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 2015

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Mr. HONG Xiaoyuan *(Chairman)*
Mr. LI Yinquan
Mr. CHU Lap Lik, Victor
Mr. WANG Xiaoding
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. ZHU Li
Mr. TSANG Wah Kwong
Dr. LI Fang

INVESTMENT COMMITTEE

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

AUDIT COMMITTEE

Mr. TSANG Wah Kwong
Mr. ZHU Li
Mr. LIU Baojie

NOMINATION COMMITTEE

Mr. HONG Xiaoyuan
Mr. ZHU Li
Mr. TSANG Wah Kwong

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
Website: 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 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2015	2014
		(unaudited)	*(unaudited)*
	NOTES	***US$***	*US$*
Change in fair value of financial assets at fair value through profit or loss	*16*	**70,667,770**	28,990,000
Investment income	*3*	**19,552,021**	16,231,041
Other gains		**330,706**	220,978
Administrative expenses		**(6,084,344)**	(5,991,493)
Share of results of associates		**–**	(2,146,513)
Gain on disposal of a subsidiary		**–**	9,751,658
Profit before taxation	*5*	**84,466,153**	47,055,671
Taxation	*6*	**(18,015,667)**	(8,204,547)
Profit for the period		**66,450,486**	38,851,124
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss			
Exchange difference arising on translation		**1,784,200**	(4,491,288)
Share of change in translation reserve of associates		**–**	(166,855)
Other comprehensive income (expense) for the period, net of tax		**1,784,200**	(4,658,143)
Total comprehensive income for the period		**68,234,686**	34,192,981
Profit for the period attributable to owners of the Company		**66,450,486**	38,851,124
Total comprehensive income for the period attributable to owners of the Company		**68,234,686**	34,192,981
Basic earnings per share	*7*	**0.436**	0.255

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30 June 2015 *(unaudited)* *US$***	31 December 2014 *(audited)* *US$*
Non-current assets			
Financial assets at fair value through profit or loss	*14*	**379,689,728**	315,765,560
Current assets			
Financial assets at fair value through profit or loss	*14*	**362,508,412**	334,409,697
Other receivables	*8*	**12,924,626**	593,899
Bank balances and cash		**109,277,144**	148,781,544
		484,710,182	483,785,140
Current liabilities			
Other payables		**27,556,403**	38,637,251
Dividend payable	*9*	**13,709,971**	–
Taxation payable		**715,337**	11,129,705
		41,981,711	49,766,956
Net current assets		**442,728,471**	434,018,184
Total assets less current liabilities		**822,418,199**	749,783,744
Non-current liabilities			
Financial liabilities at fair value through profit or loss	*15*	**1,379,178**	1,048,696
Deferred taxation	*10*	**126,386,123**	108,606,865
		127,765,301	109,655,561
Net assets		**694,652,898**	640,128,183
Capital and reserves			
Share capital	*11*	**139,348,785**	139,348,785
Reserves		**134,603,189**	132,818,989
Retained profits		**420,700,924**	367,960,409
Equity attributable to owners of the Company		**694,652,898**	640,128,183
Net asset value per share	*12*	**4.560**	4.202

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital US$	Share premium US$	Translation reserve US$	General reserve US$	Retained profits US$	Equity attributable to owners of the Company US$
Balance at 1 January 2015 (audited)	**139,348,785**	**-**	**123,001,470**	**9,817,519**	**367,960,409**	**640,128,183**
Profit for the period	**-**	**-**	**-**	**-**	**66,450,486**	**66,450,486**
Exchange difference on translation	**-**	**-**	**1,784,200**	**-**	**-**	**1,784,200**
Total comprehensive income for the period	**-**	**-**	**1,784,200**	**-**	**66,450,486**	**68,234,686**
2014 final and special dividends declared	**-**	**-**	**-**	**-**	**(13,709,971)**	**(13,709,971)**
Balance at 30 June 2015 (unaudited)	**139,348,785**	**-**	**124,785,670**	**9,817,519**	**420,700,924**	**694,652,898**
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 (expense) 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	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

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	
	2015	2014
	(unaudited)	*(unaudited)*
	US$	*US$*
Net cash (used in) generated from operating activities	**(39,666,346)**	3,144,903
Investing activities		
Deposits received from assets classified as held for sale	**–**	4,798,848
Proceeds from disposal of a subsidiary	**–**	9,751,658
Dividend received from an associate	**–**	463,605
Net cash generated from investing activities	**–**	15,014,111
Net (decrease) increase in cash and cash equivalents	**(39,666,346)**	18,159,014
Cash and cash equivalents as at 1 January	**148,781,544**	27,253,376
Effect of foreign exchange rate changes	**161,946**	(221,635)
Cash and cash equivalents as at 30 June	**109,277,144**	45,190,755

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 assets and liabilities.

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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following new 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 HKFRSs	Annual improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 Cycle

The application of the above new 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	
	2015	2014
	(unaudited)	*(unaudited)*
	US$	*US$*
Interest income	**1,422,436**	628,345
Dividend income on financial assets designated at fair value through profit or loss ("**FVTPL**")	**18,129,585**	15,602,696
Total	**19,552,021**	16,231,041

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 agriculture, medical and pharmaceutical and education 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) Energy and resources: investees engaged in energy and resources activities; and
(f) Others: investees engaged in agriculture, medical and pharmaceutical and education 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 2015

	Financial services US$	Culture and media US$	Manufacturing US$	Information technology US$	Energy and resources US$	Others US$	Total US$
Change in investment value	57,180,751	14,485,651	(1,439,253)	958,430	(1,984,401)	1,466,592	70,667,770
Dividend income on financial assets designated at FVTPL	16,461,863	615,713	691,794	-	-	360,215	18,129,585
Other gains	-	296,373	-	-	-	-	296,373
Segment profit (loss)	73,642,614	15,397,737	(747,459)	958,430	(1,984,401)	1,826,807	89,093,728
Unallocated:							
– Administrative expenses							(6,084,344)
– Interest income on bank deposits							1,422,436
– Other gains							34,333
Profit before taxation							84,466,153

4. SEGMENTAL INFORMATION (CONTINUED)

For the six months ended 30 June 2014

	Financial services *US$*	Culture and media *US$*	Manufacturing *US$*	Information technology *US$*	Energy and resources *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 a subsidiary	–	–	–	–	–	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	(1,000,665)	9,751,658	52,613,438
Unallocated:							
– Administrative expenses							(5,991,493)
– Interest income on bank deposits							433,726
Profit before taxation							47,055,671

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 2015 *(unaudited)* *US$*	31 December 2014 *(audited)* *US$*
Segment assets		
Financial services	**591,378,232**	522,468,825
Culture and media	**113,502,671**	78,700,679
Manufacturing	**11,487,818**	12,237,294
Information technology	**2,967,155**	1,990,521
Energy and resources	**3,698,312**	5,711,718
Others	**31,146,329**	29,262,331
Total segment assets	**754,180,517**	650,371,368
Unallocated	**110,219,393**	149,179,332
Consolidated assets	**864,399,910**	799,550,700
Segment liabilities		
Financial services	**6,832**	6,585
Culture and media	**836,352**	736,329
Manufacturing	**179,213**	172,945
Information technology	**561,210**	543,129
Energy and resources	**73,898**	114,129
Others	**4,351,711**	4,339,724
Total segment liabilities	**6,009,216**	5,912,841
Unallocated	**163,737,796**	153,509,676
Consolidated liabilities	**169,747,012**	159,422,517

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 certain other payables, dividend payable, current and deferred tax liabilities.

