CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED
招 商 局 中 國 基 金 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

Interim Report

For the six months ended 30 June 2016

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

RESULTS

The Board of Directors of China Merchants China Direct Investments Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2016	2015
		(unaudited)	*(unaudited)*
	NOTES	***US$***	*US$*
Change in fair value of financial assets designated at fair value through profit or loss	*16*	**(55,467,811)**	70,667,770
Investment income	*3*	**7,451,806**	19,552,021
Other gains		**293,565**	330,706
Administrative expenses		**(6,090,935)**	(6,084,344)
(Loss) profit before taxation	*5*	**(53,813,375)**	84,466,153
Taxation	*6*	**14,880,137**	(18,015,667)
(Loss) profit for the period		**(38,933,238)**	66,450,486
Other comprehensive (expense) income for the period, net of tax			
Item that will not be reclassified subsequently to profit or loss			
Exchange difference arising on translation		**(11,880,495)**	1,784,200
Total comprehensive (expense) income for the period		**(50,813,733)**	68,234,686
(Loss) profit for the period attributable to owners of the Company		**(38,933,238)**	66,450,486
Total comprehensive (expense) income for the period attributable to owners of the Company		**(50,813,733)**	68,234,686
Basic and diluted (loss) earnings per share	*7*	**(0.256)**	0.436

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**30 June 2016 (unaudited) US$**	31 December 2015 (audited) US$
Non-current asset			
Financial assets designated at fair value through profit or loss	*14*	**314,515,176**	368,023,740
Current assets			
Financial assets designated at fair value through profit or loss	*14*	**335,694,632**	345,611,290
Other receivables	*8*	**483,990**	12,714,768
Bank balances and cash		**55,462,514**	53,916,743
		391,641,136	412,242,801
Current liabilities			
Other payables		**27,269,498**	29,601,603
Dividend payable	*9*	**22,849,952**	–
Taxation payable		**310,571**	3,894,363
		50,430,021	33,495,966
Net current assets		**341,211,115**	378,746,835
Total assets less current liabilities		**655,726,291**	746,770,575
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	*15*	**1,034,061**	1,376,377
Deferred taxation	*10*	**93,028,417**	110,066,700
		94,062,478	111,443,077
Net assets		**561,663,813**	635,327,498
Capital and reserves			
Share capital	*11*	**139,348,785**	139,348,785
Reserves		**85,788,467**	97,622,992
Retained profits		**336,526,561**	398,355,721
Equity attributable to owners of the Company		**561,663,813**	635,327,498
Net asset value per share	*12*	**3.687**	4.171

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *US$*	Translation reserve *US$*	General reserve *US$*	Retained profits *US$*	Equity attributable to owners of the Company *US$*
Balance at 1 January 2016 (audited)	**139,348,785**	**85,672,144**	**11,950,848**	**398,355,721**	**635,327,498**
Loss for the period	**–**	**–**	**–**	**(38,933,238)**	**(38,933,238)**
Exchange difference on translation	**–**	**(11,880,495)**	**–**	**–**	**(11,880,495)**
Total comprehensive expense for the period	**–**	**(11,880,495)**	**–**	**(38,933,238)**	**(50,813,733)**
2015 final and special dividends declared	**–**	**–**	**–**	**(22,849,952)**	**(22,849,952)**
Transfer to general reserve	**–**	**–**	**45,970**	**(45,970)**	**–**
Balance at 30 June 2016 (unaudited)	**139,348,785**	**73,791,649**	**11,996,818**	**336,526,561**	**561,663,813**
Balance at 1 January 2015 (audited)	139,348,785	123,001,470	9,817,519	367,960,409	640,128,183
Profit for the period	–	–	–	66,450,486	66,450,486
Exchange difference on translation	–	1,784,200	–	–	1,784,200
Total comprehensive income for the period	–	1,784,200	–	66,450,486	68,234,686
2014 final and special dividends declared	–	–	–	(13,709,971)	(13,709,971)
Balance at 30 June 2015 (unaudited)	139,348,785	124,785,670	9,817,519	420,700,924	694,652,898

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2016	2015
	(unaudited)	*(unaudited)*
	US$	*US$*
Net cash generated from (used in) operating activities	**2,415,646**	(39,666,346)
Net increase (decrease) in cash and cash equivalents	**2,415,646**	(39,666,346)
Cash and cash equivalents as at 1 January	**53,916,743**	148,781,544
Effect of foreign exchange rate changes	**(869,875)**	161,946
Cash and cash equivalents as at 30 June	**55,462,514**	109,277,144

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The financial information relating to the year ended 31 December 2015 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate. Historical cost is generally based on the fair value of the consideration given in exchange for assets and liabilities.

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

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

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 Cycle

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

3. INVESTMENT INCOME

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

	Six months ended 30 June	
	2016	2015
	(unaudited)	*(unaudited)*
	US$	*US$*
Interest income	**199,127**	1,422,436
Dividend income on financial assets designated at fair value through profit or loss ("**FVTPL**")	**7,252,679**	18,129,585
Total	**7,451,806**	19,552,021

4. SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the executive management for the purposes of resources allocation and performance assessment (since the size of investments in information technology, energy and resources, 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 and media: investees engaged in culture and media activities.
(c) Manufacturing: investees engaged in manufacturing of products activities.
(d) Medical and pharmaceutical: investees engaged in medical and pharmaceutical activities.
(e) Others: investees engaged in information technology, energy and resources, agriculture and education activities.

