China Merchants China Direct Investments Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 133)

ANNUAL REPORT 2016

Creating Value
In CHINA

CONTENTS

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
1604-09, Three Pacific Place,
1 Queen's Road East,
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Herbert Smith Freehills
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

1609, Three Pacific Place,
1 Queen's Road East,
Hong Kong

Stock Code: 0133.HK
Website: www.cmcdi.com.hk

Mr. HONG Xiaoyuan

Chairman

CHAIRMAN’S STATEMENT

The board of directors (the “**Board**”) announces that the audited consolidated net asset value of China Merchants China Direct Investments Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as of 31 December 2016 amounted to US$561.32 million, representing a decrease of 11.65% compared to US$635.33 million in 2015. The net asset value per share was US$3.685, representing the same percentage decrease of 11.65% compared to US$4.171 in 2015. The Group’s audited consolidated loss for 2016 was US$15.60 million, while the audited consolidated profit after taxation for the same period last year was US$46.24 million.

The Board recommended the payment of a final dividend of US$0.06 per share for the year 2016, the same as last year. As there were no interim dividends during 2016, total dividends payable for the year 2016 were also US$0.06 per share, compared to the final dividend and special dividend of US$0.15 per share in total last year, representing a decrease of 60%.

In 2016, the global economy remained sluggish overall, with pockets of strength and weakness. In particular, the growth of developed economies was slower than in 2015 and global investors were plagued by uncertainties such as policy shifts under the new Trump administration, potential rate hikes by the US Federal Reserve and the Brexit referendum in the UK. Meanwhile, growth in emerging markets and developing economies accelerated for the first time in six years. China continued to shift its economy away from a reliance on investment and industry towards consumption and services, which may cause a temporary slowdown of economic growth in the near term, but will also lay a better foundation for sustainable growth in the long term. In 2016, the Central Government upheld the fundamental premise of seeking progress while preserving stability. But it also embraced the new development philosophy and actively led the “new normal” of economic development. With a focus on promoting supply-side structural reforms, it moderately expanded aggregate demand and guided the economy, and society as a whole, towards stable and healthy growth. These policies all helped to establish a good start for the 13th Five-Year Plan, with the economy stable and at much lower risk of slowing down, or even seeing signs of improvement. Economic growth was consequently held to a reasonable range as evidenced by the major economic indicators: industrial production and corporate earnings for larger industrial enterprises continued to grow steadily, growth of domestic income slowed while consumption showed steady growth, and exports decreased while imports increased slightly, resulting in a narrowing trade surplus. According to a preliminary report by the National Bureau of Statistics, the Gross Domestic Product (GDP) of China for 2016 grew by 6.7%, just 0.2% slower than in 2015. The Consumer Price Index (CPI) of China for 2016 continued to rise modestly and was up 2.0% year-over-year.

In 2016, the A shares market of China was extremely volatile. After plummeting in the beginning of the year, it then stabilised and climbed to 3301 points, the highest level of the year. However, it dropped again at the end of the year. The SSE Composite Index closed at 3104 points on 31 December 2016, which was 12.31% lower than at the end of 2015. In 2016, the Hong Kong stock market also experienced extreme volatility. The Hang Seng Index climbed to a high of 24364 points and then plunged to a low of 18279 points, with more than 6000 points between the highest and lowest levels. It closed at 22001 points on 31 December 2016, representing a slight increase of 0.39% from the end of 2015.

At the end of 2016, the Group’s total holdings in investment projects amounted to US$642.65 million (US$713.64 million at the end of 2015), accounting for 93.43% of the Group’s total asset value and representing a year-over-year decrease of US$70.99 million that was largely due to a net decrease in the fair value of investment projects, as well as a decrease in the Renminbi exchange rate. Meanwhile, cash on hand was US$37.49 million, accounting for 5.45% of the total asset value of the Group.

In 2016, the Investment Manager actively sought new investment opportunities, with intensive due diligence and the screening of many prospects, and consequently the Group invested in three new direct investment projects — Yunnan Jinlanmei International Travel Investment Development Co., Ltd., Rong Bao Zhai Culture Co., Ltd. and Anhui Iflytek Venture Capital LLP — in an aggregate committed amount of US$59.18 million. These projects fall within the culture, media and consumption, as well as information technology industries. In addition, the Group further acquired 24.86 million H shares of China Reinsurance (Group) Corporation on the Hong Kong secondary stock market for an aggregate invested amount of US$6.44 million, and acquired 4.54 million A shares of Iflytek Co., Ltd. on the secondary stock market of Mainland China for an aggregate invested amount of US$18.83 million.

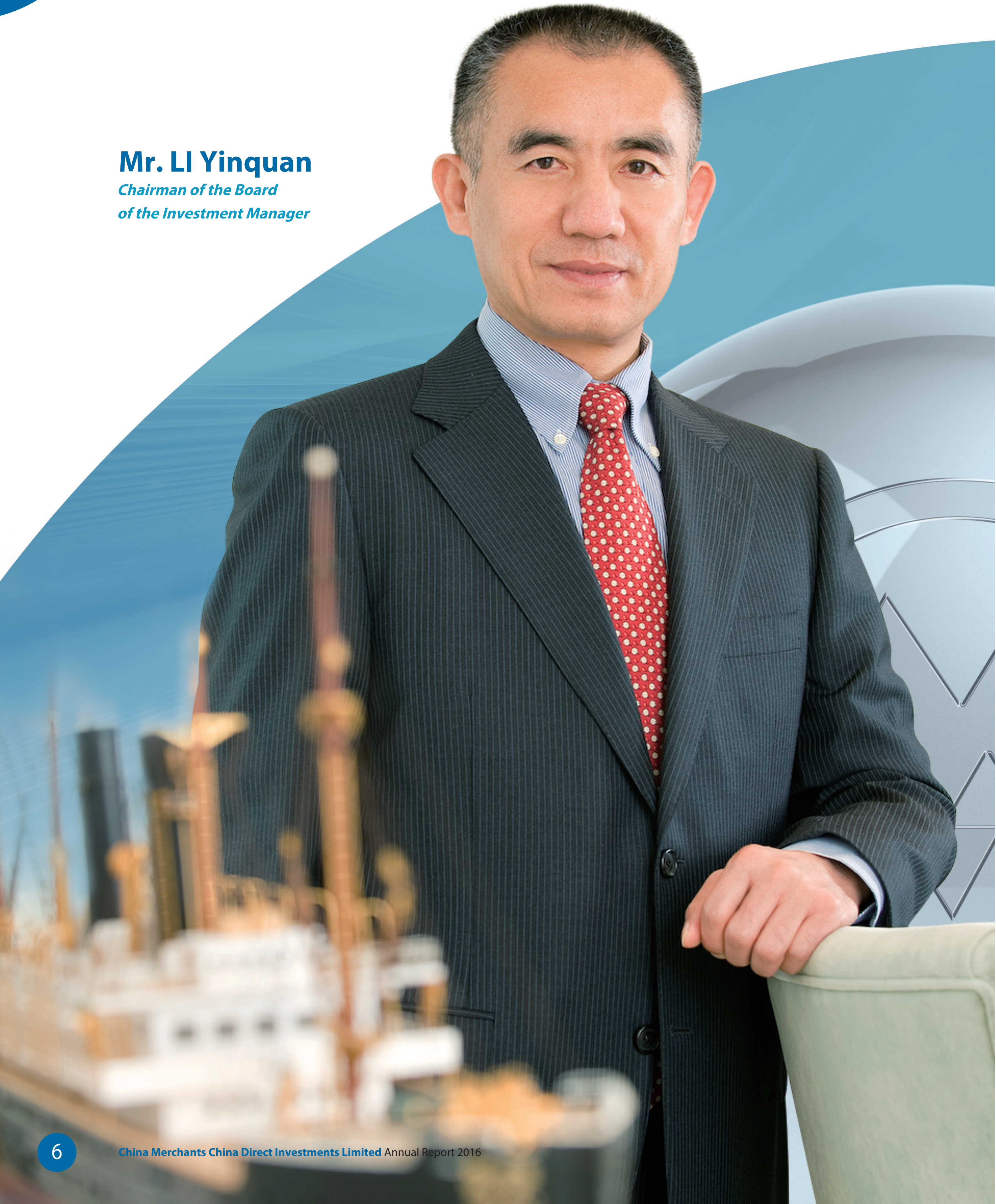
In 2016, according to market conditions, the Group disposed of 23 million A shares of Industrial Bank Co., Ltd. for net proceeds of US$55.26 million, so as to increase its working capital.

Looking ahead to 2017, there will be challenges as well as opportunities. In 2017, the global economy is expected to remain weak, although the rate of global economic growth may be slightly higher than in 2016. Economic growth in the US may accelerate, while growth in the UK and Eurozone may slow. Japan is likely to continue to see sluggish growth, however the major emerging market countries of Russia and Brazil may see a recovery, with faster growth in those economies. Meanwhile, economic growth in China is expected to further slow in 2017, but only gradually. Based on the latest estimate from the International Monetary Fund (IMF), GDP growth in China is forecasted to be 6.5% in 2017. However, the Chinese economy still faces many acute tensions and problems, including overcapacity and imbalances in demand, a lack of catalysts for faster economic growth, and accumulating financial risks. In order to achieve a new dynamic balance between supply and demand in 2017, the Central Government will continue to deepen its supply-side structural reforms, facilitate effective matching of supply and demand, upgrade of consumption and constructive interaction of effective investments, and further encourage growth in domestic demand. It will also continue to pursue innovation-driven development strategies by extensively fostering entrepreneurship and innovation, in order to unleash new drivers of growth and rejuvenate existing industries. We expect that these policies will create more investment opportunities for the Group. As always, the Investment Manager will face the challenges ahead and strive to identify new investment opportunities that will increase shareholders' return.

Lastly, on behalf of the Board, I would like to offer my heartfelt gratitude to the members of the Audit Committee, Nomination Committee and Investment Committee, and to the entire staff of the Investment Manager, for their many contributions and dedicated effort, and to the shareholders for their support. As always, I will continue to give my best effort in leading the Group as we seek to create value for shareholders in the coming year.

Mr. HONG Xiaoyuan
Chairman

Hong Kong, 30 March 2017



Mr. LI Yinquan

Chairman of the Board of the Investment Manager

OVERALL PERFORMANCE

China Merchants China Direct Investments Limited and its subsidiaries (the "**Fund**") recorded a loss attributable to equity shareholders of US$15.60 million for the year ended 31 December 2016, compared to a profit attributable to equity shareholders of US$46.24 million for the same period last year. The reversal was mainly attributable to a decline in overall fair value of the financial assets designated at fair value through profit or loss (the "**Financial Assets**"). As of 31 December 2016, the net assets of the Fund were US$561.32 million (31 December 2015: US$635.33 million), with a net asset value per share of US$3.685 (31 December 2015: US$4.171).

The net loss on the Financial Assets for the year was US$35.55 million, compared to a net gain of US$31.49 million for last year. The listed and unlisted investments recorded net losses of US$23.27 million and US$12.28 million, respectively. For more information on the change in fair value of each of the listed and unlisted investments, please see the section titled "Review of Investments" in this Investment Manager's Discussion and Analysis.

Total investment income for the year decreased by 36.49% compared to the same period last year, to US$26.00 million (2015: US$40.94 million), due primarily to a decrease in dividend/distribution income from investments, and to a decrease in interest income.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In 2016, the Fund continued to seek out and rigorously evaluate investment opportunities. The Fund made capital injections into business in the financial services industry; culture, media and consumption industry; and information technology industry during the year.

During the period of February to April 2016, the Fund further acquired 24.86 million H shares of China Reinsurance (Group) Corporation at an average price of HK$2.01 per share on the Hong Kong secondary stock market, for an aggregate invested amount of HK$49.90 million (equivalent to US$6.44 million).

On 25 April 2016, the Fund entered into a joint venture agreement with major joint venture partners, including Shanghai-listed Yunnan Metropolitan Real Estate Development Co., Ltd. and Yunnan Port and Channel Investment Construction Co., Ltd., for the establishment of Yunnan Jinlanmei International Travel Investment Development Co., Ltd. ("**Jinlanmei Travel**"). The Fund agreed to contribute a total of RMB20 million in cash for a 20% stake in the venture. On 14 October 2016, the Fund made the first installment of RMB10 million (equivalent to US$1.49 million). Jinlanmei Travel is engaged broadly in the operation of tourism and shipping within the territorial waters of the Lancang/Mekong River.

On 7 December 2016, the Fund entered into an agreement for a loan convertible into an equity interest with Rong Bao Zhai and Rong Bao Zhai Culture Co., Ltd. ("**Rong Bao Zhai Culture**"), pursuant to which the Fund agreed to advance cash of RMB300 million in total to Rong Bao Zhai Culture for a period of 5 years, with the right to convert the loan into an equity interest in Rong Bao Zhai Culture during the term of the loan, subject to the fulfillment of certain precedent conditions. On 19 December 2016, the Fund disbursed RMB200 million (equivalent to US$28.86 million), and expects to disburse the remaining balance during the first half of 2017. Rong Bao Zhai Culture's main businesses include the sale of art supplies, handicrafts, calligraphy artwork, framed calligraphy artwork, and carving artwork, as well as the sponsorship of art exhibits and cultural/artistic exchange activities.

On 19 December 2016, the first installment for its subscription of RMB36 million (equivalent to US$5.19 million) was made by the Fund in cash to Anhui Iflytek Venture Capital LLP ("**Iflytek Venture Capital**"). The Fund has committed to subscribe to an aggregate of RMB90 million by installment, for a 14.95% interest in Iflytek Venture Capital. The major investment targets of Iflytek Venture Capital are industries related to the Internet and applications of artificial intelligence (AI) in China, to areas including education, healthcare, tourism, motor vehicles, Internet of Things (IoT), smart hardware, information security, e-commerce, interactive entertainment, smart toys, robotics and Internet advertising.

During the period of November to December 2016, the Fund acquired 4.54 million A shares of Iflytek Co., Ltd. ("**Iflytek**") at an average price of RMB28.64 per share on the secondary stock market of Mainland China, for an aggregate invested amount of RMB130 million (equivalent to US$18.83 million). Iflytek is a national key software enterprise dedicated to the research of intelligent speech and language technologies and AI technologies, the development of software and chip products, the provision of speech information services, and the integration of e-government systems.

Lastly, the Fund did not completely dispose of any of its interests in unlisted investment projects in 2016. However, it did dispose of 23 million A shares of Industrial Bank Co., Ltd. for net proceeds of US$55.26 million.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

The Fund's cash on hand decreased by 30.47%, from US$53.92 million at the end of last year to US$37.49 million (representing 5.45% of the Fund's total assets) as of 31 December 2016, due primarily to the capital injections made to projects and the payment of a special dividend for 2015 during the year.

As of 31 December 2016, the Fund had no outstanding bank loans (31 December 2015: Nil).

As of 31 December 2016, the Fund had capital commitments of US$38.25 million (31 December 2015: US$15.61 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), Guangxi Xinhua Preschool Education Investment Corporation Limited, Jinlanmei Travel, Rong Bao Zhai Culture and Iflytek Venture Capital.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Fund's investments are located in China where the official currency is the Renminbi ("**RMB**"). The conversion rate of RMB against the US dollar recorded a decrease of 6.83% in 2016, which had an unfavourable impact on the Fund since it holds a considerable amount of assets denominated in RMB. The Fund currently does not have any foreign currency hedging policy. However, the Fund continues to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

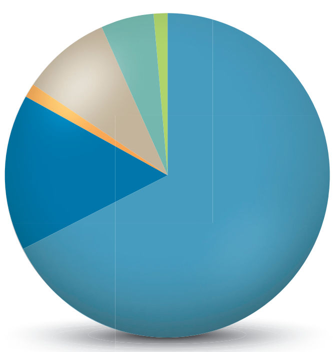
EMPLOYEES

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

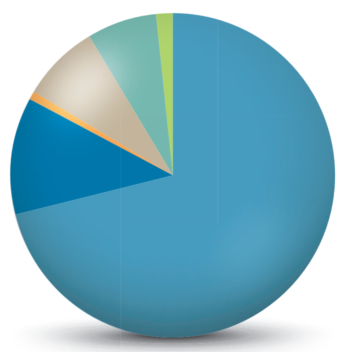
As of 31 December 2016, the Fund's total investments amounted to US$642.65million. The sector distribution of investments was US$464.22 million in financial services (representing 67.50% of the Fund's total assets), US$107.12 million in culture, media and consumption (15.57%), US$10.03 million in manufacturing (1.46%), and US$61.28 million in other ventures (including energy and resources, information technology, medical and pharmaceutical and education, etc.) (8.90%). In addition, cash on hand was US$37.49 million, representing 5.45% of the Fund's total assets as of 31 December 2016.

TOTAL ASSETS DISTRIBUTION



AS OF 31 DECEMBER 2016

- Financial Services Investment
  (2016 : 67.50% ; 2015 : 71.22%)
- Culture, Media and Consumption Investment
  (2016 : 15.57% ; 2015 : 11.75%)
- Manufacturing Investment
  (2016 : 1.46% ; 2015 : 0.73%)
- Other Ventures
  (2016 : 8.90% ; 2015 : 7.76%)
- Cash
  (2016 : 5.45% ; 2015 : 6.91%)
- Others
  (2016 : 1.12% ; 2015 : 1.63%)



AS OF 31 DECEMBER 2015

Mr. WANG Xiaoding

Managing Director
of the Investment Manager

REVIEW OF INVESTMENTS

The following table shows the major investment projects held by the Fund as at 31 December 2016:

Name of projects	Location of headquarters	Main business	Listed (Stock Exchange)/ unlisted	Carrying value	Percentage of total assets	Percentage of net assets
				(US$ million)	%	%
Financial Services:						
#1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	140	20.37	24.96
#2. Industrial Bank Co., Ltd.	Fuzhou, Fujian	Banking	Shanghai Stock Exchange	102	14.86	18.21
#3. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	170	24.75	30.32
#4. JIC Leasing Co., Ltd.	Beijing	Finance leasing	Unlisted	34	4.99	6.11
#5. China Reinsurance (Group) Corporation	Beijing	Reinsurance	Hong Kong Stock Exchange	16	2.32	2.84
6. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	2	0.21	0.26
		Sub-total:		**464**	**67.50**	**82.70**
Culture, Media & Consumption:						
#7. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	21	3.05	3.74
#8. NBA China, L.P.	Beijing	Sports marketing	Unlisted	27	3.88	4.76
9. Unibank Media Group Inc.	Beijing	Indoor media	Unlisted	3	0.48	0.59
10. Esurfing Media Co., Ltd.	Shanghai	Mobile & online videos platform	Unlisted	16	2.30	2.82
11. Shanghai Oriental Pearl Media Co., Ltd.	Shanghai	Multimedia	Shanghai Stock Exchange	10	1.46	1.79
12. Yunnan Jinlanmei International Travel Investment Development Co., Ltd.	Xishuangbanna, Yunnan	Travel	Unlisted	1	0.21	0.26
#13. Rong Bao Zhai Culture Co., Ltd.	Beijing	Artwork marketing	Unlisted	29	4.19	5.14
		Sub-total:		**107**	**15.57**	**19.10**
Manufacturing:						
14. Shenzhen Geesun Intelligent Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	4	0.53	0.65
15. Jiangsu Huaer Quartz Materials Co., Ltd.	Yangzhou, Jiangsu	High purity silica crucibles	Unlisted	0	0.07	0.08
16. Hwagain Group Co., Ltd.	Nanning, Guangxi	Printing paper & tissue paper	Unlisted	6	0.86	1.05
		Sub-total:		**10**	**1.46**	**1.78**

Name of projects	Location of headquarters	Main business	Listed (Stock Exchange)/ unlisted	Carrying value	Percentage of total assets	Percentage of net assets
				(US$ million)	%	%
Others:						
(i) Energy & Resources:						
17. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	New Third Board [Note]	4	0.64	0.78
(ii) Information Technology:						
18. Xi'an Jinpower Electrical Co., Ltd.	Xi'an, Shaanxi	Power grid monitoring system	New Third Board [Note]	2	0.23	0.28
19. Anhui Iflytek Venture Capital LLP	Hefei, Anhui	Information technology investment	Unlisted	5	0.75	0.92
#20. Iflytek Co., Ltd.	Hefei, Anhui	Intelligent speech technology	Shenzhen Stock Exchange	18	2.57	3.16
(iii) Medical & Pharmaceutical:						
#21. Nanjing Sanhome Pharmaceutical Co., Ltd.	Nanjing, Jiangsu	Pharmaceutical	Unlisted	21	3.05	3.74
(iv) Education:						
22. Guangxi Xinhua Preschool Education Investment Corporation Limited	Nanning, Guangxi	Preschool education	Unlisted	7	1.06	1.29
		Sub-total:		**57**	**8.30**	**10.17**
		Total:		**638**	**92.83**	**113.75**

\# ***Ten largest investments of the Fund as of 31 December 2016***

Note: New Third Board means National Equities Exchange and Quotations

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 31 December 2016, 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 2016, the Fund received a cash dividend of RMB38.09 million from CMB for 2015.