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

5. PROFIT BEFORE TAXATION

	Six months ended 30 June 2015 (unaudited) US$	Six months ended 30 June 2014 (unaudited) US$
Profit before taxation has been arrived at after charging (crediting):		
Investment Manager's management fee	**5,862,346**	4,947,998
Net foreign exchange (gain) loss	**(34,333)**	17,317

6. TAXATION

	Six months ended 30 June 2015 (unaudited) US$	Six months ended 30 June 2014 (unaudited) US$
The tax charge for the period comprises:		
Current tax:		
PRC Enterprise Income Tax	**(569,338)**	(2,844,595)
Deferred taxation (note 10)		
Current period	**(17,446,329)**	(5,359,952)
Total	**(18,015,667)**	(8,204,547)

No provision for taxation in Hong Kong has been made for the period as the Group's income neither arises in, nor is derived from, Hong Kong. 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 retained profits of the PRC subsidiaries.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	(unaudited)	*(unaudited)*
Earnings for the purpose of basic earnings per share (US$)	**66,450,486**	38,851,124
Number of ordinary shares in issue for the purpose of basic earnings per share	**152,333,013**	152,333,013
Basic earnings per share (US$)	**0.436**	0.255

No diluted earnings per share were noted for both periods as there were no dilutive potential shares outstanding during both periods.

8. OTHER RECEIVABLES

	30 June	31 December
	2015	2014
	(unaudited)	*(audited)*
	US$	*US$*
Dividend receivables	**11,982,377**	–
Interest receivable	**925,565**	396,095
Other receivables	**16,684**	197,804
Total	**12,924,626**	593,899

9. DIVIDEND PAYABLE

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

A dividend payment of US$13,709,971, being a final dividend of US$0.06 per share and a special dividend of US$0.03 per share, for the year ended 31 December 2014 was approved by the shareholders on 21 May 2015 and was subsequently paid by the Company in cash on 30 July 2015.

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 2014 (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
Charge to profit or loss for the period	25,910,897	4,441,232	30,352,129
Exchange differences	571,168	–	571,168
Balance at 31 December 2014 (audited)	**91,702,466**	**16,904,399**	**108,606,865**
Charge to profit or loss for the period	**14,682,511**	**2,763,818**	**17,446,329**
Exchange differences	**332,929**	**–**	**332,929**
Balance at 30 June 2015 (unaudited)	**106,717,906**	**19,668,217**	**126,386,123**

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$*
Issued and fully paid:		
At 31 December 2014, 1 January and 30 June 2015 – Ordinary shares with no par value	**152,333,013**	**139,348,785**

12. NET ASSET VALUE PER SHARE

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

	30 June 2015 *(unaudited)*	31 December 2014 *(audited)*
Net asset value (US$)	**694,652,898**	640,128,183
Number of ordinary shares in issue	**152,333,013**	152,333,013
Net asset value per share (US$)	**4.560**	4.202

13. 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$31.52 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 30 June 2015, the Group has injected RMB158.66 million, equivalent to approximately US$24.76 million (31 December 2014: RMB158.66 million, equivalent to approximately US$24.76 million) into China Media Investment and classified the investment as a financial asset at FVTPL under non-current assets.

(b) On 31 October 2014, the Group entered into a joint venture agreement in relation to Guangxi Xinhua Preschool Education Investment Corporation Limited ("**Xinhua Preschool Education**"), pursuant to which the Group agreed to make a capital contribution of RMB90 million (equivalent to approximately US$14.71 million) in total by installments into the capital of Xinhua Preschool Education in return for a 30% interest in Xinhua Preschool Education. As at 30 June 2015, the Group has injected RMB30 million (equivalent to approximately US$4.90 million) (31 December 2014: RMB30 million, equivalent to approximately US$4.90 million) into Xinhua Preschool Education and classified the investment as a financial asset at FVTPL under non-current assets.

(c) On 27 June 2015, the Group entered into a capital injection agreement in relation to JIC Leasing Co., Ltd. ("**JIC Leasing**"), pursuant to which the Group agreed to make a cash injection of approximately RMB250 million (equivalent to approximately US$40.89 million) into the capital of JIC Leasing. Upon completion of the capital injection, the Group will hold approximately 6.46% equity interest in the enlarged capital of JIC Leasing.

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.

Financial assets	30 June 2015 *(unaudited)* *US$*	31 December 2014 *(audited)* *US$*	Fair value hierarchy	Valuation techniques	Significant unobservable input(s)	30 June 2015 *(unaudited)* Range	31 December 2014 *(audited)* Range	Relationship of unobservable inputs to fair value	30 June 2015 *(unaudited)* Increase(+)/ decrease (-) in carrying value of assets if 10% higher/lower of the unobservable inputs (Note 2) *US$*	31 December 2014 *(audited)* Increase(+)/ decrease (-) in carrying value of assets if 10% higher/lower of the unobservable inputs (Note 2) *US$*
Financial assets at FVTPL										
Listed equity securities classified as financial assets at FVTPL (Note 1)	**357,878,374**	329,783,745	Level 1	Quoted bid prices in active market	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Listed equity securities within lock-up period classified as financial assets at FVTPL (Note 1)	**17,297,501**	N/A	Level 3	Quoted bid price in active market and adjusted for lack of marketability	– Discount rate for lack of marketability	**32%**	N/A	The higher the discount rate, the lower the fair value	**–3,000,000/ +3,000,000**	N/A
Unlisted equity securities and preferred equity classified as financial assets at FVTPL (Note 1)	**326,223,685**	280,656,881	Level 3	Market comparable companies	– Earnings multiples – Revenue multiples – Book value multiples	**19.0x-107.7x** **12.3x** **2.6x-3.7x**	14.7x-87.4x 1.4x-8.7x 2.2x-2.9x	The higher the multiples, the higher the fair value	**+32,000,000/ –32,000,000**	+28,000,000/ –28,000,000
					– Discount rate for lack of marketability and specific risk	**50%**	50%	The higher the discount rate, the lower the fair value	**–64,000,000/ +64,000,000**	–54,000,000/ +54,000,000
Unlisted equity classified as financial assets at FVTPL (Note 1)	**23,778,134**	24,494,199	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)	**6,946,807**	10,614,480	Level 3	Recent transaction price	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Unlisted equity securities and bond classified as financial assets at FVTPL (Note 1)	**10,073,639**	4,625,952	Level 3	Recoverable amount	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Closing balance	**742,198,140**	650,175,257								

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)

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

Note 2: Amount represents increase(+)/decrease(-) in carrying value of the financial assets if the unobservable inputs were 10% higher/lower while all the other variables were held constant. The 10% higher/lower discount rate represents ±10% on the basis of those rates.