4. SEGMENTAL INFORMATION (CONTINUED)

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

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

For the six months ended 30 June 2016

	Financial services US$	Culture and media US$	Manufacturing US$	Medical and pharmaceutical US$	Others US$	Total US$
Change in investment value	(29,193,433)	(12,744,280)	5,758,138	(12,341,051)	(6,947,185)	(55,467,811)
Dividend income on financial assets designated at FVTPL	6,717,110	–	–	535,569	–	7,252,679
Other gains	–	293,565	–	–	–	293,565
Segment (loss) profit	(22,476,323)	(12,450,715)	5,758,138	(11,805,482)	(6,947,185)	(47,921,567)
Unallocated:						
– Administrative expenses						(6,090,935)
– Interest income on bank deposits						199,127
Loss before taxation						(53,813,375)

4. SEGMENTAL INFORMATION (CONTINUED)

For the six months ended 30 June 2015 (restated)

	Financial services *US$*	Culture and media *US$*	Manufacturing *US$*	Medical and pharmaceutical *US$*	Others *US$*	Total *US$*
Change in investment value	57,180,751	14,485,651	(1,439,253)	1,466,592	(1,025,971)	70,667,770
Dividend income on financial assets designated at FVTPL	16,461,863	615,713	691,794	360,215	–	18,129,585
Other gains	–	296,373	–	–	–	296,373
Segment profit (loss)	73,642,614	15,397,737	(747,459)	1,826,807	(1,025,971)	89,093,728
Unallocated:						
– Administrative expenses						(6,084,344)
– Interest income on bank deposits						1,422,436
– Other gains						34,333
Profit before taxation						84,466,153

Segment (loss) profit represents the change in investment value (including change in fair value of financial assets designated at FVTPL) and the corresponding dividend income and other gains earned by each segment without allocation of central administrative expenses, fees to the Investment Manager, interest income on bank deposits and certain other gains. This is the measure reported to the executive management for the purposes of resources allocation and performance assessment. No separate segment revenue (i.e. investment income) is disclosed as it had been presented in the computation of segment (loss) profit.

4. SEGMENTAL INFORMATION (CONTINUED)

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

	30 June 2016 *(unaudited)* *US$*	31 December 2015 *(audited)* *US$* (restated)
Segment assets		
Financial services	**522,390,663**	555,644,315
Culture and media	**76,693,967**	103,966,125
Manufacturing	**11,267,946**	5,711,778
Medical and pharmaceutical	**25,598,685**	38,561,045
Others	**14,681,642**	21,984,333
Total segment assets	**650,632,903**	725,867,596
Unallocated	**55,523,409**	54,398,945
Consolidated assets	**706,156,312**	780,266,541
Segment liabilities		
Financial services	**98,264**	111,083
Culture and media	**471,613**	657,979
Manufacturing	**130,571**	72,874
Medical and pharmaceutical	**140,354**	211,425
Others	**4,511,769**	4,702,236
Total segment liabilities	**5,352,571**	5,755,597
Unallocated	**139,139,928**	139,183,446
Consolidated liabilities	**144,492,499**	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, dividend payable, current and deferred tax liabilities.

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

5. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2016	2015
	(unaudited)	*(unaudited)*
	US$	*US$*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Investment Manager's management fee (note 17(a))	**5,551,164**	5,862,346
Net foreign exchange loss (gain)	**15,069**	(34,333)

6. TAXATION

	Six months ended 30 June	
	2016	2015
	(unaudited)	*(unaudited)*
	US$	*US$*
The tax credit (charge) for the period comprises:		
Current tax:		
PRC Enterprise Income Tax	**(11,911)**	(535,771)
Underprovision in prior period	**(46,916)**	(33,567)
Deferred taxation (note 10)		
Current period	**14,938,964**	(17,446,329)
Total	**14,880,137**	(18,015,667)

No provision for taxation in Hong Kong has been made for the period as the Group's income neither arises in, nor is derived from, Hong Kong. PRC Enterprise Income Tax in the PRC is calculated at the rates prevailing in the relevant regions.

Under the Law of the PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries.

7. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	(unaudited)	*(unaudited)*
(Loss) profit for the purpose of basic and diluted (loss) earnings per share (US$)	**(38,933,238)**	66,450,486
Number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**152,333,013**	152,333,013
Basic and diluted (loss) earnings per share (US$)	**(0.256)**	0.436

8. OTHER RECEIVABLES

	30 June	31 December
	2016	2015
	(unaudited)	*(audited)*
	US$	*US$*
Dividend receivables	**423,095**	12,232,566
Interest receivable	**43,525**	477,691
Other receivables	**17,370**	4,511
Total	**483,990**	12,714,768

9. DIVIDEND PAYABLE

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

A dividend payment of US$22,849,952, being a final dividend of US$0.06 per share and a special dividend of US$0.09 per share, for the year ended 31 December 2015 was approved by the shareholders on 19 May 2016 and was subsequently paid by the Company in cash on 28 July 2016.

10. DEFERRED TAXATION

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

	Capital gains for investments US$	Undistributed earnings of PRC subsidiaries US$	Total US$
Balance at 1 January 2015 (audited)	91,702,466	16,904,399	108,606,865
Charge to profit or loss for the period	14,682,511	2,763,818	17,446,329
Exchange differences	332,929	–	332,929
Balance at 30 June 2015 (unaudited)	106,717,906	19,668,217	126,386,123
Credit to profit or loss for the period	(9,098,625)	(442,645)	(9,541,270)
Exchange differences	(5,802,979)	(975,174)	(6,778,153)
Balance at 31 December 2015 (audited)	**91,816,302**	**18,250,398**	**110,066,700**
Credit to profit or loss for the period	**(13,453,361)**	**(1,485,603)**	**(14,938,964)**
Exchange differences	**(1,720,616)**	**(378,703)**	**(2,099,319)**
Balance at 30 June 2016 (unaudited)	**76,642,325**	**16,386,092**	**93,028,417**

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

11. SHARE CAPITAL

	Number of shares	US$
Issued and fully paid:		
At 31 December 2015, 1 January and 30 June 2016 – Ordinary shares with no par value	**152,333,013**	**139,348,785**

12. NET ASSET VALUE PER SHARE

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

	30 June 2016 *(unaudited)*	31 December 2015 *(audited)*
Net asset value (US$)	**561,663,813**	635,327,498
Number of ordinary shares in issue	**152,333,013**	152,333,013
Net asset value per share (US$)	**3.687**	4.171

13. CAPITAL COMMITMENTS

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

(a) On 29 April 2010, the Group entered into an agreement with, among others, China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**"), pursuant to which the Group agreed to make a cash injection of RMB200 million (equivalent to approximately US$30.99 million) in total by installments into the capital of China Media Investment in return for approximately 10% interest in China Media Investment. In addition, the other investors agreed to make cash injections proportionate to their holdings. As at 30 June 2016, the Group has injected RMB158.66 million (equivalent to approximately US$24.76 million) (31 December 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$13.95 million) in total by installments into the capital of Xinhua Preschool Education in return for a 30% interest in Xinhua Preschool Education. As at 30 June 2016, the Group has injected RMB30 million (equivalent to approximately US$4.90 million) (31 December 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$3.02 million) in total by installments into the capital of Jinlanmei Travel in return for a 20% interest in Jinlanmei Travel.