As of the end of 2016, the carrying value of the Fund's interest in CMB was US$140.12 million, representing a decrease of 8.17% from the value at the end of last year of US$152.58 million.

On 25 March 2017, CMB announced that its audited net profit for 2016 was RMB62.1 billion, up 7.60% year-over-year.

On 18 June 2016, CMB announced that it had been granted a wholesale banking license in London and that its London branch had officially commenced operation, marking another major step forward in the development of its international business.

During the 6-month period through 26 September 2016, CMB completed the issuance of non-performing asset securitisation products, namely "Hecui" — Phase I (credit card), Phase II (small and micro business) and Phase III (corporate). CMB was the first among its peers to realise full coverage across all major types of non-performing assets. The aggregate principal amount of non-performing assets disposed of was approximately RMB5 billion, representing 11% of the non-performing assets of the bank at the start of 2016.

During 2016, 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 31 December 2016, the Fund held 43.94 million A shares of IBC, representing an equity interest of 0.231%, with a corresponding investment cost of RMB72.32 million (equivalent to US$7.58 million). In June 2016, the Fund received a cash dividend of RMB40.83 million from IBC for 2015.

As of the end of 2016, the carrying value of the Fund's interest in IBC was US$102.22 million, representing a decrease of 11.39% from the adjusted value at the end of last year of US$115.36 million.

On 29 October 2016, IBC announced that its unaudited net profit for the first three quarters of 2016 amounted to RMB44.0 billion, up 6.70% year-over-year.

On 30 July 2016, IBC announced that its board of directors had passed a proposal on the non-public issuance of A shares of IBC, limited to no more than 1,722 million shares (representing approximately 9.04% of the existing share capital of IBC of 19.052 billion shares) for six designated investors at a price of RMB15.10 per share. The amount of funds raised shall not be more than RMB26 billion and shall be used to replenish IBC's core Tier-1 capital. The above proposal was passed at the shareholders meeting of IBC on 15 August 2016, and all required approvals from various regulatory authorities were obtained by mid-January 2017. Fujian Provincial Department of Finance, the single largest shareholder of IBC, will also participate in the subscription of shares for this capital increase and will remain the single largest shareholder upon completion.

On 6 September 2016, IBC announced that an application had been made to the Hong Kong Stock Exchange for the launch of its US$5 billion Medium Term Notes Programme. After obtaining the approval of the Hong Kong Stock Exchange, it shall issue the debt only to professional investors within the 12-month period starting 5 September 2016, representing the first debt issue by IBC in US dollar. Upon issuance, the debt will be listed on the Hong Kong Stock Exchange. All proceeds from the issuance of the debt will be used to support the overseas business development of IBC.

In 2016, the Fund disposed of 23 million A shares of IBC for net proceeds of RMB377 million (equivalent to US$55.26 million). In March 2017, the Fund disposed of 5 million A shares of IBC for net proceeds of RMB82.15 million (equivalent to US$11.91 million).

China Credit Trust Co., Ltd. ("CCT") was established in 1995, with its headquarters in Beijing. The principal activities of CCT are trust management, fund management, investments and loan financing. It is the first trust company with a full range of licenses for international business in the Chinese trust industry. As of 31 December 2016, the Fund held a 6.94% equity interest in CCT, with a total investment cost of US$50.49 million.

As of the end of 2016, the carrying value of the Fund's interest in CCT was US$170.20 million, representing a decrease of 3.15% from the value at the end of last year of US$175.73 million.

For 2016, CCT recorded an unaudited net profit of RMB1.21 billion, representing a decrease of 26.52% from the same period last year. The decrease in net profit was mainly due to a significant decline in interest income, commissions and handling fees, and investment income as compared to the same period last year.

Currently, the real estate collective trust business is a relatively high-profit-margin business and an important source of income for CCT. However, as the number of suitable real estate projects in the market has diminished, as competition from peers and other financial institutions has increased, and as the rate of interest paid by the borrowers of the real estate projects has continued to decrease, the profit margin of this business has been declining under pressure. At the same time, CCT has adopted stricter requirements for project approval in order to manage risk. As a result, the number of new projects approved has been decreasing, and the volume of business and the financial results of CCT have been affected. CCT is actively exploring a range of new businesses. However, these new businesses have yet to become an important source of income as they are still in the development stage.

By gradually introducing new rules since May 2016, the China Securities Regulatory Commission ("**CSRC**") has tightened its regulation of the channel business related to asset management among securities companies and subsidiaries of investment fund companies, and has in turn made way for trust companies to recapture its share in this business. However, because this type of business will not be actively managed by trust companies, the fees that can be charged are relatively low. So, although the channel business will make some contribution to the financial results of trust companies, it should not be considered as long-term development focus.

In September 2016, CCT was rated Grade A, the highest rating attainable, in the preliminary industry rating assessment for trust companies by the China Trustee Association. The industry rating assessment for trust companies is a comprehensive assessment made by the China Trustee Association once a year on the trust companies from an industry perspective.

The listing for trading of Guodu Securities Co., Ltd. (with CCT as its largest shareholder at a 13.33% stake) was approved by the New Third Board in January 2017, making it the seventh securities company to be listed on the New Third Board.

JIC Leasing Co., Ltd. ("JIC Leasing") was established in Beijing in 1989, and 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; and healthcare, environmental protection and new energy. The Fund invested RMB246 million (equivalent to US$38.78 million) in October 2015 for a 6.46% equity interest in JIC Leasing.

As of the end of 2016, the carrying value of the Fund's interest in JIC Leasing was US$34.29 million, representing a decrease of 9.45% from the value at the end of last year of US$37.87 million.

Although JIC Leasing's development of new customers has slowed in response to the easier credit policies adopted by many banks since the beginning of 2016, it still achieved an unaudited net profit of RMB363 million for 2016, representing an increase of 12.60% as compared to the same period last year.

In 2016, a subsidiary of JIC Leasing in the Shanghai Free Trade Zone officially commenced operations, principally engaged in finance leasing for large-scale projects, such as marine engineering and shipbuilding.

JIC Leasing has completed its conversion into a joint-stock limited company and has changed its Chinese name to "中建投租賃股份有限公司". Currently, it is in preparation for its initial public offering (IPO), including the selection of intermediaries, such as its sponsor.

China Reinsurance (Group) Corporation ("**China Re**") originated from The People's Insurance Company of China, founded in 1949 as the first insurance company to be established in New China, with its headquarters in Beijing. It was listed on the Hong Kong Stock Exchange in October 2015. As currently the largest local reinsurance group in China, the business of China Re spans reinsurance, insurance, asset management, insurance brokerage, and insurance media. During the period of November to December 2015, the Fund acquired 42.38 million H shares of China Re at an average price of HK$2.35 per share on the Hong Kong secondary stock market, for an aggregate invested amount of HK$99.73 million (equivalent to US$12.87 million). During the period of February to April 2016, the Fund further acquired 24.86 million H shares of China Re at an average price of HK$2.01 per share on the Hong Kong secondary stock market, for an aggregate invested amount of HK$49.90 million (equivalent to US$6.44 million). As of 31 December 2016, the Fund held 67.24 million H shares of China Re, accounting for 0.158% of the total issued share capital of China Re, with an average purchase price of HK$2.23 per share and an aggregate invested amount of HK$150 million (equivalent to US$19.31 million). In August 2016, the Fund received a cash dividend (net of tax) of HK$3.28 million from China Re for 2015.

As of the end of 2016, the carrying value of the Fund's interest in China Re was US$15.95 million, representing an increase of 23.64% over US$12.90 million at the end of last year.

On 24 February 2017, China Re announced that its unaudited net profit for 2016 is estimated to be down by 30-35% as compared to the same period last year. The decrease in net profit was mainly due to a decline in investment income.

On 7 June 2016, China Re announced that its Singapore branch had been licensed as a reinsurer to conduct property reinsurance business in Singapore by the Monetary Authority of Singapore, which will enable it to further expand its business in overseas markets.

On 21 July 2016, China Re announced that in order to reward its shareholders and stabilise capital market expectations, and upon consideration of the distribution levels and payment methods for dividends in domestic and overseas markets, the board of directors decided that the company shall distribute dividends once a year and that the profits distributed in the form of cash shall be no less than 30% of the consolidated net profit attributable to the equity shareholders of China Re realised for the year.

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.

As of the end of 2016, the carrying value of the Fund's interest in China Media Management was US$1.43 million, representing an increase of 76.54% over US$0.81 million at the end of last year.

During the investment period, China Media Management helped China Media Investment to successfully invest in several benchmark projects, and to successfully dispose of the OCJ (東方購物) project. In addition, it helped IMAX China Holding, Inc. ("**IMAX China**") to successfully list on the Hong Kong Stock Exchange. Beyond this, China Media Management is also actively assisting with several ongoing projects, including exit arrangements for Star China and Shanghai Gewara Business Info Consulting Co., Ltd.

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 include 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. From June 2010 through the end of 2016, the Fund has made successive capital injections into China Media Investment for a cumulative actual investment of RMB158.66 million (equivalent to US$24.76 million), 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 cash in China Media Investment in April 2014, specifically for the purpose of investing in IMAX China. IMAX Corporation ("**IMAX**") began operations in China in 2001 and IMAX China was incorporated in the Cayman Islands in 2011. IMAX China is a leading cinematic technology provider, the exclusive licensee of the IMAX brand in the theatre and films business, and the sole commercial platform for the release of IMAX format films in Greater China. Standing for the highest quality and most immersive motion picture entertainment experience, the IMAX brand is one of the strongest motion picture entertainment brands in Greater China, having had a presence in China for 15 years. IMAX China conducted an IPO and was listed in Hong Kong in October 2015 with an issuance price of HK$31 per share. China Media Investment and the Fund jointly sold a total of 5.53 million shares of IMAX China beneficially owned by them at the IPO issuance price, for total proceeds of HK$171 million upon listing. After the completion of the issuance for listing, the Fund beneficially owned 1.02 million shares of IMAX China, accounting for 0.287% of the issued share capital of IMAX China. On 23 March 2016, as arranged by the relevant intermediary for the share placement, China Media Investment and the Fund jointly sold a total of 5 million shares of IMAX China at a price of HK$47 per share. After the completion of the share placement, the Fund still beneficially owns 0.52 million shares of IMAX China, accounting for 0.146% of the issued share capital of IMAX China. These shares will be sold should the opportunity arise.

Through late March 2017, the Fund has received a total actual investment return of RMB216 million from China Media Investment, including the investment return from IMAX China, and representing approximately 126% of the cumulative actual amount invested by the Fund.

As of the end of 2016, the carrying value of the Fund's interest in China Media Investment was US$20.98 million, representing a decrease of 19.12% from the value at the end of last year of US$25.94 million.

As of the end of 2016, the unaudited net asset value of China Media Investment was RMB1.918 billion, representing an increase of 70.49% over RMB1.125 billion at the end of last year, due primarily to the disposal of its interest in certain investment projects for cash during 2016.

By the end of December 2016, China Media Investment had completed the full exit of one project and currently still holds a total of six projects, namely Star China, Renren Inc., 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. Of these, a portion of its interest in Star China was disposed of at a price of RMB543 million in the fourth quarter of 2016 and shares of IMAX China have been sold gradually.

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 subsequently received a partial return of capital from NBA China in January 2013 and March 2016, respectively, with the total amount of returned capital amounting to US$18.42 million. The principal amount of the Fund's investment in NBA China then decreased to US$4.58 million, accordingly. As of 31 December 2016, the Fund held a 1% partnership interest in NBA China. The Fund received a cash distribution from NBA China of US$293,500 and US$442,800 in January 2016 and January 2017, respectively. On 24 March 2017, the Fund received another partial return of capital of US$1.56 million from NBA China, and the principal amount of the Fund's investment in NBA China further decreased to US$3.02 million.

As of the end of 2016, the carrying value of the Fund's interest in NBA China was US$26.70 million, representing an increase of 1.14% over US$26.40 million at the end of last year. The Fund's revenue attributable to its investment in NBA China for 2016 was US$1.76 million, down 82.66% year-over-year.

In June 2016, NBA China and the Ministry of Education of China jointly announced that both parties would extend their existing strategic partnership, pursuant to which they will comprehensively popularise and develop basketball as a sport at Chinese secondary and primary schools by launching various basketball activities on campus. Since the commencement of the new semester in September 2016, a basketball curriculum developed jointly by the Ministry of Education of China and NBA China has been launched in 525 secondary and primary schools, across 11 provinces and cities. In order to ensure a high quality of instruction for this basketball curriculum, NBA China organised coaching and training courses for the physical education teachers of these schools in August 2016.

On 30 July 2016, the first NBA-themed family entertainment centre in the world opened in Hubindao, Shanghai Xintiandi. The 1,500-square-metre NBA Playzone is equipped with a series of areas and activities featuring basketball elements, appealing to children and their parents.

In 2016, NBA China announced successively that it had signed marketing and sponsorship agreements with several partners, including vivo, Exxon Mobil, eHi Car Services, BesTV, and LeSports (cooperation in Hong Kong and Macau), among others. In addition, in October 2016, NBA China and Tencent Sports jointly announced the initial launch of the NBA League Pass service in China, enabling basketball fans in China to watch live broadcasts of over 1,300 games on their mobile devices and personal computers for the entire NBA season.

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 held 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 September 2015, certain existing shareholders of Unibank Media increased their capital position in the company by cash of RMB75 million (and the corresponding valuation of Unibank Media was approximately RMB1,071 million after the capital increase, accounting for 7% of the equity interest of Unibank Media after the capital increase, meaning that the stake of shareholders who did not participate in the capital increase was diluted by approximately 7%, accordingly). After the completion of the capital increase, the Fund's equity interest in Unibank Media was diluted to 7.09%, accordingly, and to 6.03% net of the incentive to management as outlined above.

As of the end of 2016, the carrying value of the Fund's interest in Unibank Media was US$3.30 million, representing an increase of 13.79% over US$2.90 million at the end of last year.

For 2016, Unibank Media recorded an unaudited net loss of RMB113.08 million, due primarily to a decrease in operating income and an increase in operating costs.

In 2016, Unibank Media initiated a group restructuring and intends to complete its overall conversion into a joint-stock limited company during 2017. In addition, given that many traditional media ventures are transforming into multi-dimensional, Internet-based, all-media ventures, Unibank Media also intends to transform itself from a single bank media platform into a digital big data platform. The specific work in this regard includes collecting big data on the consumption patterns of customers by strengthening cooperation with bank channels, then providing targeted services to advertisers with a view to enhance the effectiveness of promotional advertisements, and thereby increasing its operating income.

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.

As of the end of 2016, the carrying value of the Fund's interest in Esurfing was US$15.81 million, representing a decrease of 29.67% from the value at the end of last year of US$22.48 million.

For the eleven months ended 30 November 2016, Esurfing recorded an unaudited net profit of RMB85.57 million, up 121.27% year-over-year, due primarily to prior investments made in content, platform development and marketing that have gradually delivered its results.

In July 2016, Besttone Holding Co., Ltd. ("**Besttone**"), a Shanghai-listed company controlled by China Telecommunications Corporation, announced the acquisition of the entire equity interest of Esurfing based on a valuation of RMB1,941 million. The Fund decided to replace all of its equity interest in Esurfing with the A shares of Besttone, based on the above valuation, with approximately 7.21 million Besttone shares to be issued at a price of RMB14.45 per share. The replacement shares will have a lock-up period of one year. The transaction obtained all necessary approvals from the regulatory authorities and was completed in March 2017.

Shanghai Oriental Pearl Media Co., Ltd. ("Oriental Pearl") is a new operating entity formed following a merger and reorganisation with BesTV New Media Co., Ltd. ("**BesTV**"), a listed company under Shanghai Media Group Ltd. ("**SMG**"), of Shanghai Oriental Pearl (Group) Co., Ltd., formerly also a listed company, along with the injection of relevant advertising, 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. In November 2016, the Fund received a cash dividend of RMB0.85 million declared by Oriental Pearl for 2015.

As of the end of 2016, the carrying value of the Fund's interest in Oriental Pearl was US$10.06 million, representing a decrease of 28.25% from the value at the end of last year of US$14.02 million.

On 29 October 2016, Oriental Pearl announced that its unaudited net profit for the first three quarters of 2016 amounted to RMB1.929 billion, down 23.59% year-over-year.

After the reorganisation, Oriental Pearl further expanded its business with the funds raised from the directed share placement by investing in Infront Sports & Media AG, and by commencing strategic cooperation with Square Enix, Perfect World Software Technology, ZTE, Huawei, Beijing Qihoo Network, etc.

In October 2016, Oriental Pearl announced that it will produce a reality show, with Yunji Future Media and Discovery Network of the US as co-producers.

Yunnan Jinlanmei International Travel Investment Development Co., Ltd. ("Jinlanmei Travel") was established in Mengla County, Xishuangbanna Dai Autonomous Prefecture, Yunnan in 2016, with registered capital of RMB100 million. Based in Yunnan, Jinlanmei Travel will seek to establish a global presence and engage broadly in the operation of tourism and shipping within the territorial waters of the Lancang/Mekong River. Jinlanmei Travel was established jointly by the Fund and Shanghai-listed Yunnan Metropolitan Real Estate Development Co., Ltd. ("**Yunnan Metropolitan**"), among others, with stakes of 20% and 35%, respectively. In October 2016, the Fund completed the first capital contribution of RMB10 million (equivalent to US$1.49 million) to Jinlanmei Travel, with the remaining RMB10 million of capital to be injected according to the development progress of Jinlanmei Travel.

As of the end of 2016, the carrying value of the Fund's interest in Jinlanmei Travel was US$1.44 million.

With a view to promote sound development of the shipping business along the course of the Lancang/Mekong River, and to facilitate the commencement of relevant businesses as soon as possible, Jinlanmei Travel has started due diligence on companies engaged in similar businesses in the region and has entered into substantive acquisition negotiations with some of the companies.

Rong Bao Zhai Culture Co., Ltd. ("Rong Bao Zhai Culture") was established in Beijing in December 2015. Its main businesses include the sale of art supplies, handicrafts, calligraphy artwork, framed calligraphy artwork, and carving artwork, as well as the sponsorship of art exhibits and cultural/artistic exchange activities. Rong Bao Zhai Culture will be an important business development platform for its controlling shareholder, Rong Bao Zhai, in the future. The Fund agreed to advance cash of RMB300 million in total to Rong Bao Zhai Culture for a period of 5 years, with the right to convert the loan into an equity interest in Rong Bao Zhai Culture during the term of the loan, subject to the fulfillment of certain precedent conditions. In December 2016, the Fund disbursed RMB200 million (equivalent to US$28.86 million), and expects to disburse the remaining balance during the first half of 2017.