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.

Reconciliation of Level 3 fair value measurements of financial assets:

	Designated at FVTPL *US$*
Balance at 1 January 2015 (audited)	**320,391,512**
Gains or losses recognised in:	
Profit or loss – unrealised	**43,333,446**
Exchange differences arising on translation	**966,438**
Purchases	**19,628,370**
Balance at 30 June 2015 (unaudited)	**384,319,766**
Balance at 1 January 2014 (audited)	331,495,924
Gains or losses recognised in:	
Profit or loss – unrealised	36,367,847
Exchange differences arising on translation	(2,842,189)
Purchases	4,926,127
Balance at 30 June 2014 (unaudited)	369,947,709

Of the total gains for the period included in profit or loss, US$43,333,446 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".

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 2015 (audited)	**1,048,696**
Additions	**236,505**
Change in fair value	**93,977**
Balance at 30 June 2015 (unaudited)	**1,379,178**
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

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

15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial liabilities designated at FVTPL as at 30 June 2015 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 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.

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$70,667,770 (six months ended 30 June 2014: US$28,990,000). The overall increase in fair values of investment projects was benefited from the favourable securities markets and favourable performance of business sectors in which certain investment projects operated.

17. RELATED PARTY TRANSACTIONS

The Company has appointed China Merchants China Investment Management Limited ("**Investment Manager**") as the investment manager for both listed and unlisted investments. Certain Directors of the Company are also Directors and/or shareholders of the Investment Manager.

During the six months ended 30 June 2015, the Group has incurred the following related party transactions:

(a) Management fees totaling US$5,862,346 (six months ended 30 June 2014: US$4,947,998) 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 2015 was US$3,106,499 (31 December 2014: US$13,577,454). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) No securities brokerage commission fees were paid or payable to a subsidiary of a substantial shareholder of the Company (the "**Substantial Shareholder**") who has significant influence over the Company for the six months ended 30 June 2015 (six months ended 30 June 2014: US$5,506). 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. WANG Xiaoding and Mr. TSE Yue Kit, who are Directors of both the Company and the Investment Manager, as at 30 June 2015, were US$169,349 and US$18,992, respectively (31 December 2014: US$123,992 and US$16,606, respectively). The financial liability of the Group with Mr. HONG Xiaoyuan, a Director of the Company, was US$129,613 (31 December 2014: US$105,115). Moreover, the financial liability of the Group with Mr. TSIM Tak Chee, a Director of the Investment Manager and resigned on 25 June 2015, was US$27,071 (31 December 2014: US$25,937).

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

18. 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.

Deloitte.
德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the condensed consolidated financial statements of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 2 to 19, which comprise the condensed consolidated statement of financial position as of 30 June 2015 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
27 August 2015

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$66.45 million for the six months ended 30 June 2015, compared to a profit attributable to equity shareholders of US$38.85 million for the same period last year, representing an increase of US$27.60 million or 71.04%, with the profit increase largely attributable to a rise in fair value of the financial assets designated at FVTPL (the "**Financial Assets**"). As of 30 June 2015, the net assets of the Fund (net of the dividend of US$13.71 million for 2014) were US$694.65 million (31 December 2014: US$640.13 million), with a net asset value per share of US$4.560 (31 December 2014: US$4.202).

For the period, the gain on change in fair value of the Financial Assets was US$70.67 million (six months ended 30 June 2014: US$28.99 million), representing an increase of 143.77% over the same period last year and comprised the change in fair value of listed and unlisted direct investments, with gains of US$25.04 million and US$45.63 million, respectively.

Total investment income for the period increased by 20.46% to US$19.55 million (six months ended 30 June 2014: US$16.23 million), primarily due to an increase in dividend income from investments and an increase in interest income.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In the first half of 2015, the Fund continued to seek out and rigorously evaluate investment opportunities. The Fund made a capital injection into a committed culture and media project and also entered in a financial services project during this period.

On 4 May 2015, following review and approval by the China Securities Regulatory Commission (the "**CSRC**") of the reorganisation and merger proposal of BesTV New Media Co., Ltd. ("**BesTV**"), the Fund completed its subscription for 3.7 million A shares of BesTV in cash for a total of RMB120 million (equivalent to US$19.62 million) at a subscription price of RMB32.54 (subsequently adjusted to RMB32.43) per A share. BesTV is the sole resource consolidation and listing platform for Shanghai Media Group Ltd. ("**SMG**"), as well as an all-media and whole-industry chain platform company, spanning content production, cloud services and value-added advertising services. Pursuant to the reorganisation and merger proposal, BesTV was formally renamed to Shanghai Oriental Pearl Media Co., Ltd., effective 19 June 2015.

On 27 June 2015, the Fund entered into an agreement in relation to the increase in the capital of JIC Leasing Co., Ltd. ("**JIC Leasing**"), pursuant to which the Fund agreed to inject capital in cash equivalent to approximately RMB250 million into JIC Leasing. After completion of the capital injection under the agreement, the Fund will hold approximately 6.46% of the enlarged capital of JIC Leasing. JIC Leasing is a leading independent finance leasing firm in China, principally engaged in finance leasing for businesses in a wide range of industries, including information technology; high-end equipment manufacturing; healthcare, environmental protection and new energy.

During the period, the Fund did not dispose of any of its interests in listed or unlisted investment projects.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

The Fund's cash on hand decreased by 26.55%, from US$148.78 million at the end of last year to US$109.28 million (representing 12.64% of the Fund's total assets) as of 30 June 2015, due primarily to the capital injection into BesTV and payment of the Investment Manager's performance fee for 2014.

As of 30 June 2015, the Fund had no outstanding bank loans (31 December 2014: Nil).

As of 30 June 2015, the Fund had capital commitments of US$57.46 million (31 December 2014: US$35.98 million) for investments that were approved but not yet provided for in the financial statements – specifically, for future payments related to investments in China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) and Guangxi Xinhua Preschool Education Investment Corporation Limited, as well as the capital injection into JIC Leasing.

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 2015, the conversion rate of the RMB against the US dollar recorded a slight increase of approximately 0.09%, 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 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 2015, the Fund's total investments, which were all direct investments, amounted to US$742.20 million. The sector distribution of direct investments was US$581.09 million in financial services (representing 67.22% of the Fund's total assets), US$112.88 million in culture and media (13.06%), US$10.78 million in manufacturing (1.25%), and US$37.45 million in other ventures (including energy and resources, information technology, agriculture, medical and pharmaceutical and education) (4.33%). In addition, cash on hand was US$109.28 million, representing 12.64% of the Fund's total assets as of 30 June 2015.

