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 2011

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

* *members of Investment Committee*

AUDIT COMMITTEE

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

INVESTMENT MANAGER

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

PRINCIPAL BANKERS

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

COMPANY SECRETARY

Mr. LEUNG Chong Shun

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Linklaters
Victor Chu & Co
Woo Kwan Lee & Lo

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M 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 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	**Six months ended 30 June** **2011** ***(unaudited)*** ***US$***	2010 *(unaudited)* *US$*
Change in fair value of financial assets at fair value through profit or loss		**9,783,205**	(123,777,685)
Investment income	*3*	**15,737,218**	12,281,011
Other gains and losses		**1,485,196**	167,267
Administrative expenses		**(10,450,582)**	(14,967,866)
Share of results of associates		**442,286**	3,114,507
Profit (loss) before taxation	*5*	**16,997,323**	(123,182,766)
Taxation	*6*	**(7,849,855)**	38,796,440
Profit (loss) for the period		**9,147,468**	(84,386,326)
Other comprehensive income (loss)			
Exchange difference arising on translation		**9,391,160**	2,898,809
Share of change in translation reserve of associates		**(227,449)**	96,924
Change in fair value of available-for-sale financial assets		**556**	22,734
Other comprehensive income for the period		**9,164,267**	3,018,467
Total comprehensive income (loss) for the period		**18,311,735**	(81,367,859)
Profit (loss) for the period attributable to owners of the Company		**9,147,468**	(84,386,326)
Total comprehensive income (loss) attributable to owners of the Company		**18,311,735**	(81,367,859)
Basic and diluted earnings (loss) per share	*7*	**0.061**	(0.566)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30 June 2011 (unaudited) US$	31 December 2010 (audited) US$
Non-current assets			
Interests in associates		**22,906,471**	22,382,129
Financial assets at fair value through profit or loss		**218,017,831**	207,681,626
Available-for-sale financial assets		**722,560**	722,004
		241,646,862	230,785,759
Current assets			
Financial assets at fair value through profit or loss		**225,456,389**	307,667,689
Other receivables	8	**5,434,254**	299,032
Bank balances and cash		**154,686,952**	63,282,735
		385,577,595	371,249,456
Current liabilities			
Other payables		**39,108,767**	34,857,649
Dividend payable	9	**16,406,016**	–
Taxation payable		**23,467,348**	5,015,328
		78,982,131	39,872,977
Net current assets		**306,595,464**	331,376,479
Total assets less current liabilities		**548,242,326**	562,162,238
Non-current liabilities			
Financial liabilities at fair value through profit or loss		**908,905**	661,699
Deferred taxation	10	**58,021,461**	74,094,298
		58,930,366	74,755,997
Net assets		**489,311,960**	487,406,241
Capital and reserves			
Share capital	11	**14,914,560**	14,914,560
Share premium and reserves		**211,314,213**	202,149,946
Retained profits		**263,083,187**	270,341,735
Equity attributable to owners of the Company		**489,311,960**	487,406,241
Net asset value per share	12	**3.281**	3.268

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 2011 (audited)	**14,914,560**	**109,493,184**	**86,492,840**	**6,139,057**	**24,865**	**270,341,735**	**487,406,241**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**9,147,468**	**9,147,468**
Exchange difference on translation	**-**	**-**	**9,391,160**	**-**	**-**	**-**	**9,391,160**
Share of change in translation reserve of associates	**-**	**-**	**(227,449)**	**-**	**-**	**-**	**(227,449)**
Change in fair value of available-for-sale financial assets	**-**	**-**	**-**	**-**	**556**	**-**	**556**
Total comprehensive income for the period	**-**	**-**	**9,163,711**	**-**	**556**	**9,147,468**	**18,311,735**
2010 final and special dividends declared	**-**	**-**	**-**	**-**	**-**	**(16,406,016)**	**(16,406,016)**
Balance at 30 June 2011 (unaudited)	**14,914,560**	**109,493,184**	**95,656,551**	**6,139,057**	**25,421**	**263,083,187**	**489,311,960**
Balance at 1 January 2010 (audited)	14,914,560	109,493,184	70,206,542	5,904,125	1,199	397,550,722	598,070,332
Loss for the period	–	–	–	–	–	(84,386,326)	(84,386,326)
Exchange difference on translation	–	–	2,898,809	–	–	–	2,898,809
Share of change in translation reserve of associates	–	–	96,924	–	–	–	96,924
Change in fair value of available-for-sale financial assets	–	–	–	–	22,734	–	22,734
Total comprehensive income (loss) for the period	–	–	2,995,733	–	22,734	(84,386,326)	(81,367,859)
2009 final and special dividends declared	–	–	–	–	–	(14,914,560)	(14,914,560)
Balance at 30 June 2010 (unaudited)	14,914,560	109,493,184	73,202,275	5,904,125	23,933	298,249,836	501,787,913

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	US$	*US$*
Net cash generated from (used in) operating activities	**91,202,782**	(88,174,935)
Cash used in investing activities		
Advance to associates	**(498)**	(502)
Net increase (decrease) in cash and cash equivalents	**91,202,284**	(88,175,437)
Cash and cash equivalents as at 1 January	**63,282,735**	129,600,520
Effect of foreign exchange rate changes	**201,933**	493,150
Cash and cash equivalents as at 30 June	**154,686,952**	41,918,233

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2011

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*.

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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 1 (Revised) (Amendments)	Presentation of financial statements – Presentation of items of other comprehensive income[2]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]

[1] *Effective for annual periods beginning on or after 1 January 2013.*
[2] *Effective for annual periods beginning on or after 1 July 2012.*

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The new and revised HKFRSs on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these new and revised HKFRSs are applied early at the same time. The Group anticipates that these new and revised HKFRSs will be applied in the Group's consolidated financial statements for the financial year ending 31 December 2013.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

The Group is in the process of making an assessment of the impact of above-mentioned new and revised HKFRSs.