As of the end of 2016, the carrying value of the Fund's debt in Rong Bao Zhai Culture was US$28.83 million.

Currently, Rong Bao Zhai is still in the process of injecting assets into Rong Bao Zhai Culture, its sole business development platform, with an expectation that the process will be completed in 2017.

Shenzhen Geesun Intelligent Technology Co., Ltd. ("Geesun Intelligent") 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 Shenzhen Geesun Zhiyun Technology Co., Ltd. ("**Geesun Zhiyun**") in April 2015 as a result of an acquisition and capital increase, and was further changed to its present name upon the completion of the equity transfer mentioned below in October 2016. The Fund invested RMB20 million (equivalent to US$2.93 million) in May 2010 and held a 9.73% equity interest in Geesun Intelligent as of 31 December 2016.

As of the end of 2016, the carrying value of the Fund's interest in Geesun Intelligent was US$3.65 million, representing an increase of 78.05% over US$2.05 million at the end of last year.

On 13 June 2016, 大連智雲自動化裝備股份有限公司 (Dalian Zhiyun Automation Co., Ltd., "**Zhiyun**") announced that its board of directors agreed to transfer all of its 55.6911% equity interest in Geesun Zhiyun to CAS Investment Management Co., Ltd. ("**CASI**"), the second largest shareholder of Geesun Zhiyun. In addition, the senior management assigned by Zhiyun also transferred their 0.3042% equity interest in Geesun Zhiyun to CASI. The overall valuation of Geesun Zhiyun in the transaction was RMB200 million. The transaction was completed in October 2016 and Geesun Zhiyun was renamed as "Shenzhen Geesun Intelligent Technology Co., Ltd.". In December 2016, CASI increased its capital position in Geesun Intelligent by RMB60 million and the Fund's interest in Geesun Intelligent was diluted from 12.65% to 9.73%, as it did not participate in the capital increase.

As the demand for electric and hybrid new energy automobiles in downstream markets has increased, the business performance of the lithium ion battery equipment industry has also improved substantially. Geesun Intelligent recorded an unaudited net profit of RMB15.81 million for 2016, representing a significant increase as compared to the same period last year.

Jiangsu Huaer Quartz Materials Co., Ltd. ("Jiangsu Huaer") was established in Yangzhou, Jiangsu and is principally engaged in the research and development, and production, of high purity silica crucibles. Jiangsu Huaer is a manufacturer producing silica crucibles with comprehensive specifications in China, 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.

As of the end of 2016, the carrying value of the Fund's interest in Jiangsu Huaer was US$0.47 million, representing an increase of 261.54% over US$0.13 million at the end of last year.

Market demand for both the single crystalline silicon solar cells and high purity silica crucible products used in production slightly recovered in 2016 as compared to 2015. However, due to past-due trade receivables, the turnover of Jiangsu Huaer's working capital slowed and its financing costs remained high, greatly affecting its normal production and operations. Jiangsu Huaer did not achieve profitability during the year. Currently, while decreasing supply to the delinquent customers and stepping up efforts to recover past-due trade receivables, Jiangsu Huaer is also continuing to develop other domestic and overseas customers by leveraging its industry-leading production capability for large-size products and high degree of quality control. However, the past-due trade receivables remain considerable, leading to tight liquidity, thereby limiting the number of orders the company can receive. As such, Jiangsu Huaer may not see a significant improvement in its operating results.

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.

As of the end of 2016, the carrying value of the Fund's interest in Hwagain was US$5.91 million, representing an increase of 66.95% over US$3.54 million at the end of last year.

Against the backdrop of a sluggish macro economy, the papermaking industry has been in a process of cutting overcapacity and the market for printing paper remained weak in 2016. For Hwagain, which operates with a "Forest-Pulp-Paper Integration" business strategy, its forest resources have entered into a felling cycle and the forestry business has realised a profit. In addition, the construction of Project Phases I and II in Ganzhou, Jiangxi have been completed and put into production, and the automation and production efficiency of imported equipment for the new project have been higher. Both factors have helped to improve product quality and reduce the production cost of pulp and paper for Hwagain, all of which has in turn helped Hwagain to maintain a relatively strong competitive position in the market for tissue paper.

Hwagain's forestry business performed well in 2016, which has supported its profitability to a relatively large extent, amid sluggish market demand in the papermaking industry. For the first three quarters of 2016, Hwagain achieved an unaudited net profit of RMB174 million, representing a significant increase as compared to the same period last year.

Wuhan Rixin Technology Co., Ltd. ("Wuhan Rixin") was established 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 4.34% equity interest in Wuhan Rixin as of 31 December 2016. In December 2016, the Fund received a cash dividend of RMB1.65 million from Wuhan Rixin for the first half of 2016.

As of the end of 2016, the carrying value of the Fund's interest in Wuhan Rixin was US$4.40 million, representing a decrease of 42.48% from the value at the end of last year of US$7.65 million.

On 5 February 2016, the stock of Wuhan Rixin was listed for trading on the New Third Board.

On 10 August 2016, Wuhan Rixin announced that its unaudited net profit for the first half of 2016 (including extraordinary items) was RMB35.39 million, as compared to a loss of RMB18.73 million in the same period last year. The increase in net profit was due to the completion of a 110-megawatt photovoltaic power station in Zhongguanyi Town, Macheng, Hubei, with income recognised according to the completion schedule.

Wuhan Rixin convened a board meeting and a shareholders meeting in April and May 2016, respectively, during which a resolution in relation to the establishment of a development fund for the photovoltaic and distributed energy industry, in a joint effort by the company with 湖北省資產管理有限公司 (Hubei Assets Management Co., Ltd.), was considered and approved. Pursuant to the resolution, Wuhan Rixin will contribute RMB300 million, representing 30% of all capital contributions to the fund. In addition, as a promoter shareholder, Wuhan Rixin will also contribute RMB4.2 million and hold a 28% equity interest in the company managing the fund. It is expected that this investment will further increase the influence of Wuhan Rixin in the photovoltaic and distributed energy industry. The fund and the fund management company completed their business registrations in June 2016 and obtained their business licenses.

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 online 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 31 December 2016, the Fund held a 4.83% equity interest in Jinpower Electrical.

As of the end of 2016, the carrying value of the Fund's interest in Jinpower Electrical was US$1.60 million, representing a decrease of 25.93% from the value at the end of last year of US$2.16 million.

On 11 January 2016, the stock of Jinpower Electrical was listed for trading on the New Third Board.

On 30 August 2016, Jinpower Electrical announced that its unaudited net loss for the first half of 2016 was RMB2.51 million, as compared to a profit in the same period last year. The loss was mainly due to a decrease in revenue and an increase in the provision for bad debts.

The State Grid Corporation of China has restarted the bidding process for smart power grid online monitoring equipment. As a result of continuous improvement in its new products and new businesses, the number of bids won by Jinpower Electrical has been increasing.

Jinpower Electrical was identified as an important partner for the Investment and Loan Linkage Mechanism of the Bank of China and completed the "Signing Ceremony for the Cooperation Agreement of the Investment and Loan Linkage Mechanism of the Bank of China" in Beijing on 16 December 2016. This agreement is expected to have a positive impact on the future financing, production, and operating results of the company.

Following the listing of the stock on the New Third Board, Jinpower Electrical's internal controls and corporate governance have been enhanced significantly and the company is now planning for an internal equity incentive scheme.

Anhui Iflytek Venture Capital LLP ("Iflytek Venture Capital") was established in Hefei, Anhui in December 2015, with an investment horizon of 7 to 9 years and with a fund size of RMB602 million. Its major investment targets are industries related to the Internet and applications of artificial intelligence (AI) in China, to areas including education, healthcare, tourism, motor vehicles, Internet of Things (IoT), smart hardware, information security, e-commerce, interactive entertainment, smart toys, robotics and Internet advertising. The general partner and investment manager of Iflytek Venture Capital is Wuhu Iflytek Investment Management LLP, which is responsible for defining and executing the investment strategy for Iflytek Venture Capital, as well as for managing their operations. The Fund has committed to subscribe to an aggregate of RMB90 million by installment, for a 14.95% interest in Iflytek Venture Capital. In December 2016, the Fund completed the first capital contribution of RMB36 million (equivalent to US$5.19 million) to Iflytek Venture Capital, representing 40% of the subscription amount committed by the Fund.

As of the end of 2016, the carrying value of the Fund's interest in Iflytek Venture Capital was US$5.19 million.

By the end of 2016, Iflytek Venture Capital had completed investments in eight projects, and some of them are preparing for listing application.

Iflytek Co., Ltd. ("Iflytek") was established in 1999 and headquartered in Hefei, Anhui. It was listed on the SME board of the Shenzhen Stock Exchange in May 2008. It is a national key software enterprise dedicated to the research of intelligent speech and language technologies and AI technologies, the development of software and chip products, the provision of speech information services, and the integration of e-government systems. During the period of November to December 2016, the Fund acquired 4.54 million A shares of Iflytek at an average price of RMB28.64 per share on the secondary stock market of Mainland China, accounting for 0.345% of the issued share capital of Iflytek at 31 December 2016, for an aggregate invested amount of RMB130 million (equivalent to US$18.83 million).

As of the end of 2016, the carrying value of the Fund's interest in Iflytek was US$17.71 million.

On 21 March 2017, Iflytek announced that its audited net profit for 2016 was RMB484 million, up 13.90% year-over-year.

In 2016, Iflytek rationalised its business lines once again by reclassifying the original four types of products into six types of products, namely 1) supporting software and products, i.e. solutions for customer service and the motor vehicle sector; 2) products and services for the education industry, including the smart education business and the education business of Anhui Institute of Information Technology; 3) Internet-related products and value-added operations, with a focus on the operation of telecommunication value-added products in cooperation with telecom operators, as well as Internet services and smart hardware represented by smart speakers; 4) IFLYTEK-C3 mainly comprising products related to public security and smart city; 5) products and services related to big data, i.e. analysis and application of communication information, as well as the newly arranged advertising platform for big data which Xunfeiruiyuan (訊飛瑞元) is responsible for; 6) systems integration, including information engineering, and audio and video monitoring which Tongli (通立信息) is responsible for.

Nanjing Sanhome Pharmaceutical Co., Ltd. ("Sanhome Pharmaceutical") was established 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 state-accredited high technology enterprise. The Fund invested RMB105 million (equivalent to US$17.17 million) in December 2013 for a 3.50% equity interest in Sanhome Pharmaceutical. In June 2016, the Fund received a cash dividend of RMB3.50 million from Sanhome Pharmaceutical for 2015.

As of the end of 2016, the carrying value of the Fund's interest in Sanhome Pharmaceutical was US$20.98 million, representing a decrease of 45.59% from the value at the end of last year of US$38.56 million.

In 2016, the sales volume and revenue of Sanhome Pharmaceutical's primary products — Xiaoaiping Injection, Levornidazole and Sodium Chloride Injections — increased by varying degrees. However, its unaudited net profit decreased as compared to the same period last year due to a relatively significant increase in selling expenses.

Sanhome Pharmaceutical submitted its IPO application materials to the CSRC in June 2015 and the IPO application has finally been turned down by the CSRC in March 2017.

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, with stakes of 30% and 70%, 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 disbursed according to the development progress of Xinhua Preschool Education.

As of the end of 2016, the carrying value of the Fund's interest in Xinhua Preschool Education was US$7.27 million, representing a decrease of 6.68% from the value at the end of last year of US$7.79 million.

In September 2016, Guigang Xinhua Kindergarten (貴港新華幼兒園) under Xinhua Preschool Education officially commenced student enrollment. Xinhua Preschool Education has completed the construction of five kindergartens in total, with enrollment completed for four of the five. Moreover, Xinhua Preschool Education has been in promising negotiations with a number of medium-to-large communities in the region for the construction of additional kindergartens. Xinhua Preschool Education will continue with its plans for preparing and establishing new kindergartens and it will establish new kindergartens through various methods, including self-construction, leasing and custody.

Xinhua Preschool Education recorded an unaudited net loss of RMB2.63 million in 2016, representing a decrease in loss as compared to the same period last year.

Liaoning Zhenlong Native Produce Holding Company Ltd. ("Liaoning Zhenlong") was established in Fuxin, Liaoning in 2000. It is a joint-stock 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.. 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.

As of the end of 2016, the carrying value of the Fund's interest in Liaoning Zhenlong was nil, same as that at the end of last year.

In January 2016, the CSRC officially initiated an investigation into possible irregularities related to the proposed IPO of Liaoning Zhenlong, and at the same time issued a letter of investigation to the intermediaries appointed by Liaoning Zhenlong for the IPO. Through the investigation, the irregularities were proved to be true and the CSRC issued a Written Decision of Administrative Penalty in September 2016, in which it imposed administrative penalties on Liaoning Zhenlong and the relevant personnel who were responsible for the irregularities related to the proposed IPO. As the buy-back provision in the relevant investment agreement has been triggered, the Fund has engaged a law firm for an application of arbitration hearing with respect to the buy-back of interests held by the Fund by the related parties of Liaoning Zhenlong and the execution thereof. Meanwhile, the Fund is also actively seeking a suitable way to exit from the project.

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.

As of the end of 2016, the carrying value of the Fund's interest in NTong was nil, same as that at the end of last year.

NTong lost contact with Mr. GUAN Peiyi, chairman of the board, on 8 September 2014. At the same time, NTong discovered through an internal 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 reported the matter to the Public Security Authority of China and passed a resolution to dismiss Mr. GUAN Peiyi from his duties as chairman of the board.

NTong has filed for bankruptcy in the court of Haidian District, Beijing and a restructuring proposal has been submitted by the interested party to the court in which the reorganisation may take place. The management of NTong, the investors and the creditors are in negotiation regarding the proposal. The Fund is closely monitoring the 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, 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 equity interest in Teralane Semiconductor.

As of the end of 2016, the carrying value of the bonds of Teralane Semiconductor held by the Fund was US$0.45 million, representing a decrease of 6.25% from the value at the end of last year of US$0.48 million.

On 15 January 2014, the Fund entered into a supplemental agreement with Teralane Semiconductor confirming the non-exercise of the conversion right, pursuant to which, Teralane Semiconductor paid interest of RMB1.20 million for the period from December 2011 to December 2013 to the Fund. However, it did not make any payment to the Fund subsequently for the principal amount of RMB5 million or the accrued interest.

Through the end of 2016, the Fund has made proactive efforts to recover an aggregate principal amount of over RMB3.13 million from Teralane Semiconductor through various methods (including filing a lawsuit and request for seizure of its bank accounts, etc.). The Fund has learned that Teralane Semiconductor suspended operations and was listed as a company with anomalous operations by Shenzhen's relevant authorities. The Fund has also been unable to contact the company with the information registered recently and it is expected that it will be unlikely to recover the remaining amount.

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.

As of the end of 2016, the carrying value of the Fund's interest in Chengtian was US$3.68 million, representing a decrease of 5.64% from the value at the end of last year of US$3.90 million.

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 flow 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.

In April 2016, the controlling shareholder of Chengtian made a further payment of RMB0.20 million to the Fund, as a good faith gesture. In October 2016, the management of Chengtian met with its institutional shareholders (including the Fund) to express its interest in working with shareholders to list Chengtian on the New Third Board by spinning off part of its business as a new entity. The management is also willing to proceed with negotiations on further repayment plans.

PROSPECTS

In 2017, the global economy is expected to face cloudy prospects for growth as it confronts a number of significant challenges, including a decrease in the potential rate of global growth, instability in the world economy resulting from possible implementation of protectionist trade policies by the US, and the increasingly apparent risk of setbacks in globalisation and international economic cooperation. While China is still in an important transformational period for structural adjustments and reforms, economic growth will continue to slow, and Chinese economic growth may be lower in 2017 than in 2016. With respect to the climate for investment, it is anticipated that investments in China will demonstrate steady growth in 2017. Among these, investments in infrastructure will maintain its robust growth, and the orderly promotion of new type of urbanisation will continue to support demand, while investment growth in the manufacturing industry will continue to recover. In terms of trade, exports are expected to become stable at a lower level in 2017, benefiting from the gradual effect of measures taken to stabilise exports, and given the relatively low base in the previous period. In 2017, consumption will continue to maintain its steady growth, which will provide stable support to overall economic growth. In addition, prices have evaded the risk of deflation and are instead entering into a period of mild inflation. Given that economic growth in China during 2017 may be relatively slow, it is expected that the operating results of the investment projects (mainly operating in China) held by the Group will be impacted to a certain degree.

The Central Economic Working Conference, which was convened in December 2016, has pledged stability and reform as the keynotes of 2017. The Central Government has thus given priority to economic stability in 2017, and stressed that fiscal policy should be proactive and effective, whereas monetary policy should be steady and moderate. Under these policies, the Central Government plans to hold the RMB exchange rate relatively stable, at a reasonable and balanced level, while improving the flexibility of the exchange rate. Moreover, the Central Government intends to give higher priority to the prevention and control of financial risks and is determined to eliminate a number of risk factors, in part by curbing the real estate bubble and establishing a long-term effective mechanism for the steady and healthy development of the real estate market. Furthermore, it intends to further promote "cutting overcapacity, destocking, deleveraging, reducing costs and improving weak links", as well as supply-side agricultural reforms, and it expects to expend great effort to revitalise the real economy, further advance the reform of state-owned enterprises, and continue to implement the "One Belt and One Road" Initiatives. Given that the Central Government is stepping up its adjustments to economic structure, new industries, new business forms and models are likely to thrive and develop rapidly. New economic sectors such as high-tech and strategic emerging industries, especially in the areas of AI and culture and media, will receive greater support from government policies and more attention from capital markets. With the advent of the big data era, along with improvement in algorithms and enhancement in the accuracy of unsupervised learning, AI will face another period of rapid growth, in which "big data + AI" will profoundly change the structure of traditional industries. It is here that the Group will continue to seek out the best opportunities for investment.

BUSINESS STRATEGY

The Fund is an investment company listed on the Hong Kong Stock Exchange. Its main business is to invest directly in high quality unlisted enterprises in China, as well as in China-concept shares listed on domestic and overseas markets. Our strategies are: to primarily invest in high quality and mature investment projects while also seizing good opportunities in emerging industries; to invest in outstanding and leading listed enterprises and cooperate with them so as to explore quality unlisted projects in their respective industry supply chains; to closely monitor changes in global financial conditions and in China's economic policies for diverse investments; to continue to view industry developments from a broad perspective and avoid the risk of investing in overheated sectors, to focus on relatively regulated industries and relatively large projects, and to pay more attention to key projects with government support and with the backing of state-owned enterprises or listed companies; to constantly optimise the investment portfolio and to manage the level of risk; to avoid blindly engaging in price competition when bidding on investment projects; and to fulfill our goal of long-term capital preservation and appreciation. Our future investment focus is on the financial industry with a focus on the insurance sector, on emerging technology industries featuring AI, on great cultural industry with a focus on culture and tourism, and on great healthcare industry with a focus on medicine and healthcare. We continue to explore the means for proper participation in investments in listed companies, as guided by our direct investment concepts.

KEY RISK FACTORS

The Fund faces various risks and uncertainties in its operations. Taking into account the operations of the Fund, the key risks and uncertainties considered to be faced by the Fund are listed below. Please note that in addition to those listed below, the Fund may also be exposed to other risks and uncertainties.

Economic Risk

The Fund invests in enterprises with businesses or incomes derived from China. The businesses, financial conditions, operational results and prospects of Chinese enterprises are largely subject to the macroeconomic development of China. As China is still an emerging economy, its economy is different from developed economies in many respects, including but not limited to the government regulations, the models of economic growth, foreign exchange controls and the allocation of resources.