REVIEW OF DIRECT INVESTMENTS

The following table shows the direct investment projects held by the Fund as at 30 June 2015:

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	169	19.55	24.33
#2. Industrial Bank Co., Ltd.	Fuzhou, Fujian	Banking	Shanghai Stock Exchange	189	21.85	27.19
#3. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	222	25.70	31.98
4. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	1	0.12	0.15
			Sub-total:	**581**	**67.22**	**83.65**
Culture & Media:						
#5. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	23	2.63	3.28
#6. NBA China, L.P.	Beijing	Sports marketing	Unlisted	19	2.22	2.76
7. Unibank Media Group Inc.	Beijing	Indoor media	Unlisted	4	0.46	0.57
#8. Esurfing Media Co., Ltd.	Shanghai	Mobile & online videos platform	Unlisted	50	5.75	7.15
#9. Shanghai Oriental Pearl Media Co., Ltd.	Shanghai	Multimedia	Shanghai Stock Exchange	17	2.00	2.49
			Sub-total:	**113**	**13.06**	**16.25**
Manufacturing:						
10. Shenzhen Geesun Zhiyun Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	2	0.24	0.29
11. Jiangsu Huaer Quartz Materials Co., Ltd.	Yangzhou, Jiangsu	High purity silica crucibles	Unlisted	0	0.03	0.04
#12. Liaoning Zhenlong Native Produce Holding Company Ltd.	Fuxin, Liaoning	Food processing	Unlisted	6	0.63	0.78
13. Hwagain Group Co., Ltd.	Nanning, Guangxi	Printing paper & tissue paper	Unlisted	3	0.35	0.44
			Sub-total:	**11**	**1.25**	**1.55**

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:						
14. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	Unlisted	4	0.43	0.53
(ii) Information Technology:						
15. Xi'an Jinpower Electrical Co., Ltd.	Xi'an, Shaanxi	Power grid monitoring system	Unlisted	2	0.28	0.35
16. NTong Technology Co., Ltd.	Beijing	Software development	Unlisted	–	–	–
17. Teralane Semiconductor (Shenzhen) Co., Ltd.	Shenzhen, Guangdong	IC design	Unlisted	0	0.06	0.07
(iii) Agriculture:						
18. Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd.	Bazhou, Xinjiang	Cotton, jujube	Unlisted	4	0.48	0.60
(iv) Medical & Pharmaceutical:						
#19. Nanjing Sanhome Pharmaceutical Co., Ltd.	Nanjing, Jiangsu	Pharmaceutical	Unlisted	22	2.51	3.13
(v) Education:						
#20. Guangxi Xinhua Preschool Education Investment Corporation Limited	Nanning, Guangxi	Preschool education	Unlisted	5	0.57	0.71
			Sub-total:	**37**	**4.33**	**5.39**
			Total:	**742**	**85.86**	**106.84**

\# *Ten largest investments of the Fund as of 30 June 2015*

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 2015, 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 2015, the Fund received a cash dividend of RMB36.98 million from CMB for 2014.

CMB has become the first commercial bank with state capital to adopt an employee stock ownership plan (ESOP). On 19 June 2015, the ESOP of CMB was approved at its shareholders meeting, permitting the non-public issuance of A shares to raise total capital of no more than RMB6 billion at an issue price of 90% of the average closing price of CMB A shares for the 20 trading days preceding the price determination date, subject to adjustments to the issue price and the size of issuance based on the ex-rights and ex-dividend events during the period between the price determination date and the first day of the issuance period. Currently, the adjusted issue price is RMB13.13 per share, and the adjusted size of issuance is no more than approximately 457 million shares.

In the first half of 2015, 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 its headquarters in Fuzhou, Fujian and with its shares listed on the Shanghai Stock Exchange since 2007. As of 30 June 2015, 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 May 2015, the Fund received a cash dividend of RMB38.15 million from IBC for 2014.

Hang Seng Bank Limited, formerly the third largest shareholder of IBC with a 10.87% equity interest, disposed of 5% and 4.99% equity interests in IBC through the block trading system of Shanghai Stock Exchange in February and May 2015, respectively. With its stake reduced to 0.88%, Hang Seng Bank Limited is no longer a substantial shareholder of IBC.

In June 2015, IBC signed a strategic cooperation framework agreement with Zhejiang Ant Small and Micro Financial Services Group ("**Ant Financial**"). Pursuant to the agreement, IBC and Ant Financial will carry out comprehensive strategic cooperation in areas such as the sharing of channels, complementary business, cooperation in product development, and sharing of technologies and information.

In November 2014, IBC obtained approval from the CSRC for the non-public offering, in phases, of no more than 260 million preferred shares to raise no more than RMB26 billion in China. In December 2014 and June 2015, IBC issued domestic preferred shares by way of non-public offerings, each in the scope of 130 million shares, and raised a total of RMB26 billion to replenish its other Tier-1 capital.

In the first half of 2015, 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 2015, the Fund held a 6.94% equity interest in CCT, with a total investment cost of US$50.49 million. In July and August 2015, the Fund received a total cash dividend of US$4.38 million from CCT for 2014.

For the first half of 2015, CCT recorded an unaudited net profit of RMB327 million (excluding its share of the results of its affiliates under the equity method), representing a decrease of 32.83% from the same period last year. The decrease in net profit was mainly due to a significant increase in the provision for asset impairments. In addition, CCT's revenue decreased from the same period last year as the result of a decline in interest income, commissions and handling fees, which more than offset a substantial increase in investment income.

In the first half of 2015, the overall size of newly established real estate collective trusts in the market was significantly smaller than in the same period last year, as both trust companies and investors grew concerned about risks in the property market and took a prudent attitude towards the real estate collective trusts. At the same time, the prosperous Chinese stock market continued to support growth in securities trust products, making them the category with the largest number of trusts and the greatest amount of capital raised among collective trust products that were newly established in the first half of 2015.

Trust companies are now facing even more intense competition as securities companies, investment fund companies and banks have developed products that are similar to trusts. Furthermore, under new rules, any new trust products issued after 1 April 2015 must use 1% of the amount raised to subscribe to the China Trust Industry Protection Fund. Consequently, the operating cost of trust products has increased, greatly impacting the low profit margin trust products launched based on bank-trust cooperation.

In January 2015, 深圳前海中誠股權投資基金管理有限公司 (Shenzhen Qianhai China Credit Trust Equity Investment Fund Management Ltd.), a subsidiary of CCT, obtained pilot qualification as one of the first qualified domestic investment enterprises (QDIE), and CCT became the first trust company to obtain such a qualification. QDIE is a new cross-border investment channel with a broader scope and more flexibility for overseas investments by Mainland Chinese investors. With the QDIE qualification, CCT has become the first trust company with a full range of licenses for cross-border business.

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 2015, China Media Management helped China Media Investment successfully dispose of the OCJ (東方購物) project. In addition, it is also actively assisting China Media Investment to exit from other projects, including Star China and IMAX China Holding, Inc., so as to realise a return on investment.

China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("China Media Investment") was established in Shanghai, and is the first fund in the culture and media sector approved for registration by the National Development and Reform Commission. 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. China Media Investment has entered into the investment exit period

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 the third through sixth installments 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) in China Media Investment in April 2014, specifically for the purpose of investing in IMAX China Holding, Inc. ("**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 various businesses, products and services currently conducted in the Greater China Region by IMAX. IMAX China plans to submit an application form to the Hong Kong Stock Exchange during the year for an initial public offering (IPO) of its shares. As of the end of March 2015, there were 239 IMAX theatres in the Greater China Region, a number higher than expected.

