.4%, and in the second quarter was forecasted to again be 7.4%, both lower than the target of 7.5%. Therefore, investors became concerned about the downside risks in China's economy, leading to market headwinds for the entire first half of 2014.

Hong Kong's equity market saw ups and downs in the first half of 2014. The Hang Seng Index climbed to a peak of 23469 in early January, yet fell back to 21138 in March. The Hang Sang Index closed at 23191 on 30 June 2014, representing a slight decline of 0.50% as compared to the end of 2013. Economic growth in the U.S. was dampened by severe weather in the first quarter, marking the largest decline since 2009. Economic data for European countries were poor, with few signs of improvement in their domestic economies. The Hang Seng Index maintained its movement between 21000 and 23500. During the period, benefiting from the constant promulgation of favourable policies such as "Shanghai-Hong Kong Stock Connect" and "New Nine National Stimuli", the Hang Seng Index had three ups and downs, and finally gradually recovered from the low position of 21680 recorded in early May.

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 equities in the secondary market, except for the disposal of some shares of CMB, in the first half of 2014.

PROSPECTS

In the first half of 2014, in the face of a complex and ever-changing domestic and international environment, the Central Government launched relatively mild "growth-stabilising" economic stimulation policies, including two targeted reserve ratio cuts, adjustments to loan-to-deposit ratios, the "renovation of shanty houses" arranged by the State Council, affirmation of deepening the reform on the investment and financing of railways, and tax reductions for small and medium sized enterprises. These, among other measures, encouraged the national economy to run steadily as a whole. In the first half of 2014, the GDP reached RMB26.90 trillion, representing an increase of 7.4% year-on-year. It is shown from the data that, the economic growth rate of China in the first half of the year slowed as compared to the same period last year, but remained within a reasonable range, and new progresses had been made in the adjustment of economic structures, as well as in industrial transformation and improvement. Given the relatively slowing GDP growth of China in 2014, it is expected that operating results of the Fund's investee companies, which have operations mainly in China, are affected to some extent.

Looking ahead to the second half of 2014, the global economy as a whole will bottom out and slowly recover, despite the fact that improving prospects and the global recovery remain vulnerable, with material downside risks. As the advanced economies resume and enhance economic growth along the way, their demands for exported goods from emerging and developing economies will also increase. However, in view of concerns on potential risks of capital flow reversals, demand for large scale financing and disordered currency devaluations, some emerging market economies have further tightened their financial measures, leading to an increase in the cost of capital, which is expected to curb investment and slow economic growth. Under these circumstance, the Central Government for the first time proposed that the economic development in China should adapt to a new normal status, and raised the perspective of national security to the most prominent position. It placed emphasis on reducing reliance on foreign capital in the financial and industrial sectors. This will result in a new change, i.e. national enterprises will become the more important candidates for the upgrading and reorganisation of industrial structure. This is the trend of the economic structure adjustment in China in the future, i.e. the Central Government will focus more on the development of proprietary intellectual property rights and on strengthening its own economic power. In addition, the Central Government also emphasized that it will refrain from re-initiating large scale stimulation, and will instead revitalise market forces through reform and enhancing targeted regulation on top of interval regulation, and stabilising China's economy through a series of growth-stabilising, reform-promoting, structure-adjusting and livelihood benefiting measures, so that the major economic indicators, such as the economic growth rate, unemployment rate and price level inflation can be maintained within a reasonable range. In general, along with a consistent recovery of the overseas economy in the second half of the year, China's economy will consistently and mildly recover. The changes within China in its internal and external development strategies will have a profound influence on the stabilisation and recovery of the economy. It is expected that despite the measures to curb consumption with public funds and the slowdown of income growth, domestic consumption will maintain stable growth; the real estate investment growth rate will gradually fall; the manufacturing industry affected by excess production capacity will decline slowly, and as driven by the favourable policies, the investment in infrastructures will maintain a stable source of growth, with demonstrating effect to the investment in fixed assets. In addition, the growth rate of foreign trade will return to a medium to low level with limited room for growth. Given the macroeconomic framework of growth-stabilising, reform-promoting, structure-adjusting as advocated by the Central Government, and the mild acceleration of the China's economy in the second half of 2014, it is expected that new investment opportunities for the Fund will emerge.

