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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Board of Directors (the "**Board**") of China Merchants China Direct Investments Limited (the "**Company**") announces that the consolidated results for the year ended 31 December 2014 of the Company and its subsidiaries (the "**Group**") together with the 2013 comparative figures are as follows:-

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	US$	*US$*
Change in fair value of financial assets at fair value through profit or loss	**194,828,928**	34,932,077
Investment income *(Note 3)*	**17,053,071**	23,558,016
Other gains	**220,978**	1,184,040
Administrative expenses	**(22,714,646)**	(10,693,687)
Share of results of associates	**(1,461,117)**	(4,702,094)
Gain on disposal of a subsidiary	**9,723,213**	-
Gain on disposal of an associate	**1,432,126**	-
Profit before taxation	**199,082,553**	44,278,352
Taxation *(Note 5)*	**(50,454,183)**	(9,440,386)
Profit for the year	**148,628,370**	34,837,966
Other comprehensive (loss) income		
Items that will not be reclassified subsequently to profit or loss		
Exchange difference arising on translation	**(721,515)**	14,353,991
Share of change in translation reserve of associates	**(173,457)**	623,714
Item that may be reclassified subsequently to profit or loss		
Change in fair value of available-for-sale financial assets	**-**	(16,129)
Other comprehensive (loss) income for the year, net of tax	**(894,972)**	14,961,576
Total comprehensive income for the year	**147,733,398**	49,799,542
Profit for the year attributable to owners of the Company	**148,628,370**	34,837,966
Total comprehensive income for the year attributable to owners of the Company	**147,733,398**	49,799,542
Basic earnings per share *(Note 6)*	**0.976**	0.224

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	2014	2013
	US$	*US$*
Non-current assets		
Interests in associates	**-**	17,158,887
Financial assets at fair value through profit or loss	**315,765,560**	310,640,112
	315,765,560	327,798,999
Current assets		
Financial assets at fair value through profit or loss	**334,409,697**	244,845,058
Other receivables	**593,899**	758,048
Bank balances and cash	**148,781,544**	27,253,376
	483,785,140	272,856,482
Current liabilities		
Other payables	**38,637,251**	24,467,197
Taxation payable	**11,129,705**	41,028
	49,766,956	24,508,225
Net current assets	**434,018,184**	248,348,257
Total assets less current liabilities	**749,783,744**	576,147,256
Non-current liabilities		
Financial liabilities at fair value through profit or loss	**1,048,696**	1,759,244
Deferred taxation	**108,606,865**	72,853,246
	109,655,561	74,612,490
Net assets	**640,128,183**	501,534,766
Capital and reserves		
Share capital	**139,348,785**	15,233,301
Reserves	**132,818,989**	255,864,016
Retained profits	**367,960,409**	230,437,449
Equity attributable to owners of the Company	**640,128,183**	501,534,766
Net asset value per share *(Note 7)*	**4.202**	3.292

Notes:

1. BASIS OF PRESENTATION

The consolidated financial information has been reviewed by the Company's Audit Committee.

The consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The consolidated financial information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs issued by the HKICPA.

Amendments to HKFRS 10, 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets

Amendments to HKFRS 10, 12 and HKAS 27 *Investment Entities*

The Group has applied the amendments to HKFRS 10, 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss ("**FVTPL**") in its consolidated and separate financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS - continued

Amendments to HKFRS 10, 12 and HKAS 27 *Investment Entities* - continued

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial information.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to HKAS 16 and 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to HKAS 27	Equity method in separate financial statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 Cycle[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 Cycle[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 Cycle[4]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS - continued

New and revised HKFRSs in issue but not yet effective - continued

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
[5] Effective for annual periods beginning on or after 1 July 2014, with limited exception. Earlier application is permitted.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include: a) impairment requirements for financial assets; and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("**FVTOCI**") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms 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, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS - continued

New and revised HKFRSs in issue but not yet effective - continued

HKFRS 9 *Financial Instruments* - continued

Key requirements of HKFRS 9 are described below: - continued

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

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

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial assets and financial liabilities as at 31 December 2014, the management anticipates that the application of HKFRS 9 will have no material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS - continued

New and revised HKFRSs in issue but not yet effective - continued

Amendments to HKAS 27 *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost;
- in accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9); or
- using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The management does not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial information.

Except for the above, the management anticipates that the application of these new and revised HKFRSs will have no material impact on the consolidated financial information.