By the end of June 2015, 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. ("**Gewara**"). Among these, OCJ was successfully sold to BesTV in the second quarter of 2015.

The "Amazing Chinese" and "Sing My Song" produced by a TV program production company that is part of Star China have been aired on CCTV and achieved higher ratings than similar programs aired during the same periods. Shanghai Oriental DreamWorks is making steady progress in animated movie and TV program production, film distribution, consumer goods and licensing businesses. With the progress in production of the movie "Kung Fu Panda 3", the business for licensing derived products of Kung Fu Panda has witnessed rapid growth. The movie "Home" distributed by Shanghai Oriental DreamWorks has also recorded a satisfactory box office performance. In addition, Gewara, as a service provider positioned at urban life and entertainment, with a principal activity of online sale of movie e-tickets, has achieved outstanding results. On the first day of 2015 Chinese New Year alone, it sold over 800,000 tickets, exceeding expectations. The close cooperation between Gewara and the movie "Wolf Totem" has helped the film to break box office records for art movies and to set a new box office record of RMB700 million.

NBA China, L.P. ("NBA China") is a limited liability partnership incorporated in the Cayman Islands in 2007. NBA China conducts all of 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% partnership interest 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 2015, the Fund held a 1% partnership interest in NBA China. The Fund received a cash distribution from NBA China of US$296,400 in January 2015.

On 30 January 2015, NBA and Tencent Holdings Limited ("**Tencent**") announced a five-year expansion of their partnership that has created the league's largest international digital partnership. The partnership became effective on 1 July 2015. As the exclusive official digital partner of the NBA in China, Tencent will feature a record number of live NBA games, and deliver enhanced original NBA programming and highlights, through personal computers and mobile devices.

On 24 June 2015, NBA China announced that it would spend RMB10 million in a joint effort with the Ministry of Education of the PRC to build or refurbish public basketball courts across China. The basketball court refurbishing and building project plays an important role in the long-term partnership between NBA China and the Ministry of Education of the PRC. Both parties will work together to promote basketball training and popularise basketball as a sport at Chinese universities, colleges, secondary and primary schools.

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 July 2015, the Fund received a cash dividend of RMB735,700 from Unibank Media.

In order to adapt to the new operational reality of mobile applications and connectivity, Unibank Media took steps to optimise, replace and upgrade advertising equipment in its existing banking network starting in 2014. It also sought to enhance the experience of bank customers by offering Wi-Fi access services, and to accumulate certain technical and operation capabilities by spending more on the research and development of Wi-Fi access services, and by promoting trial operations of Wi-Fi access at banking service outlets in five provincial cities, including Shenyang, Hangzhou and Nanning.

In the first half of 2015, Unibank Media's efforts were mainly focused on trouble-shooting and optimisation of its Wi-Fi trial operations. In the second half of 2015, it will continue to increase investment in software and hardware in the mobile Wi-Fi domain, and plans to complete the development of Wi-Fi access services in over 20,000 banking service outlets before the end of December 2015, so that Wi-Fi access services will cover more cities and banking service outlets, better meet the needs of customers, and secure more advertising orders.

Unibank Media plans to complete its overall conversion into a joint-stock limited company and to begin preparations for an IPO application in the second half of 2015. To this end, it has appointed relevant intermediaries to provide professional services.

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. In June 2015, Esurfing declared a cash dividend, and the Fund will receive an amount of RMB3.83 million from Esurfing.

Esurfing has entered into partnerships with approximately 140 mainstream content providers in China and has become the largest mobile platform for paid videos in China. In the first half of 2015, the number of paid users at Esurfing decreased from last year due to a variety of factors, including more intense competition in the video market, slowing growth in the number of 3G/4G users with China Telecom (up by approximately 13 million for the period, while its total number of 3G/4G users reached 131 million), and adjustments to its pricing strategy. As of the end of June 2015, Esurfing had approximately 138 million mobile video users, an increase of approximately 17% from the end of December 2014, and subscriptions for nearly 7.35 million paid programmes each month, a decrease of about 24%. In order to raise the number of paid users, Esurfing provided more unique services to users in order to increase loyalty. It also sought to reach non-China Telecom users, and in the fourth quarter of 2014 it began to offer services through China Mobile and China Unicom, where users can pay the related charges via China Mobile, China Unicom or third party system such as Alipay and WeChat. At present, the number of non-China Telecom users of Esurfing is gradually increasing.

Esurfing plans to complete its overall conversion into a joint-stock limited company and apply for listing on the New Third Board in the second half of 2015. It also plans to launch a new round of financing, with the intent to introduce new strategic investors who have compelling content resources or licenses for new value-added business, and to utilise its adequate cash flows to integrate one or two companies that complement the principal business of Esurfing. The financing plan is still in progress, and the Fund will closely monitor progress on these matters.

Shanghai Oriental Pearl Media Co., Ltd. ("Oriental Pearl") is a new operating entity formed following the reorganisation and merger with BesTV, a listed company under SMG, of Shanghai Oriental Pearl (Group) Co., Ltd., formerly also a listed company, and the injection of relevant advertisement, content production and new media assets by SMG, its largest shareholder, before being renamed to Oriental Pearl from BesTV. The restructuring was completed in June 2015. Oriental Pearl will push forward with the integration and development of traditional and emerging media and become the sole resource consolidation and listing platform for SMG, as well as an all-media and whole-industry chain platform company, spanning content production, cloud services and value-added advertising services. At the same time, Oriental Pearl will draw on its strong media business as a foundation for growth, adopt the internet TV business as a strategic point of entry, convert its audiences to users, cash in on data traffic, build an internet media-based ecological system, business model and system structure, and develop into a new type of internet media group with the highest market value, communication capability, credibility and influence. In May 2015, the Fund invested RMB120 million (equivalent to US$19.62 million), through a partnership enterprise, in Oriental Pearl for a beneficial ownership of 3.7 million A shares, representing a 0.14% equity interest. There is a 3-year lock-up period for the A shares of Oriental Pearl beneficially owned by the Fund.

Upon completion of its own restructuring in 2015, Oriental Pearl participated in the non-public issuance of ordinary shares of Shaanxi Broadcast & TV Network Intermediary (Group) Co., Ltd., as well as in the non-public issuance of ordinary shares of Shenzhen MTC Co., Ltd. Oriental Pearl has established a partnership with these companies and tapped into the internet TV sector through participation in the two non-public issuances.

Shenzhen Geesun Zhiyun Technology Co., Ltd. ("Geesun Zhiyun") was established in Shenzhen, Guangdong in 2006 and is a leading manufacturer of equipment and automated production lines for lithium ion batteries and supercapacitors in China. Its name was changed to its present name in April 2015 as a result of an acquisition and capital increase. The Fund invested RMB20 million (equivalent to US$2.93 million) in May 2010, and held a 12.65% stake in Geesun Zhiyun as of 30 June 2015.