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

Financial assets	30 June 2016 *(unaudited)* *US$*	31 December 2015 *(audited)* *US$*	Fair value hierarchy	Valuation techniques	Significant unobservable input(s)	30 June 2016 *(unaudited)* Range	31 December 2015 *(audited)* Range	Relationship of unobservable inputs to fair value	30 June 2016 *(unaudited)* Increase(+)/ decrease (-) in carrying value of assets if 10% higher/lower of the unobservable inputs (Note 2) *US$*	31 December 2015 *(audited)* Increase(+)/ decrease (-) in carrying value of assets if 10% higher/lower of the unobservable inputs (Note 2) *US$*
Financial assets designated at FVTPL										
Listed equity securities classified as financial assets designated at FVTPL (Note 1)	**314,567,701**	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)	**9,028,532**	14,018,418	Level 3	Quoted bid price in active market and adjusted for lack of marketability	– Discount rate for lack of marketability	**33%**	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)	**301,920,171**	281,732,943	Level 3	Market comparable companies	– Earnings multiples – Revenue multiples – Book value multiples	**9.7x - 138.7x** **1.5x - 7.3x** **2.0x - 7.0x**	39.9x - 85.6x 1.9x - 10.7x 2.5x - 12.9x	The higher the multiples, the higher the fair value	**+30,000,000/ – 30,000,000**	+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	**-61,000,000/ +61,000,000**	-51,000,000/ +51,000,000
Unlisted equity classified as financial assets designated at FVTPL (Note 1)	**20,374,894**	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)	–	45,521,424	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)	**4,318,510**	4,379,220	Level 3	Recoverable amount	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Closing balance	**650,209,808**	713,635,030								

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Note 1: Financial assets 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 15.

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

Reconciliation of Level 3 fair value measurements of financial assets:

	Designated at FVTPL *US$*
Balance at 1 January 2016 (audited)	**372,402,960**
Gains or losses recognised in:	
Profit or loss – unrealised	**(28,875,312)**
Exchange differences arising on translation	**(6,719,556)**
Return of capital	**(1,165,985)**
Balance at 30 June 2016 (unaudited)	**335,642,107**
Balance at 1 January 2015 (audited)	320,391,512
Gains or losses recognised in:	
Profit or loss – unrealised	43,333,446
Exchange differences arising on translation	966,438
Purchases	19,628,370
Balance at 30 June 2015 (unaudited)	384,319,766

Of the total losses for the period included in profit or loss, loss of US$28,875,312 (six months ended 30 June 2015: gain of US$43,333,446) relates to financial assets designated at FVTPL categorised in Level 3 held at the end of the reporting period. Fair value gains or losses on financial assets designated at FVTPL are included in "Change in fair value of financial assets designated at fair value through profit or loss".

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Reconciliation of Level 3 fair value measurements of financial liabilities:

	Designated at FVTPL *US$*
Balance at 1 January 2016 (audited)	**1,376,377**
Change in fair value	**(342,316)**
Balance at 30 June 2016 (unaudited)	**1,034,061**
Balance at 1 January 2015 (audited)	1,048,696
Additions	236,505
Change in fair value	93,977
Balance at 30 June 2015 (unaudited)	1,379,178

Fair value measurements and valuation processes

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

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

The financial liabilities designated at FVTPL as at 30 June 2016 were related to the sub-participation agreements (the "**Sub-participation Agreements**") entered into between the Company and the participants in respect of certain of the Group's investments which are designated at FVTPL. The fair value of the Sub-participation Agreements is associated directly with these underlying investments and their valuation details and sensitivity analysis are set out in note 14.

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

The Group primarily invests directly in investment projects in the PRC. For the current period, the loss on change in fair value of financial assets designated at FVTPL was US$55,467,811 (six months ended 30 June 2015: gain of US$70,667,770). The overall decrease in fair values of investment projects was due to the sluggish securities markets and/or poor performance of business sectors in which certain investment projects operated.

17. RELATED PARTY TRANSACTIONS

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

During the six months ended 30 June 2016, the Group has incurred the following related party transactions:

(a) Management fees totaling US$5,551,164 (six months ended 30 June 2015: US$5,862,346) were paid or accrued to the Investment Manager. The fee is calculated based on a fixed percentage on the value of the Group's assets as stipulated in the Investment Management Agreement (Note).

The amount due to the Investment Manager included in other payables in the condensed consolidated statement of financial position as at 30 June 2016 was US$2,707,084 (31 December 2015: US$4,765,965). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Securities brokerage commission fee totaling US$6,438 (six months ended 30 June 2015: Nil) was paid to a subsidiary of a substantial shareholder of the Company (the "**Substantial Shareholder**") who has significant influence over the Company. Since the Substantial Shareholder has significant influence over the Company and has control over its subsidiary, the securities brokerage commission fees are considered to be related party transactions (Note).

(c) Pursuant to the Sub-participation Agreements, the financial liabilities of the Group with Mr. LI Yinquan, Mr. WANG Xiaoding and Mr. TSE Yue Kit, who are Directors of both the Company and the Investment Manager, as at 30 June 2016, were US$6,337, US$139,844 and US$15,655, respectively (31 December 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$93,121 (31 December 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$1,017 (31 December 2015: US$1,293).

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

18. COMPENSATION TO KEY MANAGEMENT PERSONNEL

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

19. EVENTS AFTER THE REPORTING PERIOD

(a) On 28 July 2016, Besttone Holding Co., Ltd. ("**Besttone**"), a Shanghai-listed company, Shenzhen Tian Zheng Investment Co., Ltd. ("**Tian Zheng**"), a wholly-owned subsidiary of the Company, and all the other shareholders of Esurfing, an investment classified as a financial asset designated at FVTPL, entered into a conditional agreement (the "**Agreement**") whereby Tian Zheng and all the other shareholders of Esurfing collectively agreed to sell, and Besttone agreed to purchase, in aggregate, 100% of the equity interest in the capital of Esurfing (the "**Transaction**").