Market Competition Risk

The main business of the Fund is equity investments. With a booming private equity investment market in China, more and more investment companies or funds in the industry are entering the market, which results in keener competition among investment institutions for potential investment targets. The Fund is also facing increasingly intense competition in the industry and the market challenges of rising prices of investment targets.

Operation Risk

In evaluating and screening investment projects, the Fund must select relevant investment tools, consider the investment size, and adapt its investment strategies in different stages of an enterprise. This involves many complicated processes and factors. Although the Fund strives to consider and manage risk with skill and experience, the potential risks and uncertainties in investment analysis cannot be fully mitigated.

The enterprises in which the Fund has invested face various risks in their businesses and operations, including changes in the market environment of the industry, economic recession, incorrect operational decisions (such as over expansion or premature diversification), improper internal controls, unstable management teams, and the failure of management to meet expectations. The risks from the businesses and operations of the enterprises in which the Fund has invested will have an effect on the investment time cost and investment returns of the Fund.

In addition, according to the relevant listing rules of the Hong Kong Stock Exchange, the Fund cannot, either on its own or in conjunction with any connected parties, take legal or effective management control of enterprises in which the Fund has invested, and furthermore cannot own or control more than 30% of the voting rights in any one enterprise. As a result, the Fund may act only as a strategic investor in an enterprise, and cannot actively participate in the management or operations of the enterprise. Although the Fund strives to safeguard its rights according to applicable laws and regulations, it may incur investment losses if the controlling shareholder or management of an enterprise intentionally deceives or conceals significant matters related to the operations of the enterprise.

Stock Market Risk

The Fund currently holds a large quantity of stocks of listed companies and the Fund may also allocate a portion of its assets to the secondary stock market. The stock market is subject to political, economic, social and other macro factors, which will result in the fluctuation of stock prices. As the stocks of listed companies held by the Fund are marked to market, such fluctuations will affect the value of the listed stocks held by the Fund and will cause fluctuation in the net asset value of the Fund.

Legal Uncertainty

The enterprises and assets in which the Fund has invested are mainly located in China and are subject to the laws and regulations of China. China's legal system is based on written statutes. Prior court decisions may be cited as reference but have limited precedential value. In addition, since the late 1970s, with a view towards developing a comprehensive system of commercial law to deal with economic matters, the Central Government has promulgated relevant laws and regulations on the issuance and trading of securities, shareholders' rights, foreign investment, corporate organisation and governance, commerce, taxation, and trade, among other topics. However, as these laws and regulations are relatively new and the external environment continues to evolve, the effect of these laws and regulations on the rights and obligations of relevant institutions, enterprises and individuals may involve uncertainty. As a result, the legal protections for assets in China available to investors under Chinese commercial laws and regulations may be limited.

Policy and Regulatory Risk

The enterprises in which the Fund has invested involve different industries and their value is subject to the development of or changes in government policies, taxation, laws and regulations. The relevant policies, laws and regulations, or relevant interpretations of these statues, may change in the future, which may affect the value of the enterprises in which the Fund has invested.

Exchange Rate Fluctuation Risk

Most of the Fund's investments are located in China where the official currency is the RMB. The conversion rates of RMB against US dollar and other currencies may fluctuate as they are subject to domestic and international political and economic conditions, as well as to the fiscal and monetary policies of governments, among other factors. The businesses, financial conditions, operational results and prospects of the enterprises in which the Fund has invested may be affected by fluctuations in the RMB, which will in turn affect the value of the enterprises in which the Fund has invested. In addition, the Fund is also subject to fluctuations in the RMB exchange rate on currency swaps and conversions, which will eventually affect the net asset value of the Fund reported in US dollars.

Foreign Exchange Control Risk

The RMB is not a freely convertible currency currently. The remittance of profits, dividends, investment principal and returns by overseas investors to jurisdictions outside of China is subject to relevant regulations of China. Generally speaking, overseas investors can remit their profits, dividends, investment principal and returns to jurisdictions outside of China, but they must first obtain approval from the relevant national foreign exchange authorities. The Fund, as an overseas investor, cannot make assurances as to when it can obtain such approval if an application is made, which may limit the ability of the Fund to pay dividends or make other distributions.

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 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 31 December 2016, details of aggregate amounts actually provided by the Participants and their relative proportion to the investment amounts actually paid by the Fund were as follows:

Name of projects	Original investment amount of the Fund *US$**	Original amounts actually paid by the Participants *US$**	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 Intelligent	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%
JIC Leasing	38,781,800	65,810	0.170%
China Re	19,308,300	41,290	0.214%
Jinlanmei Travel	1,489,000	14,180	0.952%
Iflytek	18,827,500	33,500	0.178%
Iflytek Venture Capital	5,193,900	9,270	0.178%
Rong Bao Zhai Culture	28,855,000	86,790	0.301%

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

In addition, as of 31 December 2016, details of the amounts actually paid by some of the 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$*	**Mr. LI Yinquan** (Note 2) *US$*	**Mr. WANG Xiaoding** (Note 3) *US$*	**Mr. TSE Yue Kit** (Note 4) *US$*	**Mr. LAW Hung Kuen, Janson** (Note 5) *US$*
Unibank Media (1st round capital injection)	12,900	N/A	20,640	1,290	N/A
Wuhan Rixin	3,510	N/A	3,510	1,290	N/A
Unibank Media (2nd round capital injection)	6,950	N/A	6,950	1,290	N/A
China Media Management	300	N/A	1,160	30	N/A
Geesun Intelligent	4,640	N/A	5,780	1,290	N/A
China Media Investment (1st installment capital contribution)	2,500	N/A	10,040	250	N/A
Jiangsu Huaer	3,500	N/A	4,380	1,290	N/A
Jinpower Electrical	4,830	N/A	6,030	1,280	N/A
China Media Investment (2nd installment capital contribution)	390	N/A	1,570	40	N/A
Liaoning Zhenlong	4,720	N/A	4,620	1,280	N/A
NTong	16,420	N/A	12,830	1,280	N/A
Teralane Semiconductor	3,090	N/A	2,570	1,290	N/A
Hwagain	12,880	N/A	12,880	1,290	N/A
China Media Investment (3rd installment capital contribution)	430	N/A	1,710	40	N/A
China Media Investment (4th installment capital contribution)	1,820	N/A	7,260	180	N/A
Chengtian	12,890	N/A	6,440	1,290	N/A
China Media Investment (5th installment capital contribution)	190	N/A	780	20	N/A
Esurfing	12,890	N/A	12,890	1,290	N/A
China Media Investment (6th installment capital contribution)	2,220	N/A	8,880	220	N/A
China Media Investment (7th installment capital contribution)	1,300	N/A	5,200	130	N/A
Sanhome Pharmaceutical	12,900	N/A	6,450	1,290	N/A
China Media Investment (8th installment capital contribution)	790	N/A	3,170	80	N/A
China Media Investment – IMAX China	6,450	N/A	6,450	1,290	N/A

Name of projects	Mr. HONG Xiaoyuan (Note 1) *US$*	Mr. LI Yinquan (Note 2) *US$*	Mr. WANG Xiaoding (Note 3) *US$*	Mr. TSE Yue Kit (Note 4) *US$*	Mr. LAW Hung Kuen, Janson (Note 5) *US$*
China Media Investment (9th installment capital contribution)	330	N/A	1,330	30	N/A
Xinhua Preschool Education (1st installment capital contribution)	2,150	N/A	4,310	440	N/A
Oriental Pearl	13,930	N/A	38,870	1,390	N/A
JIC Leasing	N/A	3,870	12,900	1,290	N/A
China Re	N/A	3,870	12,900	1,290	1,290
Jinlanmei Travel	N/A	1,290	3,220	640	640
Iflytek	N/A	2,580	12,890	1,290	1,290
Iflytek Venture Capital	N/A	2,580	6,440	1,290	1,290
Rong Bao Zhai Culture	N/A	1,730	8,590	860	860

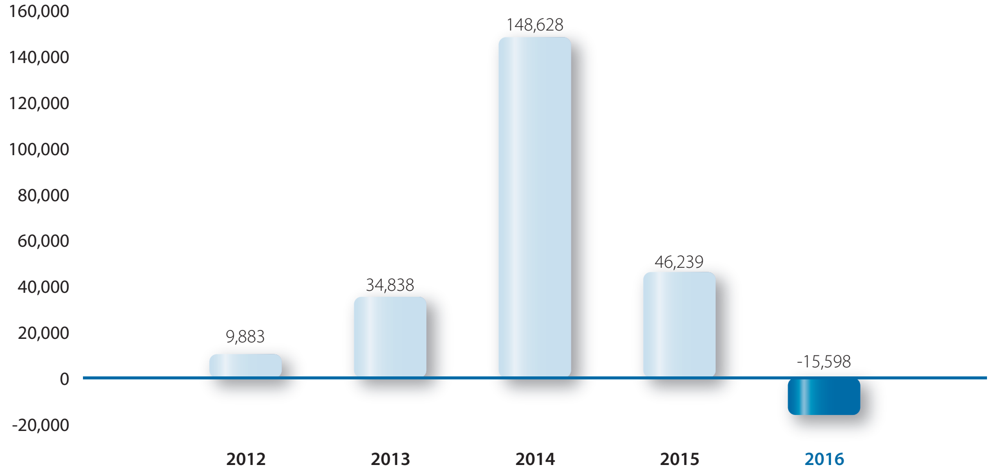
Note 1: Chairman of the Fund
Note 2: Director of the Fund and Chairman of the Investment Manager
Note 3: Director of the Fund and Managing Director of the Investment Manager
Note 4: Director of the Fund and Director of the Investment Manager
Note 5: Director of the Investment Manager

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

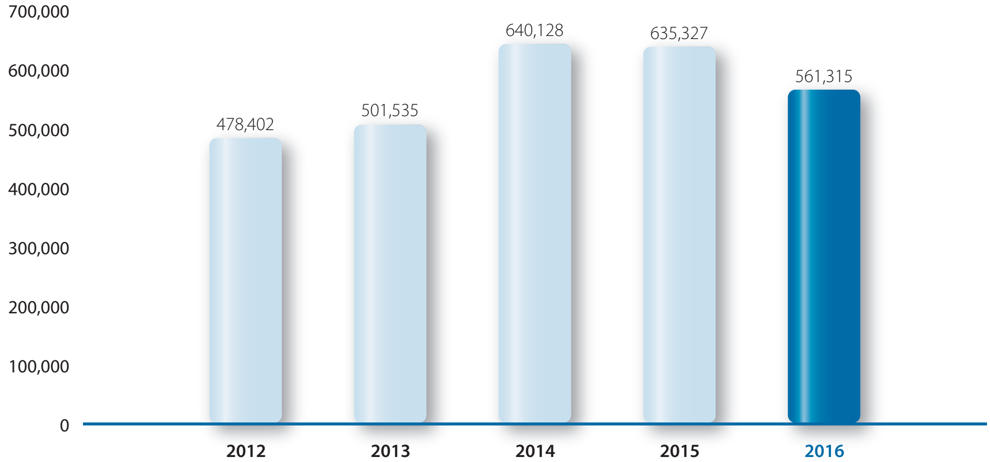
Hong Kong, 30 March 2017

YEAR	NET PROFIT (LOSS) *(US$'000)*	NET ASSETS *(US$'000)*
2016	**(15,598)**	**561,315**
2015	46,239	635,327
2014	148,628	640,128
2013	34,838	501,535
2012	9,883	478,402

NET PROFIT (LOSS) (US$'000)



NET ASSETS (US$'000)



The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of the subsidiaries are set out in note 29 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's prospects are provided in the Chairman's Statement and the Investment Manager's Discussion and Analysis on pages 4 to 5 and pages 7 to 29 of the Annual Report, respectively. Description of key risk factors and uncertainties that the Group is facing is provided in the Investment Manager's Discussion and Analysis on pages 30 to 32 of the Annual Report and in note 4 to the consolidated financial statements while the financial risk management objectives and policies of the Group can be found in note 5 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Summary on page 116 of the Annual Report. In addition, discussions on the Group's compliance with relevant laws and regulations which have a significant impact on the Group, relationships with its key stakeholders and environmental policy are contained in the Corporate Governance Report on pages 49 to 63 of the Annual Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 73 to 75.

The Directors recommend the payment of a final dividend of US$0.06 per share (2015: final dividend of US$0.06 and special dividend of US$0.09 per share) for 2016 to the shareholders on the register of members on 2 June 2017 amounting to US$9,139,981 (2015: US$22,849,952).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 116 of the Annual Report.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company has an amount of US$33,739,011 (31 December 2015: US$42,727,036) available for distribution as at 31 December 2016.

ISSUED SHARES

Details of movements during the year in the issued shares of the Company are set out in note 23 to the consolidated financial statements.

EMOLUMENT POLICY

The emoluments of the Directors of the Company are fixed by the Board of Directors with the authorisation by the shareholders meeting.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

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

As at the date of this report, in accordance with Article 105 of the Articles of Association of the Company, Mr. WANG Xiaoding, Mr. TSE Yue Kit, Mr. TSANG Wah Kwong and Dr. LI Fang retire and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the Independent Non-executive Directors as regards their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and considers that each of the Independent Non-executive Directors is independent to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors:

Mr. HONG Xiaoyuan, aged 54, has been an Executive Director of the Company since June 2007, and has become the Chairman of the Company since November 2014. He is currently an Assistant General Manager of China Merchants Group Limited and the Chairman and Chief Executive Officer of China Merchants Finance Holdings Company Limited, both of the companies are substantial shareholders of the Company. He is also a Vice Chairman of China Merchants Capital Investment Co., Ltd., a Director of China Merchants Bank Co., Ltd. (its shares are listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange), and the Chairman of China Merchants Finance Investment Holdings Co., Ltd. and Shenzhen CMB Qianhai Financial Asset Exchange Co., Ltd. He was a Director of China Merchants Securities Co., Ltd. (its shares are listed on the Shanghai Stock Exchange) from July 2007 to February 2016. Mr. HONG obtained his master's degree in Economics from Peking University and master of science degree from The Australian National University.

Mr. LI Yinquan, aged 62, has been an Executive Director of the Company since July 2008. He was the Chairman of the Company prior to a job re-designation in November 2014. He is the Chairman of the Investment Manager. He is also the Chairman and Chief Executive Officer of China Merchants Capital Investment Co., Ltd., and an Independent Non-executive Director of Universal Medical Financial & Technical Advisory Services Company Limited (its shares are listed on the Hong Kong Stock Exchange). He was a Director of China Merchants Holdings (International) Company Limited (its shares are listed on the Hong Kong Stock Exchange) from June 2001 to March 2015 and a Director of China Merchants Bank Co., Ltd. (its shares are listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange) from April 2001 to June 2016. Mr. LI is a Hong Kong Deputy to the 12th National People's Congress of the PRC. Mr. LI joined China Merchants Group Limited in January 2000 and has served respectively as the General Manager of Finance Department, Deputy Chief Financial Officer, Chief Financial Officer, Vice President and Chief Financial Officer and Executive Vice President. Mr. LI previously worked with the Agricultural Bank of China for 14 years, where he held senior posts in various divisions and was the Deputy General Manger of Hong Kong Branch just before leaving for China Merchants Group Limited. Mr. LI obtained his master's degree in Economics from the Graduate School of the People's Bank of China and master's degree in Banking & Finance from the Finafrica Institute in Milan, Italy. He is also a qualified senior economist in China. Mr. LI was once honoured as "China CFO of the Year for 2005", "China Best CIO for the Year 2006" and "China Venture Group – Top 10 China Best Private Equity Annual Figures for 2015".

Mr. CHU Lap Lik, Victor, aged 59, has been an Executive Director of the Company since June 1993 and holds directorship in the Investment Manager and a subsidiary of the Company. He is also Chairman of First Eastern Investment Group which is a pioneer of private equity investments in the PRC. Mr. CHU is currently Chairman of the Hong Kong-Europe Business Council. He has formerly served on the Central Policy Unit of the Hong Kong Government, the Council of the Hong Kong Stock Exchange, the Takeovers and Mergers Panel and the Advisory Committee of the Securities and Futures Commission. Outside of Hong Kong, Mr. CHU was a Foundation Board Member of the World Economic Forum in Geneva from 2003 to 2015 and currently co-chairs the Forum's International Business Council. He is a Director of Camper & Nicholsons Marina Investments Limited, a company listed on the AIM, London. Mr. CHU took his law degree at University College London where he is now an Honorary Fellow.

Mr. WANG Xiaoding, aged 48, has been an Executive Director of the Company since September 2014 and holds directorship in a number of subsidiaries of the Company. He has also been the Managing Director of the Investment Manager since May 2014. He serves as the Chief Representative of the Investment Manager's Shenzhen Representative Office since March 2009. At the same time, he served as the Chief Investment Officer of the Investment Manager from June 2011 to May 2014. Before joining the Investment Manager, Mr. WANG served as Chief Executive Officer of Guangxi Baihe Chemicals Corp., Chief Financial Officer of Guangxi Fenglin Group Co., Ltd., Senior Software Engineer of Thrive Media Corporation in Canada, Finance Manager of Wellkent International Corporation in Canada. Currently, Mr. WANG serves as a Director of Wuhan Rixin Technology Co., Ltd., China Media (Tianjin) Investment Management Co., Ltd., Jiangsu Huaer Quartz Materials Co., Ltd., Hwagain Group Co., Ltd. and China Credit Trust Co., Ltd., and a Supervisor of JIC Leasing Co., Ltd. Mr. WANG is licensed with the Securities and Futures Commission in Hong Kong as responsible officer. Mr. WANG studied in Peking University, People's (Renmin) University of China and University of Alberta in Canada, where he obtained his bachelor's degree in Geo-economics, master's degree in Regional Economics and master's degree in Economics, respectively.

Mr. TSE Yue Kit, aged 55, has been an Executive Director of the Company since November 2000 and holds directorship in the Investment Manager and a subsidiary of the Company. Mr. TSE is the General Manager in the Funds Division of China Merchants Finance Holdings Company Limited, which is a substantial shareholder of the Company. Mr. TSE has a number of years extensive experiences in accounting, auditing, corporate finance as well as investment. Mr. TSE is licensed with the Securities and Futures Commission in Hong Kong as responsible officer. Mr. TSE obtained his bachelor's degree with honours in Accountancy from the University of Exeter, UK.

Ms. KAN Ka Yee, Elizabeth (alternate to Mr. CHU Lap Lik, Victor), aged 59, has been an Alternate Director of the Company since May 1999. She is Managing Director of First Eastern Investment Group with which she is a founding member since its establishment in 1988. She serves on boards of various companies which include Evolution Securities China Limited, Camper & Nicholsons Marina Investments Limited and Sustainable Development Capital (Asia) Limited. Ms. KAN was Deputy Managing Director and a Director of the Investment Manager from 1993 to 2006. Ms. KAN is licensed with the Securities and Futures Commission in Hong Kong. She is a Certified Public Accountant (U.S.A.) and a Fellow of the Hong Kong Institute of Certified Public Accountants. Ms. KAN is also a Member of the Hong Kong Securities Institute and a Fellow Member of the Hong Kong Institute of Directors. She began her professional career with the Hong Kong office of Arthur Andersen & Co. in the area of audit and business advisory services. Ms. KAN obtained her Bachelor of Science degree in Business Administration and Accounting and Bachelor of Arts degree in Economics from the University of Minnesota, Minneapolis, USA.

