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 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. HONG Xiaoyuan *(Chairman)*
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 Directors
Mr. KE Shifeng
Mr. ZHANG Rizhong

Independent Non-executive Directors
Mr. LIU Baojie
Mr. TSANG Wah Kwong
Dr. LI Fang

INVESTMENT COMMITTEE

Mr. HONG Xiaoyuan
Mr. ZHANG Rizhong
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. LIU Baojie
Dr. LI Fang

NOMINATION COMMITTEE

Mr. HONG Xiaoyuan
Mr. TSANG Wah Kwong
Dr. LI Fang

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
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 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2018	2017
		(unaudited)	*(unaudited)*
	NOTES	***US$***	*US$*
Net (loss) gain on financial assets at fair value through profit or loss	*4*	**(62,000,711)**	75,512,881
Investment income	*5*	**10,929,348**	12,107,080
Other gains		**656,419**	442,792
Administrative expenses		**(7,062,792)**	(6,418,604)
(Loss) profit before taxation	*7*	**(57,477,736)**	81,644,149
Taxation	*8*	**9,962,712**	(21,395,981)
(Loss) profit for the period		**(47,515,024)**	60,248,168
Other comprehensive (expense) income for the period			
Item that will not be reclassified subsequently to profit or loss			
Exchange difference arising on translation		**(7,714,655)**	13,020,799
Total comprehensive (expense) income for the period		**(55,229,679)**	73,268,967
(Loss) profit for the period attributable to owners of the Company		**(47,515,024)**	60,248,168
Total comprehensive (expense) income for the period attributable to owners of the Company		**(55,229,679)**	73,268,967
Basic (loss) earnings per share	*9*	**(0.312)**	0.396

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30 June 2018 (unaudited) US$	31 December 2017 (audited) US$
Non-current asset			
Financial assets at fair value through profit or loss	3	**630,051,562**	448,753,156
Current assets			
Financial assets at fair value through profit or loss	3	**66,489,668**	376,210,439
Other receivables and prepayments	10	**7,698,012**	96,135
Cash and cash equivalents		**70,238,180**	47,767,265
		144,425,860	424,073,839
Current liabilities			
Other payables	11	**27,665,654**	38,172,583
Dividend payable	12	**9,139,981**	—
Taxation payable		**300,415**	5,285,658
		37,106,050	43,458,241
Net current assets		**107,319,810**	380,615,598
Total assets less current liabilities		**737,371,372**	829,368,754
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	16	**1,340,931**	1,451,162
Deferred taxation	13	**94,773,987**	122,291,478
		96,114,918	123,742,640
Net assets		**641,256,454**	705,626,114
Capital and reserves			
Share capital	14	**139,348,785**	139,348,785
Reserves		**92,156,684**	99,871,339
Retained profits		**409,750,985**	466,405,990
Equity attributable to owners of the Company		**641,256,454**	705,626,114
Net asset value per share	15	**4.210**	4.632

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 2018 (audited)	**139,348,785**	**85,655,523**	**14,215,816**	**466,405,990**	**705,626,114**
Loss for the period	**—**	**—**	**—**	**(47,515,024)**	**(47,515,024)**
Exchange difference on translation	**—**	**(7,714,655)**	**—**	**—**	**(7,714,655)**
Total comprehensive expense for the period	**—**	**(7,714,655)**	**—**	**(47,515,024)**	**(55,229,679)**
2017 final dividend declared	**—**	**—**	**—**	**(9,139,981)**	**(9,139,981)**
Balance at 30 June 2018 (unaudited)	**139,348,785**	**77,940,868**	**14,215,816**	**409,750,985**	**641,256,454**
Balance at 1 January 2017 (audited)	139,348,785	50,107,707	13,082,871	358,776,082	561,315,445
Profit for the period	—	—	—	60,248,168	60,248,168
Exchange difference on translation	—	13,020,799	—	—	13,020,799
Total comprehensive income for the period	—	13,020,799	—	60,248,168	73,268,967
2016 final dividend declared	—	—	—	(9,139,981)	(9,139,981)
Balance at 30 June 2017 (unaudited)	139,348,785	63,128,506	13,082,871	409,884,269	625,444,431

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
	US$	*US$*
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(57,477,736)**	81,644,149
Adjustments for:		
Interest income	**(350,961)**	(103,235)
Dividend income from equity investments	**(10,578,387)**	(12,003,845)
Net loss (gain) on financial assets at fair value through profit or loss	**62,000,711**	(75,512,881)
Operating cash flows before movements in working capital	**(6,406,373)**	(5,975,812)
Proceeds from disposal of financial assets at fair value through profit or loss	**69,050,947**	36,319,258
Return of capital from financial assets at fair value through profit or loss	**2,013,331**	4,584,015
Purchases of financial assets at fair value through profit or loss	**(12,316,575)**	(14,761,455)
Decrease (increase) in other receivables and prepayments	**3,754**	(16,101)
(Decrease) increase in other payables	**(10,697,314)**	13,308,273
Increase in financial liabilities designated at fair value through profit or loss	**80,154**	665
Cash generated from operations	**41,727,924**	33,458,843
Interest received	**346,425**	110,708
Dividends received	**2,977,292**	19,242,937
Income taxes paid	**(20,296,085)**	(17,108,524)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**24,755,556**	35,703,964
NET INCREASE IN CASH AND CASH EQUIVALENTS	**24,755,556**	35,703,964
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**47,767,265**	37,491,601
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(2,284,641)**	533,951
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	**70,238,180**	73,729,516

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2017 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 2017 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 goods and services.

Other than changes in accounting polices resulting from the application of new Hong Kong Financial Reporting Standard ("**HKFRS**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following new HKFRS issued by the HKICPA that is relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial instruments

The new HKFRS mentioned above has been applied by the Group in accordance with the relevant transition provision which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies on application of HKFRS 9 *Financial Instruments*

In the current interim period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for the 1) classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("**ECL**") for financial assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provision set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2.1 Impacts and changes in accounting policies on application of HKFRS 9 *Financial Instruments* (continued)

2.1.1 *Key changes in accounting policies resulting from application of HKFRS 9 (continued)*

Classification and measurement of financial assets (continued)

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss, excludes any dividend on the financial assets but includes the interest earned on the financial assets, which is included in the "Net (loss) gain on financial assets at fair value through profit or loss" line item.

The Directors have reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.1.2.

Impairment under ECL model

The financial assets of other receivables and cash and cash equivalents of the Group are subject to impairment assessment under ECL model in HKFRS 9. The assessment is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies on application of HKFRS 9 *Financial Instruments* (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Impacts and changes in accounting policies on application of HKFRS 9 *Financial Instruments* (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

The Directors have reviewed and assessed the Group's existing financial assets as at 1 January 2018 for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact are considered as immaterial.

2.1.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets at the date of initial application, i.e. 1 January 2018.

	Financial assets designated at FVTPL *US$*	**Financial assets at FVTPL** *US$*
Closing balance at 31 December 2017 - HKAS 39	824,963,595	–
Effect arising from initial application of HKFRS 9: Reclassification (Note 1)	(824,963,595)	824,963,595
Opening balance at 1 January 2018	–	824,963,595

Note 1: Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the portfolio of financial assets which is managed and its performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under HKFRS 9. As a result, the fair value of these investments of US$824,963,595 was reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk factors

The Group's activities expose it to a variety of financial risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required for the annual consolidated financial statements, and should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2017.

There has been no change in the risk management policies during the current interim period.

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.

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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

Financial assets	30 June 2018 *(unaudited)* *US$*	31 December 2017 *(audited)* *US$*	Fair value hierarchy	Valuation techniques	Significant unobservable input(s)	30 June 2018 *(unaudited)* Range	31 December 2017 *(audited)* Range	Relationship of unobservable inputs to fair value	30 June 2018 (unaudited) Increase(+)/ decrease (-) in fair value of assets if 10% increase/decrease of the unobservable inputs (Note 2) *US$*	31 December 2017 (audited) Increase(+)/ decrease (-) in fair value of assets if 10% increase/decrease of the unobservable inputs (Note 2) *US$*
Financial assets at FVTPL										
Listed equity securities (Note 1)	**277,936,900**	363,477,251	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 (Note 1)	**9,035,274**	24,402,375	Level 3	Quoted bid prices in active market and adjusted for lack of marketability	– Discount rate for lack of marketability	**6.3% - 8.2%**	4.4% - 4.7%	The higher the discount rate, the lower the fair value	**-71,000/ +71,000**	-116,000/ +116,000
Equity securities (including equity securities traded on the National Equities Exchange and Quotations ("**New Third Board**") and unlisted equity securities) and unlisted preferred equity (Note 1)	**253,167,300**	296,835,554	Level 3	Market comparable companies	– Earnings multiples – Revenue multiples – Book value multiples	**11.0x - 20.0x** **2.5x - 2.7x** **1.7x - 4.7x**	35.7x - 90.6x 3.0x - 4.1x 1.7x - 5.3x	The higher the multiples, the higher the fair value	**+25,882,000/ – 25,882,000**	+30,662,000/ – 30,662,000
					– Discount rate for lack of marketability and specific risk	**51%**	54%	The higher the discount rate, the lower the fair value	**-25,051,000/ +25,051,000**	-34,159,000/ +34,159,000
Unlisted debt investments (Notes 1 and 4)	**77,335,792**	39,799,822	Level 3	Discounted cash flow	– Discount rate	**5.2%**	6.2%	The higher the discount rate, the lower the fair value	**-1,073,000/ +1,073,000**	-921,000/ +921,000
Unlisted equity (Note 1)	**58,747,696**	58,083,621	Level 3	Fund's net asset value	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Equity securities traded on the New Third Board (Note 5)	**–**	7,853,295	Level 3	Recent transaction price	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Unlisted debt investment (Note 5)	**–**	30,608,185	Level 3	Recent transaction price	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Unlisted equity securities (Note 1)	**20,318,268**	3,903,492	Level 3	Recent transaction price	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Closing balance	**696,541,230**	824,963,595								

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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

Note 1: Financial assets at FVTPL represent those are measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss.