Tian Zheng has agreed to sell to Besttone all of the 5.37% equity interest it holds in Esurfing with a tentative consideration of approximately RMB103,813,000. Based on the tentative consideration for the Transaction and pursuant to the Agreement, it is currently expected that Tian Zheng shall receive a total of approximately 7,184,300 new ordinary shares of Besttone as consideration upon completion of the Transaction.

Details of the Transaction are set out in the Company's announcement dated 1 August 2016.

(b) Subsequent to the reporting period, the Group has disposed of 5,000,000 A shares of Industrial Bank Co., Ltd. for net proceeds of approximately RMB80.86 million (equivalent to approximately US$12.21 million).

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the condensed consolidated financial statements of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 2 to 20, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 August 2016

INVESTMENT MANAGER'S DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

China Merchants China Direct Investments Limited and its subsidiaries (the "**Fund**") recorded a loss attributable to equity shareholders of US$38.93 million for the six months ended 30 June 2016, compared to a profit attributable to equity shareholders of US$66.45 million for the same period last year. The reversal was mainly due to a decline in overall fair value of the financial assets designated at FVTPL (the "**Financial Assets**"), resulting in the recognition of a loss, rather than a gain as in the prior period. As of 30 June 2016, the net assets of the Fund (net of the dividend of US$22.85 million for 2015) were US$561.66 million (31 December 2015: US$635.33 million), with a net asset value per share of US$3.687 (31 December 2015: US$4.171).

For the period, the loss on change in fair value of the Financial Assets was US$55.47 million, as compared to a gain on change in fair value of US$70.67 million for the same period last year. The fair value of listed and unlisted investments recorded losses of US$31.36 million and US$24.11 million, respectively.

Total investment income for the period decreased by 61.89% to US$7.45 million (six months ended 30 June 2015: US$19.55 million) as compared to the same period last year, due primarily to a decrease in dividend income from investments, as well as to a decrease in interest income.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In the first half of 2016, the Fund continued to seek out and rigorously evaluate investment opportunities. The Fund made additional investments in an existing financial services project and also entered into a tourism investment project during this period.

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. Based on the current business plan for establishing Jinlanmei Travel, the Fund expects to make its first capital contribution of RMB10 million in the third quarter of 2016. Jinlanmei Travel will be engaged in the operation of tourism and shipping in a comprehensive way within the territorial waters of the Lancang River-Mekong River.

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

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

The Fund's cash on hand increased by 2.86%, from US$53.92 million at the end of last year to US$55.46 million (representing 7.85% of the Fund's total assets) as of 30 June 2016, due primarily to the receipt of distribution income from projects and to the return of a portion of the Fund's capital investment in a project during the period.

As of 30 June 2016, the Fund had no outstanding bank loans (31 December 2015: Nil).

As of 30 June 2016, the Fund had capital commitments of US$18.30 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 and Jinlanmei Travel.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Fund's investments are located in China where the official currency is Renminbi ("**RMB**"). For the first half of 2016, the conversion rate of RMB against the US dollar recorded a decrease of 2.12%, 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 30 June 2016, the Fund's total investments amounted to US$650.21 million. The sector distribution of investments was US$521.97 million in financial services (representing 73.92% of the Fund's total assets), US$76.69 million in culture and media (10.86%), US$11.27 million in manufacturing (1.60%), and US$40.28 million in other ventures (including energy and resources, information technology, agriculture, medical and pharmaceutical and education) (5.70%). In addition, cash on hand was US$55.46 million, representing 7.85% of the Fund's total assets as of 30 June 2016.

REVIEW OF INVESTMENTS

The following table shows the investment projects held by the Fund as at 30 June 2016:

(A) Direct Investments

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Carrying value *(US$ million)*	Percentage of total assets *%*	Percentage of net assets *%*
Financial Services:						
#1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	146	20.62	25.92
#2. Industrial Bank Co., Ltd.	Fuzhou, Fujian	Banking	Shanghai Stock Exchange	154	21.77	27.38
#3. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	173	24.50	30.80
#4. JIC Leasing Co., Ltd.	Beijing	Finance leasing	Unlisted	33	4.66	5.86
5. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	1	0.21	0.26
			Sub-total:	**507**	**71.76**	**90.22**
Culture & Media:						
#6. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	19	2.68	3.37
#7. NBA China, L.P.	Beijing	Sports marketing	Unlisted	28	3.98	5.00
8. Unibank Media Group Inc.	Beijing	Indoor media	Unlisted	4	0.54	0.68
#9. Esurfing Media Co., Ltd.	Shanghai	Mobile & online videos platform	Unlisted	17	2.38	2.99
#10. Shanghai Oriental Pearl Media Co., Ltd.	Shanghai	Multimedia	Shanghai Stock Exchange	9	1.28	1.61
			Sub-total:	**77**	**10.86**	**13.65**
Manufacturing:						
11. Shenzhen Geesun Zhiyun Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	3	0.41	0.51
12. Jiangsu Huaer Quartz Materials Co., Ltd.	Yangzhou, Jiangsu	High purity silica crucibles	Unlisted	0	0.03	0.04
13. Liaoning Zhenlong Native Produce Holding Company Ltd.	Fuxin, Liaoning	Food processing	Unlisted	—	—	—
14. Hwagain Group Co., Ltd.	Nanning, Guangxi	Printing paper & tissue paper	Unlisted	8	1.16	1.46
			Sub-total:	**11**	**1.60**	**2.01**