3. INVESTMENT INCOME

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

	THE GROUP	
	2014	2013
	US$	*US$*
Interest income on		
Bank deposits	**1,244,672**	1,167,357
Financial assets designated at FVTPL - unlisted bond	**194,780**	-
Available-for-sale financial assets - listed	**-**	34,057
	1,439,452	1,201,414
Dividend income on financial assets designated at FVTPL		
Listed equity investments	**10,552,593**	10,616,894
Unlisted equity investments	**5,061,026**	11,739,708
	15,613,619	22,356,602
Total	**17,053,071**	23,558,016

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

	THE GROUP	
	2014	2013
	US$	*US$*
Available-for-sale financial assets	**-**	34,057
Loans and receivables (including bank balances and cash)	**1,244,672**	1,167,357
Total interest income for financial assets not designated at FVTPL	**1,244,672**	1,201,414
Investment income earned on financial assets designated at FVTPL	**15,808,399**	22,356,602
Total	**17,053,071**	23,558,016

4. SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the executive management for the purposes of resources allocation and performance assessment (since the size of investments in energy and resources, medical and pharmaceutical, education, real estate and other types of investing activities is not significant, these investments are aggregated and reported as "Others"), are as follows:

(a) Financial services: investees engaged in financial services activities.
(b) Culture and media: investees engaged in culture and media activities.
(c) Manufacturing: investees engaged in manufacturing of products activities.
(d) Information technology: investees engaged in information technology activities.
(e) Agriculture: investees engaged in agriculture activities.
(f) Others: investees engaged in investments related to energy and resources, medical and pharmaceutical, education, real estate activities and other types of investing activities.

Information regarding the above segments is reported below:

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

For the year ended 31 December 2014

	Financial services *US$*	Culture and media *US$*	Manufacturing *US$*	Information technology *US$*	Agriculture *US$*	Others *US$*	Total *US$*
Change in investment value	**188,035,815**	**20,362,712**	**(189,683)**	**(13,297,299)**	**(1,702,311)**	**11,313,916**	**204,523,150**
Dividend income on financial assets designated at FVTPL	**15,548,692**	**-**	**64,927**	**-**	**-**	**-**	**15,613,619**
Interest income from financial assets designated at FVTPL	**-**	**-**	**-**	**194,780**	**-**	**-**	**194,780**
Other gains	**-**	**220,978**	**-**	**-**	**-**	**-**	**220,978**
Segment profit (loss)	**203,584,507**	**20,583,690**	**(124,756)**	**(13,102,519)**	**(1,702,311)**	**11,313,916**	**220,552,527**
Unallocated:							
- Administrative expenses							**(22,714,646)**
- Interest income on bank deposits							**1,244,672**
Profit before taxation							**199,082,553**

4. SEGMENTAL INFORMATION - continued

For the year ended 31 December 2013

	Financial services US$	Culture and media US$	Manufacturing US$	Information technology US$	Agriculture US$	Others US$	Total US$
Change in investment value	(24,091,916)	63,701,151	(8,594,543)	(6,391,165)	942,418	4,664,038	30,229,983
Dividend income on financial assets designated at FVTPL	20,221,357	1,542,646	-	538,921	-	53,678	22,356,602
Interest income from available -for-sale financial assets	-	-	-	-	-	34,057	34,057
Other gains	-	98,912	-	520,511	-	-	619,423
Segment (loss) profit	(3,870,559)	65,342,709	(8,594,543)	(5,331,733)	942,418	4,751,773	53,240,065
Unallocated:							
- Administrative expenses							(10,693,687)
- Interest income on bank deposits							1,167,357
- Other gains							564,617
Profit before taxation							44,278,352

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

4. SEGMENTAL INFORMATION - continued

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

	2014	2013
	US$	*US$*
Segment assets		
Financial services	**522,468,825**	348,162,186
Culture and media	**78,700,679**	149,151,488
Manufacturing	**12,237,294**	30,066,521
Information technology	**1,990,521**	15,434,400
Agriculture	**4,135,676**	5,870,820
Others	**30,838,373**	24,422,247
Total segment assets	**650,371,368**	573,107,662
Unallocated	**149,179,332**	27,547,819
Consolidated assets	**799,550,700**	600,655,481
Segment liabilities		
Financial services	**6,585**	5,718
Culture and media	**736,329**	1,029,484
Manufacturing	**172,945**	172,263
Information technology	**543,129**	221,834
Agriculture	**4,200,435**	2,146,711
Others	**253,418**	238,016
Total segment liabilities	**5,912,841**	3,814,026
Unallocated	**153,509,676**	95,306,689
Consolidated liabilities	**159,422,517**	99,120,715

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

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

During the year, the Group was principally involved in investing in companies with significant business involvement in the People's Republic of China (**"PRC"**), hence no geographical information in relation to the investing activities are presented.