In February 2015, the Fund and other shareholders of Shenzhen Geesun Automation Technology Co., Ltd. ("**Geesun Technology**"), the predecessor of Geesun Zhiyun, signed a capital increase agreement for Geesun Technology with大連智雲自動化裝備股份有限公司(Dalian Zhiyun Automation Co., Ltd., "**Zhiyun**"), a company listed on the Growth Enterprise Market of Shenzhen, pursuant to which Zhiyun acquired a certain number of shares from Mr. YANG Rukun, chairman of the board, as well as from certain minority shareholders of Geesun Technology, at a pre-investment valuation of RMB60 million (Note: At the end of November 2014, the appraised net asset value of Geesun Technology was RMB60.17 million), and then injected RMB38.60 million to achieve a controlling interest of 53.59%. Upon completion of these transactions, Geesun Technology will obtain funding and management support from Zhiyun. In addition, the management of Geesun Technology has committed that net profit (excluding extraordinary items) shall not be less than RMB10 million for 2015, RMB12.5 million for 2016, and RMB15.63 million for 2017. Zhiyun has committed that it will acquire the shares of Geesun Technology held by the Fund in 2017 or 2018 at a valuation of 12 times the net profit (excluding extraordinary items) of Geesun Technology for the previous year, offering the Fund a possible exit from its investment in Geesun Technology. All of these transactions completed in April 2015, and the Fund's stake in Geesun Technology was diluted to 12.65%. Geesun Technology was also renamed to Geesun Zhiyun.

The unaudited operating loss of Geesun Zhiyun for the first half of 2015 was RMB3.95 million, representing a greater adjusted loss than for the same period last year, mainly due to the relatively low gross profit for projects completed and accepted in the first half of 2015. Its performance is expected to improve in the second half of 2015.

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 in China 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.

Market demand for both the single crystalline silicon solar cells and high purity silica crucible products used for the production slightly recovered in the first half of 2015. However, due to several factors, including certain past-due accounts receivable and a challenging environment for external financing, Jiangsu Huaer's financing costs remained high, greatly affecting its normal production and operations. Jiangsu Huaer did not achieve profitability for the period.

While decreasing supply to the delinquent customers and stepping up efforts to recover past due accounts receivable, Jiangsu Huaer is also continuing to develop other domestic and overseas customers by leveraging its industry-leading products and quality control capabilities. The credit terms for domestic orders have been shortened for all but a few delinquent customers. However, these more challenging customers continue to comprise a high proportion of past-due trade receivables. Furthermore, liquidity remains tight and limits the number of orders the company can receive. As such, the company may not see a significant improvement in operational results in the short term. In order to change the situation, Jiangsu Huaer is in negotiations with several large customers on volume and capital cooperation. If the negotiations progress well, gradual improvement is expected beginning in the second half of 2016.

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 to large size 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 June 2015, according to the information released, the CSRC decided to terminate the review of the company's IPO application, meaning that Liaoning Zhenlong will not qualify for an IPO in the near future. The Fund is trying to determine the reasons for the termination, while also actively seeking a suitable way to exit from the Liaoning Zhenlong project.

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. In June 2015, Hwagain declared a cash dividend, and the Fund will receive an amount of RMB4.30 million from Hwagain.

During the first half of 2015, due to a range of factors — including the slow recovery of the global economy, the gradual stabilisation and recovery of prices of imported paper pulp, and 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 profitability has recovered to some extent as well. Meanwhile, in the tissue paper industry, leading brands are leveraging the internet/mobile internet business platform and other new channels to provide consumers with more convenient and affordable products, eroding the market share of second-tier brands. During this process, some new entrants have cut output or suspended production under pressure.

For Hwagain, which operates with a "Forest-Pulp-Paper Integration" business strategy, its forest resources 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 imported equipment for the new project are high, with both factors helping to improve the product quality and reduce the production cost of pulp for Hwagain, which has in turn helped Hwagain to maintain a relatively strong competitive position in the market. Moreover, in the third quarter of 2014, due to municipal development planning in Nanning, 南寧紙業 (Nanning Paper), a subsidiary of Hwagain, officially stopped production. As a result, the total production capacity of Hwagain declined, while the capacity utilisation rate and production to sales ratio for the high-efficiency, high-speed paper machinery in the new Ganzhou project have been kept above 90%. Hwagain's inventory has been declining steadily to a level of approximately 15 days of output (compared to the first half of 2014, when the new machinery was first put into trial production and its inventory was once as high as approximately 45 days of output). In the first half of 2015, the unaudited net profit of Hwagain was RMB11.46 million, representing an increase of 9.04% from the adjusted figure for the same period last year.

At present, the asset valuation related to the compensation assessment conducted by Hwagain and the Nanning municipal government has been materially completed, and in December 2014, the first compensation payment was received. Hwagain is currently in communication with the Nanning municipal government as to the remaining compensation details. Since the second quarter of 2015, Hwagain has reached an understanding with the Nanning municipal government on the remaining compensation and has received part of it by installment, which is expected to have a favourable impact on Hwagain's profit (including extraordinary items) for 2015 and further improve its cash flows.

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 and held a 4.69% equity interest in Wuhan Rixin as of 30 June 2015.

In order to solve the problem of subsidy fraud, beginning in the second half of 2013, China 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 financing to develop power stations, then receive subsidies as power generation is claimed and settled on a monthly basis over the useful life of the power station, leading to a significant decline in cash flows for many operators. In addition, State subsidies for BIPV power stations are lower for ground photovoltaic power stations, making it more difficult to obtain bank financing for BIPV power stations than for ground photovoltaic power stations. In the future, based on the specific situation of each power station asset, Wuhan Rixin will raise its capital turnover by means of transferring completed power stations, sale and lease-back agreements, and other arrangements.

In the first half of 2015, Wuhan Rixin focused primarily on the financing and construction of power stations with over 100MW of ground photovoltaic power in several locations, including Macheng, Hubei, and several new BIPV power stations. Although the progress in obtaining bank financing was below expectations, the company has made strides in raising construction funds through channels noted above. The progress on construction has also been smooth so far. It is expected that the Phase I 50MW power station of the Macheng Project will be completed and connected to the grid by the end of 2015.

Wuhan Rixin completed one round of private equity funding in September 2014 and another round in July 2015, with an amount of RMB65.77 million raised in this round. The Fund's equity interest in Wuhan Rixin was diluted to 4.42% accordingly.

Wuhan Rixin plans to apply for listing on the New Third Board in the second half of 2015. To this end, it has appointed relevant intermediaries to conduct necessary work, which is currently progressing smoothly.

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 2015, the Fund held a 4.83% equity interest in Jinpower Electrical.

The State Grid Corporation of China continued to review quality improvement plans for the smart power grid online monitoring equipment through September 2014, a delay of about half a year compared with the original timeline. Bids and tenders of a certain scale began to gradually recover in May 2014, yet the cumulative tender amount by October 2014 was not large. Viewed in terms of the awards released, the awarded contract values to Jinpower Electrical for 2014 grew compared with the level seen in 2013, however the average lead time from ordering to delivery is about nine months and the contribution to operating results will not be fully seen until 2015 and beyond.

Jinpower Electrical plans to apply for listing on the New Third Board in the second half of 2015. To this end, it has appointed relevant intermediaries to conduct necessary work, which is currently progressing smoothly.

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.

The management of NTong reported in the thirteenth meeting of the first board of directors on 25 September 2014 that it had lost contact with Mr. GUAN Peiyi, chairman of the board, since 8 September 2014. At the same time, NTong discovered through a self-financial examination that a vast amount of cash, as well as a portion of the company's books and records, could not be located. The board of directors of NTong has reported the matter to the Public Security Authority of China and passed a resolution to dismiss Mr. GUAN from his duties as the chairman of the board.

NTong has filed for bankruptcy in the court of Haidian District of Beijing (the "**Haidian Court**"). In June 2015, the Haidian Court formally accepted the bankruptcy application of NTong. NTong will hold a meeting of creditors under the guidance of an administrator to be appointed by the Haidian Court, at which the restructuring plans proposed by the interested parties will be decided. The Fund will closely monitor progress on these matters.

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, Teralane Semiconductor subsequently did not make any payments other than the interest payment of RMB1.20 million above. In order to safeguard the rights and interests of the Fund, the Fund commissioned lawyers to sue Teralane Semiconductor in the court of Nanshan District, Shenzhen (the "**Nanshan Court**") and requested to seize its assets, including bank accounts and the equity interests of its subsidiaries. In September 2014, the Nanshan Court issued a final conciliation award, pursuant to which the Fund was permitted to enforce collection by seizing the bank account of Teralane Semiconductor, with a balance of RMB3 million. On 4 November 2014, the Fund received the above-mentioned sum of RMB3 million, forwarded from the Nanshan Court.

On 25 November 2014, Teralane Semiconductor failed to return all of the remaining principal and interest due to the Fund, for a total of RMB2.475 million, as required by the conciliation award. Then, on 27 November 2014, the Fund applied for enforcement with the Nanshan Court and the application was granted. Currently, the Fund has frozen a number of Teralane Semiconductor's bank accounts, but the total balance of these accounts is still far less than the amount claimed by the Fund. The Fund is maintaining communication with the Nanshan Court through the lawyer and is seeking a practicable and effective solution.

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 was RMB35.79 million, payable in three installments, with the last to be settled on or before 31 August 2014. After the Fund had received the consideration in full, the Fund was to 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.

The controlling shareholder of Chengtian indicated that due to changes in government policies for cotton collection and storage, as well as a remarkable fall in cotton prices in China, the Agricultural Development Bank had demanded an early settlement of certain loans, and had furthermore linked this demand to the availability of new cotton purchase loans, such that there was a shortage of cash flows at Chengtian. As a result, the final payment for the repurchase of the equity interest, originally payable on 31 August 2014, could not be made on schedule.

As of the end of June 2015, the controlling shareholder of Chengtian was still unable to make the final payment, and the Fund has continued to negotiate with the controlling shareholder of Chengtian on the future repayment schedule.

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 Xiaoaiping Injection, Levornidazole and Sodium Chloride Injections, and Ornidazole and Sodium Chloride Injections. Sanhome Pharmaceutical is a national grade high new 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 July 2015, the Fund received a cash dividend of RMB2.24 million from Sanhome Pharmaceutical.

In the first half of 2015, as a result of the efforts made by its sales team, the sales volume of Sanhome Pharmaceutical's primary products — Xiaoaiping Injection, Levornidazole and Sodium Chloride Injections — increased in varying degrees, and its unaudited sales revenue grew by approximately 12% compared to the same period last year.

Sanhome Pharmaceutical submitted its IPO application materials to the CSRC in June 2015.

Guangxi Xinhua Preschool Education Investment Corporation Limited ("Xinhua Preschool Education") was established in Nanning, Guangxi in 2014, with registered capital of RMB300 million. Xinhua Preschool Education is based in Guangxi and is dedicated to investing in the preschool education sector, as well as supplying cultural and educational products. Xinhua Preschool Education was jointly established by the Fund and Guangxi Xinhua Bookstore Group Share Corporation Limited ("**Guangxi Xinhua Bookstore**"), and the relative stakes of Guangxi Xinhua Bookstore and the Fund were 70% and 30%, respectively. In December 2014, the Fund completed the first capital contribution of RMB30 million (equivalent to US$4.90 million), with the remaining RMB60 million of capital to be injected according to the development progress of Xinhua Preschool Education.

On 8 January 2015, Xinhua Preschool Education officially completed its business registration. All businesses have been starting up systematically, and five kindergartens are expected to be enrolled before the end of September 2015. In addition, by the end of 2015, preliminary work on over ten new kindergartens is expected to be completed and construction will have started.

As a result of the change in management of Guangxi Xinhua Bookstore, the controlling shareholder of Xinhua Preschool Education, and in view of the firm's anticipated operational needs, Xinhua Preschool Education will appoint a new chairman of the board and general manager in the near future — an action that was already considered and approved by its board.

REVIEW OF LISTED INVESTMENTS

In the first half of 2015, China's A shares market fluctuated widely. Following some narrow fluctuations, it repeatedly went up before dropping sharply. The SSE Composite Index ("**SCI**") closed at 4277 on 30 June 2015, up 32.23% from the end of 2014. In January 2015, China's domestic economic indicators showed that economic growth was slowing. The CSRC stepped up supervision over margin financing and securities lending, and SCI stayed within a range of approximately 3000 to 3400. On 28 February 2015, the People's Bank of China announced the second interest rate cut of 0.25% since November 2014. Later, China adopted measures to strengthen the connectivity between stock markets in Mainland China and Hong Kong, and also pushed forward reorganisation and reform of the mixed ownership system of state-owned enterprises. SCI started to rise repeatedly in February 2015 to a 7-year high of 5178 on 12 June. Due to measures taken by the CSRC later to control unregulated off-market margin financing, de-leveraging measures have been adopted for the A shares market and SCI dropped sharply as a result. During the period, certain ministries and departments under the State Council have adopted a number of measures to stabilise the A shares market.

During the first quarter of 2015, the Hong Kong stock market remained within a narrow range. It first rose abruptly and then dropped repeatedly, before slumping during the second quarter of 2015. The Hang Seng Index closed at 26250 on 30 June 2015, up 11.21% from the end of 2014. The Hang Seng Index remained within a range of approximately 23000 to 25000 during the first quarter of 2015. Beginning in the second quarter of 2015, China adopted measures to strengthen the connectivity between the stock markets in Mainland China and Hong Kong, including, among others, that public securities funds in Mainland China may buy Hong Kong shares through the Shanghai-Hong Kong Stock Connect program, that insurance companies in Mainland China may invest in the shares listed on the Growth Enterprise Market in Hong Kong, and that securities funds issued in Mainland China and Hong Kong must be mutually recognised. These measures drove up the Hang Seng Index considerably. On April 27, the Hang Seng Index rose to a 7-year high of 28589. In June 2015, however, de-leveraging measures were adopted for the A shares market in Mainland China due to steps taken by the CSRC to control unregulated off-market margin financing. This, coupled with the deterioration of the Greek debt crisis, caused the Hang Seng Index to plunge by more than 2000 points within about one month and closed at 26250.