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Carrying value *(US$ million)*	Percentage of total assets *%*	Percentage of net assets *%*
Others:						
(i) Energy & Resources:						
15. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	New Third Board *Note*	3	0.44	0.55
(ii) Information Technology:						
16. Xi'an Jinpower Electrical Co., Ltd.	Xi'an, Shaanxi	Power grid monitoring system	New Third Board *Note*	1	0.09	0.11
17. NTong Technology Co., Ltd.	Beijing	Software development	Unlisted	—	—	—
18. Teralane Semiconductor (Shenzhen) Co., Ltd.	Shenzhen, Guangdong	IC design	Unlisted	0	0.07	0.08
(iii) Agriculture:						
19. Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd.	Bazhou, Xinjiang	Cotton, jujube	Unlisted	4	0.54	0.68
(iv) Medical & Pharmaceutical:						
#20. Nanjing Sanhome Pharmaceutical Co., Ltd.	Nanjing, Jiangsu	Pharmaceutical	Unlisted	26	3.62	4.56
(v) Education:						
21. Guangxi Xinhua Preschool Education Investment Corporation Limited	Nanning, Guangxi	Preschool education	Unlisted	6	0.94	1.19
			Sub-total:	**40**	**5.70**	**7.17**
			Total:	**635**	**89.92**	**113.05**

(B) Listed Investments (acquired in the secondary market)

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)	Carrying value (US$ million)	Percentage of total assets %	Percentage of net assets %
Financial Services:						
#22. China Reinsurance (Group) Corporation	Beijing	Reinsurance	Hong Kong Stock Exchange	15	2.16	2.72
			Total:	**15**	**2.16**	**2.72**
			Grand total:	**650**	**92.08**	**115.77**

 # Ten largest investments of the Fund as of 30 June 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 30 June 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.

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 for the development of its international business.

On 19 August 2016, CMB announced that its unaudited net profit for the first half of 2016 was RMB35.2 billion, up 6.84% year-over-year.

In the first half of 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 30 June 2016, the Fund held 66.94 million A shares of IBC, representing an equity interest of 0.351%, with a corresponding investment cost of RMB110.18 million (equivalent to US$11.55 million). In June 2016, the Fund received a cash dividend of RMB40.83 million from IBC for 2015.

On 20 April 2016, IBC announced that it had successfully issued Tier-2 capital bonds in an aggregate amount of RMB30 billion, all of which were fixed rate bonds with a term of 10 years, issued in the national inter-bank bond market, and with proceeds to be used to replenish its Tier-2 capital.

On 28 April 2016, IBC announced that its unaudited net profit for the first quarter of 2016 was RMB15.7 billion, up 6.15% 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 and limiting to no more than 1,722 million shares (representing approximately 9.04% of the existing share capital of IBC of 19.052 billion shares) to 6 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. Upon completion of the above proposal, the equity interest of IBC held by the Fund will be diluted, accordingly. The above proposal is still subject to approval by the shareholders of IBC and the relevant regulatory authorities.

In August 2016, the Fund disposed of 5 million A shares of IBC for net proceeds of RMB80.86 million (equivalent to US$12.21 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 30 June 2016, the Fund held a 6.94% equity interest in CCT, with a total investment cost of US$50.49 million.

For the first half of 2016, CCT recorded an unaudited net profit of RMB102 million (excluding its share of the results of its affiliates under the equity method), representing a decrease of 68.81% 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 income, and investment income as compared to the same period last year.

At CCT, the trust projects with relatively high profit margin are concentrated primarily in the real estate industry. With intensifying competition from other financial institutions (including securities companies, subsidiaries of investment fund companies, etc.) for similar projects, coupled with stricter requirements adopted by CCT for the internal approval of projects in order to manage risk, the number and size of new trust projects have been affected. At the same time, existing trust projects that may have been exposed to liquidity risk were terminated early and disposed of by CCT in order to eliminate exposure to specific risks. Consequently, CCT recorded a decrease in the number and size of existing trust projects since the beginning of 2016, resulting in a decrease in revenue from existing trust projects that ultimately affected its financial performance in the first half of 2016. 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.

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.

In response to easing credit policies adopted by many banks since the beginning of the year, JIC Leasing's development of new customers has slowed, eventually resulting in a slight decrease of its unaudited net profit for the first half of 2016 as compared to the same period last year.

JIC Leasing is currently in the progress of a conversion into a joint-stock limited company, in preparation for an initial public offering (IPO).

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

In the first half of 2016, China Media Management continued to actively assist China Media Investment in exiting from projects so as to realise a return on its investments. As one example, on 23 March 2016, China Media Management assisted China Media Investment in disposing of certain shares of IMAX China Holding, Inc. so as to lock in certain investment returns.

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 installments in China Media Investment. The first installment of RMB40 million (equivalent to US$5.86 million) was made by the Fund in June 2010. The second installment of RMB6.26 million (equivalent to US$0.95 million) was made in March 2011, and the third to the sixth installment of RMB6.77 million (equivalent to US$1.08 million), RMB28.82 million (equivalent to US$4.57 million), RMB3.08 million (equivalent to US$0.48 million) and RMB35.24 million (equivalent to US$5.56 million) were made in February, July, August and September 2012, respectively. The seventh installment of RMB20.64 million (equivalent to US$3.35 million) was made in September 2013, the eighth installment of RMB12.57 million (equivalent to US$2.05 million) was made in February 2014, and the ninth installment of RMB5.28 million (equivalent to US$0.86 million) was made in June 2014. Cumulatively, the Fund has invested RMB158.66 million (equivalent to US$24.76 million) in China Media Investment, representing 79.33% of the total investment of RMB200 million committed by the Fund.

In addition to the payments listed above, the Fund invested RMB12.45 million (equivalent to US$2.02 million) in cash in China Media Investment in April 2014, specifically for the purpose of investing in IMAX China Holding, Inc. ("**IMAX China**"). IMAX Corporation ("**IMAX**") began operations in China in 2001 and IMAX China was incorporated in the Cayman Islands in 2011. IMAX China 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 nearly 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, with a total amount of HK$171 million upon listing. After the completion of the issuance for listing, the Fund beneficially owns 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. The lock-up period for these shares expired on 8 July 2016.

Through the end of June 2016, the Fund has received a total investment return of RMB134 million from China Media Investment, including the investment return from IMAX China, and representing 78.55% of the total cumulative amount invested by the Fund.

China Media Investment has completed the 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. ("**Gewara**"). Of these, shares of IMAX China have been sold gradually. Also, Gewara officially announced a merger with 北京微影時代科技有限公司 (Beijing Weiying Times Technology Co., Ltd.) in December 2015, which should lead to an exit from China Media Investment.

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 30 June 2016, the Fund held a 1% partnership interest in NBA China. The Fund received a cash distribution from NBA China of US$293,500 in January 2016.