Mr. KE Shifeng, aged 51, has been a Non-executive Director of the Company since December 2009. He has 21 years investment experience. Mr. KE was employed by Martin Currie Investment Management Limited ("**Martin Currie**") between 1997 and 2006 to provide research and investment management services to certain of its clients investing in the Greater China and Taiwan markets. He also served as a Director of Martin Currie from February 2004 to June 2006. In 2006, Mr. KE and his partner left Martin Currie to form Heartland Capital Management Ltd. ("**Heartland**"); Heartland and Martin Currie established MC China Ltd. – a joint venture dedicated to running a range of specialist China strategies, including the China Fund Inc. (a NYSE listed company), Martin Currie China Hedge Fund and Martin Currie China A Share Fund. In November 2011, Mr. KE and his partner took over this joint venture and co-founded Open Door Capital Management. Mr. KE practiced law before moving to China's Ministry of Labour and Social Security where he had served from 1990 to 1996. Mr. KE holds an MBA degree from The University of Edinburgh, UK.

Mr. LIU Baojie, aged 53, has been an Independent Non-executive Director of the Company since December 2009. He has about 20 years of experience in the financial services industry. He is currently Chief Executive Officer of Huaneng Invesco WLR (Beijing) Investment Fund Management Company Ltd., and prior to this, he had worked for two other investment management companies focusing on China investment. Before that he held various positions with financial institutions, including Bank of America, ICEA Capital Limited and J.P. Morgan. Mr. LIU holds an MBA degree from University of Utah, USA.

Mr. ZHU Li, aged 68, has been an Independent Non-executive Director of the Company since October 2011. He is now the founding partner of Beijing Hong Lu Hao Lin Investment Management Centre (Limited Partnership). Previously, Mr. ZHU worked in the State Commission for Restructuring Economic System of China from 1982 to 1992. He served as the Head of the Finance Department and the Deputy Director of the Macro System Division. During that period, he had been to Germany to study finance and learned and worked in various commercial banks. In October 1992, Mr. ZHU became the first Secretary General of the China Securities Regulatory Commission ("**CSRC**") once after it was established, and served as the Deputy Chairman and Secretary General of the CSRC from August 1994. Since 1996, he had worked in various financial institutions in China, including serving as the Vice President of the Agricultural Development Bank of China, the President of China Galaxy Securities Company Limited and the Chairman of China Galaxy Financial Holdings Limited, etc. Mr. ZHU not only possesses years of experience in the financial services industry, but also has years of experience in the decision-making departments for state's economy and finance in China. In particular, he had contributed to the establishment, regulation and development of China's securities market during his term in the CSRC. Mr. ZHU received his bachelor's degree from Beijing School of Economics.

Mr. TSANG Wah Kwong, aged 64, has been an Independent Non-executive Director of the Company since September 2012. He is a former partner of Hong Kong and China firm of PricewaterhouseCoopers. He has over 30 years of experience in auditing and providing support for initial public offerings and acquisition transactions. Currently, Mr. TSANG is an Independent Non-executive Director of a number of companies, including Sihuan Pharmaceutical Holdings Group Ltd. (Stock Code: 460.HK), TK Group (Holdings) Limited (Stock Code: 2283.HK), China Animation Characters Company Limited (Stock Code: 1566.HK) and Ping An Securities Group (Holdings) Limited (Stock Code: 231.HK), a Director of PGG Wrightson Limited (listed on the New Zealand Stock Exchange) and an Independent Director of Agria Corporation (formerly listed on the New York Stock Exchange). Mr. TSANG was an Independent Non-executive Director of PanAsialam Holdings Company Limited (Stock Code: 2078.HK) from January 2013 to January 2016. Mr. TSANG is a Fellow Member of the Hong Kong Institute of Certified Public Accountants, a Member of the Chinese Institute of Certified Public Accountants, and a Fellow Member of The Association of Chartered Certified Accountants, UK. Mr. TSANG received a bachelor's degree of Business Administration from the Chinese University of Hong Kong.

Dr. LI Fang, aged 59, has been an Independent Non-executive Director of the Company since October 2014. She is currently the Managing Director of Yuanta Securities (Hong Kong) Company Limited and the Vice Chairman of CR Yuanta Fund Management Co., Ltd. Dr. LI has over 20 years of professional experience in securities, asset management, insurance and banking. Dr. LI was a Senior Research Assistant in Financial Research Bureau at the headquarters of the People's Bank of China, a Research Fellow at the Asia-Pacific Operations of Aetna International Inc., the Head of Research Centre for Asian/Pacific Regional Pensions of ING Group, a Senior Business Advisor of Global Retirement Services of ING Group and the Chief Strategist at Corporate Finance of Yuanta Securities (Hong Kong) Company Limited. Dr. LI holds a doctorate degree in Economics from Monash University in Australia, a master's degree in Banking and Finance from the Graduate School of the People's Bank of China (now known as PBC School of Finance, Tsinghua University) and a master's degree in Public Administration from the International Christian University in Japan.

DIRECTORS OF SUBSIDIARIES

The name of persons who have served on the board of the subsidiaries of the Company during the year and up to the date of this report are set out in note 29 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2016, 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 31 December 2016, 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 year ended 31 December 2016.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company at any time during the year or subsisted at the end of the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its parent company, its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Details of the sub-participation scheme are set out on pages 33 to 36 of the Annual Report. Save as disclosed, no transactions, arrangements or contracts of significance, to which the Company, its parent company, its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company or his/her connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

Mr. HONG Xiaoyuan is a Vice Chairman of and Mr. LI Yinquan is the Chairman and Chief Executive Officer of China Merchants Capital Investment Co., Ltd. which is actively involved in direct investments and which may compete, either directly or indirectly, with business of the Group. Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth (being alternate to Mr. CHU Lap Lik, Victor) are Directors of various companies within First Eastern Investment Group which is actively involved in direct investments in the PRC and which may compete, either directly or indirectly, with business of the Group. However, the Company is capable of carrying on its business independently of, and at arm's length from, the businesses of China Merchants Capital Investment Co., Ltd. and First Eastern Investment Group. If conflict of interest arises on the part of Mr. HONG, Mr. LI, Mr. CHU, or Ms. KAN, as the case may be, they shall, pursuant to the Articles of Association of the Company, not vote or be counted in the quorum on the relevant resolution of the Board.

Save as disclosed, in so far as the Directors are aware, none of the Directors or any of their respective associates has an interest in a business that competes or may compete with the business of the Group.

DIRECTORS' SERVICE CONTRACTS

The Directors proposed for re-election at the forthcoming annual general meeting do not have service contracts which are not determinable by the Company within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that subject to the provisions of the Hong Kong Companies Ordinance and so far as may be permitted by the Hong Kong Companies Ordinance, every Director of the Company shall be entitled to be indemnified by the Company out of the assets of the Company against all losses or liabilities (except any liability in relation to a Director as mentioned in section 469(2) of the Hong Kong Companies Ordinance) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the following persons, other than a Director 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, other than a Director 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.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, throughout the year of 2016, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

1. Investment Management Agreement

China Merchants China Investment Management Limited, a company incorporated in Hong Kong, is the Investment Manager of the Company for both listed and unlisted investments. Mr. LI Yinquan, Mr. CHU Lap Lik, Victor, Mr. WANG Xiaoding and Mr. TSE Yue Kit, are Directors of both the Company and the Investment Manager. Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth have indirect beneficial interests in the Investment Manager. The Investment Manager is a subsidiary of a substantial shareholder of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The existing Investment Management Agreement entered into between the Company and the Investment Manager (the "**Existing Management Agreement**") on 15 October 2015 became effective on 1 January 2016 and is for a fixed term ending on 31 December 2018.

For the year ended 31 December 2016, the management fees which were calculated based on a fixed percentage on the value of the Group's assets as stipulated in the Existing Management Agreement totaling US$10,964,452 (2015: US$11,728,823) were paid or payable to the Investment Manager.

2. Brokerage Agreements

On 24 October 2013, China Merchants Industry Development (Shenzhen) Limited ("**CMID**"), a directly wholly-owned subsidiary of the Company, and Shenzhen Tian Zheng Investment Co., Ltd. ("**Tian Zheng**"), an indirectly wholly-owned subsidiary of the Company, entered into the brokerage agreement and supplemental brokerage agreement (the "**2013 Brokerage Agreements**"), respectively, with China Merchants Securities Co., Ltd. ("**CMS**") in relation to the securities brokerage services provided by CMS to them for a term of three years. On 24 October 2016, CMID and Tian Zheng renewed the 2013 Brokerage Agreements by entering into the brokerage agreement and supplemental brokerage agreement (the "**2016 Brokerage Agreements**"), respectively, with CMS on the terms similar to those set out in the 2013 Brokerage Agreements. As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the 2016 Brokerage Agreements are less than 5% and the total consideration is less than HK$3,000,000. Therefore, these transactions constitute de minimis continuing connected transactions pursuant to Rule 14A.76(1) of the Listing Rules and are fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. No annual cap is therefore set for these agreements. CMS is an associate of a substantial shareholder of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2016, the securities brokerage commission fee totaling US$35,484 (2015: US$19,046) was paid to CMS.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

The Independent Non-executive Directors have reviewed the above continuing connected transactions and have confirmed that the transactions have been entered into:

1. in the ordinary and usual course of the business of the Company and its subsidiaries;

2. on normal commercial terms or better; and

3. in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company engaged its external auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions set out above in accordance with Rule 14A.56 of the Listing Rules.

Save as disclosed above, details of significant related party transactions are disclosed in note 28 to the consolidated financial statements.

EVENT AFTER THE REPORTING PERIOD

Details of significant event occurring after the reporting period are set out in note 27 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Mr. WANG Xiaoding
Director

Hong Kong, 30 March 2017

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance practices are important to protect shareholders' interests and to promote investor confidence. The Company complies with the relevant requirements under the Hong Kong Companies Ordinance, the Hong Kong Securities and Futures Ordinance, the Listing Rules and the US Foreign Account Tax Compliance Act. Further, the Company has complied with all the code provisions set out in Appendix 14 to the Listing Rules (Corporate Governance Code (the "**Code**")) throughout the year under review, except for the deviations as stated below:

According to the Investment Management Agreement, the portfolio and day-to-day administration of the Company are handled by the Investment Manager. Meanwhile, except the qualified accountant whose remuneration package is determined and borne by the Investment Manager, the Company has no salaried employees. 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. In addition, it is suitable for the Company to hold regular Board meeting twice a year at a minimum.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

As at 31 December 2016, the Board consisted of five Executive Directors, one Non-executive Director and four Independent Non-executive Directors as defined by the Listing Rules. The biography of the Directors are set out on pages 40 to 44 of the Annual Report.

The Company has appointed an Investment Manager to manage its investment portfolio and day-to-day administration of the Company. According to the Investment Management Agreement entered into between the Company and the Investment Manager, the Investment Manager undertakes all investment and management duties arising pursuant to the operation of the Company and its responsibilities include identifying and evaluating investment opportunities, executing investment decisions, monitoring and enhancing investments of the Company, making decisions on investments and realisations for the Company, managing the corporate affairs of the Company and dealing with its day-to-day administration.

BOARD OF DIRECTORS (CONTINUED)

The Board is responsible for formulating the Company's overall investment strategy and guidelines that the Investment Manager shall follow to make the investments. The Board is also responsible for performing the following corporate governance duties as required under the Code:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development ("**CPD**") of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the employees and Directors; and
- reviewing the Company's compliance with the Code and disclosure in the corporate governance report.

During the year under review, the Board had performed the above duties.

BOARD OF DIRECTORS (CONTINUED)

For the regular Board meetings, at least 14 days' notice is given for all Directors to attend. Directors are also consulted to include matters in the agenda for every Board meeting. The Board held two regular meetings during the year under review. The attendance of each of the Directors and Alternate Director is as follows:

	Attendance/number of regular meetings during the Director's term of office in 2016
Executive Directors:	
Mr. HONG Xiaoyuan *(Chairman)*	2/2
Mr. LI Yinquan	2/2
Mr. CHU Lap Lik, Victor	1/2
Mr. WANG Xiaoding	2/2
Mr. TSE Yue Kit	2/2
Non-executive Director:	
Mr. KE Shifeng	2/2
Independent Non-executive Directors:	
Mr. LIU Baojie	2/2
Mr. ZHU Li	2/2
Mr. TSANG Wah Kwong	2/2
Dr. LI Fang	2/2
Alternate Director:	
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor)*	2/2

All Directors have access to the services of the Company Secretary or his assistant who regularly updates the Board on governance and regulatory matters so as to ensure that all applicable rules and regulations are followed. Any Directors, or any members of the Audit Committee, Nomination Committee or Investment Committee may take independent professional advice if they so wish at the expense of the Company, as arranged by the Company Secretary.

BOARD OF DIRECTORS (CONTINUED)

The Board has three committees during the year under review, namely the Audit Committee, Nomination Committee and Investment Committee for assisting to monitor the management of the Company. The details of the Committees are as below:

Audit Committee

The Board has established an Audit Committee with specific written terms of reference which follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and the requirements of the Code. Pursuant to the recent amendments to the Code relating to risk management and internal control, the Board has approved the amendments to the terms of reference of the Audit Committee to include risk management function. The updated terms of reference of the Audit Committee are available on the Company's website. All the Committee members, including the Chairman, are Independent Non-executive Directors. The duties of the Audit Committee include but not limited to the following:

- considering the appointment of the independent auditor, the audit fee, and any questions of resignation or dismissal of that auditor;
- reviewing the interim and annual results and reports;
- reviewing financial and internal controls and risk management system;
- considering major investigation findings on risk management and internal control matters; and
- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee is provided with sufficient resources enabling it to perform its duties.

The Audit Committee held two meetings during the year under review. The attendance of individual members of the Audit Committee is as follows:

	Attendance/ number of meetings
Independent Non-executive Directors:	
Mr. TSANG Wah Kwong *(Chairman of the Audit Committee)*	2/2
Mr. ZHU Li	2/2
Mr. LIU Baojie	2/2

BOARD OF DIRECTORS (CONTINUED)

Audit Committee (continued)

The scope of work done by the Audit Committee during the year under review includes the following:

- reviewed and recommended the Board to approve the audit fee proposal for the year 2016;
- reviewed the interim report and the interim results announcement for the six months ended 30 June 2016;
- reviewed the audit plan for the year 2016 to assess the general scope of audit work;
- reviewed the annual report (including audited consolidated financial statements) and the final results announcement for the year 2015; and
- considered the internal controls assessment report prepared by the international accountancy firm.

Nomination Committee and Appointment of Directors

The Board has established a Nomination Committee with specific terms of reference in accordance with the Code and comprises a majority of Independent Non-executive Directors. The terms of reference of the Nomination Committee are available on the Company's website. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to become Board member and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. It is also provided with sufficient resources enabling it to perform its duties.

During the year under review, the Nomination Committee held a meeting to review the structure, size and composition of the Board. The attendance of individual members of the Nomination Committee is as follows:

	Attendance/ number of meetings
Executive Director:	
Mr. HONG Xiaoyuan *(Chairman of the Nomination Committee)*	1/1
Independent Non-executive Directors:	
Mr. ZHU Li	1/1
Mr. TSANG Wah Kwong	1/1

BOARD OF DIRECTORS (CONTINUED)

Nomination Committee and Appointment of Directors (continued)

According to the Articles of Association of the Company, any Directors appointed by the Board shall hold office only until the next following annual general meeting ("**AGM**") or until the next following general meeting of the Company in the case of filling a casual vacancy, and shall then be eligible for re-election.

According to the Articles of Association of the Company, at each AGM, one-third of the Directors for the time being (or, if their number is not three nor a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Investment Committee

The Board has established an Investment Committee, of which currently has four members, to approve transactions (investments or realisations) of over US$20 million each (effective from 5 February 2010) and to supervise the day-to-day management functions of the Investment Manager. Currently, all the Committee members are Executive Directors.

During the year under review, the Investment Committee has considered and approved the proposals relating to disposal of certain A shares in IBC held by the Group, the investment proposals relating to the further investment in the project of China Re and the project of Rong Bao Zhai Culture.

The Investment Committee held three meetings during the year under review. The attendance of individual members of the Investment Committee is as follows:

	Attendance/ number of meetings
Executive Directors:	
Mr. HONG Xiaoyuan *(Chairman of the Investment Committee)*	3/3
Mr. LI Yinquan	3/3
Mr. CHU Lap Lik, Victor	0/3
Mr. WANG Xiaoding	3/3
Alternate Director:	
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor)*	3/3

BOARD DIVERSITY POLICY

The Company has adopted a board diversity policy (the "**Policy**") in August 2013. A summary of the Policy, together with the measurable objectives set for implementing the Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Policy

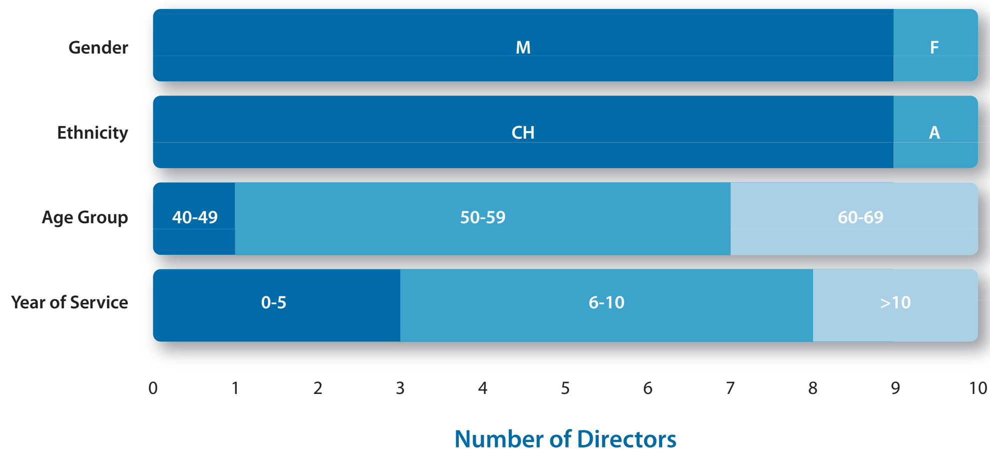
The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Implementation

As at 31 December 2016, the Board's composition under major diversified perspectives was summarised as follows:



M – Male
F – Female
CH – Chinese
A – Australian

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. HONG Xiaoyuan is the Chairman of the Company. The functions of the Chief Executive Officer have been undertaken by the Investment Manager. The Managing Director of the Investment Manager is Mr. WANG Xiaoding, who is also a Director of the Company. The roles of the Chairman and Chief Executive Officer are segregated and are not exercised by the same individual.

NON-EXECUTIVE DIRECTORS

The term of office of each Non-executive Director (including Independent Non-executive Director) is for a period of three years.

TRAINING AND SUPPORT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or Alternate Director shall receive an induction package covering the Company's businesses and the statutory and regulatory obligations of a director of a listed company. The Company continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to the Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

Participation of the Directors and Alternate Director in the CPD during the year under review is as follows:

	Type of CPD
Executive Directors:	
Mr. HONG Xiaoyuan *(Chairman)*	a,c
Mr. LI Yinquan	a,c
Mr. CHU Lap Lik, Victor	a,b,c
Mr. WANG Xiaoding	a,c
Mr. TSE Yue Kit	a,c
Non-executive Director:	
Mr. KE Shifeng	a,b,c
Independent Non-executive Directors:	
Mr. LIU Baojie	a,c
Mr. ZHU Li	a,c
Mr. TSANG Wah Kwong	a,c
Dr. LI Fang	a,c
Alternate Director:	
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor)*	a,c

TRAINING AND SUPPORT FOR DIRECTORS (CONTINUED)

Notes:

a: attending training courses, in-house briefings, seminars, conferences, or forums

b: giving talks at seminars, conferences, or forums

c: reading newspapers, journals and updates relating to the economy, general business, investment, or director's duties and responsibility, etc.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and relevant employees of the Company. Having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code throughout the year under review.