In the environment where challenges and opportunities co-exist, 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, agriculture, medical and pharmaceutical, etc., and to 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 Fund's 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 2014, 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%
China Media Investment (7th installment capital contribution)	3,352,500	18,900	0.562%
Sanhome Pharmaceutical	17,171,500	94,100	0.548%
China Media Investment (8th installment capital contribution)	2,055,100	11,500	0.559%
China Media Investment – IMAX China	2,021,800	40,000	1.977%
China Media Investment (9th installment capital contribution)	859,600	4,830	0.562%

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

In addition, as of 30 June 2014, details of the amounts paid by Directors of the Fund as well as some Directors 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$*	Mr. WANG Xiaoding (Note 4) *US$*	Mr. TSIM Tak Chee (Note 5) *US$*
Unibank Media (1st round capital injection)	12,900	12,900	1,290	20,640	N/A
Wuhan Rixin	3,510	4,390	1,290	3,510	N/A
Guangzhou Digital	12,900	25,810	1,290	38,710	N/A
Unibank Media (2nd round capital injection)	6,950	8,750	1,290	6,950	N/A
China Media Management	300	580	30	1,160	N/A
Geesun Technology	4,640	5,800	1,290	5,780	N/A
China Media Investment (1st installment capital contribution)	2,500	5,010	250	10,040	N/A
Jiangsu Huaer	3,500	4,380	1,290	4,380	N/A
CBN	12,850	25,700	1,290	35,860	N/A
Jinpower Electrical	4,830	6,030	1,280	6,030	N/A
China Media Investment (2nd installment capital contribution)	390	780	40	1,570	N/A
Liaoning Zhenlong	4,720	5,900	1,280	4,620	N/A
NTong	16,420	12,830	1,280	12,830	N/A
Teralane Semiconductor	3,090	3,860	1,290	2,570	N/A
Hwagain	12,880	25,770	1,290	12,880	N/A
China Media Investment (3rd installment capital contribution)	430	850	40	1,710	N/A
China Media Investment (4th installment capital contribution)	1,820	3,630	180	7,260	N/A
Chengtian	12,890	12,890	1,290	6,440	N/A
China Media Investment (5th installment capital contribution)	190	390	20	780	N/A
Esurfing	12,890	12,890	1,290	12,890	N/A
China Media Investment (6th installment capital contribution)	2,220	4,440	220	8,880	N/A
China Media Investment (7th installment capital contribution)	1,300	2,600	130	5,200	N/A
Sanhome Pharmaceutical	12,900	12,900	1,290	6,450	12,900
China Media Investment (8th installment capital contribution)	790	1,580	80	3,170	N/A
China Media Investment – IMAX China	6,450	6,450	1,290	6,450	6,450
China Media Investment (9th installment capital contribution)	330	670	30	1,330	N/A

Note 1: Director of the Fund and Chairman of the Investment Manager
Note 2: Director of the Fund (previously also Managing Director of the Investment Manager but resigned from the post on 19 May 2014)
Note 3: Director of the Fund and Director of the Investment Manager
Note 4: Managing Director of the Investment Manager and appointed on 19 May 2014
Note 5: Director of the Investment Manager

Mr. WANG Xiaoding
Managing Director
China Merchants China Investment Management Limited

Hong Kong, 28 August 2014

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

A dividend payment of US$9,139,981 (2012: US$7,917,171), being a final dividend of US$0.06 per share (2012: final dividend of US$0.05 per share (with scrip option)), for the year ended 31 December 2013 was approved by the shareholders on 21 May 2014 and was subsequently paid by the Company in cash on 31 July 2014.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the six months ended 30 June 2014, 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 2014, 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	3,030,024	Interest of controlled corporation	1.99%

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 2014, 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 2014.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the following persons (not being Directors or chief executives 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	42,022,041	27.59%
China Merchants Steam Navigation Company Limited (Note 3)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Holdings (Hong Kong) Company Limited (Note 1)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Finance Holdings Company Limited (Note 2)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Financial Services Limited (Note 3)	Long position	Interest of controlled corporation	38,855,507	25.51%
Good Image Limited	Long position	Beneficial owner	38,855,507	25.51%
Lazard Asset Management LLC	Long position	Investment manager	28,947,290	19.00%
China Asset Management Co., Ltd.	Long position	Investment manager	9,099,475	5.97%

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 (not being Directors or chief executives 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.

Besides, owing to a business trip, the Chairman, Mr. LI Yinquan, has given an apology for not being able to attend and chair the annual general meeting of the Company which was held on 21 May 2014.

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.

UPDATE ON DIRECTORS' BIOGRAPHICAL DETAILS

Ms. ZHOU Linda Lei, Executive Director of the Company, resigned as Managing Director of the Investment Manager with effect from 19 May 2014.

Save as disclosed above, there is no other information that required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

By Order of the Board
Mr. LI Yinquan
Chairman

Hong Kong, 28 August 2014