In May 2016, NBA China announced that "NBA Playzone", the first NBA-themed family entertainment centre in the world, will open in Shanghai this summer. The 1,500-square-metre NBA Playzone will offer children and their families an all-new and fun-filled NBA experience. The NBA Playzone is equipped with a series of areas and activities featuring basketball elements, enabling young basketball fans to fully experience the excitement of the NBA.

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. With the commencement of the new semester this September, 500 secondary and primary schools from 10 provinces and cities will be selected as the first group of schools featured with basketball curriculum, jointly developed by the Ministry of Education of China and the NBA. In order to ensure a high quality of instruction for this basketball curriculum, NBA China will organise coaching and training courses for physical education teachers of these 500 schools during August 2016.

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 capital of Unibank Media and meaning that the stake of shareholders not participating 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. If the above incentive to the management is taken into account, the Fund's equity interest in Unibank Media will be 6.03%.

In the first half of 2016, Unibank Media actively commenced a group restructuring and intends to complete its overall conversion into a joint-stock limited company during 2016. In the second half of 2016, Unibank Media will actively reorganise its business segments in order to obtain revenues in addition to advertising.

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

In the first half of 2016, both Esurfing's unaudited sales revenue and net profit dropped somewhat compared to the same period last year, due primarily to certain changes in personnel during the first quarter of 2016 at China Telecommunications Corporation, its controlling shareholder, which have in turn affected the degree of business support provided.

Besttone Holding Co., Ltd. (**"Besttone"**), a Shanghai-listed company controlled by China Telecommunications Corporation, announced on 30 July 2016 that it intends to acquire the entire equity interest of Esurfing, based on a preliminary valuation of RMB1,933 million. The Fund plans to fully replace its equity interest in Esurfing with the A shares of Besttone, based on the above valuation, with an expectation that 7.18 million Besttone shares will be issued at a price of RMB14.45 per share. The replacement shares will have a lock-up period of one year. The entire transaction is expected to be completed by the end of 2016, and is subject to approval by the shareholders of Besttone and by the relevant ministries, commissions, and regulatory authorities.

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 July 2016, Oriental Pearl implemented its 2015 dividend proposal of distributing RMB2.30 for every 10 shares. Accordingly, the Fund is entitled to a cash dividend of RMB0.85 million.

On 27 April 2016, Oriental Pearl announced that its audited net profit for 2015 was RMB2,907 million, up 26.10% year-over-year. At the same time, Oriental Pearl announced that its unaudited net profit for the first quarter of 2016 was RMB345 million, down 37.30% year-over-year.

In the first half of 2016, Oriental Pearl and Square Enix signed a cooperation agreement. Square Enix is one of the most influential suppliers of digital entertainment products in the world and has leading-edge development studios in various regions and countries including North America, Europe and Japan. Its well-known IP products include the Final Fantasy series, Dragon Quest series and Tomb Raider series.

Shenzhen Geesun Zhiyun Technology Co., Ltd. ("Geesun Zhiyun") was established in Shenzhen, Guangdong in 2006 and is a leading manufacturer of equipment and automated production lines for lithium ion batteries and supercapacitors in China. Its name was changed to its present name in April 2015 as a result of an acquisition and capital increase. The Fund invested RMB20 million (equivalent to US$2.93 million) in May 2010, and held a 12.65% stake in Geesun Zhiyun as of 30 June 2016.

In February 2015, 大連智雲自動化裝備股份有限公司 (Dalian Zhiyun Automation Co., Ltd., "**Zhiyun**"), a Shenzhen-listed company, the controlling shareholder, and certain major shareholders of Shenzhen Geesun Automation Technology Co., Ltd., the predecessor of Geesun Zhiyun, signed an equity transfer and capital increase agreement. All of the transactions as stipulated in the agreement were subsequently completed in April 2015. On 13 June 2016, 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 all of their 0.3042% equity interest in Geesun Zhiyun to CASI. The overall preliminary valuation of Geesun Zhiyun in the transaction was RMB200 million and the transaction is expected to be completed in the third quarter of 2016.

In the first half of 2016, as the demand for electric and hybrid automobiles in the downstream markets increased, business conditions in the lithium ion battery equipment industry also improved, and the number of orders received by Geesun Zhiyun increased substantially.

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.

Market demand for both the single crystalline silicon solar cells and high purity silica crucible products used in production slightly recovered in the first half of 2016 as compared to that of 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 normal production and operations. Jiangsu Huaer did not achieve profitability during the period. 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 prominent quality control. However, the past-due trade receivables remain considerable, leading to tight liquidity, and thereby limiting the number of orders the company can receive. As such, Jiangsu Huaer may not see a significant improvement in operational results in the short term.

Liaoning Zhenlong Native Produce Holding Company Ltd. ("Liaoning Zhenlong") was established in Fuxin, Liaoning in 2000. It is a joint-stock limited company with an export license, principally engaged in the acquisition, processing and sale of pumpkin seeds and other nut products. Its main products include pumpkin seeds, pumpkin nuts, sunflower seeds, sunflower nuts, pine nuts, pistachios, and almonds, as well as other baked nuts, pumpkin dried buckwheat noodles and cereals, etc. Products are sold via two channels, overseas and domestic. The overseas market covers more than twenty countries and regions in Europe, America, Asia Pacific and Oceania, while the domestic market covers mid-size to large cities, including Beijing, Shanghai, Nanjing and Chengdu. The Fund invested a total of RMB19.20 million (equivalent to US$2.97 million) in August 2011 for a 2% equity interest in Liaoning Zhenlong.

Since the China Securities Regulatory Commission ("**CSRC**") decided to terminate its review of Liaoning Zhenlong's IPO application in June 2015, the Fund has been closely monitoring the progress of these matters (including the investigation of possible irregularities related to the proposed IPO) and, at the same time, actively seeking a suitable way to exit from the project.

Hwagain Group Co., Ltd. ("Hwagain") was formed by the merger of two paper manufacturers located in Nanning, Guangxi in 1998. It is principally engaged in the research and development, production, and sale of high quality printing paper and tissue paper. The Fund invested RMB119.99 million (equivalent to US$19.00 million) in January 2012 for a 7.10% equity interest in Hwagain.

During 2015 and also in the first half of 2016, due to a range of factors – including the slow recovery of the global economy, the gradual stabilisation and recovery of prices of imported paper pulp, the suspension of production by many smaller firms due to sizable losses, and increasingly strict environment reviews – the market for printing paper remained weak. However, days of inventory for the industry have gradually dropped to a level close to the average in previous years, the terminal sale price of printing paper has rebounded but was limited, and overcapacity still existed. Meanwhile, in the tissue paper industry, leading brands are leveraging the Internet, mobile business platforms and other new channels to provide consumers with more convenient and affordable products, eroding the market share of second-tier brands. During this process, some new entrants have cut output or suspended production under pressure.

For Hwagain, which operates with a "Forest-Pulp-Paper Integration" business strategy, its forest resources have gradually entered into a felling cycle, and the forestry business has been realising a profit. In addition, the construction of Project Phases I and II in Ganzhou, Jiangxi were completed and put into production in the second half of 2013 and first half of 2014, respectively, and the automation and production efficiency of imported equipment for the new project have been higher, with both factors helping 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.

During 2015 and also in the first half of 2016, Hwagain's forestry business has been performing well, which has supported its profitability to a large extent albeit a sluggish sentiment in the paper-making industry. For 2015, Hwagain achieved an audited net profit of RMB85.57 million (including extraordinary items), up 43.38% year-over-year.

Currently, the demolition and relocation of Hwagain's plant in Guangxi has been substantially completed. However, further negotiations with the government will be needed in subsequent periods with respect to the remaining compensation payments for demolition and relocation.

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 30 June 2016.

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

On 13 May 2016, Wuhan Rixin announced that its audited net profit for 2015 (including extraordinary items) was RMB70.55 million, up 353.45% year-over-year; and announced on 10 August 2016 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.

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 on-line monitoring systems for transmission lines and substation equipment for the power grid. The Fund invested RMB20 million (equivalent to US$3.03 million) in January 2011. As of 30 June 2016, the Fund held a 4.83% equity interest in Jinpower Electrical.

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

On 15 April 2016, Jinpower Electrical announced that its audited net profit for 2015 was RMB0.58 million, as compared to a loss of RMB5.50 million in the same period last year.

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. It is expected that its annual results for 2016 will show gradual improvement.

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 and refinancing, among other initiatives.

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.

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

NTong has filed for bankruptcy in the court of Haidian District, Beijing (the "**Haidian Court**"). In June 2015, the Haidian Court officially accepted the bankruptcy application of NTong and has assigned an administrator as custodian for NTong. After verifying the condition of NTong's accounts, the administrator has confirmed that the debt of the company currently is approximately RMB140 million. NTong expects that the second creditors' meeting will be convened in the third quarter of 2016 and that all parties who intend to participate in the reorganisation are waiting for the final determination of debt amounts. In the event that the creditors' claims are determined to be excessive, NTong may encounter a certain degree of difficulty in reorganisation. 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 (IC), the research and development, manufacturing, and sale of related products, and the provision of related systems integration and technical services. In December 2011, the Fund subscribed to an issuance of convertible bonds by Teralane Semiconductor in the amount of RMB5 million (equivalent to US$0.79 million). The convertible bonds could be converted into a 1.80% equity interest in the enlarged share capital of Teralane Semiconductor (per the registered capital at the time of subscription).

On 15 January 2014, the Fund entered into a supplemental agreement with Teralane Semiconductor confirming the non-exercise of the conversion right, pursuant to 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 payments to the Fund subsequently for the principal amount of RMB5 million or the accrued interest.

Through the end of June 2016, the Fund has made proactive efforts to recover an aggregate amount of over RMB3.13 million from Teralane Semiconductor through various methods (including but not limited to filing a lawsuit and request for seizure of its bank accounts). The Fund is still studying the feasibility of other claim solutions. Besides, it is learnt that Teralane Semiconductor has suspended operations and was listed as a company with anomalous operations by Shenzhen's relevant authorities.

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

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

The controlling shareholder of Chengtian indicated that due to changes in government policies for cotton collection and storage, as well as a remarkable fall in cotton prices in China, the Agricultural Development Bank had demanded an early settlement of certain loans, and had furthermore linked this demand to the availability of new cotton purchase loans, such that there was a shortage of cash 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. At the same time, he hopes that the Fund can support Chengtian in spinning off part of its businesses as a new entity to be listed on the New Third Board. He is also willing to proceed with negotiations with the Fund on further repayment plans.

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 national grade high technology enterprise. The Fund invested RMB105 million (equivalent to US$17.17 million) in December 2013 for a 3.50% equity interest in Sanhome Pharmaceutical. In June 2016, the Fund received a cash dividend of RMB3.50 million from Sanhome Pharmaceutical for 2015.

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

Sanhome Pharmaceutical submitted its IPO application materials to the CSRC in June 2015 and it is currently at the stage of submitting the supplementary materials.

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

Through the end of first half of 2016, Xinhua Preschool Education has completed the construction of five kindergartens in total, with enrollment completed for three of the five. 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 RMB0.97 million for the first half of 2016.

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 only local reinsurance group in China, the business of China Re spans reinsurance, insurance, asset management, insurance brokerage, and insurance media. During November and 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 30 June 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 of HK$3.65 million from China Re for 2015.

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 their 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.

PROSPECTS

In the first half of 2016, under the pressure of global economic developments entering into a transformational period and economic development in China moving into the "New Normal" phase, the Central Government, with economic development as its main focus, insisted on a steady advance of measures on stabilising growth, adjusting structures and improving citizen welfare. It also continued to perfect its macro-economic policies and placed emphasis on leading the new normal of economic development with a new development philosophy, innovating in its approach to macro regulation and control, and actively promoting supply-side structural reforms while moderately expanding aggregate demand, so as to eventually facilitate positive changes in economic conditions. As announced by the 2016 working report of the Central Government, the economic growth target was set at 6.5%-7% for 2016, which is the first time that a Gross Domestic Product (GDP) target range has been set in China since 1995. Then, China's GDP in the first half of 2016 increased by 6.7% as compared to the same period in 2015. According to data recently released by the National Bureau of Statistics, the Purchasing Manager Index (PMI) of China's manufacturing industry was 50.0% in June 2016, down slightly by 0.1 percentage points from May and balancing on the threshold that separates contraction from expansion. In general, it is still showing signs of stable production and further optimisation of economic structures. In particular, the new order index was 50.5%, down by 0.2 percentage points from May, however, still steadily maintained a position above the threshold for four consecutive months. This shows that the market demand of the manufacturing industry is continuing to expand, but with a moderate slowdown in growth rate. In view of the relatively slow growth of China's GDP in 2016, it is expected that the operating results of the investment projects (mainly operating in China) held by the Fund will be impacted to a certain degree.