3. INVESTMENT INCOME

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	US$	*US$*
Interest income	**656,038**	449,728
Dividend income	**15,081,180**	11,831,283
Total	**15,737,218**	12,281,011

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, real estate and other types of investing activities are 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) Others: investees engaged in investments related to energy and resources, real estate activities and other types of investing activities.

Information regarding the above segments is reported below:

The following is an analysis of the Group's reportable segments for the period under review.

For the six months ended 30 June 2011

	Financial services *US$*	Culture and media *US$*	Manufacturing *US$*	Others *US$*	Total *US$*
Change in investment value	11,505,817	(3,174,635)	1,710,895	183,414	10,225,491
Dividend income	11,998,461	3,081,344	–	1,375	15,081,180
Interest income from available-for-sale financial assets	–	–	–	20,300	20,300
Other gains and losses	7,421	53,628	309,007	–	370,056
Segment profit (loss)	23,511,699	(39,663)	2,019,902	205,089	25,697,027
Unallocated:					
– Administrative expenses					(10,450,582)
– Interest income on bank deposits					635,738
– Net foreign exchange gains					1,115,140
Profit before taxation					16,997,323

4. SEGMENTAL INFORMATION (CONTINUED)

For the six months ended 30 June 2010

	Financial services *US$*	Culture and media *US$*	Manufacturing *US$*	Others *US$*	Total *US$*
Change in investment value	(132,367,904)	8,947,425	3,114,507	(357,206)	(120,663,178)
Dividend income	9,429,150	2,401,091	–	1,042	11,831,283
Interest income from available-for-sale financial assets	–	–	–	20,300	20,300
Other gains and losses	11,689	155,578	–	–	167,267
Segment (loss) profit	(122,927,065)	11,504,094	3,114,507	(335,864)	(108,644,328)
Unallocated:					
– Administrative expenses					(14,967,866)
– Interest income on bank deposits					429,428
Loss before taxation					(123,182,766)

Segment profit (loss) represents the change in value of investments (including change in fair value of financial assets at fair value through profit or loss and share of results of associates) and the corresponding dividend income, interest income and other gains and losses earned by each segment without allocation of central administrative expenses, fees to the Investment Manager, interest income on bank deposits and net foreign exchange gains. This is the measure reported to the executive management for the purpose of resources allocation and performance assessment. No separate segment revenue (i.e. investment income) is disclosed as it had been included in the segment profit (loss).

4. SEGMENTAL INFORMATION (CONTINUED)

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

	30 June 2011 *(unaudited)* *US$*	31 December 2010 *(audited)* *US$*
Segment assets		
Financial services	**334,193,023**	421,070,077
Culture and media	**97,711,601**	87,427,019
Manufacturing	**28,942,036**	27,027,082
Others	**6,256,591**	2,929,270
Total segment assets	**467,103,251**	538,453,448
Unallocated	**160,121,206**	63,581,767
Consolidated assets	**627,224,457**	602,035,215
Segment liabilities		
Financial services	**6,009**	5,295
Culture and media	**675,625**	522,487
Manufacturing	**118,996**	90,772
Others	**108,275**	43,145
Total segment liabilities	**908,905**	661,699
Unallocated	**137,003,592**	113,967,275
Consolidated liabilities	**137,912,497**	114,628,974

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

All assets are allocated to reportable segments other than other receivables, bank balances and cash, and all liabilities are allocated to reportable segments other than other payables, dividend payable, current and deferred tax liabilities.

During the period, the Group was principally involved in investing in companies with significant business involvement in the PRC, hence no geographical information in relation to the investing activities are presented.

5. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	US$	*US$*
Profit (loss) before taxation has been arrived at after charging (crediting):		
Investment Manager's management fee	**5,182,788**	6,314,758
Net foreign exchange (gains) losses	**(1,115,140)**	37,062
Share of tax of associates (included in share of results of associates)	**168,876**	387,576

6. TAXATION

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
	US$	*US$*
The tax (charge) credit for the period comprises:		
Current tax:		
PRC Enterprise Income Tax	**(25,230,784)**	(8,888,697)
Deferred taxation (Note 10)	**17,380,929**	47,685,137
Total	**(7,849,855)**	38,796,440

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 in the PRC is calculated at the rates prevailing in the relevant regions.

The PRC promulgated the Law of the PRC on Enterprise Income Tax (the "**Tax Law**") by Order No. 63 of the President of the PRC on 16 March 2007. The State Council of the PRC issued Implementation Regulations of the Tax Law and the Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax (Guo Fa [2007] No. 39) on 6 December 2007 and 26 December 2007 respectively. Accordingly, the applicable Enterprise Income Tax rate for a PRC subsidiary of the Company in 2011 is 24% (2010: 22%) and such tax rate will be increased to 25% in 2012. Other PRC incorporated entities which were incorporated after 15 March 2007, are subject to 25% tax rate for Enterprise Income Tax with effect from 1 January 2008. The applicable PRC tax rate for the Company as non-resident is 10%.

7. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2011	2010
	(unaudited)	*(unaudited)*
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share (US$)	**9,147,468**	(84,386,326)
Number of ordinary shares for the purpose of basic earnings (loss) per share	**149,145,600**	149,145,600
Basic and diluted earnings (loss) per share (US$)	**0.061**	(0.566)

The diluted effect of potential conversion of scrip shares under dividend payment (Note 9) is not significant as at 30 June 2011. No diluted earnings (loss) per share was noted at 30 June 2010 as there were no dilutive potential shares outstanding during the period.