REMUNERATION OF DIRECTORS

The Company has no salaried employees, except the qualified accountant whose remuneration package is determined and borne by the Investment Manager. The Company has applied for and 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.

The remuneration of the Directors is determined by the shareholders at the AGM of the Company. At the AGM of the Company held on 19 May 2016, it was resolved that the remuneration of the Directors for the year ended 31 December 2016 be fixed by the Board. All the Executive Directors did not receive any remuneration from the Company for the year ended 31 December 2016 (2015: Nil). The total remuneration payable to other Directors for the year ended 31 December 2016 is disclosed in note 10 to the consolidated financial statements.

AUDITOR'S REMUNERATION

The Company has appointed Deloitte Touche Tohmatsu as the Company's independent auditor. During the year under review, the fees paid or payable to the Company's independent auditor for audit services provided is US$141,074 and for non-audit services provided is US$35,875 which was mainly for the purpose of reviewing the internal control systems of the Company and providing the consultation services on environmental, social and governance, and enterprise risk management of the Company.

FINANCIAL REPORTING

The Directors acknowledge their responsibility to prepare financial statements in accordance with generally accepted accounting principles in Hong Kong for each financial year which gives a true and fair view of the financial position of the Company and its subsidiaries and in presenting the interim results, annual financial statements, and related announcements to shareholders.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 70 to 72.

RISK MANAGEMENT AND INTERNAL CONTROL

To manage and monitor the various risk factors which the Company may be exposed, the Board is responsible for establishing and overseeing the Company's risk management and internal control systems on an ongoing basis, and ensuring the review of the effectiveness of the risk management and internal control systems has been properly conducted. The main features of this system, which continue to operate, are described below.

In view of the implementation of the Consultation Conclusions on Risk Management and Internal Control, relating to the Appendix 14 to the Listing Rules, issued by The Stock Exchange of Hong Kong Limited in December 2014, the Company has already reviewed its risk management framework and processes and has implemented relevant measures resulting from this exercise that aim to enhance its framework and processes. In particular, the Company has developed, approved and implemented a risk management system, which is defined and supported by its risk management policy. The terms of reference of the Audit Committee has included its responsibility for effective systems of risk management and internal control.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

Risk Governance Structure

The Company's governance structure for its risk management system is shown below. Each party has well defined and detailed roles and responsibilities.

Risk Assessment Methodology

The Company's methodology for its risk assessment comprises four core stages (i.e. Risk Identification, Risk Assessment, Risk Responses, and Risk Monitoring and Reporting). These processes are performed at least once a year to address changes in the Company's business environment.

Review on Effectiveness of Risk Management and Internal Control Systems

The Board conducted an annual review on the effectiveness of risk management and internal control systems, covering all material controls such as financial, operational and compliance controls.

In addition, the Board has appointed an international accountancy firm to review the internal control systems of the Company on an on-going basis. The review covered all material controls, including financial, operational and compliance controls, as well as risk management functions.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

Board's Responsibility

The Board has the overall responsibility to ensure that effective and sound risk management and internal control systems are maintained, while management is responsible for designing and implementing an internal control system to manage risks. The Board is also responsible for reviewing the effectiveness of the Company's risk management and internal control systems.

The risk management and internal control systems can provide reasonable and not absolute assurance against material misstatement or loss, and are designed to manage rather than eliminate the risk of failure in the process of attaining business objectives. Based on the results of the annual review, the Board is satisfied and confident with the effectiveness of risk management and internal control systems currently put in place for the Company.

Communication of Risk Events

Where risk events arise, our communications, both within the Company and to external parties, are an integral part of the risk management system. To enable the Company to make the appropriate decisions and responses to mitigate or address any risk event, relevant information on the incident needs to be communicated by and to the right functions and individuals, completely and accurately, and in a timely manner.

With respect to procedures and internal controls for handling and dissemination of inside information, the Company:

- has set out written policies and procedures in relation to the handling of inside information under the regulatory requirements of Hong Kong, including but not limited to maintenance of confidentiality, prohibition of insider dealings by the management;
- is aware of its obligation under the Listing Rules;
- conducts its affairs with closely reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission of Hong Kong; and
- has set out rules and procedures in dealing with enquiries from regulatory bodies, trading halt and additional disclosures to correct a false market.

COMPANY SECRETARY

The Company Secretary, Mr. LEUNG Chong Shun, is a practicing solicitor in Hong Kong. Although he is not a full time employee of the Company, he reports to the Board and is responsible for advising the Board on governance matters. The primary contact person of the Company with the Company Secretary is Mr. TSE Yue Kit, Executive Director of the Company. The Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training during the year.

CONSTITUTIONAL DOCUMENTS

During the year under review, there is no significant change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirements under Paragraph O of the Code.

Convening of General Meeting on Request

Shareholder(s) may request the Directors to call a general meeting pursuant to Sections 566 to 568 of the Hong Kong Companies Ordinance.

In accordance with Section 566 of the Hong Kong Companies Ordinance, the Directors are required to call a general meeting if the Company has received requests to do so from members of the Company representing at least 5% of the total voting rights of all the members having a right to vote at general meeting. Such requests (a) must state the general nature of the business to be dealt with at the meeting; and (b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such requests (a) may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 1609, Three Pacific Place, 1 Queen's Road East, Hong Kong for the attention of the Board) or in electronic form (by email: info@cmcdi.com.hk); and (b) must be authenticated by the person or persons making it. In accordance with Section 567 of the Hong Kong Companies Ordinance, the Directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the Hong Kong Companies Ordinance and such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

Putting Forward Proposals at AGM/General Meeting

To put forward a resolution at an AGM, shareholders are requested to follow the requirements and procedures set out in Sections 615 and 616 of the Hong Kong Companies Ordinance.

Section 615 of the Hong Kong Companies Ordinance provides that the Company must give notice of a resolution if it has received requests that it do so from (a) the members of the Company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the AGM to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the AGM to which the requests relate. Such requests (a) may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 1609, Three Pacific Place, 1 Queen's Road East, Hong Kong for the attention of the Board) or in electronic form (by email: info@cmcdi.com.hk); (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than (i) 6 weeks before the AGM to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. Section 616 of the Hong Kong Companies Ordinance provides that the Company that is required under Section 615 of the Hong Kong Companies Ordinance to give notice of a resolution must send a copy of it at the Company's own expense to each member of the Company entitled to receive notice of the AGM (a) in the same manner as the notice of the meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

SHAREHOLDERS' RIGHTS (CONTINUED)

Putting Forward Proposals at AGM/General Meeting (continued)

Pursuant to Article 100 of the Articles of Association of the Company, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least 7 days. The period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting. Detailed procedures for shareholders to propose a person for election as a Director can be found on the Company's website.

Enquiries to the Board

Shareholders have been provided with contact details of the Company on the Company's website, such as telephone number, fax number, email address and postal address, in order to enable them to make any enquiries that they may have with respect to the Company. They can also send their enquiries to the Board using these means. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency when communicating with shareholders and the investment community at large. The Company is committed to maintaining an open and effective communication policy, and updates its shareholders and investors on relevant information on our business through general meetings, annual and interim reports, notices, announcements and circulars. The Company (through the Investment Manager) has also actively responded to the investors' queries by emails or letters and held a number of meetings with shareholders and institutional investors on their requests throughout the year under review so as to discuss and explain the Company's investment strategies and hear their opinions. Shareholders may refer to the "Shareholders Communication Policy" that posted on the Company's website for more details.

General meetings, including AGM, provide a useful forum for shareholders to exchange their views with the Board. Separate resolutions are proposed at general meetings on each substantially separate issue.

INVESTOR RELATIONSHIP AND COMMUNICATION (CONTINUED)

General meeting proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of general meeting is distributed to all shareholders at least 20 clear business days prior to an AGM and at least 10 clear business days prior to an extraordinary general meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of a general meeting exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website on the day of the general meeting.

The Company held a general meeting during the year under review. The attendance of each of the Directors and Alternate Director is as follows:

	Attendance/number of meetings AGM held on 19 May 2016
Executive Directors:	
Mr. HONG Xiaoyuan *(Chairman)*	1/1
Mr. LI Yinquan	1/1
Mr. CHU Lap Lik, Victor	0/1
Mr. WANG Xiaoding	1/1
Mr. TSE Yue Kit	1/1
Non-executive Director:	
Mr. KE Shifeng	0/1
Independent Non-executive Directors:	
Mr. LIU Baojie	0/1
Mr. ZHU Li	0/1
Mr. TSANG Wah Kwong	1/1
Dr. LI Fang	0/1
Alternate Director:	
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor)*	1/1

ENVIRONMENTAL POLICY

The Company is an investment company listed under Chapter 21 of the Listing Rules. The Company has appointed an Investment Manager to manage its investment portfolio as well as corporate affairs and to deal with its day-to-day administration under the Investment Management Agreement. The Company, therefore, has no salaried employees, premises, manufacturing or other operations. The Investment Manager is requested to take into account the environmental matters (for example, minimising use of paper, the using of recycled paper, etc.) when managing the corporate affairs of the Company and to take into account the environmental, social and governance policies of potential investee companies as part of its investment process. Please refer to pages 64 to 67 of the Annual Report for the Company's Environmental, Social and Governance Report.

In accordance with the requirements set forth in Appendix 27 to the Listing Rules, the Company hereby presents this Environmental, Social and Governance ("**ESG**") Report.

The Company is an investment company listed under Chapter 21 of the Listing Rules. The Company has appointed China Merchants China Investment Management Limited (the "**Investment Manager**") as its investment manager to manage its investment portfolio as well as corporate affairs and to deal with its day-to-day administration under the Investment Management Agreement. The Company, therefore, has no salaried employees, premises, manufacturing or other operations.

The Company discharges its corporate social responsibility through balancing the interests between its stakeholders, including its shareholders, and the community to optimise its investment portfolio, maximise shareholder return and at the same time minimise the related social and environmental impact, in order to achieve the ultimate goal of operating as a sustainable corporation.

This report summarises the ESG policies in addressing the material ESG issues, as well as the compliance with laws and regulations relevant to those issues, of the Company and the Investment Manager, for the year ended 31 December 2016.

ENVIRONMENTAL PROTECTION

The Company supports environmental protection and is committed to minimising the impact of its existing business activities on the environment by supporting conservation and environmental protection programs even though it generates minimal pollutant.

To reduce the environmental impact, the Company has requested the Investment Manager to implement green office practices. Such measures include the using of energy-saving lightings and recycled paper, minimising use of paper, reducing energy consumption by switching off idle lightings, computers and electrical appliances, etc.

In 2016, the Company has implemented the following environmental initiatives:

- using recycled paper for printing the 2016 interim report;
- using double-sided printing and recycled paper for photocopying as much as possible;
- using electronic storage and communication wherever possible; and
- reducing travel through teleconferencing.

There were no non-compliance cases noted in relation to environmental laws and regulations for the year 2016.

SOCIAL COMMITMENT

For social commitment, the Company has requested the Investment Manager to take into account of the following in its operations:

Employment

To be an equal opportunity employer, the Investment Manager should provide a work environment that is free from all forms of discrimination on the basis of race, colour, creed, sex, age, religion, national origin, or disability. This includes all of its employment practices, such as hiring, transfer, recruitment, training, promotion, discipline, rates of pay and benefits, in order to ensure all employees and job applicants enjoy equal opportunities and fair treatment.

The salary and benefit levels of the Investment Manager's employees should be reviewed annually on a performance related basis within the general framework of the Investment Manager's or its parent company's salary system. A wide range of benefits, including comprehensive medical, life and disability insurance coverage and retirement schemes, should also be provided to the employees. Social, sporting, recreational and health activities should be arranged for the employees on a company-wide basis annually.

There were no non-compliance cases noted in relation to employment laws and regulations for the year 2016.

Health and Occupational Safety

The Investment Manager should strive to provide a safe and healthy work environment for all employees. It should manage the hygiene and safety of the office in accordance with the relevant laws and regulations of occupational health and safety. First aid, fire extinguishing, evacuation, leakage and escape exercises should be regularly performed.

There were no non-compliance cases noted in relation to health and safety laws and regulations during the year 2016.

Development and Training

The Investment Manager should aim to create an environment of continuous learning to facilitate their staff in developing their careers and equipping the knowledge and skills to better fulfil their roles and responsibilities. Training and development programs, including induction program, in-house training course, external course/seminar, should be provided on an ongoing basis throughout the Investment Manager

SOCIAL COMMITMENT (CONTINUED)

Labour Standards

The Investment Manager should hire employees in accordance with the minimum working age with valid citizen identity in strict compliance with the requirements of the local labour law. Employment should be based on the principle of fairness, openness and willingness, and the Investment Manager should enter into labour contracts for legal employments without acts of forced labour.

There were no non-compliance cases noted in relation to labour standards laws and regulations during the year 2016.

Supply Chain Management

The Company and the Investment Manager have the highest respect for the laws and regulations that govern the way it goes about its business. The suppliers are encouraged to align their values with the Company and the Investment Manager, in respect of ESG issues, including but not limited to:

- employment to be based solely on the ability to perform the job and without any discrimination due to ethnicity, gender, age, disability or marital status;
- fair wages and all other legally mandated benefits be paid;
- provision of a safe and hygienic working environment which complies with local laws or practices;
- integration of environmental sustainability principles into business decisions; and
- community involvement.

Responsible Investment

The Company and the Investment Manager believe that attention to ESG matters is a prerequisite for long-term value creation. The Company and the Investment Manager always aim to invest responsibly as it executes its investment strategy.

As reflected in its mission statement, the Company strives to maximise investment returns to its investors while upholding the highest standards of integrity and acting in a way that enhances the reputation of the industry.

The Company and the Investment Manager take into consideration the ESG performance during the evaluation of potential investee companies, and request the investee companies to disclose significant non-compliance issues relating to ESG in a timely basis.

There were no non-compliance cases noted in relation to the Company's investment practices during the year 2016.

SOCIAL COMMITMENT (CONTINUED)

Anti-corruption

The Company and the Investment Manager are committed to achieving and maintaining the highest standards of openness, uprightness and accountability and all Directors of the Company and the Investment Manager and all staff of the Investment Manager are expected to observe the highest standards of ethical, personal and professional conduct. In addition to the guidelines on anti-bribery and anti-corruption, the Company and the Investment Manager have issued relevant whistle-blowing procedures and have conducted ongoing review of the effectiveness of the risk management and internal control systems on a regular basis.

There were no non-compliance cases noted in relation to corruption related laws and regulations during the year 2016.

Community Investment

In respect of community investment, the Company and the Investment Manager strive to be a part of the communities, to serve and contribute by promoting corporate social responsibility. The core values include:

- showing love, to give hope and to support the disadvantaged;
- encouraging compassion and empathy in the Investment Manager's employees;
- fostering a sense of community within the Company and the Investment Manager; and
- empowering through education.

Deloitte. 德勤

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

Opinion

We have audited the 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 73 to 115, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

100 Making another century of impact
德勤百年慶 開創新紀元

Key audit matter	How our audit addressed the key audit matter
Valuation of Level 3 financial instruments	
We identified the valuation of Level 3 financial instruments as a key audit matter due to the degree of complexity involved in valuing the financial assets and liabilities, the significance of the judgment and estimates made by management and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data as disclosed in note 5 to the consolidated financial statements. Please refer to note 5 to the consolidated financial statements for further details of the valuation techniques and significant unobservable inputs of material Level 3 financial instruments. The total fair value of financial assets and liabilities designated at fair value through profit or loss classified as Level 3, amounted to US$367 million and US$1.2 million respectively as at 31 December 2016 as disclosed in note 5 to the consolidated financial statements. The valuations of the aforesaid Level 3 financial instruments were performed by an independent valuer.	We obtained an understanding of the valuation techniques and the processes performed by the independent valuer and management's review process of the work of the independent valuer with respect to the valuation of Level 3 financial instruments. We evaluated the competence, integrity and independence of the independent valuer; and their experiences in conducting valuation of similar financial instruments. We obtained the respective independent valuation reports and discussed the valuation of the Level 3 financial instruments with the management, and together with our own internal valuation specialists, where necessary: (i) evaluated the appropriateness of the valuation techniques and assumptions based on the industry knowledge; (ii) evaluated the appropriateness of the key inputs by independently checking to the relevant external market data and/or relevant historical financial information; (iii) evaluated the rationale of management's judgment on the key inputs; and (iv) checked the mathematical accuracy of valuation calculations.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is HO Chung Kai.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **US$**	2015 US$
Net (loss) gain on financial assets designated at fair value through profit or loss	6	**(35,548,107)**	31,492,599
Investment income	7	**25,999,558**	40,939,324
Other gains		**293,565**	296,373
Administrative expenses		**(12,484,394)**	(14,477,030)
(Loss) profit before taxation	9	**(21,739,378)**	58,251,266
Taxation	12	**6,141,714**	(12,012,654)
(Loss) profit for the year		**(15,597,664)**	46,238,612
Other comprehensive expense for the year, net of tax			
Item that will not be reclassified subsequently to profit or loss			
Exchange difference arising on translation		**(35,564,437)**	(37,329,326)
Total comprehensive (expense) income for the year		**(51,162,101)**	8,909,286
(Loss) profit for the year attributable to owners of the Company		**(15,597,664)**	46,238,612
Total comprehensive (expense) income for the year attributable to owners of the Company		**(51,162,101)**	8,909,286
Basic and diluted (loss) earnings per share	14	**(0.102)**	0.304

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	**2016** **US$**	2015 US$
Non-current asset			
Financial assets designated at fair value through profit or loss	15	**346,707,928**	368,023,740
Current assets			
Financial assets designated at fair value through profit or loss	15	**295,938,706**	345,611,290
Other receivables	16	**7,683,014**	12,714,768
Bank balances and cash	17	**37,491,601**	53,916,743
		341,113,321	412,242,801
Current liabilities			
Other payables	18	**27,405,955**	29,601,603
Taxation payable	19	**15,921,476**	3,894,363
		43,327,431	33,495,966
Net current assets		**297,785,890**	378,746,835
Total assets less current liabilities		**644,493,818**	746,770,575
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	20	**1,221,641**	1,376,377
Deferred taxation	21	**81,956,732**	110,066,700
		83,178,373	111,443,077
Net assets		**561,315,445**	635,327,498

As at 31 December 2016

	Notes	**2016** **US$**	2015 US$
Capital and reserves			
Share capital	23	**139,348,785**	139,348,785
Reserves		**63,190,578**	97,622,992
Retained profits		**358,776,082**	398,355,721
Equity attributable to owners of the Company		**561,315,445**	635,327,498
Net asset value per share	25	**3.685**	4.171

The consolidated financial statements on pages 73 to 115 were approved and authorised for issue by the Board of Directors on 30 March 2017 and are signed on its behalf by:

Mr. LI Yinquan
Director

Mr. WANG Xiaoding
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital *US$*	Translation reserve *US$*	General reserve *US$*	Retained profits *US$*	Equity attributable to owners of the Company *US$*
Balance at 1 January 2015	139,348,785	123,001,470	9,817,519	367,960,409	640,128,183
Profit for the year	—	—	—	46,238,612	46,238,612
Exchange difference on translation	—	(37,329,326)	—	—	(37,329,326)
Total comprehensive (expense) income for the year	—	(37,329,326)	—	46,238,612	8,909,286
2014 final and special dividends paid (note 13)	—	—	—	(13,709,971)	(13,709,971)
Transfer to general reserve	—	—	2,133,329	(2,133,329)	—
Balance at 31 December 2015	139,348,785	85,672,144	11,950,848	398,355,721	635,327,498
Balance at 1 January 2016	**139,348,785**	**85,672,144**	**11,950,848**	**398,355,721**	**635,327,498**
Loss for the year	**—**	**—**	**—**	**(15,597,664)**	**(15,597,664)**
Exchange difference on translation	**—**	**(35,564,437)**	**—**	**—**	**(35,564,437)**
Total comprehensive expense for the year	**—**	**(35,564,437)**	**—**	**(15,597,664)**	**(51,162,101)**
2015 final and special dividends paid (note 13)	**—**	**—**	**—**	**(22,849,952)**	**(22,849,952)**
Transfer to general reserve	**—**	**—**	**1,132,023**	**(1,132,023)**	**—**
Balance at 31 December 2016	**139,348,785**	**50,107,707**	**13,082,871**	**358,776,082**	**561,315,445**

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 US$	2015 US$
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(21,739,378)**	58,251,266
Adjustments for:		
Interest income	**(360,186)**	(2,151,955)
Dividend income from equity investments	**(25,639,372)**	(38,787,369)
Net loss (gain) on financial assets designated at fair value through profit or loss	**35,548,107**	(31,492,599)
Operating cash flows before movements in working capital	**(12,190,829)**	(14,180,657)
Increase in financial assets designated at fair value through profit or loss	**(2,522,074)**	(69,216,576)
Decrease in other receivables	**3,149**	193,293
Decrease in other payables	**(2,322,585)**	(8,806,924)
(Decrease) increase in financial liabilities designated at fair value through profit or loss	**(27,799)**	98,957
Cash used in operations	**(17,060,138)**	(91,911,907)
Interest received	**822,250**	2,070,359
Dividends received	**30,205,913**	26,554,803
Income taxes paid	**(3,207,820)**	(10,357,191)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**10,760,205**	(73,643,936)
CASH USED IN FINANCING ACTIVITIES		
Dividends paid	**(22,849,952)**	(13,709,971)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(12,089,747)**	(87,353,907)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**53,916,743**	148,781,544
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(4,335,395)**	(7,510,894)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**37,491,601**	53,916,743

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the Annual Report.