Note 2: Amount represents increase(+)/decrease(-) in fair value of the financial assets if the unobservable inputs were 10% increase/decrease while all the other variables were held constant.

Note 3: The analysis of financial liabilities is set out in note 16.

Note 4: Pursuant to the agreements, the loans, subject to the fulfillment of certain precedent conditions which are not under the control of the Group, could be converted into equity interest of Rong Bao Zhai Culture Co., Ltd. and Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd., respectively. Given that the conditions are not under the control of the Group, the Directors consider that the conditions of conversion were not fulfilled as at 30 June 2018.

Note 5: As at 30 June 2018, the equity securities traded on the New Third Board and unlisted debt investment, which were valued at the recent transaction prices at prior period end, were valued under the technique of market comparable companies and discounted cash flow, respectively, as the recent transaction prices were no longer available.

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:

	Financial assets at FVTPL ***US$***
Balance at 1 January 2018 (audited)	**461,486,344**
Losses recognised in profit or loss	**(34,785,363)**
Exchange differences arising on translation	**(5,195,471)**
Purchases	**12,316,575**
Return of capital	**(2,013,331)**
Transfer out of Level 3 to Level 1	**(13,204,424)**
Balance at 30 June 2018 (unaudited)	**418,604,330**
Balance at 1 January 2017 (audited)	366,641,170
Gains recognised in profit or loss	13,879,704
Exchange differences arising on translation	7,826,814
Purchases	30,149,525
Disposals	(18,181,160)
Return of capital	(4,584,015)
Balance at 30 June 2017 (unaudited)	395,732,038

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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

Reconciliation of Level 3 fair value measurements of financial assets: *(continued)*

Of the total losses for the period included in profit or loss, loss of US$35,884,763 (six months ended 30 June 2017: gain of US$14,497,838) relates to financial assets at FVTPL categorised in Level 3 held at the end of the reporting period. Fair value gains or losses on financial assets at FVTPL are included in "Net (loss) gain on financial assets at fair value through profit or loss". Transfers between levels of the fair value measurement hierarchy are recognised as of the date of the event or change in circumstances that caused the transfer.

Reconciliation of fair value measurements of financial liabilities:

	Financial liabilities designated at FVTPL ***US$***
Balance at 1 January 2018 (audited)	**1,451,162**
Additions	**110,942**
Change in fair value	**(221,173)**
Balance at 30 June 2018 (unaudited)	**1,340,931**
Balance at 1 January 2017 (audited)	1,221,641
Additions	156,569
Disposals	(142,568)
Change in fair value	(5,186)
Balance at 30 June 2017 (unaudited)	1,230,456

3. FINANCIAL RISK MANAGEMENT AND 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)*

Fair value measurements and valuation processes

A guideline on the fair value measurements has been applied to the regular assessment of fair value of an asset. Fair value of listed investments, except those listed on the New Third Board, is determined based on the quoted market bid prices available on the relevant exchanges. Fair value of listed investments within lock-up period is assessed based on the quoted market bid prices available on the relevant exchanges and adjusted for lack of marketability. Fair value of certain unlisted investments is arrived at by reference to their recent transaction prices. For unlisted investments and investments listed on the New Third Board 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.

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

The following is the analysis of net (loss) gain on investments of the Group for the six months ended 30 June 2018. The amounts of realised (loss) gain represent the fair value difference between the beginning of the period or purchase date in the period and the disposal date of financial instruments while the amounts of unrealised (loss) gain represent the change of fair value during the period of financial instruments held by the Group as at the period end:

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
	US$	*US$*
Net (loss) gain on financial assets at FVTPL		
Listed investments		
Realised	**6,813,386**	1,025,556
Unrealised	**(43,310,909)**	58,113,029
Unlisted investments		
Realised	**—**	(765,337)
Unrealised	**(25,503,188)**	17,139,633
Total	**(62,000,711)**	75,512,881

5. INVESTMENT INCOME

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

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
	US$	*US$*
Interest income on bank deposits	**350,961**	103,235
Dividend income on financial assets at FVTPL	**10,578,387**	12,003,845
Total	**10,929,348**	12,107,080

6. SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the executive management for the purposes of resources allocation and performance assessment, are as follows:

(a) Financial services: investees engaged in financial services activities.

(b) Culture, media and consumption: investees engaged in culture, media and consumption activities.

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

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

The Group also invested in manufacturing, agriculture, education and medical and pharmaceutical activities, of which manufacturing and medical and pharmaceutical activities were being reported as separate segments in prior years, none of these segments met the quantitative thresholds for the reportable segments in both current and prior periods. Accordingly, these were grouped in "Others" during the current period and comparative figures have been represented. Investment in medical and pharmaceutical activities had been fully disposed of during 2017.

Information regarding the above segments is reported below.

6. SEGMENTAL INFORMATION (continued)

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 2018

	Reportable segments						
	Financial services *US$*	Culture, media and consumption *US$*	Information techonology *US$*	Energy and resources *US$*	Total reportable segments *US$*	Others *US$*	Total *US$*
Net loss on financial assets at FVTPL	(26,791,809)	(19,249,979)	(7,434,691)	(6,983,227)	(60,459,706)	(1,541,005)	(62,000,711)
Dividend income on financial assets at FVTPL	8,302,212	2,204,909	71,266	—	10,578,387	—	10,578,387
Other gains	—	656,419	—	—	656,419	—	656,419
Loss	(18,489,597)	(16,388,651)	(7,363,425)	(6,983,227)	(49,224,900)	(1,541,005)	(50,765,905)
Unallocated:							
– Administrative expenses							(7,062,792)
– Interest income on bank deposits							350,961
Loss before taxation							(57,477,736)

6. SEGMENTAL INFORMATION (continued)

For the six months ended 30 June 2017 (restated)

	Reportable segments						
	Financial services *US$*	Culture, media and consumption *US$*	Information technology *US$*	Energy and resources *US$*	Total reportable segments *US$*	Others *US$*	Total *US$*
Net gain (loss) on financial assets at FVTPL	58,007,543	11,468,803	8,804,105	(3,992,899)	74,287,552	1,225,329	75,512,881
Dividend income on financial assets at FVTPL	9,433,033	1,689,994	65,941	—	11,188,968	814,877	12,003,845
Other gains	—	442,792	—	—	442,792	—	442,792
Profit (loss)	67,440,576	13,601,589	8,870,046	(3,992,899)	85,919,312	2,040,206	87,959,518
Unallocated:							
– Administrative expenses							(6,418,604)
– Interest income on bank deposits							103,235
Profit before taxation							81,644,149

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

6. SEGMENTAL INFORMATION (continued)

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

	30 June 2018 *(unaudited)* *US$*	31 December 2017 *(audited)* *US$* *(restated)*
Segment assets		
Financial services	**465,899,495**	558,939,886
Culture, media and consumption	**157,640,896**	179,312,367
Information technology	**51,651,415**	49,089,108
Energy and resources	**1,035,275**	7,853,295
Total assets for reportable segments	**676,227,081**	795,194,656
Others	**27,915,244**	29,768,939
Unallocated	**70,335,097**	47,863,400
Consolidated assets	**774,477,422**	872,826,995
Segment liabilities		
Financial services	**130,278**	100,126
Culture, media and consumption	**671,034**	735,830
Information technology	**201,107**	115,559
Energy and resources	**20,686**	156,921
Total liabilities for reportable segments	**1,023,105**	1,108,436
Others	**4,851,877**	4,246,218
Unallocated	**127,345,986**	161,846,227
Consolidated liabilities	**133,220,968**	167,200,881

6. SEGMENTAL INFORMATION (continued)

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

All assets are allocated to reportable segments other than assets of non-reportable segments, certain other receivables, cash and cash equivalents, and all liabilities are allocated to reportable segments other than liabilities of non-reportable segments, 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.

7. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
	US$	*US$*
(Loss) profit before taxation has been arrived at after charging:		
Investment Manager's management fee (note 18(a))	**6,380,869**	5,732,269
Net foreign exchange loss	**125,874**	65,804

8. TAXATION

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
	US$	*US$*
The tax credit (charge) for the period comprises:		
Current tax:		
PRC Enterprise Income Tax	**(16,024,335)**	(8,240,490)
Withholding tax for distributed earnings	**(401,679)**	—
Underprovision in prior period	**(47,589)**	—
Deferred taxation (note 13)		
Current period	**26,436,315**	(13,155,491)
Total	**9,962,712**	(21,395,981)

No provision for taxation in Hong Kong has been made as the Company and its subsidiaries do not have assessable profits for the period. 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.

9. BASIC (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	(unaudited)	*(unaudited)*
(Loss) profit for the purpose of basic (loss) earnings per share (US$)	**(47,515,024)**	60,248,168
Number of ordinary shares for the purpose of basic (loss) earnings per share	**152,333,013**	152,333,013
Basic (loss) earnings per share (US$)	**(0.312)**	0.396

No diluted (loss) earnings per share for the both periods were presented as there were no potential ordinary shares outstanding during the both periods.

10. OTHER RECEIVABLES AND PREPAYMENTS

	30 June	31 December
	2018	2017
	(unaudited)	*(audited)*
	US$	*US$*
Dividend receivables	**7,601,095**	—
Interest receivable	**64,097**	59,561
Other receivables and prepayments	**32,820**	36,574
Total	**7,698,012**	96,135

11. OTHER PAYABLES

	30 June 2018 *(unaudited)* *US$*	31 December 2017 *(audited)* *US$*
Partial consideration received on disposal of investments	**4,534,051**	3,903,492
Management fee payable	**2,984,718**	6,571,002
Performance fee payable	**—**	7,560,103
Business tax payable	**19,607,487**	19,607,487
Other payables	**539,398**	530,499
Total	**27,665,654**	38,172,583

12. DIVIDEND PAYABLE

The Directors have resolved to declare a special interim dividend of US$0.05 per share for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil), which will be paid in cash on 8 November 2018 to shareholders whose names appear on the register of members on 28 September 2018. Total special interim dividend is amounted to US$7,616,651.

A dividend payment of US$9,139,981 (2016: US$9,139,981), being a final dividend of US$0.06 per share (2016: US$0.06 per share), for the year ended 31 December 2017 was approved by the shareholders on 25 May 2018 and was subsequently paid by the Company in cash on 26 July 2018.

13. DEFERRED TAXATION

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

	Unrealised capital gains for investments (Note) *US$*	Undistributed earnings of PRC subsidiaries *US$*	Total *US$*
Balance at 1 January 2017 (audited)	65,048,739	16,907,993	81,956,732
Charged to profit or loss for the period	10,181,272	2,974,219	13,155,491
Exchange differences	1,635,466	405,828	2,041,294
Balance at 30 June 2017 (unaudited)	76,865,477	20,288,040	97,153,517
Charged to profit or loss for the period	18,098,067	3,391,930	21,489,997
Exchange differences	3,011,501	636,463	3,647,964
Balance at 31 December 2017 (audited)	**97,975,045**	**24,316,433**	**122,291,478**
Credited to profit or loss for the period	**(21,135,671)**	**(5,300,644)**	**(26,436,315)**
Exchange differences	**(778,351)**	**(302,825)**	**(1,081,176)**
Balance at 30 June 2018 (unaudited)	**76,061,023**	**18,712,964**	**94,773,987**

Note: Deferred taxation has been provided for in the condensed consolidated financial statements in respect of the unrealised capital gains for investments based on the tax rate of capital gain tax in the PRC or local income tax rate in Hong Kong or the PRC, whichever is applicable.

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.

14. SHARE CAPITAL OF THE COMPANY

	Number of shares	US$
Issued and fully paid:		
At 31 December 2017, 1 January and 30 June 2018 – Ordinary shares with no par value	**152,333,013**	**139,348,785**

15. NET ASSET VALUE PER SHARE

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

	30 June 2018 *(unaudited)*	31 December 2017 *(audited)*
Net asset value (US$)	**641,256,454**	705,626,114
Number of ordinary shares in issue	**152,333,013**	152,333,013
Net asset value per share (US$)	**4.210**	4.632

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

The financial liabilities designated at FVTPL as at 30 June 2018 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 classified as financial assets at FVTPL categorised in Level 1 or Level 3. The classification and fair value of the Sub-participation Agreements are associated directly with these underlying investments and their valuation details and sensitivity analysis are set out in note 3. As at 30 June 2018 and 31 December 2017, the financial liabilities designated at FVTPL are classified as non-current liabilities and presented in the condensed consolidated statement of financial position.

Pursuant to the Sub-participation Agreements, the participants will receive a portion of the return (in the form of dividends, interest, or other distributions or proceeds from realisation) from the Group's investment in the project company that is proportional to the amount provided by the participants to the Group as a percentage of the total Group's investment in the project company. If the Group suffers a loss from its investment in the project company, the participants will correspondingly share a loss in the amount they provided to the Group on a pro rata basis. In general, the Sub-participation Agreements would be terminated upon the realisation of the Group's investment in the project company. Details of the Sub-participation Agreements are disclosed in the section of Investment Manager's Discussion and Analysis and under the heading of Sub-participation Scheme.

17. COMMITMENTS

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

(a) On 29 April 2010, the Group entered into an agreement with, among others, China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**"), pursuant to which the Group agreed to make a cash injection of RMB200 million (equivalent to approximately US$31.01 million) in total by installment into the capital of China Media Investment in return for approximately 10% interest in China Media Investment. In addition, the other investors agreed to make cash injections proportionate to their holdings. As at 30 June 2018, the Group has injected RMB158.66 million (equivalent to approximately US$24.76 million) (31 December 2017: RMB158.66 million, equivalent to approximately US$24.76 million) into China Media Investment and classified the investment as a financial asset at FVTPL under non-current assets.

(b) On 31 October 2014, the Group entered into a joint venture agreement in relation to Guangxi Xinhua Preschool Education Investment Corporation Limited ("**Xinhua Preschool Education**"), pursuant to which the Group agreed to make a capital contribution of RMB90 million (equivalent to approximately US$13.97 million) in total by installment into the capital of Xinhua Preschool Education in return for a 30% interest in Xinhua Preschool Education. As at 30 June 2018, the Group has injected RMB30 million (equivalent to approximately US$4.90 million) (31 December 2017: RMB30 million, equivalent to approximately US$4.90 million) into Xinhua Preschool Education and classified the investment as a financial asset at FVTPL under non-current assets.

(c) On 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$3.00 million) in total by installment into the capital of Jinlanmei Travel in return for a 20% interest in Jinlanmei Travel. As at 30 June 2018, the Group has injected RMB10 million (equivalent to approximately US$1.49 million) (31 December 2017: RMB10 million, equivalent to approximately US$1.49 million) into Jinlanmei Travel and classified the investment as a financial asset at FVTPL under non-current assets.

(d) On 6 December 2016, the Group entered into a partnership agreement in relation to Anhui Iflytek Venture Capital LLP ("**Iflytek Venture Capital**"), pursuant to which the Group agreed to make a capital contribution of RMB90 million (equivalent to approximately US$13.43 million) in total by installment into the capital of Iflytek Venture Capital in return for a 14.95% interest in Iflytek Venture Capital. As at 30 June 2018, the Group has injected RMB63 million (equivalent to approximately US$9.35 million) (31 December 2017: RMB49.50 million, equivalent to approximately US$7.20 million) into Iflytek Venture Capital and classified the investment as a financial asset at FVTPL under non-current assets.

(e) On 27 June 2018, the Group entered into a preferred share purchase agreement in relation to Pony AI Inc. ("**Pony AI**"), pursuant to which the Group agreed to make a capital contribution of US$8 million into the capital of Pony AI.

18. RELATED PARTY TRANSACTIONS

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

During the six months ended 30 June 2018, the Group has incurred the following related party transactions:

(a) Management fees totaling US$6,380,869 (six months ended 30 June 2017: US$5,732,269) were paid or accrued to the Investment Manager. The fee is calculated based on a fixed percentage on the value of the Group's adjusted assets on a quarterly basis 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 2018 was US$2,984,718 (31 December 2017: US$14,131,105). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

(b) Securities brokerage commission fee totaling US$20,763 (six months ended 30 June 2017: US$10,741) was paid to a subsidiary of a substantial shareholder of the Company who has significant influence over the Company.

(c) Pursuant to the Sub-participation Agreements, the financial liabilities of the Group with Mr. ZHANG Rizhong, Mr. WANG Xiaoding and Mr. TSE Yue Kit, who are Directors of both the Company and the Investment Manager, as at 30 June 2018, were US$10,366, US$251,787 and US$21,314, respectively (31 December 2017: US$2,574, US$248,700 and US$24,398, respectively). The financial liability of the Group with Mr. HONG Xiaoyuan, a Director of the Company, was US$72,897 (31 December 2017: US$89,962). Moreover, the financial liability of the Group with Mr. LAW Hung Kuen, Janson, a Director of the Investment Manager, was US$10,148 (31 December 2017: US$8,180).

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

19. COMPENSATION TO KEY MANAGEMENT PERSONNEL

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

20. EVENT AFTER THE REPORTING PERIOD

On 6 July 2018, the Group made a cash injection of US$8 million into Pony AI.

Deloitte. 德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the condensed consolidated financial statements of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 2 to 27, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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 2018

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$47.52 million for the six months ended 30 June 2018, compared to a profit attributable to equity shareholders of US$60.25 million for the same period last year. The reversal was mainly due to a decline in the overall value of the financial assets 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 2018, the net assets of the Fund (net of the dividend of US$9.14 million for 2017) were US$641.26 million (31 December 2017: US$705.63 million), with a net asset value per share of US$4.210 (31 December 2017: US$4.632).

The net loss on the Financial Assets for the period was US$62.00 million, compared to a net gain of US$75.51 million for the same period last year. The listed and unlisted investments recorded net losses of US$36.50 million and US$25.50 million, respectively.

Total investment income for the period decreased by 9.74% to US$10.93 million (six months ended 30 June 2017: US$12.11 million) as compared to the same period last year, due mainly to a decrease in dividend and distribution income from investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In the first half of 2018, the Fund continued to seek out and rigorously evaluate investment opportunities, completing the funding for two new projects, and signing an agreement for a third new project to be funded in the second half of 2018, with all three new projects in the field of information technology (IT).

On 29 January 2018, the Fund completed a capital contribution of RMB30 million (equivalent to US$4.74 million) to Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP (the "**Jiangmen Ventures Fund**"), for a 7.32% interest in return. The major investment targets of the Jiangmen Ventures Fund are enterprises related to machine intelligence, Internet of Things (IoT), natural user interface, and enterprise computing, with a primary focus on early-stage business ventures.

On 5 June 2018, the Fund entered into some relevant agreements in relation to Beijing CAS Cambricon Technology Co., Ltd. ("**Cambricon**"), pursuant to which the Fund, via a partnership entity, indirectly participated in the capital funding of Cambricon. On 14 June 2018, the Fund completed a capital contribution of approximately RMB38 million (equivalent to US$5.94 million) for a beneficial equity interest of 0.246% in Cambricon upon conclusion of the funding round. Cambricon is a high technology company that focuses on the research, development and design of artificial intelligence (AI) chips.

On 27 June 2018, the Fund entered into a preferred share purchase agreement and other relevant agreements in relation to Pony AI Inc. ("**Pony AI**"), pursuant to which the Fund agreed to contribute capital of US$8 million to Pony AI in exchange for not less than a 0.8% stake in Pony AI upon conclusion of the funding round. The Fund completed the capital contribution of US$8 million on 6 July 2018. Pony AI is a research and development company in China that focuses on technology solutions for autonomous driving.

In addition, the Fund disposed of and exited from one investment in the period:

The Fund was granted authorisation by its shareholders to dispose of its entire holding of A shares of Industrial Bank Co., Ltd. ("**IBC**"). During the period of January to February 2018, the Fund disposed of the entire remaining balance of 23.94 million A shares of IBC for net proceeds of US$69.45 million. Presently, the Fund has completed the disposal of its entire holding of A shares of IBC and exited from this investment. The pre-tax internal rate of return to the Fund from IBC was 28.35%.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND COMMITMENTS

The Fund's cash and cash equivalents increased by 47.04%, from US$47.77 million at the end of last year to US$70.24 million (representing 9.07% of the Fund's total assets) as of 30 June 2018, due mainly to the disposal of the entire remaining balance of A shares of IBC during the period.

As of 30 June 2018, the Fund had no outstanding bank loans (31 December 2017: Nil).

As of 30 June 2018, the Fund had commitments of US$28.91 million (31 December 2017: US$27.83 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, Yunnan Jinlanmei International Travel Investment Development Co., Ltd., Anhui Iflytek Venture Capital LLP and Pony AI.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Fund's investments are located in China where the official currency is the Renminbi ("**RMB**"). The conversion rate of RMB against the US dollar recorded a decrease of 1.26% in the first half of 2018, which had a certain negative 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 2018, the Fund's total investments amounted to US$696.54 million. The sector distribution of investments was US$458.30 million in financial services (representing 59.17% of the Fund's total assets), US$157.64 million in culture, media and consumption (20.35%), US$51.65 million in information technology (6.68%), and US$28.95 million in other ventures (including manufacturing, energy and resources, and education, etc.) (3.74%). In addition, cash and cash equivalents were US$70.24 million, representing 9.07% of the Fund's total assets as of 30 June 2018.

REVIEW OF INVESTMENTS

The following table shows the major investment projects held by the Fund as at 30 June 2018:

Name of projects	Location of headquarters	Main business	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	221	28.47	34.38
#2. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	183	23.68	28.60
#3. JIC Leasing Co., Ltd.	Beijing	Finance leasing	Unlisted	33	4.31	5.20
#4. China Reinsurance (Group) Corporation	Beijing	Reinsurance	Hong Kong Stock Exchange	15	1.90	2.30
5. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	6	0.81	0.98
			Sub-total:	**458**	**59.17**	**71.46**
Culture, Media & Consumption:						
#6. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	45	5.78	6.98
#7. NBA China, L.P.	Beijing	Sports marketing	Unlisted	14	1.78	2.15
8. Unibank Media Group Inc.	Beijing	Indoor media	Unlisted	2	0.21	0.25
#9. Besttone Holding Co., Ltd.	Shanghai	Commercial service	Shanghai Stock Exchange	11	1.37	1.66
10. Oriental Pearl Media Co., Ltd.	Shanghai	Multimedia	Shanghai Stock Exchange	8	1.05	1.27
11. Yunnan Jinlanmei International Travel Investment Development Co., Ltd.	Xishuangbanna, Yunnan	Travel	Unlisted	1	0.17	0.20
#12. Rong Bao Zhai Culture Co., Ltd.	Beijing	Artwork marketing	Unlisted	42	5.41	6.53
#13. Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd.	Xining, Qinghai	Travel	Unlisted	35	4.58	5.53
			Sub-total:	**158**	**20.35**	**24.57**

Name of projects	Location of headquarters	Main business	Listed (Stock Exchange)/ unlisted	Carrying value (US$ million)	Percentage of total assets %	Percentage of net assets %
Information Technology:						
14. Xi'an Jinpower Electrical Co., Ltd.	Xi'an, Shaanxi	Power grid monitoring system	New Third Board Note	1	0.10	0.12
15. Anhui Iflytek Venture Capital LLP	Hefei, Anhui	Information technology investment	Unlisted	8	0.99	1.20
#16. Iflytek Co., Ltd.	Hefei, Anhui	Intelligent speech technology	Shenzhen Stock Exchange	33	4.26	5.14
17. Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP	Beijing	Information technology investment	Unlisted	4	0.59	0.71
18. Beijing CAS Cambricon Technology Co., Ltd.	Beijing	Artificial Intelligence chips	Unlisted	6	0.74	0.90
			Sub-total:	**52**	**6.68**	**8.07**
Others:						
(i) Manufacturing:						
19. Shenzhen Geesun Intelligent Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	5	0.71	0.86
20. Jiangsu Huaer Quartz Materials Co., Ltd.	Yangzhou, Jiangsu	High purity silica crucibles	Unlisted	1	0.07	0.08
21. Hwagain Group Co., Ltd.	Nanning, Guangxi	Printing paper & tissue paper	Unlisted	10	1.31	1.59
(ii) Energy & Resources:						
22. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	New Third Board Note	1	0.13	0.16
(iv) Education:						
23. Guangxi Xinhua Preschool Education Investment Corporation Limited	Nanning, Guangxi	Preschool education	Unlisted	7	0.93	1.12
			Sub-total:	**24**	**3.15**	**3.81**
			Total:	**692**	**89.35**	**107.91**

 # Ten largest investments of the Fund as of 30 June 2018

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 2018, 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 2018, the Fund received a cash dividend of RMB46.37 million from CMB for 2017.

On 25 August 2018, CMB announced that its unaudited net profit for the first half of 2018 was RMB44.8 billion, up 14.00% year-over-year.

On 23 March 2018, CMB announced that it intends to invest RMB5 billion to establish CMB Asset Management Co., Ltd., a wholly-owned asset management subsidiary. The establishment of an asset management subsidiary is an important step for CMB to take in meeting the latest requirements of the regulatory authorities, as well as to promote the healthy development of its asset management business, for it will change the legal status of its asset management business unit from a department to a legal entity and thus improve its institutional structure, while separating all risks of the legal entity from the parent company—all consistent with the company's goal of "Being trusted by our clients. Managing wealth for our clients.". The investment must still be approved by the relevant regulatory authorities.

On 27 June 2018, a proposal to issue capital bonds was approved by the shareholders meeting of CMB, which intends to issue qualified secondary capital instruments with a value of not more than RMB20 billion and a term of not less than 5 years. The funds to be raised will be partially used to replace the subordinated debt issued in 2008, which will be redeemed on 4 September 2018 at RMB7 billion, and to replace the secondary capital debt issued in 2014, which will be redeemed on 22 April 2019 at RMB11.3 billion, while raising additional secondary capital in order to improve the capital adequacy ratio, enhance its risk resistance ability, and support the sustainable and steady development of its business.

In the first half of 2018, the Fund did not dispose of any A shares of CMB.

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 2018, the Fund held a 6.94% equity interest in CCT, with a total investment cost of US$50.49 million. In April 2018, CCT declared a cash dividend for 2017, and the Fund will receive a total of US$8.30 million (before tax) from CCT.

For the first half of 2018, CCT recorded an unaudited net profit of RMB200 million (excluding its share of the results of its affiliates under the equity method), close to the results of the same period last year. It recorded a loss due to asset impairment during the period. It also recorded a significant rise of commissions and handling fees income, and a significant decline of interest income, as compared to the same period last year.

Chinese financial regulators have communicated to trust companies the concept of "risk prevention and de-leveraging" and a requirement for the financial industry to return to its original purpose of serving the real economy. Accordingly, new regulations have been issued to strengthen the supervision of trust companies and to force a comprehensive reduction in the channel business. National trust assets under management reached a total of RMB26.25 trillion at the end of 2017, and since then Chinese financial regulators have striven to significantly reduce the size of national trust assets under management. Therefore, it is anticipated that the performance of trust companies in 2018 may be affected by a decline in the size of trust assets under management.

In April 2018, CCT was qualified as an underwriter by the National Association of Financial Market Institutional Investors for non-financial corporate debt financing instruments and became one of the first six trust companies to be approved for this line of business. This license offers a new pathway to CCT for entering the capital markets, consistent with its goal to actively explore new businesses, while providing investors with innovative products and other products designed to improve diversified asset allocation.

In July 2018, at the 11th "Credit Trust" Awards Ceremony hosted by the Shanghai Securities News, CCT won the "Excellent Company Award" and "Innovation Leadership Award" for 2017.

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 the first half of 2018, JIC Leasing's businesses operated normally, with a rapid expansion in its business volume and double-digit growth in its unaudited net profit as compared to the same period last year.

JIC Leasing submitted the materials to apply for an initial public offering (IPO) with the China Securities Regulatory Commission ("**CSRC**") in early May 2017, and provided a response to initial feedback from the CSRC in September 2017. Since then, its IPO application materials have been updated periodically. At present, its application is pending review by the CSRC.

China Reinsurance (Group) Corporation ("China Re") originated from The People's Insurance Company of China, founded in 1949 as the first insurance company to be established in New China, with its headquarters in Beijing. It was listed on the Hong Kong Stock Exchange in October 2015. As currently the largest local reinsurance group in China, the business of China Re spans reinsurance, insurance, asset management, insurance brokerage, and insurance media. During the periods of November to December 2015 and of February to April 2016, respectively, the Fund acquired 67.24 million H shares of China Re at an average price of HK$2.23 per share on the Hong Kong secondary stock market, for an aggregate invested amount of HK$150 million (equivalent to US$19.31 million). As of 30 June 2018, the Fund held 67.24 million H shares of China Re, accounting for 0.158% of the total issued share capital of China Re. In August 2018, the Fund received a cash dividend (net of tax) of HK$3.49 million from China Re for 2017.

On 31 July 2018, China Re announced that its unaudited net profit for the first half of 2018 was estimated to be down by approximately 22% as compared to the same period last year. One of the primary reasons for the decrease in net profit was a decline in underwriting performance due to fierce competition in the insurance market, along with higher operating costs as well.

On 3 April 2018, China Re announced that its subsidiary, China Continent Property & Casualty Insurance Co., Ltd. ("**CCIC**"), entered into a share subscription agreement with one existing shareholder and eight new strategic investors. A total of 4.686 billion new shares of CCIC were issued to these investors in the amount of RMB10.67 billion, to be used to enhance the capital of CCIC and improve its solvency.

On 6 July 2018, China Re announced that its two subsidiaries, China Property and Casualty Reinsurance Co., Ltd. and CCIC, had both entered into share subscription agreements with China Great Wall Asset Management Co., Ltd. ("**China Great Wall Asset**") to subscribe for a 6.5% equity interest in China Great Wall Asset at RMB5 billion in total. At the same time, China Re and its two subsidiaries entered into strategic cooperation framework agreements with China Great Wall Asset, under which China Re will provide strategic support to China Great Wall Asset based on its extensive experience in the insurance industry.

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.

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

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 investment for China Media Investment includes major projects in broadcasting and media publishing, animation and creative media, as well as direct investments in the culture and media sector in both China and overseas. China Media Management, in which the Fund has an interest, is the general partner and investment manager of China Media Investment. China Media Investment has entered into the investment exit period.

In April 2010, the Fund agreed to make a capital investment of RMB200 million by installment in China Media Investment. From June 2010 through 30 June 2018, the Fund has made successive capital injections into China Media Investment for a cumulative actual investment of RMB158.66 million (equivalent to US$24.76 million), representing 79.33% of the total investment of RMB200 million committed by the Fund.

Through the end of June 2018, the Fund has received a total actual investment return of RMB201 million from China Media Investment, representing approximately 127% of the cumulative actual amount invested by the Fund.

By the end of June 2018, China Media Investment had completed a full exit from four projects, while continuing to hold three projects, namely Star China, Shanghai Jade East Propagation Co., Ltd. (上海翡翠東方傳播有限公司) and Shanghai Oriental DreamWorks Co., Ltd. (上海東方夢工廠有限公司).

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 partial returns of capital from NBA China in 2013, 2016 and 2017, respectively, for a total amount of US$23 million, representing a full recovery of the capital invested in NBA China by the Fund. As of 30 June 2018, the Fund held a 1% partnership interest in NBA China. The Fund received a cash distribution from NBA China of US$1.16 million in January 2018.

In January 2018, NBA China and the Ministry of Education of China jointly announced that the Ministry of Education would hold the "National Campus Basketball Championship and Jr. NBA World Championship China Trials" under the auspices of the NBA. After a total of 105 games in four divisions, the national final of the 2018 National Campus Basketball Championship hosted by the Ministry of Education was held in Tianjin in May 2018, and ten male and ten female players were selected for the Chinese Campus Basketball Team by a group of experts from the Campus Basketball League and the NBA. The team will travel to Orlando, Florida, in the United States, in August 2018 to participate in the "Jr. NBA World Championship", the first global youth basketball event hosted by the NBA.

NBA China and the Hongkun Group jointly announced that the first NBA-themed multi-functional building in the world, the NBA Center, was officially opened on 30 April 2018 in Wuqing, Tianjin. The NBA Center covers an area of approximately 12,000 square metres and is designed to provide fans with an excellent opportunity to experience the NBA through a variety of activities. This unprecedented multi-storey building provides fans with NBA-standard basketball courts, a basketball-themed entertainment and interactive gaming centre for children, and an NBA store.

In June 2018, the second NBA-themed home entertainment centre, NBA Playzone, opened in Beijing.

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 reorganisation as well as a capital increase by Inbank Media in 2011, the Fund held a 7.62% equity interest in Unibank Media (Note: The Fund has made a contingent commitment to transfer a 1.14% stake in Unibank Media to the management of Unibank Media, as an incentive earned upon completion of an IPO or sale of the business. The total incentive to the management of Unibank Media is a 15% stake in Unibank Media, to be transferred by all shareholders, and 1.14% is the Fund's pro rata portion of the incentive. Net of this incentive, the Fund's stake in Unibank Media will be 6.48%). In September 2015, certain existing shareholders of Unibank Media increased their capital position in the company by cash of RMB75 million (and the corresponding valuation of Unibank Media was approximately RMB1,071 million after the capital increase, accounting for 7% of the equity interest of Unibank Media after the capital increase, meaning that the stake of shareholders who did not participate in the capital increase was diluted by approximately 7%, accordingly). After the completion of the capital increase, the Fund's equity interest in Unibank Media was diluted to 7.09%, accordingly, and to 6.03% net of the incentive to management as outlined above.

No substantial improvement was recorded for the business of Unibank Media in the first half of 2018, and it continues to sustain an operating loss.

Besttone Holding Co., Ltd. ("Besttone") was established in Shanghai in 1992 and listed on the Shanghai Stock Exchange in 1993. Besttone, formerly known as China Satcom Guomai Communications Co., Ltd., underwent a major reorganisation in 2012 and adopted a new structure with business travel reservations, hotel operations and management, and reward points operations as its major lines of business. In order to elevate the competitiveness of Besttone, its controlling shareholder, China Telecommunications Corporation ("**CTC**"), initiated another reorganisation in 2017 with the addition of several businesses related to value-added services, Internet and entertainment. Furthermore, with resources and support from CTC, Besttone can collaborate with CTC on the creation of an interrelated business ecosystem, and tap the energy and creativity enhanced by its mixed-ownership form. In March 2017, the Fund completed the replacement of Besttone's A shares at a price of RMB14.45 per share for an aggregate amount of RMB104 million (equivalent to US$15.10 million), consisting of 7.21 million replacement shares, with its 5.37% equity interest in Esurfing Media Co., Ltd., representing 0.907% of the issued share capital of Besttone as of 30 June 2018. The replacement shares had a lock-up period of one year, which expired in March 2018. In July 2018, the Fund received a cash dividend of RMB0.72 million from Besttone for 2017.

On 25 August 2018, Besttone announced that its unaudited net profit for the first half of 2018 was RMB134 million, down 18.22% year-over-year.

On 21 June 2018, Besttone and Chineseall Digital Publishing Group Co., Ltd. ("**Chineseall**") entered into a strategic cooperation framework agreement, which covers the fields of video, games, publishing, animation, business travel, hotels, reward points, and copyright, etc. Chineseall is one of the largest licensed digital content providers in China, with a strategic advantage in areas such as intellectual property resources in the upstream pan-entertainment production chain.

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**"), and 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 ecosystem, 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 entity, in Oriental Pearl for a beneficial ownership of 3.70 million A shares, representing a 0.14% equity interest. There was a 3-year lock-up period for the A shares of Oriental Pearl beneficially owned by the Fund, which expired in May 2018. In August 2018, Oriental Pearl implemented its 2017 distribution proposal to issue a cash dividend of RMB3.50 for every 10 shares, as well as 3 new shares for every 10 shares outstanding through a capitalisation issue. Accordingly, the Fund is entitled to a cash dividend of RMB1.30 million and 1.11 million new shares.

On 28 April 2018, Oriental Pearl announced that its unaudited net profit for the first quarter of 2018 was RMB437 million, up 1.72% year-over-year.

On 27 May 2018, Oriental Pearl announced that it had subscribed for the IPO of Foxconn Industrial Internet Co., Ltd. ("**Foxconn Industrial Internet**") with its own funds in the amount of nearly RMB300 million. Given the issue price of RMB13.77 per share, Oriental Pearl subscribed for approximately 21.79 million shares, with a strategic placement cooperation lock-up period of 36 months. Subsequently, Oriental Pearl announced that it had signed a strategic cooperation agreement with Foxconn Industrial Internet, which primarily covers cooperation related to the Internet of Things (IoT) for intelligent cities and overseas projects.

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

In the first half of 2018, Jinlanmei Travel accelerated the construction of a self-managed fleet, which entailed the purchase of working vessels, the approval of cruise ship capacity expansion and new docks, the design of two cruise ships, and many other steps. The company is actively accelerating the construction of another two cruise ships, which are expected to be delivered in the fourth quarter of 2018. At present, by utilising the Jinghong Maritime Work Ship Terminal, the company is also building a cruise ship terminal on the upstream shoreline, to be used as the home base for the self-managed fleet, while it operates many other businesses to generate income.

Rong Bao Zhai Culture Co., Ltd. ("Rong Bao Zhai Culture") was established in Beijing in December 2015. Its main businesses include the sale of art supplies, handicrafts, calligraphy artwork, framed calligraphy artwork, and carving artwork, as well as the sponsorship of art exhibits and cultural/artistic exchange activities. In addition, Rong Bao Zhai Culture will be an important business development platform for its controlling shareholder, Rong Bao Zhai, in the future. The Fund agreed to advance cash of RMB300 million in total to Rong Bao Zhai Culture for a period of 5 years, with the right to convert the loan into an equity interest in Rong Bao Zhai Culture during the term of the loan, subject to the fulfillment of certain precedent conditions. In December 2016 and April 2017, the Fund disbursed RMB200 million (equivalent to US$28.86 million) and RMB100 million (equivalent to US$14.50 million), respectively, amounting to RMB300 million (equivalent to US$43.36 million) in aggregate.

At present, the enterprise restructuring of Rong Bao Zhai Culture is in progress, and its supervisory institution, China Publishing Group, has dispatched a responsible official to coordinate both the restructuring and the listing plan. In the first half of the year, the state-owned property rights were completed for registration, except for the Hong Kong branch. It is expected that the staff of the listed and non-listed entities will be reassigned within the year.

Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd. ("Qinghai Lake Tourism") was established in Xining, Qinghai in 2008. It is a tourism operator with a focus on Qinghai Lake, a national 5A-class scenic spot, and is principally engaged in product development, business operations and provision of services related to tourism in Qinghai Lake and the surrounding region. The Fund agreed to advance cash of RMB200 million in total to Qinghai Lake Tourism for a period of 3 years, with the right to convert the loan into an equity interest in Qinghai Lake Tourism during the term of the loan, subject to the fulfillment of certain precedent conditions. In August and September 2017, the Fund disbursed RMB50 million (equivalent to US$7.50 million) and RMB150 million (equivalent to US$22.93 million), respectively, amounting to RMB200 million (equivalent to US$30.43 million) in aggregate.

Currently, Qinghai Lake Tourism is in the process of implementing a restructuring plan under the guidance of the intermediaries. In June 2018, the Qinghai Provincial People's Government officially approved the spin-off of Qinghai Lake Tourism, and explicitly requested the relevant government departments to begin asset divestiture and conversion to a joint-stock limited company, and to strive for the listing of Qinghai Lake Tourism as soon as possible. After the spin-off, Qinghai Lake Tourism will continue to retain core assets and related businesses, while the newly established company will take over non-operating assets and related personnel. Upon completion of the restructuring plan, and with its principal assets and businesses clearly defined, the Fund will, at appropriate time, consider whether suitable conditions have been achieved for the exercise of conversion rights.

Xi'an Jinpower Electrical Co., Ltd. ("Jinpower Electrical") was established in Xi'an, Shaanxi in 2001 and is a high technology enterprise principally engaged in the research and development, and production, of intelligent online monitoring systems for transmission lines and substation equipment for the power grid. The stock of Jinpower Electrical was listed for trading on the New Third Board in January 2016. The Fund invested RMB20 million (equivalent to US$3.03 million) in January 2011 and held 2.89 million shares in Jinpower Electrical, representing a 4.83% of its equity interest as of 30 June 2018.

On 27 August 2018, Jinpower Electrical announced that its unaudited net loss for the first half of 2018 was RMB7.77 million (including extraordinary items), as compared to a loss of RMB6.17 million for the same period last year.

In 2017, as the result of adjustments to the allocation of investments in the smart grid by the grid system, the bidding volume for online monitoring projects was lower than expected. The operating performance of the company was greatly affected by the stagnant market, and trended downward. In the first half of 2018, the industry saw some improvement and the bidding volume for online monitoring projects increased significantly. The company is actively making adjustments to its strategy and leveraging its own advantages in order to apply its self-innovation capability. By the end of June 2018, the amount of contracts signed by the company reflected a significant increase year-over-year.

Anhui Iflytek Venture Capital LLP ("Iflytek Venture Capital") was established in Hefei, Anhui in December 2015, with an investment horizon of 7 to 9 years and with a fund size of RMB602 million. Its major investment targets are industries related to the Internet and applications of artificial intelligence (AI) in China, primarily to areas including education, healthcare, tourism, motor vehicles, Internet of Things (IoT), smart hardware, information security, e-commerce, interactive entertainment, smart toys, robotics and Internet advertising. The general partner and investment manager of Iflytek Venture Capital is Wuhu Iflytek Investment Management LLP, which is responsible for defining and executing the investment strategy for Iflytek Venture Capital, as well as for managing their operations. The Fund has committed to subscribe to an aggregate of RMB90 million by installment, for a 14.95% interest in Iflytek Venture Capital. In December 2016, August 2017 and April 2018, the Fund completed capital contributions of RMB36 million (equivalent to US$5.19 million), RMB13.50 million (equivalent to US$2.01 million) and RMB13.50 million (equivalent to US$2.15 million) to Iflytek Venture Capital, respectively, representing an aggregate of RMB63 million (equivalent to US$9.35 million) or 70% of the subscription amount committed by the Fund.

By the end of June 2018, Iflytek Venture Capital had completed investments in fifteen projects. During the period, Iflytek Venture Capital had no new investments, while investment agreements with four projects had been signed but not yet funded. The equity of Shenzhen UBTECH Co., Ltd. and Hainan Weikang Pharmaceutical (Nanshan) Co., Ltd. have been completely exited and settled, and the proceeds were distributed in April and June 2018, respectively, of which the total amount allocated to the Fund was RMB13.15 million. In addition, a project held by Iflytek Venture Capital has submitted its IPO application materials to the CSRC and is in queue for review, while another two projects have initiated their applications for an H share IPO.

Iflytek Co., Ltd. ("Iflytek") was established in 1999 and is headquartered in Hefei, Anhui. It was listed on the SME board of the Shenzhen Stock Exchange in May 2008. It is a national key software enterprise dedicated to the research of intelligent speech, language technologies, and AI technologies; the development of software and chip products; the provision of speech information services; and the integration of e-government systems. During the period of November to December 2016, the Fund acquired 4.54 million A shares of Iflytek at an average price of RMB19.09 (adjusted) per share on the secondary stock market of Mainland China, accounting for 0.327% of the issued share capital of Iflytek as of 30 June 2018, with an aggregate invested amount of RMB130 million (equivalent to US$18.83 million). In May 2018, the Fund received 2.27 million new shares via a capitalisation issue from Iflytek, and to date the Fund holds a total of 6.81 million A shares of Iflytek. The Fund also received a cash dividend (net of tax) of RMB0.4351 million from Iflytek for 2017.

On 14 August 2018, Iflytek announced that its unaudited net profit for the first half of 2018 was RMB131 million, up 21.74% year-over-year. These promising operating results were mainly due to business exploration, sales expansion, and business growth in the fields of education, the government and judiciary, intelligent cities and consumers. Meanwhile, with a strategic window of opportunity for AI, the company has continued to increase its investments in the research and development of AI-related fields, the construction of an AI open platform ecosystem and the application of AI to the fields of education, the government and judiciary, medical care and intelligent cities. As a result, in first half of 2018, operating expenses increased accordingly, which restrained growth in current after-tax profit, but also laid a solid foundation for securing Iflytek's position as an industry leader and for ensuring its sustainable development and long-term profitability in the future.

Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP (the "Jiangmen Ventures Fund") was established in Ningbo, Zhejiang in September 2016, with an investment horizon of 5 to 7 years and with a fund size of RMB410 million. Its major investment targets are chiefly early-stage business ventures related to machine intelligence, Internet of Things (IoT), natural user interface, and enterprise computing. The general partner and investment manager of the Jiangmen Ventures Fund is Jiangmen Capital Management (Beijing) Co., Ltd., which is responsible for defining and executing the investment strategy for the Jiangmen Ventures Fund, as well as for managing their operations. The Fund completed a capital contribution of RMB30 million (equivalent to US$4.74 million) in January 2018 for a 7.32% interest in the Jiangmen Ventures Fund.

By the end of June 2018, the Jiangmen Ventures Fund had completed investments in eight projects with a total amount of RMB108 million, including a new investment in Shanghai Xinzhaoyang Information Technology Co., Ltd., a company engaging in the provision of system entry and platform products for digital marketing integration systems, an additional investment in Hupo Rongchuang (Beijing) Technology Co., Ltd. and Quantuo (Beijing) Technology Co., Ltd., and an anti-dilutive investment in Hangzhou Diyingjia Technology Co., Ltd.

Beijing CAS Cambricon Technology Co., Ltd. ("Cambricon") was established in 2016 in Beijing. The company grew out of a research and development project of the Smart Chips Research Group at the Institute of Computing Technology, Chinese Academy of Sciences, and is a high technology company that focuses on the research, development and design of artificial intelligence (AI) chips. In June 2018, the Fund, via a partnership entity, invested approximately RMB38 million (equivalent to US$5.94 million) for a 0.246% beneficial equity interest in Cambricon.

The server chip MLU100 from Cambricon was successfully taped out at the end of April 2018 and adopted by the server platform ThinkSystem SR650 by Lenovo and the cloud server Phaneron by Sugon. The calculation speed and energy efficiency of the chip are reported to be comparable to the Nvidia V100.

Shenzhen Geesun Intelligent Technology Co., Ltd. ("Geesun Intelligent") was established in Shenzhen, Guangdong in 2006 and is a leading professional manufacturer of production equipment and automated production lines for lithium ion batteries and super capacitors in China. Its name was changed to Shenzhen Geesun Zhiyun Technology Co., Ltd. in April 2015 as a result of an acquisition and capital increase, and was further changed to its present name as a result of a transfer of its entire equity interest by its then controlling shareholder to CAS Investment Management Co., Ltd., then the second largest shareholder, in October 2016. The Fund invested RMB20 million (equivalent to US$2.93 million) in May 2010, and the Fund's equity interest in Geesun Intelligent was diluted from 9.68% to 6.78%, subsequent to a capital increase completed in January 2018.

Benefiting from industry-wide trends of production capacity expansion and product localisation for lithium ion batteries, the lithium ion battery equipment industry has continued to improve. In the first half of 2018, Geesun Intelligent maintained sound business operations and production. However, as revenue is recognised only upon inspection and acceptance of the equipment products sold, some revenue has been deferred until the second half of the year and Geesun Intelligent recorded an unaudited net loss of RMB2.93 million for the first half of 2018.

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 currently 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.

Since a new photovoltaic policy was introduced on 31 May 2018, price subsidies for electricity have been reduced and the construction of photovoltaic power plants has slowed. As a result, the company's customers have successively reduced production, which in turn has reduced demand for single crystalline silicon electric cells and silica crucibles. Meanwhile, due to past-due trade receivables, turnover of Jiangsu Huaer's working capital has been slow and its financing costs have remained high, greatly affecting its normal business production and operations. Presently, Jiangsu Huaer continues to pursue recovery of past-due trade receivables, including with legal measures. In addition, Jiangsu Huaer has been actively renegotiating with its suppliers in order to reduce production costs, as well as strengthening communication with its customers in order to reduce the negative impact from the new photovoltaic policy.

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.

Hwagain achieved an unaudited net profit of RMB85.26 million for the first half of 2018, representing a substantial rise year-over-year. In the first half of 2018, the new Ganzhou project delivered sound production volumes and efficiency, with increasingly stable product quality, while the price of paper has continued to enjoy a sustained increase since the beginning of 2017. The company's future operating profit is expected to maintain an upward trend, with promising prospects for growth.

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 stock of Wuhan Rixin was listed for trading on the New Third Board in February 2016. The Fund invested RMB15 million (equivalent to US$2.20 million) in July 2009 and held 3.30 million shares in Wuhan Rixin, representing a 4.24% of its equity interest as of 30 June 2018.

On 27 August 2018, Wuhan Rixin announced that its unaudited net loss for the first half of 2018 was RMB16.23 million (including extraordinary items), as compared to a net profit of RMB2.12 million for the same period last year.

In the first half of 2018, Wuhan Rixin strove to reduce the backlog of projects from last year for full capacity, grid-connected, photovoltaic power generation. However, impacted by the new photovoltaic policy introduced on 31 May 2018, its operating results were mixed.

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

Xinhua Preschool Education sustained an unaudited net loss of RMB1.72 million for the first half of 2018, which was deeper than for the same period last year.

Xinhua Preschool Education is currently promoting the projects of Xinhua Kindergarten in Hanlin Yujing, Nanning; Xinhua Kindergarten in Port District, Fangchenggang; and Xinhua Kindergarten in Xingbin District, Laibin. It plans to take further action to expand the number and size of schools, increase enrollment, improve the level of young children's care and education, strengthen day-to-day management, and strive to return to profitability.

Liaoning Zhenlong Native Produce Holding Company Ltd. ("Liaoning Zhenlong") was established in Fuxin, Liaoning in 2000. It is a joint-stock company with an export license, principally engaged in the acquisition, processing and sale of pumpkin seeds and other nut products. 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 CSRC made a decision to terminate its review of Liaoning Zhenlong's IPO application in June 2015, the Fund has duly appointed a legal agency to apply for arbitration with respect to the Fund's exit from this investment, according to the relevant provisions of law. On 11 December 2017, China International Economic and Trade Arbitration Commission made a decision in favour of some allegations made by the Fund and ruled that Liaoning Zhenlong was required to pay a total of RMB38.02 million, including principal, interest on overdue repurchases, legal fees and arbitration fees. As Liaoning Zhenlong failed to pay the amount due within 30 days from the date of the ruling, Fuxin Intermediate People's Court has accepted the application by the Fund to restrict the departure and high-value consumption of Mr. HUANG Yue, chairman of Liaoning Zhenlong. The Fund will continue to monitor the situation and seek other measures to protect its rights and interests.

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 an internal financial examination that a vast amount of cash, as well as a portion of the company's books and records, could not be located. The board of directors of NTong reported the matter to the public security authorities and passed a resolution to dismiss Mr. GUAN Peiyi from his duties as chairman of the board.

NTong has filed for bankruptcy in the People's Court of Haidian District, Beijing and some restructuring proposals were submitted by interested parties to the court in which the reorganisation might take place. The management of NTong, the investors and the creditors entered into negotiations regarding the proposals. As the restructuring proposals failed to satisfy the Fund's interests, the Fund voted against them all. On 30 April 2018, the People's Court of Haidian District, Beijing issued a ruling that the investors and creditors must accept the reorganisation based on the restructuring proposal submitted in March 2018. As a result, the Fund expects that its interests in NTong will be at risk.

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

The Fund and the controlling shareholder of Chengtian entered into an agreement on 23 September 2013 whereby the Fund agreed to sell, and the controlling shareholder agreed to purchase, the Fund's entire 6.25% 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. Due to various reasons, the final payment for the repurchase of the equity interest, originally payable on 31 August 2014, could not be made by the controlling shareholder of Chengtian on schedule.

Based on successive negotiations between the Fund and the controlling shareholder of Chengtian, the latter returned RMB0.2 million and RMB4.49 million in April 2016 and May 2018, respectively. Thus far, the controlling shareholder of Chengtian has returned the entire investment principal of RMB30 million to the Fund.

In early January 2018, the Fund and another investor jointly appointed a legal representative who filed for arbitration with Chengtian and its authorised representative by the Beijing Arbitration Commission. On 17 May 2018, after receiving the balance of the investment principal from the controlling shareholder of Chengtian, the Fund and the controlling shareholder of Chengtian reached an accommodation in the arbitration court of the Beijing Arbitration Commission, who issued a legal conciliation statement according to the supplemental agreement signed by the both parties. Under the terms of the agreement, with respect to the return of investment and default interest of RMB11.54 million, the Fund has the right to require the controlling shareholder of Chengtian to transfer a certain stake in Xinjiang Chengtian Seeds Industry Technology Co., Ltd. at a specific price to the Fund to offset the debt. However, if the Fund does not exercise its conversion right, the controlling shareholder of Chengtian will have an obligation to make payment immediately after the 740th day from the date of the issuance of the conciliation statement, plus interest during the period, or the Fund may petition the court for enforcement of the judgment, including the accrued interest at the default rate.

PROSPECTS

In the first half of 2018, under the combined effects of supply-side structural reform and spontaneous market adjustments, the issue of overcapacity in China was somewhat contained, thereby alleviating the intensifying imbalances between aggregate supply and aggregate demand, thus enabling the macro economy in China to continue to operate smoothly. In the first half of 2018, calculated with comparable prices, Gross Domestic Product increased by 6.8% over the prior corresponding period, a growth rate that was down by just 0.1 percentage points from the prior corresponding period and on a year-on-year basis. The quarterly numbers showed similar stability, with the first quarter up by 6.8% year-on-year and the second quarter up by 6.7% year-on-year. For 12 consecutive quarters, the growth rate has remained in a range of 6.7% to 6.9%. To summarise economic performance in the first half of the year, industrial growth was generally stable and the structure of the economy continued to be optimised; resident consumption and market sales increased steadily, and high-end consumer products grew rapidly; and fixed asset investments grew steadily, while private investments and manufacturing investments rebounded. In the first half of the year, the value added by the country's larger industrial enterprises increased by 6.7% year-on-year, and the growth rate dropped by 0.1 percentage points from the first quarter; the national resident consumption expenditure per capita was RMB9,609, up by 8.8% year-on-year and 1.2 percentage points higher than the first quarter; and national fixed asset investments were RMB29.7 trillion with a year-on-year increase of 6.0%, while the growth rate dropped by 1.5 percentage points from the first quarter. Overall, the Chinese economy continued to show a trend of stable growth in the first half of the year but, at the same time, external uncertainties have been increasing. Given that China's economic restructuring is in a critical period, 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 ahead to the second half of 2018, the uncertainties from a trade war and global demand may lead to downward pressure on the Chinese economy overall, but it is expected that the overall pressure may not be large, and it is possible that the annual economic growth rate in China will be no less than 6.7%. The trade war has indeed caused the global economy to face a headwind at the moment, and other risks and negative effects have not yet been fully recognised, but a significant decline in global economic growth is not expected. As a result of supply-side structural reforms, the fine-tuning of economic structures has increased the resilience of the Chinese economy. The downward trend in infrastructure investment growth is not expected to change in the second half of the year, but the rate of decline is expected to slow; manufacturing investments should continue to rebound slightly, driven by the impetus of new industries, new business forms and new business models; and the slowdown in real estate investment growth is expected to have less impact on the economy in the second half of the year. Given that the Central Government is stepping up its adjustments to economic structures, new industries, new business forms and new business models are likely to thrive and develop rapidly. New economic sectors such as high-tech and strategic emerging industries, especially in the areas of AI and culture and media, will continue to receive greater support from government policies, as well as more attention from capital markets. With the advent of the big data era, along with improvements in algorithms and enhancements in the accuracy of unsupervised learning, AI will enter another period of rapid growth in which "big data + AI" will profoundly change the structure of traditional industries. It is here that the Fund will continue to seek out the best opportunities for investment.

In this environment, where challenges and opportunities co-exist, the Fund will continue to make every effort to identify new investment projects, and our investment focus will be on the financial industry with an emphasis on the insurance sector, on emerging technology industries featuring AI, on great cultural industry with an emphasis on culture and tourism, and on great healthcare industry with an emphasis on medicine and healthcare, as we seek to optimise our 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 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 2018, details of aggregate amounts actually provided by the Participants and their relative proportion to the investment amounts actually paid by the Fund were as follows:

Name of projects	Original investment amount of the Fund *US$**	Original amounts actually paid by the Participants *US$**	Relative proportion
Unibank Media (1st round capital injection)	6,585,600	129,000	1.959%
Wuhan Rixin	2,195,500	43,900	2.000%
Unibank Media (2nd round capital injection)	4,394,100	87,500	1.991%
China Media Management	676,100	4,500	0.666%
Geesun Intelligent	2,929,500	58,000	1.980%
China Media Investment (1st installment capital contribution)	5,858,300	38,800	0.662%
Jiangsu Huaer	2,226,200	43,800	1.966%
Jinpower Electrical	3,033,500	60,300	1.988%
China Media Investment (2nd installment capital contribution)	953,500	6,100	0.638%
Liaoning Zhenlong	2,974,500	59,000	1.986%
NTong	10,409,700	130,300	1.252%
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%
Besttone	15,101,000	117,530	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%
China Media Investment (8th installment capital contribution)	2,055,100	11,500	0.559%
China Media Investment (9th installment capital contribution)	859,600	4,830	0.562%
Xinhua Preschool Education (1st installment capital contribution)	4,898,200	28,400	0.580%
Oriental Pearl	19,619,100	255,510	1.302%
JIC Leasing	38,781,800	65,810	0.170%
China Re	19,308,300	41,290	0.214%
Jinlanmei Travel (1st installment capital contribution)	1,489,000	14,180	0.952%
Iflytek	18,827,500	33,500	0.178%
Iflytek Venture Capital (1st installment capital contribution)	5,193,900	9,270	0.178%
Rong Bao Zhai Culture (1st installment capital contribution)	28,855,000	86,790	0.301%
Rong Bao Zhai Culture (2nd installment capital contribution)	14,505,400	43,240	0.298%
Iflytek Venture Capital (2nd installment capital contribution)	2,008,800	3,480	0.178%
Qinghai Lake Tourism (1st installment capital contribution)	7,502,800	9,590	0.128%
Qinghai Lake Tourism (2nd installment capital contribution)	22,927,700	28,800	0.126%
Iflytek Venture Capital (3rd installment capital contribution)	2,146,800	3,480	0.178%
The Jiangmen Ventures Fund	4,741,800	20,470	0.432%
Cambricon	5,940,100	90,480	1.523%

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

In addition, as of 30 June 2018, details of the amounts actually paid by some of the Directors of the Fund as well as a Director of the Investment Manager for the Scheme were as follows:

Name of projects	**Mr. HONG Xiaoyuan** (Note 1) *US$*	**Mr. ZHANG Rizhong** (Note 2) *US$*	**Mr. WANG Xiaoding** (Note 3) *US$*	**Mr. TSE Yue Kit** (Note 4) *US$*	**Mr. LAW Hung Kuen, Janson** (Note 5) *US$*
Unibank Media (1st round capital injection)	12,900	N/A	20,640	1,290	N/A
Wuhan Rixin	3,510	N/A	3,510	1,290	N/A
Unibank Media (2nd round capital injection)	6,950	N/A	6,950	1,290	N/A
China Media Management	300	N/A	1,160	30	N/A
Geesun Intelligent	4,640	N/A	5,780	1,290	N/A
China Media Investment (1st installment capital contribution)	2,500	N/A	10,040	250	N/A
Jiangsu Huaer	3,500	N/A	4,380	1,290	N/A
Jinpower Electrical	4,830	N/A	6,030	1,280	N/A
China Media Investment (2nd installment capital contribution)	390	N/A	1,570	40	N/A
Liaoning Zhenlong	4,720	N/A	4,620	1,280	N/A
NTong	16,420	N/A	12,830	1,280	N/A
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
Besttone	12,120	N/A	12,120	1,210	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
China Media Investment (8th installment capital contribution)	790	N/A	3,170	80	N/A

Name of projects	Mr. HONG Xiaoyuan (Note 1) *US$*	Mr. ZHANG Rizhong (Note 2) *US$*	Mr. WANG Xiaoding (Note 3) *US$*	Mr. TSE Yue Kit (Note 4) *US$*	Mr. LAW Hung Kuen, Janson (Note 5) *US$*
China Media Investment (9th installment capital contribution)	330	N/A	1,330	30	N/A
Xinhua Preschool Education (1st installment capital contribution)	2,150	N/A	4,310	440	N/A
Oriental Pearl	13,930	N/A	38,870	1,390	N/A
JIC Leasing	N/A	N/A	12,900	1,290	N/A
China Re	N/A	N/A	12,900	1,290	1,290
Jinlanmei Travel (1st installment capital contribution)	N/A	N/A	3,220	640	640
Iflytek	N/A	N/A	12,890	1,290	1,290
Iflytek Venture Capital (1st installment capital contribution)	N/A	N/A	6,440	1,290	1,290
Rong Bao Zhai Culture (1st installment capital contribution)	N/A	N/A	8,590	860	860
Rong Bao Zhai Culture (2nd installment capital contribution)	N/A	N/A	4,290	420	420
Iflytek Venture Capital (2nd installment capital contribution)	N/A	N/A	970	190	190
Qinghai Lake Tourism (1st installment capital contribution)	N/A	640	3,200	320	320
Qinghai Lake Tourism (2nd installment capital contribution)	N/A	1,920	9,600	960	960
Iflytek Venture Capital (3rd installment capital contribution)	N/A	N/A	970	190	190
The Jiangmen Ventures Fund	N/A	1,280	3,840	1,280	1,280
Cambricon	N/A	6,370	22,940	1,270	1,270

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 Director & General Manager 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
Director and General Manager
China Merchants China Investment Management Limited

Hong Kong, 29 August 2018

SPECIAL INTERIM DIVIDEND

As the shares of IBC held by the Group have been fully disposed of in the beginning of the year and received a satisfactory return, and to mark the 25th listing anniversary of the Company, the Directors have resolved to declare a special interim dividend of US$0.05 per share for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil). This special interim dividend shall be paid in cash on 8 November 2018 to the shareholders whose names appear on the register of members of the Company on 28 September 2018. Total special interim dividend is amounted to US$7,616,651. Shareholders who wish to receive the dividend in Hong Kong Dollars have to complete a Hong Kong Dollar dividend election form and return the same to the Company's Share Registrar on or before 26 October 2018. Shareholders who have submitted the dividend election form previously do not need to re-submit this form.

A dividend payment of US$9,139,981 (2016: US$9,139,981), being a final dividend of US$0.06 per share (2016: US$0.06 per share), for the year ended 31 December 2017 was approved by the shareholders on 25 May 2018 and was subsequently paid by the Company in cash on 26 July 2018.

BOOK CLOSURE

The register of members of the Company will be closed from 24 September 2018 to 28 September 2018, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the special interim dividend, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 21 September 2018.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the six months ended 30 June 2018, 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 2018, 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 2018, 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 2018.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, 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 2)	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 2)	Long position	Interest of controlled corporation	42,022,041	27.59%
Good Image Limited	Long position	Beneficial owner	42,022,041	27.59%
Lazard Asset Management LLC	Long position	Investment manager	25,078,145	16.46%

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. 99.34%) in the company whose name is set out immediately under it.

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

Note 3: China Merchants Steam Navigation Company Limited is deemed to have corporate interests in the shares by virtue of its controlling shareholding (i.e. 89.45%) 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. CHU Lap Lik, Victor, Executive Director of the Company, was appointed as a Director of Airbus SE on 11 April 2018.

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 2018