8. OTHER RECEIVABLES

	30 June	31 December
	2011	2010
	(unaudited)	*(audited)*
	US$	*US$*
Dividend receivable	**4,925,479**	224,668
Interest receivable	**467,262**	45,434
Other receivables	**41,513**	28,930
Total	**5,434,254**	299,032

9. DIVIDEND PAYABLE

A dividend payment of US$16,406,016, comprising a final dividend of US$0.04 per share and a special dividend of US$0.07 per share, totalling US$0.11 per share (with scrip option), for the year ended 31 December 2010 was approved by the shareholders on 19 May 2011. A cash dividend of US$12,089,376 was paid and a total number of 2,353,436 scrip shares were allotted and issued at the price of HK$14.34 on 29 July 2011 by the Company.

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2011 (Six months ended 30 June 2010: Nil).

10. DEFERRED TAXATION

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

	US$
Balance at 1 January 2010 (audited)	144,046,891
Credit to the profit or loss for the period	(47,685,137)
Exchange differences	579,438
Balance at 30 June 2010 (unaudited)	96,941,192
Credit to the profit or loss for the period	(24,752,311)
Exchange differences	1,905,417
Balance at 31 December 2010 (audited)	74,094,298
Credit to the profit or loss for the period	(17,380,929)
Exchange differences	1,308,092
Balance at 30 June 2011 (unaudited)	58,021,461

11. SHARE CAPITAL

	Number of shares	***US$***
Ordinary shares of US$0.10 each		
Authorised:		
At 31 December 2010, 1 January and 30 June 2011	**300,000,000**	**30,000,000**
Issued and fully paid:		
At 31 December 2010, 1 January and 30 June 2011	**149,145,600**	**14,914,560**

Note: A total number of 2,353,436 ordinary shares of US$0.10 each were allotted and issued at the price of HK$14.34 on 29 July 2011 by the Company to satisfy the payment of the 2010 final and special dividends of US$4,316,640.

12. NET ASSET VALUE PER SHARE

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

	30 June 2011 *(unaudited)*	31 December 2010 *(audited)*
Net asset value (US$)	**489,311,960**	487,406,241
Number of ordinary shares in issue	**149,145,600**	149,145,600
Net asset value per share (US$)	**3.281**	3.268

13. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2011 *(unaudited)* *US$*	31 December 2010 *(audited)* *US$*
Within one year	**88,345**	3,176
In the second to fifth years inclusive	**376,991**	–
	465,336	3,176

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases and rentals are negotiated for a term of five years (2010: Three years).

14. CAPITAL COMMITMENTS

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

(a) 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$30.57 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 RMB46.26 million (equivalent to approximately US$6.81 million) into China Media Investment and classified the investment as a financial asset at fair value through profit or loss under non-current assets.

(b) On 14 June 2011, the Group entered into a capital increase agreement in relation to Guangxi Hwagain Group Co., Ltd. ("**Hwagain**"), pursuant to which the Group agreed to make a cash injection of RMB92.90 million (equivalent to approximately US$14.35 million) into the capital of Hwagain in return for approximately 5.5% enlarged equity interest in Hwagain.

15. 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 2011, the Group has incurred the following related party transactions:

(a) Management fees totalling US$5,182,788 (30 June 2010: US$6,314,758) were paid or accrued to the Investment Manager. The fee is calculated based on a fixed percentage on the value of the Group's assets as stipulated in the Investment Management Agreement (Note 1).

The amount due to the Investment Manager included in other payables in the condensed consolidated statement of financial position as at 30 June 2011 was US$20,622,563 (31 December 2010: US$20,911,642). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

(b) No performance fee is provided for the six months ended 30 June 2011 (30 June 2010: Nil). The fee is estimated based on a fixed percentage on the excess of an agreed increment of the Group's net asset value after certain adjustment as stipulated in the Investment Management Agreement (Note 1).

(c) Rental fees in respect of the office properties totalling US$4,930 (30 June 2010: US$4,728) were paid or payable to a wholly-owned subsidiary of a substantial shareholder who has significant influence over the Company. Since the shareholder of the Company has significant influence over the Company and has control over its subsidiary, the rental fees are considered to be related party transactions.

15. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Securities brokerage commission fees totalling US$40,486 (30 June 2010: US$11,219) were paid or payable to a subsidiary of a substantial shareholder who has significant influence over the Company. Since the shareholder of the Company has significant influence over the Company and has control over its subsidiary, the securities brokerage commission fees are considered to be related party transactions (Note 1).

(e) Pursuant to the sub-participation agreements, the financial liabilities of the Group with Mr. HONG Xiaoyuan, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit, who are Directors of both the Company and the Investment Manager, were US$62,879, US$105,287 and US$10,398 respectively (31 December 2010: US$45,517, US$79,238 and US$7,163 respectively). Moreover, the financial liability of the Group with Mr. WU Huifeng, a Director of the Investment Manager, was US$78,317 (31 December 2010: US$58,402).

(f) A 10% equity interest in Morgan Stanley Huaxin Fund Management Co., Ltd. was sold to a wholly-owned subsidiary of a substantial shareholder who has significant influence over the Company for a consideration of RMB33 million (equivalent to approximately US$5.03 million). Since the shareholder of the Company has significant influence over the Company and has control over its subsidiary, this transaction is considered to be a related party transaction. (Note 1).

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

16. COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

17. EVENTS AFTER THE REPORTING PERIOD

(a) On 20 July, 27 July and 5 August 2011, the Group made a total cash investment of RMB19.20 million (equivalent to approximately US$2.97 million) in the project of Fuxin Zhenlong Native Produce Ltd. ("**Fuxin Zhenlong**") for a 2% enlarged equity interest in Fuxin Zhenlong.

(b) On 8 August 2011, the wholly-owned subsidiaries of Hansen Enterprises Limited which is an associate of the Group entered into a sale and purchase contract with an independent third party to sell the third floor of Shenzhen Mankam Square at a consideration of RMB49 million.

Deloitte.
德勤

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the interim financial information set out on pages 2 to 16, which comprises the condensed consolidated statement of financial position of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries as of 30 June 2011 and the related condensed consolidated statement of 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 this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 August 2011

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$9.15 million for the six months ended 30 June 2011, compared to a loss attributable to equity shareholders of US$84.39 million for the same period last year. The achievement of a profit attributable to equity shareholders for the period was mainly due to the increase in the fair value of the financial assets designated at fair value through profit or loss (the "**Financial Assets**"). As of 30 June 2011, the net assets of the Fund were US$489.31 million (31 December 2010: US$487.41 million), with a net asset value per share of US$3.281 (31 December 2010: US$3.268).

For the period, the gain in fair value of the Financial Assets was US$9.78 million (2010: loss on change in fair value of US$123.78 million), which was chiefly attributable to the Fund's two major investments, namely China Merchants Bank Co., Ltd. ("**CMB**") and Industrial Bank Co., Ltd. ("**IBC**"), accounting for US$2.31 million and US$11.37 million, respectively.

Total investment income for the period increased by 28% from the same period last year to US$15.74 million (2010: US$12.28 million), due primarily to an increase in dividend income from investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In the first half of 2011, the Fund searched for investment opportunities and made or proposed to make capital investments in the energy, culture and media and manufacturing related sectors:

On 28 January 2011, the Fund invested US$3.03 million in Xi'an Jinpower Electrical Co., Ltd. ("**Jinpower Electrical**") for a 5.26% enlarged equity interest. Jinpower Electrical is principally engaged in the research, development and production of intelligent on-line monitoring systems for transmission lines and substation equipment of power grid.

On 20 April 2011, the Fund made a cash investment of US$11 million in Renren Inc. ("**Renren**") through a joint venture established with other investors, and is beneficially interested in 785,714 American depositary shares of Renren. The American depositary shares of Renren have been listed on the New York Stock Exchange since 4 May 2011. Renren is a leading real name social networking internet platform in China.

On 14 June 2011, the Fund entered into a capital increase agreement in relation to Guangxi Hwagain Group Co., Ltd. ("**Hwagain**"), and will make a cash injection of US$14.35 million into the capital of Hwagain after the conditions set forth in the agreement have been fulfilled. Upon completion of the capital injection, the Fund will hold approximately 5.50% equity interest in the enlarged capital of Hwagain. Hwagain is principally engaged in the research, development and production of high quality printing paper and tissue paper.

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

In March 2011, the Fund disposed of its 10% equity interest in Morgan Stanley Huaxin Fund Management Co., Ltd. (“**Morgan Stanley Fund**”) to a connected party of the Fund at a consideration of RMB33 million (equivalent to US$5.03 million). The consideration was arrived at after an arm’s length negotiation between the Fund and the connected party with reference to a valuation assessed by a professional independent third party. The pre-tax internal rate of return of the Fund’s investment in Morgan Stanley Fund amounts to 20%.

The Fund has obtained shareholders’ authorisation to dispose of its entire holding of A shares of both CMB and IBC. During the period, the Fund did not dispose of any A shares of CMB, but did dispose of 38.40 million A shares of IBC for a net proceeds of US$102.09 million.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

The Fund’s cash on hand increased by 144%, from US$63.28 million at the end of last year to US$154.69 million as of 30 June 2011, due primarily to the disposal of a significant number of A shares of IBC during the period.

As of 30 June 2011, the Fund had no outstanding bank loans (31 December 2010: Nil).

As of 30 June 2011, the Fund had capital commitments of US$38.11 million (31 December 2010: US$24.16 million) for investments that were approved, but not yet provided for in the financial statements—specifically, for future payments related to the investment in China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) (“**China Media Investment**”) and the investment in Hwagain.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Fund’s investments are located in China where the official currency is the Renminbi (“**RMB**”). The conversion rate of RMB against U.S. dollar recorded an increase of 2.28% in the first half of 2011, which had a positive impact on the Fund since it holds a considerable amount of assets denominated in RMB.

EMPLOYEES

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

THE PORTFOLIO

As of 30 June 2011, the Fund’s total investments amounted to US$467.10 million, which comprised US$466.38 million in direct investments and US$0.72 million in bonds. The sector distribution of direct investments was US$334.19 million in financial services (representing 53.28% of the Fund’s total assets), US$97.71 million in culture and media (15.59%), US$28.94 million in manufacturing (4.61%), and US$5.54 million in other ventures (including energy and resources, real estate, etc.) (0.87%). In addition, cash on hand was US$154.69 million, representing 24.66% of the Fund’s total assets as of 30 June 2011.

REVIEW OF DIRECT INVESTMENTS

The following table shows the direct investment projects held by the Fund as at 30 June 2011:

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Carrying value *(US$ million)*	Percentage of total assets %
Financial Services:					
1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	132	21.15
2. Industrial Bank Co., Ltd.	Fuzhou, Fujian	Banking	Shanghai Stock Exchange	93	14.80
3. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	108	17.19
4. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	1	0.14
			Sub-total:	334	53.28
Culture and Media:					
5. NBA China, L.P.	Beijing	Sports marketing	Unlisted	24	3.85
6. Inbank Media (China) Co., Ltd.	Beijing	Indoor media	Unlisted	3	0.46
7. Guangzhou Digital Media Group Ltd.	Guangzhou, Guangdong	Cable television & broadband access	Unlisted	40	6.41
8. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	7	1.06
9. China Business Network	Shanghai	Provision of financial information service	Unlisted	19	2.97
10. Renren Inc.	Beijing	Social networking services	New York Stock Exchange	5	0.84
			Sub-total:	98	15.59
Manufacturing:					
11. Shandong Jinbao Electronics Co., Ltd.	Zhaoyuan, Shandong	Copper foil & laminates	Unlisted	23	3.65
12. Shenzhen Geesun Automation Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	3	0.42
13. Jiangsu Huaer Optoelectronic Material Co., Ltd.	Yangzhou, Jiangsu	High purity silica crucibles	Unlisted	3	0.54
			Sub-total:	29	4.61

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Carrying value *(US$ million)*	Percentage of total assets *%*
Others:					
(i) Energy & Resources:					
14. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	Unlisted	2	0.38
15. Xi'an Jinpower Electrical Co., Ltd.	Xi'an, Shaanxi	I.T. for electrical system	Unlisted	3	0.49
(ii) Real Estate:					
16. China Merchants Plaza (Shanghai) Property Co., Ltd.	Shanghai	Office & commercial	Unlisted	–	–
17. Shenzhen Mankam Square	Shenzhen, Guangdong	Retail shops	Unlisted	–	–
			Sub-total:	5	0.87
			Total:	466	74.35

China Merchants Bank Co., Ltd. ("CMB") is China's first joint-stock commercial bank, with shares listed on the Shanghai Stock Exchange since 2002 and on the Hong Kong Stock Exchange since 2006. In addition to its network of over 820 branches and offices across China, CMB also owns 100% of Wing Lung Bank in Hong Kong and has established a branch and a representative office in New York, the United States, and a representative office in London, the United Kingdom. In addition, a Taipei representative office was more recently established on 15 March 2011. As of 30 June 2011, the Fund held 65.83 million A shares of CMB, representing an equity interest of 0.31%, and with a corresponding investment cost of RMB110.07 million (equivalent to US$12.53 million). In June 2011, the Fund received a cash dividend from CMB of RMB19.09 million for 2010.

In July 2011, CMB announced a proposed issuance of new A shares and H shares to its shareholders. The issuance will be made on the basis of up to 2.2 shares for every 10 shares owned, and the proceeds should not exceed RMB35 billion. The proceeds will be used to supplement the bank's capital, to improve its capital adequacy ratio, and to support the continuing growth and development of its business. The Fund is studying the feasibility of subscribing to the A shares to which it will be entitled.

During the first half of 2011, the Fund did not dispose of any A shares of CMB.

Industrial Bank Co., Ltd. ("IBC") is a joint-stock commercial bank incorporated in the PRC, with shares listed on the Shanghai Stock Exchange since 2007. IBC has a network of over 610 branches and offices across China. As of 30 June 2011, the Fund held 44.62 million A shares of IBC, representing an equity interest of 0.41%, and with a corresponding investment cost of RMB110.18 million (equivalent to US$11.55 million). In May 2011, the Fund received a cash dividend from IBC of RMB17.50 million for 2010. In addition, pursuant to a proposal of distribution by IBC of bonus shares converted from capital reserve on the basis of 8 bonus A shares for every 10 A shares owned, the Fund received 33.34 million A shares of IBC in May 2011.

At the end of June 2011, IBC successfully issued subordinated bonds of RMB10 billion in the interbank bond market of China to boost its supplementary capital.

On 28 June 2011, the number of IBC A shares held by the Fund was reduced to 44.62 million shares, and as a result the carrying value of the Fund's interest in IBC was reduced to 19.14% of the Fund's net asset value. As such, the condition imposed by the Hong Kong Stock Exchange upon granting a waiver with respect to the Fund's subscription to IBC A rights shares was met.

During the first half of 2011, the Fund disposed of a total of 38.40 million A shares of IBC and the net proceeds amounted to RMB661 million (equivalent to US$102.09 million).

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 2011, the Fund held a 6.94% equity interest in CCT with a total investment cost of US$50.49 million. In June and July of 2011, the Fund received a total cash dividend from CCT of US$6.41 million for 2010.

For the first half of 2011, CCT recorded an unaudited net profit of RMB470 million, representing an increase of 193% over the same period last year. After the completion of CCT's capital offering in the second half of last year, the increase in lending business with its proprietary funds resulted in a significant increase in net interest income for the first half of the year as compared to the same period last year. In addition, during the first half of 2011, net income from commissions and handling fees from trust operations also increased compared to the same period last year. However, the China Banking Regulatory Commission issued new regulatory guidelines that require trust companies to limit the size of real estate trusts and to report every new real estate trust for approval. Therefore, it is expected that CCT's real estate trust business may decrease in the second half of the year.

CCT holds a 15.35% stake in Guodu Securities Co., Ltd. ("**Guodu Securities**"), and is the single largest shareholder. Southwest Securities Co., Ltd., listed on the Shanghai Stock Exchange, has entered into a letter of intent to acquire Guodu Securities. The parties are discussing details of the merger and reorganisation, and have not yet announced a final proposal.

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 of 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.

China Media Management has completed two investments for China Media Investment and is expected to make one to two additional investments by the end of the year.

NBA China, L.P. ("NBA China") is a limited liability partnership incorporated in the Cayman Islands in 2007. The Fund invested US$23 million in 2008 for a 1% preferred equity stake in NBA China. Other strategic investors hold the remaining 10% of the preferred equity in NBA China. NBA China has exclusive rights to operate the NBA's businesses in the Greater China Region, including television broadcasting rights, advertising, sponsorship, events, digital media, and merchandising, among other new businesses. The Fund received a cash distribution from NBA China of US$54,000 in February 2011.

In May 2011, NBA China announced the establishment of a long term partnership with Baofeng Modern International Holdings Company Limited of Hong Kong ("**Baofeng Modern**"), and that slippers and sandals with an NBA theme will be introduced at the retail outlets of Baofeng Modern.

NBA China launched an official flagship store online (http://nbastore.qq.com) in June 2011 for the sale of various NBA products.

As the NBA and the National Basketball Players Association (NBPA) have not yet reached a new collective bargaining agreement, an NBA lockout commenced on 1 July 2011 and is expected to have an adverse impact on the results of NBA China.

Inbank Media (China) Co., Ltd. ("Inbank Media") was established in Beijing in 2007 to engage in commercial advertising through its video display network, located in banking service outlets in China. The Fund invested RMB45 million (equivalent to US$6.59 million) in June 2009 and invested another RMB30 million (equivalent to US$4.39 million) in February 2010, making a total investment of RMB75 million (equivalent to US$10.98 million) in Inbank Media. In February 2010, the Fund also exercised its conversion right on the convertible bonds that it already held in its portfolio and, as a result, the Fund now holds a 14.51% equity interest in Inbank Media.

To secure its leading position in the sector, Inbank Media has been expanding the size of its network. In the first half of 2011, Inbank Media entered into negotiations with a leading enterprise in the sector regarding a possible merger and reorganisation. After the completion of such a merger and reorganisation, it is expected that the new company will cover over 70% of the banking service outlets in key cities such as Beijing, Shanghai and Guangzhou, as well as in major commercial cities such as Shenzhen and Nanjing, which represent an even greater value in advertising resources. The parties are still in the process of discussing this proposal.

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. In June 2011, the Fund received a cash dividend from Guangzhou Digital of RMB8.14 million for 2010.

For the first half of 2011, Guangzhou Digital recorded growth in operating income and net profit, primarily due to the on-going increase in users of digital TV and users of broadband internet, which are high-income contributors.

In June 2011, Guangzhou TV Station and Guangdong Broadcasting and Television Network Co., Ltd. ("**Guangdong Network**") signed a memorandum regarding the integration of Guangzhou Digital and Guangdong Network, and formally initiated a process to appraise the parties' respective assets and to negotiate an integration proposal.

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. Total capital of RMB5 billion is expected to be raised, of which the initial capitalisation amounts to RMB2 billion. Major promoters of and contributors to China Media Investment include Shanghai Dongfang Huijin Culture Industry Investment Co., Ltd., China Development Bank Capital Corporation Ltd., Shanghai Dazhong Group Capital Private Equity Investment Co., Ltd. and Wenhui Xinmin United Press Group Co., Ltd. – all of whom are dominant players in the financial investment and/or culture and media sectors. China Media Investment has an investment horizon of 10 years. The scope of investments of 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 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, and the second installment of RMB6.26 million (equivalent to US$0.95 million) was made in March 2011, which amounted to a cumulative investment of RMB46.26 million (equivalent to US$6.81 million) by the Fund in China Media Investment, and represented 23.13% of the committed investment.

China Media Investment made an investment in News Corporation of the US and Renren Inc. at the end of 2010 and again in the second quarter of 2011, for a combined investment of RMB383 million.

China Business Network ("CBN") was established in Shanghai in 2003 and is currently the financial information provider with the greatest breadth of media communication channels for financial information in China. CBN's business segments include television (that is, CBN Channel and CBN | Ning Xia Satellite TV), newspapers, radio, magazines, websites, and research institutes. CBN is also actively exploring digital media. The Fund invested RMB120 million (equivalent to US$18.10 million) in December 2010 for a 5.29% equity interest in CBN.

In the first half of 2011, advertising income from CBN Channel increased significantly compared to the same period last year, and exceeded expectations. Advertising income from CBN | Ning Xia Satellite TV was also higher than the same period last year, but growth was somewhat slower than expected and the station will strengthen its promotional activities in the second half of the year. The operations of CBN Radio ("**Radio**") and CBN Daily ("**Daily**") have been stable, and the FM97.7 Channel of the Radio became available at the Mac App Store in May. The download and average daily browsing volume of the Radio and Daily's Apple App for iPad were satisfactory. The business development of the CBN Weekly ("**Weekly**") was encouraging, and its group buying sale, conducted jointly with the nuomi.com, successfully recorded over 7,300 subscriptions within a few days. The subscription and browsing volume of the Weekly's Apple App was also remarkable.

Renren Inc. ("Renren") is a company incorporated under the laws of Cayman Islands and its American depositary shares ("**ADS**", each representing three Class A ordinary shares) have been listed on the New York Stock Exchange since 4 May 2011. Renren is a leading real name social networking internet platform in China. In April 2011, the Fund made an investment of US$11 million in Renren through a joint venture established with other investors, and is beneficially interested in 785,714 ADS of Renren. The ADS of Renren held by the Fund have a lockup period of 180 days, which will expire by the end of October 2011.

Renren's platform enables its users to connect and communicate with each other, share information and user-generated content, play online games, listen to music, shop for deals and enjoy a wide range of other features and services. It is expected that the internet social networking industry in China will have excellent long-term growth prospects, and the investment in Renren provides a good opportunity for the Fund to increase shareholder value.

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% in Jinbao as of 30 June 2011.

In the first half of 2011, Jinbao's revenues declined slightly compared to the same period last year, and profitability declined more sharply. The change in results was primarily due to a general decline in the business climate of the semiconductor industry, and the return of the industry to a more rational state after experiencing an explosive rebound last year. Several factors also contributed to lower profit margins. The cost of raw materials and production increased sharply due to inflationary pressures worldwide. The relative cost advantage of exports declined due to the on-going appreciation of the Renminbi. New capacity became available in the industry, stemming from construction which had been started in 2009 and which gradually came online during the second half of 2010. And, lastly, greater homogenisation of the domestic and global markets led to more intense pricing pressure. All competitors in the industry faced the same operational challenges with respect to exchange rates and inflation. However, following the increasing market demand for mobile computing and communications, it is expected that Jinbao, basing upon its advantage in scale production capability, could increase its competitiveness through the upgrade of corresponding products.

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 super capacitors in China. The Fund invested RMB20 million (equivalent to US$2.93 million) in May 2010 for a 15.38% equity interest in Geesun Technology.

In the first half of 2011, Geesun Technology overcame external difficulties arising from the slowdown in the macroeconomy, and achieved a significant increase in sales compared to the same period last year. It however sustained a loss for the period. It is expected that Geesun Technology would maintain a profit level in the second half of the year along with an improvement in overall economic conditions and the implementation of internal management measures.

Jiangsu Huaer Optoelectronic Material Co., Ltd. ("Huaer Optoelectronic") was established in Yangzhou, Jiangsu, and is principally engaged in the research, development and production of high purity silica crucibles. Huaer Optoelectronic is a manufacturer producing silica crucibles with comprehensive specifications, and has the capability to produce 28-inch silica crucibles on a large scale. The silica crucible products manufactured by Huaer Optoelectronic are expendable raw materials required to produce single crystalline silicon ingots, which are used in turn to produce single crystalline silicon solar cells and semiconductor chips. The production of each single crystalline silicon ingot requires one silica crucible. The Fund invested RMB15 million (equivalent to US$2.23 million) in September 2010 for a 7.5% equity interest in Huaer Optoelectronic.

In the first half of 2011, Huaer Optoelectronic recorded significant growth in sales and net profit. The percentage of sales comprised of crucibles 22 inches or above increased every month, as 18-inch crucibles were gradually phased out. Larger crucibles have a higher gross margin, but also require higher production skill. It is expected that by the end of September, Huaer Optoelectronic will add another 12 silica crucible production lines, increasing the total to 22 lines. By then, its annual capacity will reach 103,000 crucibles, which will further strengthen Huaer Optoelectronic's leading position in the silica crucible market.

Wuhan Rixin Technology Co., Ltd. ("Wuhan Rixin") was incorporated in Wuhan, Hubei in 2001, and is a government-sponsored high technology company 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.

In December 2010, Wuhan Rixin became the first construction unit in China to obtain approval for two BIPV demonstration parks that meet international standards (there are a total of 13 demonstration parks in the country). In the first half of 2011, while continuing construction of the demonstration park at Huangjinshan of Huangshi City, Wuhan Rixin commenced construction of the demonstration park in Dezhou, Shandong. Meanwhile, the development of major projects such as the Wuhan International Convention and Exhibition Centre, Liangzi Lake Scenic Area, etc. has been progressing as scheduled.

In June 2011, the Ministry of Finance, Ministry of Science and Technology and National Energy Administration jointly issued a document confirming that an on-going funding arrangement will be made to support the development of the Golden Sun Demonstration Project, intended to further the expansion and application of PV power generation in China, and to encourage the development of the PV industry. This level of support will also benefit the sustainable growth and development of Wuhan Rixin's BIPV business.

Xi'an Jinpower Electrical Co., Ltd. ("Jinpower Electrical") was established in Xi'an, Shaanxi in 2001 and is a high technology enterprise, principally engaged in the research, development and production of intelligent on-line monitoring systems for transmission lines and substation equipment of power grid. The Fund invested RMB20 million (equivalent to US$3.03 million) in January 2011 for a 5.26% equity interest in Jinpower Electrical.

In the first half of 2011, Jinpower Electrical received a software gold award and an innovation award at the 15th International Soft China Conference, as well as first prize for scientific progress in Shaanxi Province for 2010.

Jinpower Electrical converted to a joint stock limited company in June 2011 and its Chinese name changed to "西安金源電氣股份有限公司".

China Merchants Plaza (Shanghai) Property Co., Ltd. ("China Merchants Plaza") was incorporated in Shanghai in 1994 to engage in the development of a commercial and business complex. The Fund invested US$5.685 million in 1994 and holds an effective equity interest of 19.8% in China Merchants Plaza. The commercial complex is a 28-storey office/retail building located at North Chengdu Road, Jingan District, Shanghai, with a saleable area of 49,438 square metres remaining available for leasing. The Fund made a full provision for this investment in 2000 due to the substantial leverage, high financing costs and significant accumulated losses of China Merchants Plaza.

For the first half of 2011, China Merchants Plaza recorded an unaudited net profit of RMB4.24 million, representing an increase of ten times over the same period last year. The improvement in financial results was primarily due to a significant decrease in selling expenses.

Shenzhen Mankam Square ("Mankam") is a 33-storey business and commercial complex located at North Wen Jin Road, Shenzhen. In 1994, the Fund invested US$4.30 million and through its 35% stake in Hansen Enterprises Limited ("**Hansen**") purchased 5,262 square metres of retail space on the third floor of Mankam. Due to problems concerning ownership of the first and second floors, these floors have not yet commenced operation which has caused great difficulty in leasing or selling the third floor. The Fund made a full provision for this investment in 2005.

On 8 August 2011, the wholly-owned subsidiaries of Hansen entered into a sale and purchase contract with an independent third party to sell the third floor of Mankam at a consideration of RMB49 million. Part of the proceeds will be used to settle the management fee in respect of the property in the amount of approximately RMB6.40 million. The transaction has yet to be completed.

REVIEW OF LISTED INVESTMENTS

During the first half of 2011, the Chinese economy experienced a slowdown as the Central Government strengthened economic control measures due to heightened concerns about inflationary pressure, and China's A share market entered a period of greater volatility and declining prices. Among the main indices, the SSE Composite Index and the SZSE Component Index were down 1.64% and 2.79%, respectively. The SME Price Index and the GEM Index fell 14.83% and 25.64%, respectively. On the Hong Kong stock market, due to the impact of the European debt crisis, the slow pace of economic recovery in Europe and the US, and tighter monetary policy in China, the Hang Seng Index and HSCEI were down 2.77% and 0.91%, respectively.

The Fund primarily invests directly in high quality investment projects in China, mostly private enterprises. Also, given the considerable quantity of A shares of listed banks the Fund still holds, the Fund intends not to increase exposure to the stock markets. Therefore, the Fund did not trade any equities in the secondary market during the first half of 2011, except for the disposition of some shares in IBC.

PROSPECTS

During the first half of 2011, "inflation" and "monetary tightening" were the key words. In view of domestic economic conditions, the Central Government adopted stronger macroeconomic control measures and took steps to tighten monetary policy – which included raising deposit reserve requirements and increasing interest rates – in order to contain inflation while protecting economic growth from excessive harm. Overall gross domestic product (GDP) growth in China during the first half was 9.6% year-over-year, which represented a good start to the year.

While the impact of the active fiscal policy and conservative monetary policy has been felt in the Chinese economy, it is expected that China's economic growth will not experience a hard landing during the second half of 2011. For the fundamental sources of economic growth – investment, domestic consumption and imports and exports, investment is expected to maintain at a rapid growth: local government investment will be strong; the construction of affordable housing will sustain on-going investment in real estate; and private sector investment will continue its strong growth, all of which are pillars supporting the fixed assets investment. Consumer spending will be stable to slightly down, with stronger growth in suburban areas and in services while growth in key consumer products gradually stabilising. Export growth will continue, although at a slower pace given sluggish global demand and appreciation of the Renminbi. The Central Government's monetary policy is expected to be ease somewhat in the second half of the year, but tighter credit, rising production costs and slowing export growth may lead to correspondingly slower growth in corporate profits. This macroeconomic environment may pose challenges to the Fund's investment returns but, at the same time, tighter credit and lower liquidity may also lead to new direct investment opportunities for the Fund.

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), financial services, culture and media, pharmaceuticals, energy and environmental protection. The Fund will also seek to optimise its mix of investments in order to create greater shareholder value.

CO-INVESTMENT 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 the investment manager of the Fund. In the former case, the Participants shall receive a pro rata portion of the proceeds from disposal of the Fund's interest in 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 RMB1.5 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 2011, 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 by the Fund** *US$**	**Original amounts paid by the Participants** *US$**	**Relative proportion**
Inbank 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%
Inbank 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%
Huaer Optoelectronic	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%
Renren	11,000,000	218,500	1.986%

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

In addition, as of 30 June 2011, details of the amounts paid by Directors of the Fund as well as a Director of the Investment Manager for the Scheme were as follows:

Name of projects	**Mr. HONG Xiaoyuan** (Note 1) *US$*	**Ms. ZHOU Linda Lei** (Note 2) *US$*	**Mr. TSE Yue Kit** (Note 3) *US$*	**Mr. WU Huifeng** (Note 4) *US$*
Inbank Media (1st round capital injection)	12,900	12,900	1,290	12,900
Wuhan Rixin	3,510	4,390	1,290	3,510
Guangzhou Digital	12,900	25,810	1,290	12,900
Inbank Media (2nd round capital injection)	6,950	8,750	1,290	6,950
China Media Management	300	580	30	300
Geesun Technology	4,640	5,800	1,290	4,640
China Media Investment (1st installment capital contribution)	2,500	5,010	250	2,500
Huaer Optoelectronic	3,500	4,380	1,290	3,500
CBN	12,850	25,700	1,290	25,700
Jinpower Electrical	4,830	6,030	1,280	4,830
China Media Investment (2nd installment capital contribution)	390	780	40	390
Renren	12,870	21,870	1,290	17,500

Note 1: Director of the Fund and Chairman of the Investment Manager
Note 2: Director of the Fund and Managing Director of the Investment Manager
Note 3: Director of the Fund and Director of the Investment Manager
Note 4: Director of the Investment Manager

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

Hong Kong, 26 August 2011

INTERIM DIVIDEND

A dividend payment of US$16,406,016 (2009: US$14,914,560), comprising a final dividend of US$0.04 per share (2009: US$0.04) and a special dividend of US$0.07 per share (2009: US$0.06), totalling US$0.11 per share (with scrip option) (2009: US$0.10), for the year ended 31 December 2010 was approved by the shareholders on 19 May 2011.

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2011 (Six months ended 30 June 2010: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the six months ended 30 June 2011, 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 2011, the interests of the Directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "**SFO**") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Director	Number of shares	Capacity	Percentage of total issued share
Mr. Victor Lap-Lik CHU	3,224,000	Interest of controlled corporation	2.16%

Save as disclosed above, none of the Directors or chief executives, or their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO as at 30 June 2011, 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 2011.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2011, the following persons, other than a Director or chief executive of the Company, had interests in the shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Name	Long/short position	Capacity	Number of ordinary shares interested	Percentage of total issued share
China Merchants Group Limited (Note 3)	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Steam Navigation Company Limited (Note 3)	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Holdings (Hong Kong) Company Limited (Note 1)	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Finance Holdings Company Limited (Note 2)	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Financial Services Limited (Note 3)	Long position	Interest of controlled corporation	33,989,760	22.79%
Good Image Limited	Long position	Beneficial owner	33,989,760	22.79%
Lazard Asset Management LLC	Long position	Investment manager	29,610,100	19.85%
UBS AG	Long position	Beneficial owner	72,603	8.92%
		Security interest	13,236,192	
Kuchanny Christopher Philip Charles (Note 4)	Long position	Interest of controlled corporation	10,440,191	7.00%
Osmium Capital Management Limited	Long position	Investment manager	10,440,191	7.00%
Osmium Special Situations Fund Limited	Long position	Beneficial owner	10,440,191	7.00%
華夏全球精選股票型證券投資基金	Long position	Beneficial owner	9,682,000	6.49%

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

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

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

Note 4: Kuchanny Christopher Philip Charles is deemed to have corporate interests in the company whose name is set out immediately under it.

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

CORPORATE GOVERNANCE

The interim financial report is unaudited, but has been reviewed by Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, whose independent review report is included in this interim report. The interim financial report has also been reviewed by the Company's Audit Committee.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the reporting period except as stated below:

According to the Investment Management Agreement, the portfolio and day-to-day administration of the Company are handled by the Investment Manager. Except the qualified accountant whose remuneration packages are borne by the Investment Manager, the Company has no salaried employees. Thus, no remuneration committee has been established by the Company.

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 of the Listing Rules. On specific enquiries made, all Directors have confirmed that, in respect of the reporting period, they have complied with the required standard set out in the Model Code regarding Directors' securities transactions.

By Order of the Board
Mr. LI Yinquan
Chairman

Hong Kong, 26 August 2011