The Company acts as an investment holding company. The activities of the principal subsidiaries are set out in note 29.

The functional currency of the Company is Renminbi ("**RMB**"). For the purpose of convenience of the consolidated financial statements users, the consolidated financial statements are presented in United States dollars ("**USD**").

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year that are relevant to the business operation of the Group:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transaction[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 9 *Financial Instruments* (continued)

- With regard to the measurement of financial liabilities designated at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated at fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, the management anticipates that the application of HKFRS 9 will have no material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Except for the above, the management anticipates that the application of those new and amendments to HKFRSs will have no material impact on the amounts reported in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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 consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost, less any identified impairment loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities designated at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities designated at FVTPL are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following categories - financial assets designated at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gain or loss.

Financial assets designated at FVTPL

Financial assets designated at FVTPL represent those designated at FVTPL upon initial recognition.

A financial asset may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets designated at FVTPL (continued)

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated at FVTPL.

At the end of the reporting period subsequent to initial recognition, financial assets designated at FVTPL are measured at fair value, with any gains or losses arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including other receivables, bank balances and cash and amounts due from subsidiaries) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those designated at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of amounts due from subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an amount due from a subsidiary is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liability or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

The Group's financial liabilities are generally classified into financial liabilities designated at FVTPL and other financial liabilities. The accounting policies adopted in respect of financial liabilities are set out below.

Financial liabilities designated at FVTPL

A financial liability other than a financial liability held for trading may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated at FVTPL.

Financial liabilities designated at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities. Fair value is determined in the manner described in note 5.

Other financial liabilities

Other financial liabilities, including other payables, are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to receive cash flows from the assets expire, or when it transfers the financial asset substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments, including financial assets designated at FVTPL, is recognised when the shareholders' rights to receive payment have been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Realised profits or losses from financial assets designated at FVTPL and financial liabilities designated at FVTPL are recognised on the transaction dates when the relevant contract notes are executed whilst the unrealised profits or losses are recognised from valuation at the end of the reporting period in accordance with the accounting policies for financial instruments (see the accounting policies above).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. USD) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group as a parent is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are as follows:

Fair value of financial assets and liabilities designated at FVTPL

As indicated in notes 5, 15 and 20, the Group selects appropriate valuation techniques for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair values of unlisted financial assets and liabilities designated at FVTPL are determined in accordance with generally accepted pricing models. The values assigned to the financial assets and liabilities are based upon available information and do not necessarily represent amounts which might ultimately be realised, since such amounts depend on future circumstance and cannot be reasonably determined until the individual position is realised.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 ***US$***	2015 *US$*
Financial assets		
Designated at FVTPL	**642,646,634**	713,635,030
Loans and receivables (including bank balances and cash)	**45,174,615**	66,627,782
Financial liabilities		
Amortised cost	**7,798,468**	9,994,116
Designated at FVTPL	**1,221,641**	1,376,377

Financial risk management objective and policies

The Group's major financial instruments include financial assets designated at FVTPL, other receivables, bank balances and cash, other payables and financial liabilities designated at FVTPL. Details of these financial instruments are disclosed in respective notes. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Currency risk

The Group undertakes certain transactions which expose the Group to foreign currency risk. The related balances include other receivables, bank balances and cash and other payables, denominated in a currency other than the functional currency, and so exposures to exchange rate fluctuations arise.

The Group currently does not have any foreign currency hedging policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's monetary assets and monetary liabilities which are denominated in a currency other than the functional currency of the relevant group entities at the reporting date are as follows:

	2016	2015
	US$	*US$*
Monetary assets		
USD	**5,641,570**	5,686,867
Hong Kong Dollar	**16,344,862**	10,194,484
Monetary liabilities		
USD	**4,243,167**	6,316,492
Hong Kong Dollar	**394,719**	368,311

Foreign currency sensitivity

For the currency risk of the Group, if the exchange rate of RMB against USD had increased/decreased by 5%, the Group's after taxation result for the year would decrease/increase by US$70,000 (2015: US$32,000). If the exchange rate of RMB against Hong Kong Dollar had increased/decreased by 5%, the Group's after taxation result for the year would decrease/increase by US$800,000 (2015: increase/decrease by US$493,000).

In the opinion of the management, the sensitivity analysis is unrepresentative of the foreign currency risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets (mainly short-term bank deposits at market rate) at market rates.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Interest rate risk (continued)

Interest rate sensitivity

No sensitivity analysis on cash flow interest rate risk is prepared as the Group's interest bearing bank balances at the end of the reporting period are mainly at fixed rate.

Price risk

The Group is exposed to price risk through its investments as disclosed in note 15 and financial liabilities in note 20 which are designated at FVTPL.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting period.

If the market bid prices of the listed equity securities had been 20% (2015: 20%) higher/lower, the Group's after taxation result for the year would increase/decrease by US$43,541,000 (2015: US$60,868,000). This is mainly attributable to the changes in fair values of the listed equity investments held by the Group.

If the fair value of the investments other than listed equity securities had been 20% (2015: 20%) higher/lower, the Group's after taxation result for the year would increase/decrease by US$55,202,000 (2015: US$55,651,000). This is mainly attributable to the changes in fair values of the investments held by the Group.

In the opinion of the management, the sensitivity analysis is unrepresentative of the price risk as the year end exposure does not reflect the exposure during the year.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's financial assets include debt and equity investments, other receivables and bank balances and cash.

Although the bank balances are concentrated on certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with good credit ratings assigned by international credit rating agencies. In this regard, the Directors consider that the Group's credit risk on such authorised institutions is low.

The Group has concentration of credit risk in a single geographic area in the PRC.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet their payment obligations associated with its financial liabilities when they fall due. The Group manages liquidity risk by maintaining adequate reserves, as well as continuously monitoring forecast and actual cash flows.

Internally generated cash flow is the main source of funds to finance the operations of the Group. The Group regularly reviews the major funding positions to ensure adequate financial resources are available to meet its financial obligations. In the opinion of the management, taking into account of the availability of marketable securities that can be disposed of by subsidiaries of the Company, the Group is able to meet its financial obligations when they fall due.

The Group's financial liabilities represent other payables (management fee accruals and business tax accruals) and financial liabilities designated at FVTPL related to sub-participation agreements. Apart from financial liabilities designated at FVTPL which is repayable upon realisation of the corresponding investments, the other financial liabilities are all interest free and repayable on demand. In the opinion of the management, no maturity profile is required to be prepared by virtue of its nature.

Fair value measurement 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.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (continued)

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

Financial assets	31 December 2016 US$	31 December 2015 US$	Fair value hierarchy	Valuation techniques	Significant unobservable input(s)	31 December 2016 Range	31 December 2015 Range	Relationship of unobservable inputs to fair value	31 December 2016 Increase(+)/ decrease(-) in carrying value of assets if 10% higher/ lower of the unobservable inputs (Note 2) US$	31 December 2015 Increase(+)/ decrease(-) in carrying value of assets if 10% higher/ lower of the unobservable inputs (Note 2) US$
Financial assets designated at FVTPL										
Listed equity securities classified as financial assets designated at FVTPL (Note 1)	**276,005,464**	341,232,070	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 designated at FVTPL (Note 1)	**10,063,428**	14,018,418	Level 3	Quoted bid price in active market and adjusted for lack of marketability	– Discount rate for lack of marketability	**19%**	35%	The higher the discount rate, the lower the fair value	**-1,000,000/ +1,000,000**	-2,000,000/ +2,000,000
Unlisted equity securities and preferred equity classified as financial assets designated at FVTPL (Note 1)	**290,932,377**	281,732,943	Level 3	Market comparable companies	– Earnings multiples – Revenue multiples – Book value multiples	**9.6x - 72.3x** **2.1x - 5.0x** **2.0x - 6.3x**	39.9x - 85.6x 1.9x - 10.7x 2.5x - 12.9x	The higher the multiples, the higher the fair value	**+29,000,000/ -29,000,000**	+33,000,000/ -33,000,000
					– Discount rate for lack of marketability and specific risk	**50%**	50%	The higher the discount rate, the lower the fair value	**-58,000,000/ +58,000,000**	-51,000,000/ +51,000,000
Unlisted equity classified as financial assets designated at FVTPL (Note 1)	**22,408,822**	26,750,955	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 designated at FVTPL (Note 1)	**5,087,934**	45,521,424	Level 3	Recent transaction price	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Unlisted equity classified as financial assets designated at FVTPL (Note 1)	**5,189,563**	—	Level 3	Recent transaction price	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Unlisted convertible loan classified as financial assets designated at FVTPL (Note 1)	**28,830,907**	—	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 designated at FVTPL (Note 1)	**4,128,139**	4,379,220	Level 3	Recoverable amount	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Closing balance	**642,646,634**	713,635,030								

Note 1: Financial assets designated 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 20.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement 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)

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

	Level 1	**Level 2**	**Level 3**	**2016 Total**
	US$	***US$***	***US$***	***US$***
Financial assets designated at FVTPL	**276,005,464**	**—**	**366,641,170**	**642,646,634**
Financial liabilities designated at FVTPL	**—**	**—**	**1,221,641**	**1,221,641**

	Level 1	Level 2	Level 3	2015 Total
	US$	*US$*	*US$*	*US$*
Financial assets designated at FVTPL	341,232,070	—	372,402,960	713,635,030
Financial liabilities designated at FVTPL	—	—	1,376,377	1,376,377

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (continued)

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

Reconciliation of Level 3 fair value measurements of financial assets:

	Designated at FVTPL *US$*
Balance at 1 January 2015	320,391,512
Gains or losses recognised in :	
Profit or loss - unrealised	13,301,769
Exchange differences arising on translation	(18,426,833)
Purchases	57,136,512
Balance at 31 December 2015	372,402,960
Balance at 1 January 2016	**372,402,960**
Gains or losses recognised in :	
Profit or loss - unrealised	**(18,804,868)**
Exchange differences arising on translation	**(21,252,952)**
Purchases	**35,462,015**
Return of capital	**(1,165,985)**
Balance at 31 December 2016	**366,641,170**

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement 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	1,048,696
Additions	343,600
Change in fair value	(15,919)
Balance at 31 December 2015	1,376,377
Balance at 1 January 2016	**1,376,377**
Additions	**157,825**
Change in fair value	**(312,561)**
Balance at 31 December 2016	**1,221,641**

Of the total losses for the year included in profit or loss, loss of US$18,804,868 (2015: gain of US$13,301,769) 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 "Net (loss) gain on financial assets designated at fair value through profit or loss".

Fair value measurements and valuation processes

A guideline on the fair value measurements has been applied to the regular assessment of fair value of an asset. Fair value of listed investments, except those listed on the National Equities Exchange and Quotations ("**New Third Board**"), 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 investments listed on the New Third Board and 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.

6. NET (LOSS) GAIN ON FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The following is the analysis of realised and unrealised (loss) gain on investments of the Group for the year ended 31 December 2016:

	2016	2015
	US$	*US$*
Net (loss) gain on financial assets designated at FVTPL		
Listed investments		
Realised	**(3,461,185)**	—
Unrealised	**(19,807,576)**	13,580,782
Unlisted investments		
Unrealised	**(12,279,346)**	17,911,817
Total	**(35,548,107)**	31,492,599

7. INVESTMENT INCOME

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

	2016	2015
	US$	*US$*
Interest income on bank deposits	**360,186**	2,151,955
Dividend income on financial assets designated at FVTPL		
Listed equity investments	**12,727,717**	11,956,398
Unlisted equity investments	**12,911,655**	26,830,971
	25,639,372	38,787,369
Total	**25,999,558**	40,939,324

The following is an analysis of investment income earned on financial assets, by category of asset:

	2016	2015
	US$	*US$*
Interest income for financial assets not designated at FVTPL	**360,186**	2,151,955
Investment income earned on financial assets designated at FVTPL	**25,639,372**	38,787,369
Total	**25,999,558**	40,939,324

8. 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 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, media and consumption: investees engaged in culture, media and consumption activities.

(c) Manufacturing: investees engaged in manufacturing of products activities.

(d) Energy and resources: investees engaged in energy and resources activities.

(e) Information technology: investees engaged in information technology activities.

(f) Medical and pharmaceutical: investees engaged in medical and pharmaceutical activities.

(g) Others: investees engaged in agriculture and education activities.

Information regarding the above segments is reported below and comparative figures have been restated to conform to the current year's presentation:

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

For the year ended 31 December 2016

	Financial services *US$*	Culture, media and consumption *US$*	Manufacturing *US$*	Energy and resources *US$*	Information technology *US$*	Medical and pharmaceutical *US$*	Others *US$*	Total *US$*
Net (loss) gain on financial assets designated at FVTPL	(10,232,995)	(10,029,567)	4,889,561	(2,886,394)	(1,505,102)	(15,785,115)	1,505	(35,548,107)
Dividend income on financial assets designated at FVTPL	12,515,296	12,348,672	–	248,430	–	526,974	–	25,639,372
Other gains	–	293,565	–	–	–	–	–	293,565
Segment profit (loss)	2,282,301	2,612,670	4,889,561	(2,637,964)	(1,505,102)	(15,258,141)	1,505	(9,615,170)
Unallocated:								
– Administrative expenses								(12,484,394)
– Interest income on bank deposits								360,186
Loss before taxation								(21,739,378)

8. SEGMENTAL INFORMATION (CONTINUED)

For the year ended 31 December 2015 (restated)

	Financial services *US$*	Culture, media and consumption *US$*	Manufacturing *US$*	Energy and resources *US$*	Information technology *US$*	Medical and pharmaceutical *US$*	Others *US$*	Total *US$*
Net (loss) gain on financial assets designated at FVTPL	12,996,768	(2,061,014)	(6,013,590)	2,345,692	794,179	20,154,040	3,276,524	31,492,599
Dividend income on financial assets designated at FVTPL	16,311,931	22,118,983	—	—	—	356,455	—	38,787,369
Other gains	—	296,373	—	—	—	—	—	296,373
Segment profit (loss)	29,308,699	20,354,342	(6,013,590)	2,345,692	794,179	20,510,495	3,276,524	70,576,341
Unallocated:								
– Administrative expenses								(14,477,030)
– Interest income on bank deposits								2,151,955
Profit before taxation								58,251,266

Segment profit (loss) represents the net (loss) gain on financial assets designated at FVTPL including realised and unrealised (loss) gain on investments, the corresponding dividend income and other gains earned by each segment without allocation of central administrative expenses, fees to the Investment Manager and interest income on bank deposits. 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).

8. SEGMENTAL INFORMATION (CONTINUED)

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

	2016	2015
	US$	*US$*
		(restated)
Segment assets		
Financial services	**464,359,280**	555,644,315
Culture, media and consumption	**114,649,740**	103,966,125
Manufacturing	**10,028,110**	5,711,778
Energy and resources	**4,399,596**	7,652,236
Information technology	**24,950,579**	2,644,250
Medical and pharmaceutical	**20,983,134**	38,561,045
Others	**10,942,222**	11,687,847
Total segment assets	**650,312,661**	725,867,596
Unallocated	**37,508,588**	54,398,945
Consolidated assets	**687,821,249**	780,266,541
Segment liabilities		
Financial services	**101,787**	111,083
Culture, media and consumption	**579,758**	657,979
Manufacturing	**131,321**	72,874
Energy and resources	**92,419**	152,904
Information technology	**557,388**	546,002
Medical and pharmaceutical	**115,048**	211,425
Others	**3,776,568**	4,003,330
Total segment liabilities	**5,354,289**	5,755,597
Unallocated	**121,151,515**	139,183,446
Consolidated liabilities	**126,505,804**	144,939,043

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, current and deferred tax liabilities.

During the year, 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.

9. (LOSS) PROFIT BEFORE TAXATION

	2016	2015
	US$	*US$*
(Loss) profit before taxation has been arrived at after charging:		
Auditor's remuneration	**141,074**	162,834
Net foreign exchange loss	**130,026**	65,480
Investment Manager's management fee	**10,964,452**	11,728,823
Investment Manager's performance fee	—	1,795,231
Directors' fees	**159,888**	134,192

10. DIRECTORS' EMOLUMENTS

The Group has no chief executives and the Directors' fees paid or payable to each of the 11 (2015: 11) Directors were as follows:

	2016	2015
	US$	*US$*
Executive Directors:		
Mr. HONG Xiaoyuan	—	—
Mr. LI Yinquan	—	—
Mr. CHU Lap Lik, Victor (Note a)	—	—
Mr. WANG Xiaoding	—	—
Mr. TSE Yue Kit	—	—
Ms. KAN Ka Yee, Elizabeth (*Alternate Director*) (Note a)	—	—
	—	—

10. DIRECTORS' EMOLUMENTS (CONTINUED)

	2016	2015
	US$	*US$*
Non-executive Director (Note b):		
Mr. KE Shifeng	**30,946**	25,806
Independent Non-executive Directors (Note b):		
Mr. LIU Baojie	**30,946**	25,806
Mr. ZHU Li	**30,946**	25,806
Mr. TSANG Wah Kwong	**36,104**	30,968
Dr. LI Fang	**30,946**	25,806
	128,942	108,386
Total	**159,888**	134,192

Notes:

(a) Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth have indirect beneficial interests in China Merchants China Investment Management Limited ("**Investment Manager**") which entered into an Investment Management Agreement with the Company on 15 October 2015 and became effective on 1 January 2016 and is for a fixed term of three years. The details of the existing Investment Management Agreement can be referred to the circular dated 6 November 2015. The amount of management fee paid or accrued to the Investment Manager is disclosed in note 28 to the consolidated financial statements.

(b) The emoluments for Non-executive Director and Independent Non-executive Directors shown above were mainly for their services as Directors of the Company.

There was no arrangement under which the above Directors waived or agreed to waive any remuneration during the year.

11. EMPLOYEES' EMOLUMENTS

The five (2015: five) highest paid individuals in the Group were all Directors of the Company and details of their emoluments are included in note 10 above.