Looking forward to the second half of 2016, the world economy will continue to recover, but at a slow pace, and it may become increasingly fragile, resulting in greater uncertainty in economies around the world. The growth momentum of developed economies will be weaker, while the emerging market economies and low-income countries will continue to face headwinds for growth. For China, stability is still the key note for the domestic economy and market and it may be difficult for the domestic economy to turn around in the near term, due mainly to deep-rooted conflicts becoming intertwined and increasingly prominent, resulting from the engines of domestic economic growth gearing down, the labour pains of structural adjustments and the uneven transition from old to new drivers. Meanwhile, new sources of instability and uncertainty continued to emerge. Amid the existing economic environment in China, it is expected that the Central Government will continue its policies of growth stabilisation in the near term, and will adopt enhanced policies and measures to increase aggregate demand in the economy, so as to facilitate steady economic growth and to alleviate downward pressure on the economy to a certain extent. It will also provide more time for structural reform and for the fostering of new growth drivers. Given that the Central Government is stepping up its adjustments to economic structure, new business forms and models will thrive and develop rapidly. New economic sectors will receive greater support from government policies and more attention from the capital market, and it is here that the Fund will continue to seek out the best opportunities for investment.

In an environment where challenges and opportunities co-exist, the Fund will continue to make every effort to identify new investment projects, while maintaining an emphasis on investment opportunities in several sectors, including culture and media, healthcare, consumer goods (with particular focus on consumer-oriented projects in second and third tier cities), advanced manufacturing, non-traditional financial services, new energy, education, "Internet plus" and China's strategic industries under the "One Belt and One Road" Initiatives, and to seek to optimise its mix of investments in order to create greater shareholder value.

SUB-PARTICIPATION SCHEME (THE"SCHEME")

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

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

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

As of 30 June 2016, details of aggregate amounts provided by the Participants and their relative proportion to the investment amounts paid by the Fund were as follows:

Name of projects	**Original investment amounts of the Fund** *US$**	**Original amounts paid by the Participants** *US$**	**Relative proportion**
Unibank Media (1st round capital injection)	6,585,600	129,000	1.959%
Wuhan Rixin	2,195,500	43,900	2.000%
Unibank Media (2nd round capital injection)	4,394,100	87,500	1.991%
China Media Management	676,100	4,500	0.666%
Geesun Zhiyun	2,929,500	58,000	1.980%
China Media Investment (1st installment capital contribution)	5,858,300	38,800	0.662%
Jiangsu Huaer	2,226,200	43,800	1.966%
Jinpower Electrical	3,033,500	60,300	1.988%
China Media Investment (2nd installment capital contribution)	953,500	6,100	0.638%
Liaoning Zhenlong	2,974,500	59,000	1.986%
NTong	10,409,700	130,300	1.252%
Teralane Semiconductor	789,500	34,200	4.335%
Hwagain	19,004,900	161,100	0.847%
China Media Investment (3rd installment capital contribution)	1,075,300	6,200	0.575%
China Media Investment (4th installment capital contribution)	4,566,600	26,300	0.577%
Chengtian	4,733,300	74,100	1.566%
China Media Investment (5th installment capital contribution)	484,900	2,800	0.580%
Esurfing	16,068,600	125,100	0.778%
China Media Investment (6th installment capital contribution)	5,555,100	32,200	0.579%
China Media Investment (7th installment capital contribution)	3,352,500	18,900	0.562%
Sanhome Pharmaceutical	17,171,500	94,100	0.548%
China Media Investment (8th installment capital contribution)	2,055,100	11,500	0.559%
China Media Investment – IMAX China	2,021,800	40,000	1.977%
China Media Investment (9th installment capital contribution)	859,600	4,830	0.562%
Xinhua Preschool Education (1st installment capital contribution)	4,898,200	28,400	0.580%
Oriental Pearl	19,619,100	255,510	1.302%
JIC Leasing	38,781,800	65,810	0.170%
China Re	19,308,300	41,290	0.214%

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

In addition, as of 30 June 2016, details of the amounts paid by Directors of the Fund as well as a Director of the Investment Manager for the Scheme were as follows:

Name of projects	**Mr. HONG Xiaoyuan** (Note 1) *US$*	**Mr. LI Yinquan** (Note 2) *US$*	**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 Zhiyun	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
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

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, 29 August 2016

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

A dividend payment of US$22,849,952 (2014: US$13,709,971), being a final dividend of US$0.06 per share (2014: US$0.06) and a special dividend of US$0.09 per share (2014: US$0.03), totaling US$0.15 per share (2014: US$0.09), for the year ended 31 December 2015 was approved by the shareholders on 19 May 2016 and was subsequently paid by the Company in cash on 28 July 2016.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the six months ended 30 June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 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 30 June 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 six months ended 30 June 2016.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 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.

CORPORATE GOVERNANCE

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

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

The Stock Exchange of Hong Kong Limited has granted a waiver to the Company for establishment of remuneration committee on condition that the Executive Directors and senior management of the Company will not receive any Directors' fee or emolument from the Company. Thus, no remuneration committee has been established by the Company.

DIRECTORS' SECURITIES TRANSACTIONS

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

UPDATE ON DIRECTORS' BIOGRAPHICAL DETAILS

Mr. LI Yinquan, Executive Director of the Company, ceased to act as a Director of China Merchants Bank Co., Ltd. with effect from 28 June 2016 due to expiration of his term of office.

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

By Order of the Board
Mr. HONG Xiaoyuan
Chairman

Hong Kong, 29 August 2016