5. TAXATION

The tax charge for the year comprises:

	THE GROUP	
	2014	2013
	US$	*US$*
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	**(14,742,102)**	(893,739)
Deferred taxation		
Current year	**(35,712,081)**	(8,546,647)
Total	**(50,454,183)**	(9,440,386)

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the years. PRC Enterprise Income Tax in the PRC is calculated at the rates prevailing in the relevant regions.

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

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

6. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the earnings for the year of US$148,628,370 (2013: US$34,837,966) and the weighted average number of 152,333,013 ordinary shares with no par value (2013: 155,200,176 ordinary shares of US$0.10 each) in issue during the year.

7. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share at the end of the reporting period is based on the net assets of US$640,128,183 (2013: US$501,534,766) and 152,333,013 ordinary shares with no par value (2013: 152,333,013 ordinary shares of US$0.10 each) in issue at 31 December 2014.

DIVIDEND

No interim dividend was declared during the year.

The Board has resolved to recommend at the forthcoming annual general meeting ("**AGM**") to be held on 21 May 2015 the payment of a final dividend of US$0.06 (or HK$0.468) per share (2013: US$0.06) and a special dividend of US$0.03 (or HK$0.234) per share (2013: Nil), totaling US$0.09 (or HK$0.702) per share (2013: US$0.06), for the year ended 31 December 2014 to shareholders whose names appear on the register of members on 28 May 2015. The final and special dividends, if approved, are to be payable in cash on or around 30 July 2015. Total dividends for the year are US$0.09 (or HK$0.702) per share (2013: US$0.06), amounting to US$13,709,971 (2013: US$9,139,981).

Shareholders who wish to receive the dividends 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 17 July 2015. Shareholders who have submitted the dividend election form previously do not need to re-submit this form.

BOOK CLOSURE

The register of members of the Company will be closed from 19 May 2015 to 21 May 2015, both days inclusive, during which period no transfer of shares will be effected. In order to determine the identity of members who are entitled to attend, speak and vote at the forthcoming AGM, 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 18 May 2015. Subject to the approval by shareholders at the forthcoming AGM, the final and special dividends will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on 28 May 2015. In order to qualify for the final and special dividends, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at the above address not later than 4:30 p.m. on 28 May 2015.

REVIEW AND OUTLOOK

Overall Performance

The Group recorded a profit attributable to equity shareholders of US$148.63 million for the year ended 31 December 2014, compared to a profit attributable to equity shareholders of US$34.84 million for the same period last year, representing an increase of US$113.79 million or 326.61% – with the profit increase largely attributable to a significant rise in the fair value of the financial assets designated at fair value through profit or loss (the "**Financial Assets**") and to gains on sale from the liquidation of certain projects. As of 31 December 2014, the net assets of the Group were US$640.13 million (31 December 2013: US$501.53 million), with a net asset value per share of US$4.202 (31 December 2013: US$3.292).

The gain on change in fair value of the Financial Assets for the year was US$194.83 million, compared to a gain of US$34.93 million for the same period last year, representing an increase of 457.77%. The fair value of listed and unlisted direct investments recorded a gain of US$119.54 million and of US$75.29 million, respectively.

Total investment income for the year decreased by 27.63% compared to the same period last year, to US$17.05 million (2013: US$23.56 million), due primarily to a decrease in dividend income from investments.

Material Acquisitions and Disposals of Investments

In 2014, the Group sought out and evaluated many investment opportunities, and invested cash into the culture and media and education industries, respectively, during the year:

On 16 April 2014, the Group made a cash injection of US$2.02 million into China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**") for the sole purpose of investing in IMAX China Holding, Inc. ("**IMAX China**"). IMAX China holds the exclusive rights to conduct, offer and expand the various businesses, products and services currently conducted in the Greater China Region by IMAX Corporation.