12. TAXATION

The tax credit (charge) for the year comprises:

	2016	2015
	US$	*US$*
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	**(16,141,128)**	(4,074,378)
Underprovision in prior year	**(387)**	(33,217)
Deferred taxation (note 21)		
Current year	**22,283,229**	(7,905,059)
Total	**6,141,714**	(12,012,654)

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the years. PRC Enterprise Income Tax in the PRC is calculated at the rates prevailing in the relevant regions.

No provision for taxation in Hong Kong has been made for the years as the Group's income neither arises in, nor is derived from, Hong Kong.

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 consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries.

12. TAXATION (CONTINUED)

The tax credit (charge) for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	US$	*US$*
(Loss) profit before taxation	**(21,739,378)**	58,251,266
Tax at the domestic income tax rate of 25% (2015: 25%) (Note)	**5,434,845**	(14,562,817)
Tax effect of expenses not deductible for tax purpose	**(3,969,284)**	(5,481,504)
Tax effect of income not taxable for tax purpose	**5,516,604**	8,387,886
Underprovision in prior year	**(387)**	(33,217)
Tax effect of tax losses/deductible temporary differences not recognised	**(59,086)**	(96,224)
Effect of different tax rates of the Company and its subsidiaries operating in other regions in the PRC	**(302,567)**	(1,134,692)
Effect of different tax rate applied for deferred tax liabilities recognised for the year	**1,019,088**	1,117,839
Dividend withholding taxation in the PRC	**(1,497,499)**	(209,925)
Taxation	**6,141,714**	(12,012,654)

Note : The domestic tax rate (which is PRC Enterprise Income Tax rate applicable to the Company's major subsidiaries in the PRC) represents the tax rate in the jurisdiction where the investments of the Group are substantially located.

13. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of US$0.06 per share (2015: final dividend of US$0.06 and special dividend of US$0.09 per share) in respect of the year ended 31 December 2016 has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

A cash dividend of US$22,849,952 (2015: US$13,709,971) for the year ended 31 December 2015 was paid on 28 July 2016.

14. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

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

	2016	2015
(Loss) profit for the purpose of basic and diluted (loss) earnings per share (US$)	**(15,597,664)**	46,238,612
Number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**152,333,013**	152,333,013
Basic and diluted (loss) earnings per share (US$)	**(0.102)**	0.304

15. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	US$	*US$*
Equity and debt securities designated at FVTPL:		
– listed equities in PRC (Note a)	**260,054,717**	328,328,922
– listed equity in HK (Note a)	**15,950,747**	12,903,148
– listed equity within lock-up period in PRC (Note a)	**10,063,428**	14,018,418
– listed equities on New Third Board (Note a)	**5,998,270**	—
– unlisted equities (Note b)	**294,597,260**	331,502,421
– unlisted preferred equity (Note b)	**26,700,000**	26,400,000
– unlisted bond (Note b)	**451,305**	482,121
– unlisted conventible loan (Note b)	**28,830,907**	—
Total	**642,646,634**	713,635,030
Analysed to reporting purposes as		
Current assets	**295,938,706**	345,611,290
Non-current assets	**346,707,928**	368,023,740
Total	**642,646,634**	713,635,030

The Group's sale proceeds from disposal of investment in 2016 was US$56,929,045 (2015: Nil).

15. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes:

(a) The listed equity securities represent the Group's interest held in China Merchants Bank Co., Ltd., Industrial Bank Co., Ltd., China Reinsurance (Group) Corporation and Iflytek Co., Ltd. whose fair values are determined based on the quoted market bid prices available on the relevant exchanges. The listed equity securities within lock-up period represent the Group's interest held in Shanghai Oriental Pearl Media Co., Ltd. whose fair value is determined based on the quoted market bid price available on the Shanghai Stock Exchange and adjusted for lack of marketability. For equity securities listed on the New Third Board, their fair values were arrived at on the basis of valuations carried out by an independent valuer not connected with the Group. 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.

(b) As at 31 December 2016, fair values of unlisted equities and bond amounting to US$41,794,998 (2015: US$49,900,644) were arrived at by reference to their recent transaction prices or recoverable amounts prior to the year end. For unlisted investments with no recent transactions noted, their fair values were arrived at on the basis of valuations carried out by an independent valuer not connected with the Group. 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.

16. OTHER RECEIVABLES

	2016	2015
	US$	*US$*
Dividend receivable	**7,666,025**	12,232,566
Interest receivable	**15,627**	477,691
Other receivables	**1,362**	4,511
Total	**7,683,014**	12,714,768

17. BANK BALANCES AND CASH

Bank balances comprise current accounts, savings accounts and short-term bank deposits at fixed prevailing market interest rates. The bank balances and cash of the Group include an amount of US$15,488,148 (2015: US$31,297,832) which is denominated in RMB.

Bank balances and cash held by subsidiaries in the PRC are subject to exchange control restrictions. The carrying amount of these restricted assets in the consolidated financial statements as at 31 December 2016 was approximately of US$15.25 million (2015: US$31.28 million).

18. OTHER PAYABLES

Other payables mainly comprise management fee payable to the Investment Manager as disclosed in note 28 and business tax payable of US$19,607,487 (2015: US$19,607,487) arising from disposal of listed equity securities.

19. TAXATION PAYABLE

The taxation payable represents applicable PRC taxes calculated at the rates prevailing in the relevant regions mainly for the realised capital gains from disposal of investments.

20. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial liabilities designated at FVTPL as at 31 December 2016 were related to the sub-participation agreements (the "**Sub-participation Agreements**") entered into between the Company and the participants in respect of the investments by the Group in 北京銀廣通廣告有限公司 (Unibank Media Group Inc.), 武漢日新科技股份有限公司 (Wuhan Rixin Technology Co., Ltd.), 華人文化(天津)投資管理有限公司 (China Media (Tianjin) Investment Management Co., Ltd.), 深圳吉陽智能科技有限公司 (Shenzhen Geesun Intelligent Technology Co., Ltd.), 華人文化產業股權投資(上海)中心(有限合夥) (China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)), 江蘇華爾石英材料股份有限公司 (Jiangsu Huaer Quartz Materials Co., Ltd.), 西安金源電氣股份有限公司 (Xi'an Jinpower Electrical Co., Ltd.), 遼寧振隆特產股份有限公司 (Liaoning Zhenlong Native Produce Holding Company Ltd.), 能通科技股份有限公司 (NTong Technology Co., Ltd.), 天利半導體(深圳)有限公司 (Teralane Semiconductor (Shenzhen) Co., Ltd.), 華勁集團股份有限公司 (Hwagain Group Co., Ltd.), 新疆承天農牧業發展股份有限公司 (Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd.), 天翼視訊傳媒有限公司 (Esurfing Media Co., Ltd.), 南京聖和藥業股份有限公司 (Nanjing Sanhome Pharmaceutical Co., Ltd.), 廣西新華幼兒教育投資有限公司 (Guangxi Xinhua Preschool Education Investment Corporation Limited), 上海東方明珠新媒體股份有限公司 (Shanghai Oriental Pearl Media Co., Ltd.), 中建投租賃股份有限公司 (JIC Leasing Co., Ltd.), 中國再保險(集團)股份有限公司 (China Reinsurance (Group) Corporation), 雲南金瀾湄國際旅遊投資開發有限公司 (Yunnan Jinlanmei International Travel Investment Development Co., Ltd.), 科大訊飛股份有限公司 (Iflytek Co., Ltd.), 安徽科訊創業投資基金合夥企業(有限合夥) (Anhui Iflytek Venture Capital LLP) and 榮寶齋文化有限公司 (Rong Bao Zhai Culture Co., Ltd.) (collectively referred to as the "**Project Companies**"). As all above mentioned investments by the Group in the Project Companies are designated as financial assets designated at FVTPL categorised in Level 3 and value of the Sub-participation Agreements are associated directly with these underlying investments, the Sub-participation Agreements are thus classified as financial liabilities designated at FVTPL categorised in Level 3.

Pursuant to the Sub-participation 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 Group's investment in the Project Companies that is proportional to the amount provided by the participants to the Group as a percentage of the total Group's investment in the Project Companies. If the Group suffers a loss from its investment in the Project Companies, the participants will correspondingly share a loss in the amount they provided to the Group on a pro rata basis. Details of the Sub-participation Agreements are disclosed in the section of Investment Manager's Discussion and Analysis and under the heading of Sub-participation Scheme.

21. DEFERRED TAXATION

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

	Capital gains for investments *US$*	Undistributed earnings of PRC subsidiaries *US$*	Total *US$*
Balance at 1 January 2015	91,702,466	16,904,399	108,606,865
Charged to profit or loss for the year	5,583,886	2,321,173	7,905,059
Exchange differences	(5,470,050)	(975,174)	(6,445,224)
Balance at 31 December 2015	**91,816,302**	**18,250,398**	**110,066,700**
Credited to profit or loss for the year	**(22,107,355)**	**(175,874)**	**(22,283,229)**
Exchange differences	**(4,660,208)**	**(1,166,531)**	**(5,826,739)**
Balance at 31 December 2016	**65,048,739**	**16,907,993**	**81,956,732**

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.

22. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 US$	2015 US$
Non-current assets			
Investments in subsidiaries		**41,784,412**	38,971,724
Financial assets designated at fair value through profit or loss		**81,668,826**	84,319,251
Amounts due from subsidiaries		**56,849,615**	65,471,905
		180,302,853	188,762,880
Current assets			
Amounts due from subsidiaries		**59,822,581**	73,829,054
Other receivables		**16,329**	6,110
Bank balances and cash		**21,856,869**	10,662,517
		81,695,779	84,497,681
Current liabilities			
Amounts due to subsidiaries		**14,412,589**	12,955,432
Other payables		**3,416,245**	5,308,426
Taxation payable		**1,915,579**	418,080
		19,744,413	18,681,938
Net current assets		**61,951,366**	65,815,743
Total assets less current liabilities		**242,254,219**	254,578,623
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss		**1,221,641**	1,376,377
Deferred taxation		**6,637,009**	6,902,051
		7,858,650	8,278,428
Net assets		**234,395,569**	246,300,195
Capital and reserves			
Share capital	23	**139,348,785**	139,348,785
Reserves	24	**95,046,784**	106,951,410
Equity attributable to owners of the Company		**234,395,569**	246,300,195

Mr. LI Yinquan
Director

Mr. WANG Xiaoding
Director

23. SHARE CAPITAL OF THE COMPANY

	Number of shares	US$
Issued and fully paid:		
At 31 December 2015, 1 January and 31 December 2016		
– Ordinary shares with no par value	**152,333,013**	**139,348,785**

24. RESERVES OF THE COMPANY

	Retained profits US$
Balance at 1 January 2015	147,541,009
Loss for the year	(26,879,628)
2014 final and special dividends paid	(13,709,971)
Balance at 1 January 2016	**106,951,410**
Profit for the year	**10,945,326**
2015 final and special dividends paid	**(22,849,952)**
Balance at 31 December 2016	**95,046,784**

25. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share at the end of the reporting period is based on the net assets of US$561,315,445 (2015: US$635,327,498) and 152,333,013 ordinary shares (2015: 152,333,013 ordinary shares) with no par value in issue at 31 December 2016.

26. CAPITAL COMMITMENTS

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

(a) On 29 April 2010, the Group entered into an agreement with, among others, China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**"), pursuant to which the Group agreed to make a cash injection of RMB200 million (equivalent to approximately US$30.72 million) in total by installment 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 31 December 2016, the Group has injected RMB158.66 million, equivalent to approximately US$24.76 million (2015: RMB158.66 million, equivalent to approximately US$24.76 million) into China Media Investment and classified the investment as a financial asset designated 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$13.55 million) in total by installment into the capital of Xinhua Preschool Education in return for a 30% interest in Xinhua Preschool Education. As at 31 December 2016, the Group has injected RMB30 million, equivalent to approximately US$4.90 million (2015: RMB30 million, equivalent to approximately US$4.90 million) into Xinhua Preschool Education and classified the investment as a financial asset designated at FVTPL under non-current assets.

(c) On 25 April 2016, the Group entered into a joint venture agreement in relation to Yunnan Jinlanmei International Travel Investment Development Co., Ltd. ("**Jinlanmei Travel**"), pursuant to which the Group agreed to make a capital contribution of RMB20 million (equivalent to approximately US$2.93 million) in total by installment into the capital of Jinlanmei Travel in return for a 20% interest in Jinlanmei Travel. As at 31 December 2016, the Group has injected RMB10 million, equivalent to approximately US$1.49 million into Jinlanmei Travel and classified the investment as a financial asset designated at FVTPL under non-current assets.

(d) On 6 December 2016, the Group entered into a partnership agreement in relation to Anhui Iflytek Venture Capital LLP ("**Iflytek Venture Capital**"), pursuant to which the Group agreed to make a capital contribution of RMB90 million (equivalent to approximately US$12.97 million) in total by installment into the capital of Iflytek Venture Capital in return for a 14.95% interest in Iflytek Venture Capital. As at 31 December 2016, the Group has injected RMB36 million, equivalent to approximately US$5.19 million into Iflytek Venture Capital and classified the investment as a financial asset designated at FVTPL under non-current assets.

(e) On 7 December 2016, the Group entered into an agreement for a loan convertible into an equity interest in relation to Rong Bao Zhai Culture Co., Ltd. ("**Rong Bao Zhai Culture**"), pursuant to which the Group agreed to advance cash of RMB300 million (equivalent to approximately US$43.28 million) in total by installment to Rong Bao Zhai Culture for a period of 5 years, with the right to convert the loan into an equity interest in Rong Bao Zhai Culture during the term of the loan, subject to the fulfillment of certain precedent conditions. As at 31 December 2016, the Group has disbursed RMB200 million, equivalent to approximately US$28.86 million and classified the investment as a financial asset designated at FVTPL under non-current assets.

27. EVENT AFTER THE REPORTING PERIOD

In March 2017, the Group disposed of 5 million A shares of Industrial Bank Co., Ltd. for net proceeds of RMB82.15 million, equivalent to approximately US$11.91 million.

28. RELATED PARTY TRANSACTIONS

The Company has appointed 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 year, other than as disclosed elsewhere in the consolidated financial statements, the Group have incurred the following related party transactions:

(a) The Company paid or accrued to the Investment Manager management fees totaling US$10,964,452 (2015: US$11,728,823). 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 consolidated statement of financial position as at 31 December 2016 was US$2,720,437 (2015: US$4,765,965). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

(b) Securities brokerage commission fee totaling US$35,484 (2015: US$19,046) was paid to an associate of a substantial shareholder of the Company who has significant influence over the Company (Note).

(c) Pursuant to the Sub-participation Agreements, the financial liabilities of the Group with Mr. LI Yinquan, Mr. WANG Xiaoding and Mr. TSE Yue Kit, who are Directors of both the Company and the Investment Manager, were US$14,589, US$177,162 and US$20,835, respectively (2015: US$7,658, US$183,877 and US$22,985, respectively). The financial liability of the Group with Mr. HONG Xiaoyuan, a Director of the Company, was US$92,907 (2015: US$128,447). Moreover, the financial liability of the Group with Mr. LAW Hung Kuen, Janson, a Director of the Investment Manager, was US$5,051 (2015: US$1,293).

(d) Key management compensation is disclosed in note 10 to the consolidated financial statements.

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

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of all principal subsidiaries at 31 December 2016 and 2015, which are all wholly-owned by the Company, are as follows:

Name	Classes of shares held	Place of incorporation/ registration and operation	Principal activities	Issued and paid-up capital	Name of Directors
CMCDI Zhaoyuan Limited	Ordinary	BVI/PRC	Inactive	US$1 (Directly owned limited liability company)	Mr. WANG Xiaoding Mr. NG Chi Keung
China Merchants Industry Development (Shenzhen) Limited	Registered capital	PRC/PRC	Investment holding	US$10,000,000 (Directly owned & wholly-owned foreign enterprise)	Mr. CHU Lap Lik, Victor Mr. WANG Xiaoding Mr. TSE Yue Kit Ms. KAN Ka Yee, Elizabeth Mr. CHOI King Yin, Christopher
Everich Dynamic Investments Limited	Ordinary	BVI/PRC	Inactive	US$1 (Directly owned limited liability company)	Mr. WANG Xiaoding Ms. HO Man Yi
Goshing Investment Limited	Ordinary	BVI/PRC	Investment holding	US$1 (Directly owned limited liability company)	Mr. WANG Xiaoding Mr. NG Chi Keung
Leadman Investment Limited	Ordinary	HK/HK	Inactive	HK$1 (Directly owned limited liability company)	Mr. WANG Xiaoding Mr. NG Chi Keung
Main Star Investment Limited	Ordinary	HK/HK	Investment holding	HK$40,000,000 (Directly owned limited liability company)	Mr. WANG Xiaoding Mr. NG Chi Keung
Ryan Pacific Limited	Ordinary	BVI/PRC	Inactive	US$1 (Directly owned limited liability company)	Mr. WANG Xiaoding Mr. NG Chi Keung
Star Group Limited	Ordinary	HK/HK	Investment holding	HK$2 (Directly owned limited liability company)	Mr. WANG Xiaoding Mr. NG Chi Keung
Shenzhen Tian Zheng Investment Co., Ltd.	Registered capital	PRC/PRC	Investment holding	RMB700,000,000 (Indirectly owned limited liability company)	Mr. DU Yi
Wisetech Limited	Ordinary	BVI/PRC	Investment holding	US$1 (Directly owned limited liability company)	Mr. WANG Xiaoding Ms. HO Man Yi
Xinjiang Tian Hong Equity Investment Co., Ltd.	Registered capital	PRC/PRC	Investment holding	RMB30,000,000 (Indirectly owned limited liability company)	Mr. DU Yi

None of the subsidiaries had any debt securities subsisting at 31 December 2016 and 2015 or at any time during the year.

30. CAPITAL RISK MANAGEMENT

The Group manages the capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group is equity attributable to owners of the Company, comprising share capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

The Directors review the capital structure by considering the cost of capital and the risks associated with capital. In view of this, the Group will balance its overall capital structure through new shares issues as well as the issue of new debt. The Group's overall strategy remains unchanged throughout the year.

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2012	2013	2014	2015	**2016**
	US$	*US$*	*US$*	*US$*	***US$***
Investment income	13,679,480	23,558,016	17,053,071	40,939,324	**25,999,558**
Profit (loss) from operations	25,698,738	48,980,446	189,388,331	58,251,266	**(21,739,378)**
Share of results of associates	(1,411,813)	(4,702,094)	(1,461,117)	—	**—**
Gain on disposal of a subsidiary	—	—	9,723,213	—	**—**
Gain on disposal of an associate	—	—	1,432,126	—	**—**
Taxation	(14,403,677)	(9,440,386)	(50,454,183)	(12,012,654)	**6,141,714**
Profit (loss) attributable to owners of the Company	9,883,248	34,837,966	148,628,370	46,238,612	**(15,597,664)**
Basic earnings (loss) per share	0.064	0.224	0.976	0.304	**(0.102)**
Dividend per share					
– Final	0.05	0.06	0.06	0.06	**0.06**
– Special	—	—	0.03	0.09	**—**
– Total	0.05	0.06	0.09	0.15	**0.06**

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2012	2013	2014	2015	**2016**
	US$	*US$*	*US$*	*US$*	***US$***
Total assets	568,776,594	600,655,481	799,550,700	780,266,541	**687,821,249**
Total liabilities	(90,374,232)	(99,120,715)	(159,422,517)	(144,939,043)	**(126,505,804)**
Net assets	478,402,362	501,534,766	640,128,183	635,327,498	**561,315,445**
Net asset value per share	3.021	3.292	4.202	4.171	**3.685**