The Fund primarily invests directly in high quality investment projects in China, 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 in the first half of 2015.

PROSPECTS

In the first half of 2015, to cope with complicated and changing macro-economic situations inside and outside China, as well as the downward pressure on China's economy, the Central Government adopted comprehensive measures to stabilise economic growth in the first half of the year — from the three interest rate cuts and the two reductions in the reserve requirement ratio, to the two times of issuing replacement quotas for local government bonds; from the adjustments to real estate-related policies and the acceleration of approval of and the increase in capital for infrastructure investment projects, to the lowering of tariffs and the encouragement for cross-border e-commerce, with a view to stimulating consumption and boosting domestic demand — all these measures have helped to gradually stabilise the national economy. In 2014, the year-on-year growth of China's gross domestic product (GDP) was 7.4%, the slowest since 1990. The official economic growth target was set at 7% for 2015 by the Central Government. China's GDP was RMB29.68 trillion in the first half of 2015, up 7.0% from the same period in 2014. Since the beginning of the year, China has been facing a growing downward pressure on economic growth. China's economic indicators remained at a low level in the second quarter of the year. According to data recently released by the National Bureau of Statistics of China, China's Purchasing Manager Index (PMI) was 50.2% in June 2015, remaining at the same level as in May 2015. The new order index dropped to 50.1% from 50.6% in May 2015. Soft demand showed that the drivers for economic growth remained weak. Given the relatively slow growth of China's GDP in 2015, it is expected that the operating results of the investment projects (mainly operating in China) held by the Fund will be impacted to a certain degree.

Looking forward to the second half of 2015, global economic growth is expected to be generally moderate, with divergent growth trends across major countries and regions. The prospects for developed economies are improving, while the growth of emerging and developing economies is expected to slow, mainly because of the weakening growth prospects for some large economies in the emerging markets and for oil-exporting countries. In the case of China, it is expected that China's month-on-month GDP growth rate in the second half of the year will be slightly higher than that in the first half of the year. The main favourable factors include: the adopted growth-stabilising measures will play a positive role after a time lag; the economic growth of major developed countries (the U.S., European countries, Japan, etc.) has shown signs of recovery, which is conducive to the revival of China's export business; the replacement of local government debts and the acceleration of newly started projects will help maintain a relatively fast growth of infrastructure investment, while various measures for adjustments to economic structure and policies for encouraging innovations and start-ups will also underpin the rapid development of new business forms.

As a result of the Central Government's series of policies for stabilising economic growth, China's macro-economy is expected to ward off the worst downward pressure caused by this round of macro adjustments. In the future, seeking organic growth will be an important objective for the transformation and development of China's economy. The industrial structure needs to transform from industry to a combination of industry and advanced manufacturing; the consumption structure needs to transform from a survival orientation to a development orientation, while expanding information, networking, tourism and new types of consumption; the regional structure needs to transform from urban-rural inequality to rural-urban integration, and from a state of being fast in the East while slow in the West to a state of comprehensive development in the middle and western regions. Given that the Central Government is stepping up adjustments to economic structure, new business forms and models will thrive and develop rapidly, and under the policies for maintaining relatively relaxed macro-economic controls as advocated by the Central Government, it is expected that the Fund will continue to seek out the best opportunities for investment.

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 several sectors, including culture and media, health care, consumer goods (with particular focus on consumer-oriented projects in second and third tier cities), advanced manufacturing, non-traditional financial services, new energy, and education, among others, 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 2015, 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%
Unibank Media (2nd round capital injection)	4,394,100	87,500	1.991%
China Media Management	676,100	4,500	0.666%
Geesun Zhiyun	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%
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%
Xinhua Preschool Education (1st installment capital contribution)	4,898,200	28,400	0.580%
Oriental Pearl	19,619,100	255,510	1.302%

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

In addition, as of 30 June 2015, 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$*	**Mr. WANG Xiaoding** (Note 2) *US$*	**Mr. TSE Yue Kit** (Note 3) *US$*	**Mr. TSIM Tak Chee** (Note 4) *US$*
Unibank Media (1st round capital injection)	12,900	20,640	1,290	N/A
Wuhan Rixin	3,510	3,510	1,290	N/A
Unibank Media (2nd round capital injection)	6,950	6,950	1,290	N/A
China Media Management	300	1,160	30	N/A
Geesun Zhiyun	4,640	5,780	1,290	N/A
China Media Investment (1st installment capital contribution)	2,500	10,040	250	N/A
Jiangsu Huaer	3,500	4,380	1,290	N/A
Jinpower Electrical	4,830	6,030	1,280	N/A
China Media Investment (2nd installment capital contribution)	390	1,570	40	N/A
Liaoning Zhenlong	4,720	4,620	1,280	N/A
NTong	16,420	12,830	1,280	N/A
Teralane Semiconductor	3,090	2,570	1,290	N/A
Hwagain	12,880	12,880	1,290	N/A
China Media Investment (3rd installment capital contribution)	430	1,710	40	N/A
China Media Investment (4th installment capital contribution)	1,820	7,260	180	N/A
Chengtian	12,890	6,440	1,290	N/A
China Media Investment (5th installment capital contribution)	190	780	20	N/A
Esurfing	12,890	12,890	1,290	N/A
China Media Investment (6th installment capital contribution)	2,220	8,880	220	N/A
China Media Investment (7th installment capital contribution)	1,300	5,200	130	N/A
Sanhome Pharmaceutical	12,900	6,450	1,290	12,900
China Media Investment (8th installment capital contribution)	790	3,170	80	N/A
China Media Investment – IMAX China	6,450	6,450	1,290	6,450
China Media Investment (9th installment capital contribution)	330	1,330	30	N/A
Xinhua Preschool Education (1st installment capital contribution)	2,150	4,310	440	4,310
Oriental Pearl	13,930	38,870	1,390	N/A

Note 1: Chairman of the Fund (appointed as present post on 18 November 2014)
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 (resigned on 25 June 2015)

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

Hong Kong, 27 August 2015

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

A dividend payment of US$13,709,971 (2013: US$9,139,981), being a final dividend of US$0.06 per share (2013: US$0.06) and a special dividend of US$0.03 per share (2013: Nil), totaling US$0.09 per share (2013: US$0.06), for the year ended 31 December 2014 was approved by the shareholders on 21 May 2015 and was subsequently paid by the Company in cash on 30 July 2015.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the six months ended 30 June 2015, 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 2015, the interests of the Directors and their associates in the shares 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 2015, 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 2015.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, 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%

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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted codes of conduct regarding securities transactions by Directors set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules. On specific enquiries made, all Directors have confirmed that, in respect of the reporting period, they have complied with the required standard set out in the Model Code regarding Directors' securities transactions.

By Order of the Board
Mr. HONG Xiaoyuan
Chairman

Hong Kong, 27 August 2015