On 24 December 2014, the Group made an initial capital contribution of RMB30 million (equivalent to US$4.90 million) in cash to Guangxi Xinhua Preschool Education Investment Corporation Limited ("**Xinhua Preschool Education**"). The Group has undertaken to make a total capital contribution of RMB90 million in phases, for a stake of 30%. Xinhua Preschool Education is based in Guangxi, and is dedicated to investing in the preschool education sector and dealing in cultural and educational products.

The Group plans to work through Shanghai Wenguang Investment Management Centre (Limited Partnership) ("**SWG Investment**"), a partnership enterprise established with Shanghai Media Group Ltd. ("**SMG**") and other investors, in order to subscribe for A shares of BesTV New Media Co., Ltd. ("**BesTV**"), which has undergone a reorganisation and merger and is now listed on the Shanghai Stock Exchange, in cash for RMB120 million (equivalent to US$19.61 million) at a subscription price of RMB32.54 per A share. Through SWG Investment (in which the Group holds a 3.75% interest), the Group will indirectly own 3,687,768 A shares of BesTV with a lock-up period of 3 years. On 20 November 2014, the Group paid 1% of the investment amount, or RMB1.20 million (equivalent to US$0.20 million) as the investment undertaking sum. The reorganisation and merger proposal of BesTV was considered and approved by its shareholders meeting on 26 December 2014, and is currently pending review and approval by the China Securities Regulatory Commission. BesTV will be the only resource consolidation and listing platform of SMG, as well as the only all-media and whole-industry chain platform company in Shanghai, spanning content production, cloud services and value-added advertising services.

In addition, the Group disposed of certain investment projects during the year:

On 5 June 2014, the Group completed the disposal of its holding of a 19.80% effective equity interest in China Merchants Plaza (Shanghai) Property Co., Ltd. ("**China Merchants Plaza**") to Hong Kong Wahsheung Properties Limited, a connected party of the Group, for a price of US$9.72 million — an amount that was arrived at through an arm's length negotiation between the Group and the connected party, and with reference to an appraisal by a professional independent third party. The pre-tax internal rate of return to the Group from China Merchants Plaza was 2.49%.

On 6 November 2014, the Group completed the disposal of its holding of a 25.91% equity interest in Shandong Jinbao Electronics Co., Ltd. **("Jinbao")** to Zhaoyuan Changlin Industrial Co., Ltd. for a price of US$16.91 million. The pre-tax internal rate of return to the Group from Jinbao was 8.31%.

On 21 November 2014, the Group completed the disposal of its holding of a 21% equity interest in Guangzhou Digital Media Group Ltd. **("Guangzhou Digital")** to China Entinet Cable Holdings Co., Ltd., a wholly-owned subsidiary of Hunan TV & Broadcast Intermediary Co., Ltd. (a Shenzhen A shares listed company), for a price of US$75.22 million. The pre-tax internal rate of return to the Group from Guangzhou Digital was 23.62%.

On 8 December 2014, the Group completed the sell-back of its holding of a 5.02% equity interest in China Business Network ("**CBN**") to CBN for a price of US$20.41 million. The pre-tax internal rate of return to the Group from CBN was 3.11%.

The Group was granted authorisation by its shareholders to dispose of its entire holding of A shares of both China Merchants Bank Co., Ltd. ("**CMB**") and Industrial Bank Co., Ltd. ("**IBC**"). During the year, the Group did not dispose of any A shares of IBC, but disposed of 8 million A shares of CMB, with net proceeds from the disposal of US$13.88 million.

Liquidity, Financial Resources, Gearing and Capital Commitments

The Group's cash on hand increased by 445.98%, from US$27.25 million at the end of last year to US$148.78 million (accounting for 18.61% of the Group's total asset value) as of 31 December 2014, due primarily to the disposal of a portion of the A shares of CMB, as well as the disposal of equity interests in China Merchants Plaza, Jinbao, Guangzhou Digital and CBN.

As of 31 December 2014, the Group had no outstanding bank loans (31 December 2013: Nil).

As of 31 December 2014, the Group had capital commitments of US$35.98 million (31 December 2013: US$9.71 million) for investments that were approved but not yet provided for in the financial information – specifically, for future payments related to the investment in China Media Investment and in Xinhua Preschool Education, and the remaining balance for the subscription of the A shares of BesTV.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Most of the Group's investments are located in China where the official currency is the Renminbi ("**RMB**"). The conversion rate of RMB against US dollar recorded a mild decrease of approximately 0.36% in 2014, which had a mild unfavourable impact on the Group since it holds a considerable amount of assets denominated in RMB.

Employees

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

The Portfolio

As of 31 December 2014, the Group's total investments, which were all direct investments, amounted to US$650.18 million. The sector distribution of direct investments was US$522.47 million in financial services (representing 65.35% of the Group's total assets), US$78.51 million in culture and media (9.82%), US$12.24 million in manufacturing (1.53%), and US$36.96 million in other ventures (including energy and resources, information technology, agriculture, medical and pharmaceutical and education) (4.62%). In addition, cash on hand was US$148.78 million, representing 18.61% of the Group's total assets as of 31 December 2014.

Prospects

In 2015, the global economic recovery will continue to be slow, different types of risks will affect one another, there are a number of uncertainties, and the downside risk continues to prevail. The slowdown in economic growth of the emerging market economies may tend to stabilise, while Chinese economic growth faces more downward pressure, but the market expects its economic growth adjustment to be mild. In 2015, the Chinese economic growth may be lower than 2014. But in the mid term trend, due to the impact of "Three phases overlapping", the economic growth adjustment in China is far from reaching the end, and it is highly probable that it will continue as a habitual downfall. Among the "troika" fuelling economic growth, despite the effect of the real estate market correction, it is expected that investment will still be an important pillar for the economy in 2015, where the construction of infrastructure facilities relating to the livelihood of people may become an important investment expenditure, and further attract social capital. Urbanisation development in a new mode may become a new source of economic growth for China, and create huge investment demand for infrastructure facilities such as high speed rail, metro, airport, underground pipe networks, sewage treatment, etc., as well as municipal facilities for water, electricity and gas supply and residential properties. Imports and exports for China may see improvement in the international environment, but the extent will be limited, and risks and uncertainties are more pronounced. Due to the positive impact of stronger employment over the recent two years, along with an increase in domestic income that exceeded growth in GDP, it is expected that 2015 consumption growth will continue to be steady. In 2015, the macro fine-tuning of the Central Government may seek a balance among various objectives including stable growth, facilitation of reform, structural adjustment and risk control. To be specific, the policies will most probably aim at a slower economic growth target, and further speed up investment and financing system reforms and mixed ownership reform, while it is likely that the major economic strategies such as "One Belt One Road" will be implemented. Under such an environment, the Group will take the initiative to grapple with these uncertainties and to seek out the best opportunities for investment.

In the environment where challenges and opportunities co-exist, the Group will continue to make every effort to identify new investment projects, while maintaining an emphasis on investment opportunities in culture and media, health care, consumer goods (with particular focus on consumer-oriented projects in second and third tier cities), advanced manufacturing, non-traditional financial services, energy, education, agriculture, etc., and to seek to optimise its mix of investments in order to create greater shareholder value.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance practices are important to protect shareholders' interests and to promote investor confidence. The Company has complied with all the code provisions set out in Appendix 14 to the Listing Rules (Corporate Governance Code) throughout the year under review, except for the deviations as stated below:

According to the Investment Management Agreement, the portfolio and day-to-day administration of the Company are handled by the Investment Manager. Meanwhile, except the qualified accountant whose remuneration package is determined and borne by the Investment Manager, the Company has no salaried employees. The Stock Exchange of Hong Kong Limited has granted a waiver to the Company for establishment of remuneration committee on condition that the Executive Directors and senior management of the Company will not receive any Directors' fee or emolument from the Company. Thus, no remuneration committee has been established by the Company. In addition, it is suitable for the Company to hold regular Board meeting twice a year at a minimum.

Besides, owing to a business trip, the then Chairman, Mr. LI Yinquan, has given an apology for not being able to attend and chair the annual general meeting of the Company which was held on 21 May 2014.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

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

By Order of the Board
HONG Xiaoyuan
Chairman

Hong Kong, 26 March 2015

As at the date hereof, the Executive Directors of the Company are Mr. HONG Xiaoyuan, Mr. LI Yinquan, Mr. CHU Lap Lik, Victor, Mr. WANG Xiaoding and Mr. TSE Yue Kit; the Non-executive Director is Mr. KE Shifeng; and the Independent Non-executive Directors are Mr. LIU Baojie, Mr. ZHU Li, Mr. TSANG Wah Kwong and Dr. LI Fang. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor.