China Merchants China Direct Investments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

ANNUAL REPORT 2014

CONTENTS

	PAGE
Corporate Information	2
Chairman's Statement	4
Investment Manager's Discussion and Analysis	7
Financial Highlights	31
Directors' Report	32
Corporate Governance Report	45
Independent Auditor's Report	59
Consolidated Statement of Profit or Loss and Other Comprehensive Income	61
Consolidated Statement of Financial Position	62
Statement of Financial Position	64
Consolidated Statement of Changes in Equity	65
Consolidated Statement of Cash Flows	66
Notes to the Financial Statements	67
Financial Summary	116

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Mr. HONG Xiaoyuan *(Chairman)*
Mr. LI Yinquan
Mr. CHU Lap Lik, Victor
Mr. WANG Xiaoding
Mr. TSE Yue Kit
Ms. KAN Ka Yee, Elizabeth
(alternate to Mr. CHU Lap Lik, Victor)

Non-executive Director:
Mr. KE Shifeng

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

INVESTMENT COMMITTEE

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. LEUNG Chong Shun

INVESTMENT MANAGER

China Merchants China Investment Management Limited
1803 China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Linklaters
Victor Chu & Co
Woo Kwan Lee & Lo

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Industrial and Commercial Bank of China Limited
China Merchants Bank Co., Ltd.

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wan Chai,
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1803 China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Hong Kong

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

Mr. HONG Xiaoyuan

Chairman

CHAIRMAN'S STATEMENT

The board of directors (the "**Board**") announces that the audited consolidated net asset value of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (together, the "**Group**"), as of 31 December 2014, amounted to US$640.13 million, representing an increase of 27.64% compared to US$501.53 million in 2013. The net asset value per share was US$4.202, representing an increase of 27.64% compared to US$3.292 in 2013. The Group's audited consolidated profit after taxation for 2014 was US$148.63 million, representing an increase of 326.61% compared to an audited consolidated profit after taxation of US$34.84 million for the same period last year.

The Board recommended the payment of a final dividend of US$0.06 per share for the year 2014, the same as last year. In addition, a special dividend of US$0.03 per share will be proposed, while no special dividend was distributed last year. As there were no interim dividends during 2014, total dividends payable for the year 2014 were also US$0.09 per share, compared to US$0.06 per share last year, representing an increase of 50%.

In 2014, the economic recovery was weaker than markets had expected and there were several changes in global economic growth patterns, with the pace of economic recovery in the developed economies accelerating, while growth in emerging market economies further slowed. The Chinese economy was transforming towards the "New Normal", the real estate market entered into a period of correction and downward pressure on the rate of economic growth increased. In 2014, the Central Government continued to innovate with its fine-tuning ideas and methods, and on the basis of strengthening range management, it launched targeted fine-tuning measures. The overall performance of the macro economy was stable and major indicators were stable with some decreases, but they remained within a reasonable range: the growth rate of industrial production was stable with a few signs of weakness, corporate earnings for larger industrial enterprises slowed, the growth of domestic income and consumption was stable, and import-export trade surplus continued to grow. According to a preliminary report of the National Bureau of Statistics, the Gross Domestic Product (GDP) of China for 2014 grew by 7.4% compared to 2013, the growth rate was 0.3% slower than that of 2013. The Consumer Price Index (CPI) of China for 2014 was up 2.0% on a year-on-year basis, the lowest rate since 2010.

At the end of 2014, the Group's total holdings in direct investment projects amounted to US$650.18 million (US$572.64 million at the end of 2013), accounting for 81.32% of the Group's total asset value and representing a year-over-year increase of US$77.54 million that was largely due to capital contributions to new and existing projects, as well as to a significant net increase in the fair value of investment projects. Meanwhile, cash on hand was US$148.78 million, accounting for 18.61% of total asset value.

In 2014, the Investment Manager actively sought new investment opportunities, with intensive due diligence and the screening of many prospects, and the Group invested in two new projects, namely IMAX China Holding, Inc. and Guangxi Xinhua Preschool Education Investment Corporation Limited, in an aggregate invested amount of US$6.92 million. These projects fall within the culture and media and education industries, helping to further optimise the Group's investment portfolio. In addition, the Group plans to subscribe for the A shares of the reorganised and merged BesTV New Media Co., Ltd. ("**BesTV**") which is listed on the Shanghai Stock Exchange, in cash for RMB120 million (equivalent to US$19.61 million). The reorganisation and merger proposal for 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.

In order to participate in the share rights issuance by China Merchants Bank Co., Ltd. ("**CMB**"), implemented in 2013, and to fulfill the condition imposed by the Hong Kong Stock Exchange when it granted a waiver, in 2014, the Group disposed of a total of 8 million A shares of CMB and received total net proceeds of US$13.88 million. Also in 2014, the Investment Manager took steps to explore opportunities for the disposal of certain projects. During the year, the Group sold its entire 19.80% effective equity interest in China Merchants Plaza (Shanghai) Property Co., Ltd. for consideration of US$9.72 million to Hong Kong Wahsheung Properties Limited, a connected party of the Company. The Group also sold its entire 25.91% equity interest in Shandong Jinbao Electronics Co., Ltd. to Zhaoyuan Changlin Industrial Co., Ltd. for consideration of US$16.91 million, as well as its entire 21% equity interest in Guangzhou Digital Media Group Ltd. to China Entinet Cable Holdings Co., Ltd., a wholly-owned subsidiary of Hunan TV & Broadcast Intermediary Co., Ltd., whose A shares are listed in Shenzhen, for consideration of US$75.22 million. Finally, the Group sold back its entire 5.02% equity interest in China Business Network ("**CBN**") to CBN for consideration of US$20.41 million.

Looking ahead to 2015, we believe that challenges and opportunities coexist. In 2015, although the global economy will still maintain a cyclical and mild recovery, the pace of recovery may accelerate, but there are still many uncertainties and instabilities. Emerging markets economies are still in the growth correction period, and in general face structural adjustments and the pressure of a retreat in economic growth. It is very probable that the pressure of an economic slowdown of China in 2015 may further increase, and the latest estimate from the International Monetary Fund (IMF) is GDP growth of 6.8% for China in 2015. 2015 is a critical year for the comprehensive deepening of reform of China, as well as for full completion of the "Twelfth Five-year Plan". The Central Government clearly stated the requirements to maintain continuity and stability in macro policies and to accurately understand and proactively adapt to the "New Normal" of economic development. It will continue to pursue an active fiscal policy and a steady monetary policy. It will place more emphasis on a suitable degree of expansionary and contractionary policies, and will adjust in advance, or adjust in small steps at an appropriate time and with an appropriate degree. Meanwhile, it will speed up the promotion of financial reform and financial innovation, maintain financial stability, prevent financial risks, and facilitate sustainable and healthy economic and social development. These policies will create more opportunities as well as challenges for the Group in making direct investments. As always, the Investment Manager will face the challenges ahead and strive to identify new investment opportunities that will increase shareholders' return.

Lastly, on behalf of the Board, I would like to offer my heartfelt gratitude to Mr. LI Yinquan for his valuable contributions to the Company during his tenure as the Chairman of the Board and continuing role as Executive Director, as well as to the members of the Audit Committee, Nomination Committee and Investment Committee, and to the entire staff of the Investment Manager, for their many contributions and dedicated effort, and to the shareholders for their support. As always, I will continue to give my best effort in leading the Group as we seek to create value for shareholders in the coming year.

Mr. HONG Xiaoyuan
Chairman

Hong Kong, 26 March 2015

Mr. LI Yinquan

Chairman of the Board of the Investment Manager

OVERALL PERFORMANCE

China Merchants China Direct Investments Limited and its subsidiaries (the "**Fund**") recorded a 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 Fund 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. For details of fair value change with respect to each of the listed and unlisted direct investments, please see the section titled "Review of Direct Investments" in this Investment Manager's Discussion and Analysis.

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 Fund 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 Fund 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 Fund 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 Fund 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 Fund 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 Fund holds a 3.75% interest), the Fund will indirectly own 3,687,768 A shares of BesTV with a lock-up period of three years. On 20 November 2014, the Fund 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 ("**CSRC**"). 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 Fund disposed of certain investment projects during the year:

On 5 June 2014, the Fund 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 Fund, for a price of US$9.72 million – an amount that was arrived at through an arm's length negotiation between the Fund 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 Fund from China Merchants Plaza was 2.49%.

On 6 November 2014, the Fund 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 Fund from Jinbao was 8.31%.

On 21 November 2014, the Fund 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 Fund from Guangzhou Digital was 23.62%.

On 8 December 2014, the Fund 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 Fund from CBN was 3.11%.

The Fund 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 Fund 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 Fund'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 Fund'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 Fund had no outstanding bank loans (31 December 2013: Nil).

As of 31 December 2014, the Fund 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 statements – 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 Fund'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 Fund since it holds a considerable amount of assets denominated in RMB.

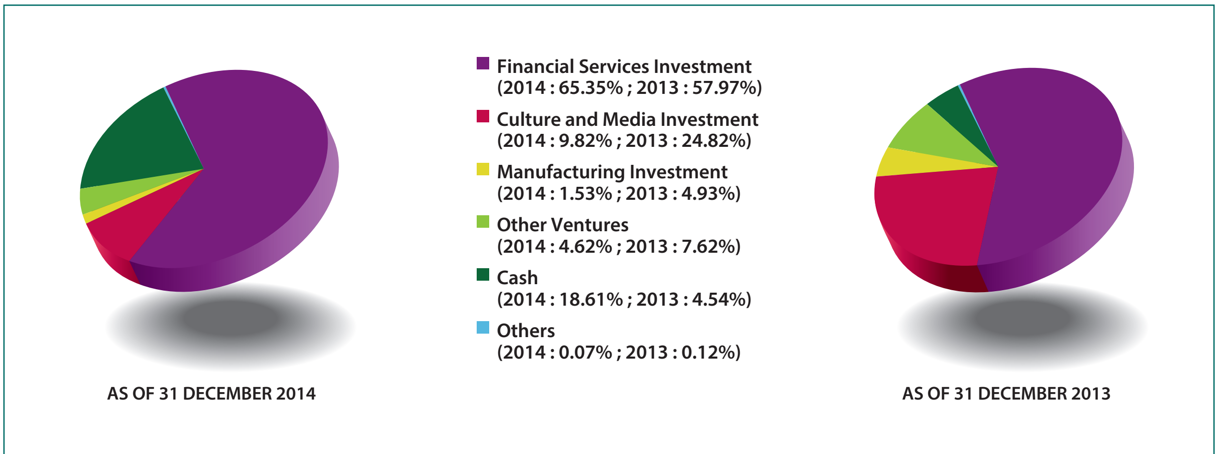
EMPLOYEES

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

THE PORTFOLIO

As of 31 December 2014, the Fund'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 Fund'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 Fund's total assets as of 31 December 2014.

TOTAL ASSETS DISTRIBUTION



Mr. WANG Xiaoding

Managing Director of the Investment Manager

REVIEW OF DIRECT INVESTMENTS

The following table shows the direct investment projects held by the Fund as at 31 December 2014:

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Carrying value (US$ million)	Percentage of total assets %	Percentage of net assets %
Financial Services:						
#1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	149	18.67	23.32
#2. Industrial Bank Co., Ltd.	Fuzhou, Fujian	Banking	Shanghai Stock Exchange	180	22.58	28.20
#3. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	192	23.98	29.95
4. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	1	0.12	0.15
		Sub-total:		**522**	**65.35**	**81.62**
Culture & Media:						
#5. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	23	2.94	3.66
#6. NBA China, L.P.	Beijing	Sports marketing	Unlisted	17	2.07	2.59
7. Unibank Media Group Inc.	Beijing	Indoor media	Unlisted	3	0.34	0.43
#8. Esurfing Media Co., Ltd.	Shanghai	Mobile & online videos platform	Unlisted	36	4.47	5.58
		Sub-total:		**79**	**9.82**	**12.26**
Manufacturing:						
9. Shenzhen Geesun Automation Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	1	0.09	0.11
10. Jiangsu Huaer Quartz Materials Co., Ltd.	Yangzhou, Jiangsu	High purity silica crucibles	Unlisted	0	0.01	0.01
#11. Liaoning Zhenlong Native Produce Holding Company Ltd.	Fuxin, Liaoning	Food processing	Unlisted	5	0.66	0.83
#12. Hwagain Group Co., Ltd.	Nanning, Guangxi	Printing paper & tissue paper	Unlisted	6	0.77	0.96
		Sub-total:		**12**	**1.53**	**1.91**

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Carrying value (US$ million)	Percentage of total assets %	Percentage of net assets %
Others:						
(i) Energy & Resources:						
#13. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	Unlisted	6	0.71	0.89
(ii) Information Technology:						
14. Xi'an Jinpower Electrical Co., Ltd.	Xi'an, Shaanxi	Power grid monitoring system	Unlisted	2	0.19	0.23
15. NTong Technology Co., Ltd.	Beijing	Software development	Unlisted	–	–	–
16. Teralane Semiconductor (Shenzhen) Co., Ltd.	Shenzhen, Guangdong	IC design	Unlisted	0	0.06	0.08
(iii) Agriculture:						
17. Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd.	Bazhou, Xinjiang	Cotton, jujube	Unlisted	4	0.52	0.65
(iv) Medical & Pharmaceutical:						
#18. Nanjing Sanhome Pharmaceutical Co., Ltd.	Nanjing, Jiangsu	Pharmaceutical	Unlisted	20	2.53	3.16
(v) Education:						
19. Guangxi Xinhua Preschool Education Investment Corporation Limited	Nanning, Guangxi	Preschool education	Unlisted	5	0.61	0.77
		Sub-total:		**37**	**4.62**	**5.78**
		Total:		**650**	**81.32**	**101.57**

Ten largest investments of the Fund as of 31 December 2014

China Merchants Bank Co., Ltd. ("CMB") is China's first joint-stock commercial bank, with its headquarters in Shenzhen, Guangdong and with its shares listed on the Shanghai Stock Exchange since 2002, and on the Hong Kong Stock Exchange since 2006. As of 31 December 2014, 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 2014, the Fund received a cash dividend of RMB34.22 million from CMB for 2013.

As of the end of 2014, the carrying value of the Fund's interest in CMB was US$149.29 million, representing an increase of 32.37% over US$112.78 million at the end of last year.

On 18 March 2015, CMB announced that its audited net profit for 2014 was RMB55.9 billion, up 8.06% year-over-year.

Pursuant to a condition imposed by the Hong Kong Stock Exchange when it granted a waiver for the subscription for the A rights shares of CMB, the Fund was required, within the 6 months following 11 September 2013, to dispose of CMB A shares to the extent that its interest in CMB would not exceed 20% of the Fund's net asset value. As of 24 January 2014, the Fund has, in aggregate, disposed of 8 million A shares of CMB. Furthermore, as of the close of trading on 24 January 2014, the Fund's interest in CMB was 19.12% of the Fund's net asset value, thereby fulfilled the condition of the waiver.

In 2014, the Fund disposed of a total of 8 million A shares of CMB, and received total net proceeds of RMB84.73 million (equivalent to US$13.88 million).

Industrial Bank Co., Ltd. ("IBC") is a joint-stock commercial bank incorporated in the PRC, with its headquarters in Fuzhou, Fujian and with its shares listed on the Shanghai Stock Exchange since 2007. As of 31 December 2014, the Fund held 66.94 million A shares of IBC, representing an equity interest of 0.351%, with a corresponding investment cost of RMB110.18 million (equivalent to US$11.55 million). In July 2014, the Fund received a cash dividend of RMB30.79 million from IBC for 2013.

As of the end of 2014, the carrying value of the Fund's interest in IBC was US$180.49 million, representing an increase of 62.30% over US$111.21 million at the end of last year.

According to an announcement made by IBC on 16 January 2015, the unaudited net profit of IBC for 2014 was RMB47.1 billion, up 14.31% year-over-year.

IBC obtained approval from the CSRC in November 2014 to carry out a non-public offering of no more than 260 million preferred shares in China, in phases, and to raise no more than RMB26 billion. On 9 December 2014, IBC completed the issuance of 130 million preferred shares through non-public offering in China and raised funds of RMB13 billion in order to replenish its other Tier-1 capital.

In late December 2014, IBC announced that it had incorporated and registered 興業消費金融股份有限公司 (Industrial Bank Consumer Finance Co., Ltd.), with registered capital of RMB300 million, and with a capital contribution from IBC of RMB198 million accounting for 66% of the total. That company will primarily be engaged in the personal and consumer loan business.

During 2014, the Fund did not dispose of any A shares of IBC.

China Credit Trust Co., Ltd. ("CCT") was established in 1995. The principal activities of CCT are trust management, fund management, investments and loan financing. As of 31 December 2014, the Fund held a 6.94% equity interest in CCT, with a total investment cost of US$50.49 million. In July 2014, the Fund received a total cash dividend of US$4.99 million from CCT for 2013.

As of the end of 2014, the carrying value of the Fund's interest in CCT was US$191.70 million, representing an increase of 55.45% over US$123.32 million at the end of last year.

For 2014, CCT recorded an unaudited net profit of RMB1.73 billion, representing a decrease of 6.51% from the same period last year. During 2014, CCT's volume of loans funded with its proprietary capital rose, as did interest income. However, as a result of slowing growth in the Chinese economy and certain adjustments in the real estate market, the firm also tightened its project approval criteria in order to manage risk, making it more difficult to expand the businesses. In addition, CCT's commissions and handling fees decreased from last year.

As of the end of 2014, China's assets under trust management totaled RMB13.98 trillion, representing growth of 28.14% over the end of last year, but also marking a slowdown in the rate of growth. For real estate collective trusts, which have always had higher profit margins and have been a major source of income for trust companies, investors became more cautious after several consecutive incidents of repayment risk in the market during the year. At the same time, many trust companies also raised their approval criteria, eventually causing the size of newly established real estate collective trusts to decrease in the market significantly during the later part of 2014. On the other hand, the robust Chinese stock market in the second half of 2014 drove an increase in the size of securities trust products.

As securities companies, investment fund companies and banks developed products similar to trust products successively, and as the loosening of policies allowed quality property companies to issue bonds as financing, there were fewer and fewer traditional high-quality financing projects available, which in turn resulted in more intense competition. In view of this, CCT has set up more branches outside Beijing, and increased its spending on business promotion as countermeasures. On the other hand, in order to deal with the long-term trend of interest rate liberalisation in China, CCT will accelerate its build-out of professional asset management platforms, and transform its business model from one that is currently dominated by loan financing to one that is focused on equity investment and fund operations.

In April 2014, the China Banking Regulatory Commission issued its "Guidance Opinion on Regulation of Risks of Trust Companies" so as to enhance the supervision and management of trust companies in a comprehensive way, as well as to require shareholders of trust companies to undertake greater responsibilities.

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

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

As of the end of 2014, the carrying value of the Fund's interest in China Media Management was US$0.98 million, representing an increase of 15.29% over US$0.85 million at the end of last year.

In 2014, China Media Management completed investments in IMAX China and in Shanghai Gewara Business Info Consulting Co., Ltd. for China Media Investment. Meanwhile, as China Media Investment has officially entered into the investment exit period, China Media Management is actively helping China Media Investment to coordinate with relevant regulatory authorities regarding the application process for the listing of Star China and related follow-up approval matters regarding the disposal of the OCJ (東方購物) project.

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 ("**NDRC**"). Its total capitalisation is RMB2 billion. China Media Investment has an investment horizon of 10 years. The scope of investments for China Media Investment include major projects in broadcasting and media, publishing, animation and creative media, as well as direct investments in the culture and media sector in both China and overseas. China Media Management, in which the Fund has an interest, is the general partner and investment manager of China Media Investment.

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

In addition to the payments listed above, the Fund invested RMB12.45 million (equivalent to US$2.02 million) cash in China Media Investment in April 2014, specifically for the purpose of investing in IMAX China. IMAX Corporation ("**IMAX**") began operations in China in 2001 and IMAX China was incorporated in the Cayman Islands in 2011. IMAX China holds the exclusive rights to conduct, offer and expand the various businesses, products and services currently conducted in the Greater China Region by IMAX. As of the end of 2014, there were 234 IMAX theatres in the Greater China Region, more than expected and representing an increase of 35.26% as compared to 173 theatres in 2013. In addition, there were approximately 40 IMAX films to be released globally in 2014, of which approximately 29 (including 4 films carried over from 2013) were to be released in Mainland China during the year.

As of the end of 2014, the carrying value of the Fund's interest in China Media Investment was US$23.51 million, representing an increase of 18.08% over US$19.91 million at the end of last year.

As of the end of 2014, the unaudited net asset value of China Media Investment was RMB1.305 billion, representing an increase of 10.78% over RMB1.178 billion at the end of last year.

By the end of 2014, China Media Investment had completed investments in seven projects, namely, Star China, Renren Inc., OCJ (東方購物), Shanghai Jade East Propagation Co., Ltd. (上海翡翠東方傳播有限公司), Shanghai Oriental DreamWorks Co., Ltd. (上海東方夢工廠有限公司), IMAX China and Shanghai Gewara Business Info Consulting Co., Ltd. Among these, "The Voice of China 3" and "The High Octave Youth" produced by a TV program production company that is part of Star China, were broadcasted during the year with strong ratings for viewership. Shanghai Oriental DreamWorks successfully launched three movies – "Mr. Peabody & Sherman", "How to Train Your Dragon 2" and "Penguins of Madagascar" in 2014, and the box office of "Penguins of Madagascar" in China exceeded RMB200 million, and became the top box office animated movie in November. The matters related to the disposal of OCJ to BesTV in the third quarter of 2014 are still pending review and approval by the CSRC.

NBA China, L.P. ("NBA China") is a limited partnership formed in the Cayman Islands in 2007. NBA China conducts all of the NBA's businesses in the Greater China Region, including television broadcasting rights, advertising, sponsorships, events, digital media, and merchandising, among other new businesses. The original investment by the Fund in 2008 was US$23 million, representing a 1% partnership interest in NBA China. The Fund received a partial return of capital from NBA China in January 2013, in the amount of US$17.25 million. The principal amount of the Fund's investment in NBA China then decreased to US$5.75 million. As of 31 December 2014, the Fund held a 1% partnership interest in NBA China. The Fund received a cash distribution from NBA China of US$221,000 in February 2014 and US$296,400 in January 2015.

As of the end of 2014, the carrying value of the Fund's interest in NBA China was US$16.55 million, representing an increase of 49.64% over US$11.06 million at the end of last year. The Fund's profit attributable to its investment in NBA China for 2014 was US$5.71 million, representing an increase of 82.52% over the same period last year.

From July to September 2014, NBA China launched the "NBA Nation" initiative in China for a third consecutive year, to offer fans of all ages an event to participate in basketball contests, stay active and healthy with NBA players, legends and cheerleading teams. Visiting 14 cities across the country, the event featured numerous on-site activities.

NBA China and ANTA Sports Products Limited ("**ANTA**") jointly announced in October 2014 a new partnership relation, designating ANTA as an official marketing and merchandising partner of NBA China in China. Through this new partnership, ANTA will launch a complete line of ANTA and NBA co-branded league and team-identified footwear and accessories, available in more than 2,000 ANTA stores across the country and in ANTA's official online stores on Tmall (anta.tmall.com) and JD (anta.jd.com).

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

Unibank Media Group Inc. ("Unibank Media") was established in Beijing in 2011 as an operating entity following a merger and reorganisation, and is principally engaged in commercial advertising through its video display network in banking service outlets across China. The Fund made a total investment of RMB75 million (equivalent to US$10.98 million) in one of its predecessors, Inbank Media (China) Co., Ltd. ("**Inbank Media**") in June 2009 and February 2010, and held a 14.51% equity interest in Inbank Media. After the completion of the merger and reorganisation as well as a capital increase by Inbank Media in 2011, the Fund holds a 7.62% equity interest in Unibank Media. (Note: The Fund has made a contingent commitment to transfer a 1.14% stake in Unibank Media to the management of Unibank Media, as an incentive earned upon completion of an IPO or sale of the business. The total incentive to the management of Unibank Media is a 15% stake in Unibank Media, to be transferred by all shareholders, and 1.14% is the Fund's pro rata portion of the incentive. Net of this incentive, the Fund's stake in Unibank Media will be 6.48%.)

As of the end of 2014, the carrying value of the Fund's interest in Unibank Media was US$2.73 million, representing a decrease of 37.24% from the value at the end of last year of US$4.35 million.

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

In 2015, Unibank Media will continue to increase investment in software and hardware in the mobile Wi-Fi domain, and seek to complete the development target of offering Wi-Fi access services in over 20,000 banking service outlets before the end of June 2015, so that Wi-Fi access services can cover more cities and banking service outlets, and better meet the needs of customers and secure more advertisement orders.

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

As of the end of 2014, the carrying value of the Fund's interest in Esurfing was US$35.71 million, representing a decrease of 20.29% from the value at the end of last year of US$44.80 million.

Esurfing has entered into partnerships with approximately 140 mainstream content providers in China and has become the largest mobile platform for paid videos in China. In 2014, due to a variety of factors such as more intense competition in the video market, the number of 3G users with China Telecom increased by only 40,000 for the year, and the development of 4G users lagged behind expectation, it caused the number of paid users at Esurfing to decrease from last year. As of the end of 2014, Esurfing had 115 million mobile video users, approximately the same as of the end of 2013, and nearly 15 million paid programmes were subscribed each month, representing a decrease of about 21%. In order to turnaround the unfavourable trend of a falling number of paid users, Esurfing provided more unique services to users in order to increase loyalty. It also sought to reach non-China Telecom users, and in the fourth quarter of 2014, it began to offer services through China Mobile and China Unicom, where users can pay the related charges via China Mobile, China Unicom or third party system such as Alipay and WeChat. At present, the number of non-China Telecom users of Esurfing is gradually increasing. Esurfing recorded an unaudited net profit of RMB111 million for 2014, representing an increase of 9.60% year-over-year.

Esurfing plans to launch a new round of financing, with the intention to introduce new strategic investors who have compelling content resources or licenses for new value-added business, and to utilise its adequate cash flows to integrate one or two companies that supplement the principal business of Esurfing. The Fund will closely monitor progress on these matters.

Shenzhen Geesun Automation Technology Co., Ltd. ("Geesun Technology") was established in Shenzhen, Guangdong in 2006 and is a leading manufacturer of equipment and automated production lines for lithium ion batteries and supercapacitors in China. The Fund invested RMB20 million (equivalent to US$2.93 million) in May 2010, and held a 20.78% stake in Geesun Technology as of 31 December 2014.

As of the end of 2014, the carrying value of the Fund's interest in Geesun Technology was US$0.75 million, compared to nil at the end of last year.

Geesun Technology recorded an unaudited profit (including extraordinary items) of RMB2.86 million for 2014, a loss recorded for the same period last year. In February 2015, the Fund and other shareholders of Geesun Technology signed a capital increase agreement for Geesun Technology with 大連智雲自動化裝備股份有限公司 (Dalian Zhiyun Automation Co., Ltd., "**Zhiyun**"), a company listed on the Growth Enterprise Market of Shenzhen. As such, Zhiyun will acquire a certain number of shares from Mr. YANG Rukun, chairman of the board, and some minority shareholders of Geesun Technology, at a pre-investment valuation of RMB60 million (Note: At the end of November 2014, the appraised net asset value of Geesun Technology was RMB60.17 million), and then will inject RMB38.60 million to achieve a controlling interest of 53.59%. Upon completion of these transactions, Geesun Technology will obtain funding and management support from Zhiyun, with an expectation that the Fund's stake in Geesun Technology will be diluted to 12.65%. The management of Geesun Technology has committed that net profit (excluding extraordinary items) shall not be less than RMB10 million for 2015, RMB12.5 million for 2016, and RMB15.63 million for 2017. Zhiyun has committed that it will acquire the shares of Geesun Technology held by the Fund in 2017 or 2018 at a valuation of 12 times the net profit (excluding extraordinary items) of Geesun Technology for the previous year, offering the Fund a possible way to exit from its investment in Geesun Technology.

Jiangsu Huaer Quartz Materials Co., Ltd. ("Jiangsu Huaer"), was established in Yangzhou, Jiangsu and is principally engaged in the research and development, and production of high purity silica crucibles. Jiangsu Huaer is a manufacturer producing silica crucibles with comprehensive specifications in China, and has the capability to produce 28-inch silica crucibles, or larger, on a vast scale. The silica crucible products are consumable auxiliary equipment required to produce single crystalline silicon ingots, which are used in turn to produce single crystalline silicon solar cells and semiconductor chips. The Fund invested RMB15 million (equivalent to US$2.23 million) in September 2010 for a 7.50% equity interest in Jiangsu Huaer.

As of the end of 2014, the carrying value of the Fund's interest in Jiangsu Huaer was US$0.04 million, compared to nil at the end of last year.

With the stimulus provided by China's new photovoltaic policies, the overall solar cell industry gradually recovered following two consecutive sluggish years. During this time, single crystalline silicon solar cells were used primarily in developed markets like Japan and Europe because of higher prices and conversion efficiency. This was especially true when the EU and China reached an agreement in the first half of 2014 with respect to "anti-dumping and anti-subsidy measures" that prevented China from exporting photovoltaic components with power below 270W to Europe. Moreover, with the NDRC offering more policy support for distributed photovoltaic power stations than ever before, the domestic single crystalline silicon solar cell industry began to gradually recover (as the domestically made polycrystalline silicon solar cells currently cannot meet the minimum power requirement of 270W, the photovoltaic products exported to Europe in the current phase are only single crystalline silicon solar cells), driving improvement in sales, operating cash flows and profitability for Jiangsu Huaer as compared to 2013. However, banks have required further reductions in the size of loans to solar energy companies, including Jiangsu Huaer, and its financing costs remained high, greatly affecting normal production and operations. For 2014, Jiangsu Huaer recorded an unaudited net loss of RMB4.26 million, down from the loss of last year.

At present, it is expected that market demand for single crystalline silicon solar cells, and the quality silica crucible products used in their production, will slightly recover in 2015. The credit terms of domestic orders for Jiangsu Huaer will also shorten. However, liquidity remains tight and limits the volume of orders the company can receive. On balance, the company may not see a significant improvement in operational results in the short term.

Liaoning Zhenlong Native Produce Holding Company Ltd. ("Liaoning Zhenlong") was established in Fuxin, Liaoning in 2000. It is a joint-stock limited company with an export license, principally engaged in the acquisition, processing, and sale of pumpkin seeds and other nut products. Its main products include pumpkin seeds, pumpkin nuts, sunflower seeds, sunflower nuts, pine nuts, pistachios, and almonds, as well as other baked nuts, pumpkin dried buckwheat noodles and cereals, etc. Products are sold via two channels, overseas and domestic. The overseas market covers more than twenty countries and regions in Europe, America, Asia Pacific and Oceania, while the domestic market covers mid-size to large cities, including Shanghai, Beijing, Nanjing and Chengdu. The Fund invested a total of RMB19.20 million (equivalent to US$2.97 million) in August 2011 for a 2% equity interest in Liaoning Zhenlong. In May 2014, the Fund received a cash dividend of RMB400,000 from Liaoning Zhenlong for 2013.

As of the end of 2014, the carrying value of the Fund's interest in Liaoning Zhenlong was US$5.30 million, representing a decrease of 9.71% from the value at the end of last year of US$5.87 million. The Fund's profit attributable to its investment in Liaoning Zhenlong for 2014 was minus US$0.35 million, compared to a positive of US$1.46 million for the same period last year.

Liaoning Zhenlong is preparing IPO materials according to the requirements of the CSRC, and it strives to seek initial approval by the end of June 2015.

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

As of the end of 2014, the carrying value of the Fund's interest in Hwagain was US$6.15 million, representing a decrease of 6.53% from the value at the end of last year of US$6.58 million.

During 2014, due to a range of factors, including the slow recovery of global economy, the gradual stabilisation and recovery of prices of imported paper pulp, the suspension of production by many smaller firms due to sizable losses and increasingly strict environment reviews, the market for printing paper remained weak. However, days of inventory for the industry have gradually dropped to a level close to the average in previous years, the terminal sale price of printing paper has rebounded slightly, and the profitability has recovered to some extent as well.

For Hwagain, which operates with a "Forest-Pulp-Paper Integration" business strategy, its forest resources have gradually entered a felling cycle beginning in the second half of 2012. Since then, the forestry business has realised a profit. The construction of Project Phases I and II in Ganzhou, Jiangxi were completed and put into production in the second half of 2013 and first half of 2014, respectively, and the automation and production efficiency of equipment for the new project are high, with both factors helping to reduce the production cost of pulp and papers for Hwagain. However, in the third quarter of 2014, due to municipal development planning in Nanning, 南寧紙業 (Nanning Paper), which is under Hwagain, officially stopped production. At present, the asset valuation related to the compensation was materially completed, and in December 2014, the first compensation payment was received. Hwagain is currently in communication with the Nanning municipal government as to the remaining compensation details. It is expected that the subsequent compensation payments will be made by installment during 2015, with a favourable impact to Hwagain's earnings for 2015. For 2014, Hwagain recorded an unaudited net profit (including extraordinary items) of RMB56.28 million, representing an increase of 73.65% over the same period last year.

Wuhan Rixin Technology Co., Ltd. ("Wuhan Rixin") was incorporated in Wuhan, Hubei in 2001 and is a state-accredited high technology enterprise engaged in the design, production and installation of solar modules and Building Integrated Photovoltaic (BIPV) products, as well as in the operation, maintenance and management of solar powered electric systems. The Fund invested RMB15 million (equivalent to US$2.20 million) in July 2009 for a 5% equity interest in Wuhan Rixin. In September 2014, Wuhan Rixin completed a new round of private equity funding and raised proceeds of RMB46.60 million. The equity interest of the Fund in Wuhan Rixin was diluted to 4.69% accordingly.

As of the end of 2014, the carrying value of the Fund's interest in Wuhan Rixin was US$5.71million, representing a decrease of 20.69% from the value at the end of last year of US$7.20 million.

In order to solve the problem of subsidy fraud, beginning in the second half of 2013, China revised its subsidy policies from providing subsidies when a BIPV power station is constructed to providing subsidies based on measurement of the actual power generated for the grid. As a result, owners of solar energy power stations, including Wuhan Rixin, must use its own financing to develop power stations, then receive subsidies as power generation is claimed and settled on a monthly basis over the life of the power station, leading to a significant decline in cash flows for many operators. In addition, the subsidies for BIPV power stations of the State are lower than subsidies for ground photovoltaic power stations, making it more difficult to obtain bank financing for BIPV power stations than for ground photovoltaic power stations. In the future, based on the specific situation of each power station asset, Wuhan Rixin will raise its capital turnover by means of transferring completed power stations, sale and lease-back arrangements, etc.

In 2014, Wuhan Rixin mostly undertook, reserved and submitted for approval new construction projects for BIPV power stations. Meanwhile, it completed the submission for approval and preliminary construction of ground photovoltaic power stations of over 100MW in locations, including Macheng, Hubei. As the progress in obtaining bank financing was below expectations, the construction and transfer of completed power stations was concentrated in the second half of 2014 or in 2015, which in turn reduced income from project settlements during 2014. Accordingly, Wuhan Rixin recorded an unaudited net profit of RMB32.16 million for 2014, representing a decrease of 50.52% from the same period last year.

Xi'an Jinpower Electrical Co., Ltd. ("Jinpower Electrical") was established in Xi'an, Shaanxi in 2001 and is a high technology enterprise principally engaged in the research and development, and production of intelligent on-line monitoring systems for transmission lines and substation equipment for the power grid. The Fund invested RMB20 million (equivalent to US$3.03 million) in January 2011. As of 31 December 2014, the Fund held a 4.83% equity interest in Jinpower Electrical.

As of the end of 2014, the carrying value of the Fund's interest in Jinpower Electrical was US$1.50 million, representing an increase of 233.33% over US$0.45 million at the end of last year.

The State Grid Corporation of China continued to review quality improvement plans for the smart power grid online monitoring equipment through September 2014, a delay of about half a year compared with the original timeline. Bids and tenders of a certain scale began to gradually recover in May, yet the cumulative tender amount by October was not large. Viewed in terms of the awards released, the awarded contract values to Jinpower Electrical for 2014 grew compared with the level seen in 2013, however as the delivery was about nine months from ordering on average, the contribution to operating results will not be fully seen until 2015 and beyond. In the quality improvement plans with the State Grid Corporation of China referenced above, Jinpower Electrical ranked among the top two in comprehensive scores for the assessment of all the months in 2014. For 2014, Jinpower Electrical recorded an unaudited revenue of RMB44.09 million, representing a decrease of 45.01% from the same period last year, and the profit turned into a loss.

NTong Technology Co., Ltd. ("NTong") was established in Beijing in 2002 and is principally engaged in software development, operation and maintenance of information technology systems and systems integration. The Fund invested RMB66.50 million (equivalent to US$10.41 million) in August 2011 for a 12.34% equity interest in NTong.

As of the end of 2014, the carrying value of the Fund's interest in NTong was nil, and the value at the end of last year was US$14.16 million.

Unisplendour Corporation Limited ("**UNIS**"), which is an A shares listed company on the Shenzhen Stock Exchange, announced on 27 June 2014 that the transaction to purchase a 100% equity interest in NTong, along with another party, through payment of new shares and cash (hereinafter referred to as "**Reorganisation Transaction**"), was terminated, for the other party proposed and required an exit from the Reorganisation Transaction, as the approval review of the Reorganisation Transaction had been suspended by the CSRC with no specific timetable for further progress. As a result, the agreement for the Fund to sell its stake in NTong to UNIS was terminated as well.

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

The management of NTong and representatives of shareholders are actively exploring the possibility of a reorganisation with certain parties. If they fail to reach an agreement with these parties, then the management of NTong plans to file an application for bankruptcy and reorganisation with the court of Haidian District of Beijing. If the bankruptcy and reorganisation plans are accepted, the court will appoint an administrator to take over the litigation of debts and the operation of NTong. Within six to nine months, a reorganisation plan can be proposed by the existing shareholders and external reorganisation parties for a vote in a creditors' meeting. If the reorganisation proposal is approved, then NTong can resume normal operations.

In addition, the Fund and two individual shareholders submitted applications for arbitration for a repurchase of shares by Ms. YU Jinwen, controlling shareholder of NTong, with Beijing International Trade and Arbitration Commission, and received notices of acceptance of arbitration.

Teralane Semiconductor (Shenzhen) Co., Ltd. ("Teralane Semiconductor") was established in Shenzhen, Guangdong in 2004 and is principally engaged in the design of integrated circuits (IC), the research and development, manufacturing and sale of related products, and the provision of related systems integration and technical services. In December 2011, the Fund subscribed to an issuance of convertible bonds by Teralane Semiconductor in the amount of RMB5 million (equivalent to US$0.79 million). The convertible bonds could be converted into an approximately 1.80% equity interest in the enlarged capital of Teralane Semiconductor (per the registered capital at the time of subscription).

As of the end of 2014, the carrying value of the convertible bonds of Teralane Semiconductor held by the Fund was US$0.49 million, representing a decrease of 40.24% from the value at the end of last year of US$0.82 million.

On 15 January 2014, the Fund entered into a supplemental agreement with Teralane Semiconductor confirming the non-exercise of the conversion right. Pursuant to the supplemental agreement, Teralane Semiconductor paid interest amounting to RMB1.20 million for the period from December 2011 to December 2013, and was expected to pay the outstanding principal amount of RMB5 million prior to 30 June 2014, together with accrued interest from December 2013 through the principal payment date. However, through 30 June 2014, Teralane Semiconductor did not make any payments other than the interest payment of RMB1.20 million noted above. In order to safeguard the rights and interests of the Fund, the Fund has commissioned lawyers to sue Teralane Semiconductor in the court of Nanshan District, Shenzhen (the "**Nanshan Court**") and has requested to seize its assets, including bank accounts and the equity interests of its subsidiaries. In September 2014, the Nanshan Court issued a final conciliation award. Pursuant to the conciliation award, the Fund can enforce the sum in the seized bank account of Teralane Semiconductor for a total of RMB3 million. On 4 November 2014, the Fund received the above-mentioned sum of RMB3 million forwarded from the Nanshan Court.

On 27 November 2014, as Teralane Semiconductor could not return all the remaining principal and interest for a total of RMB2.475 million to the Fund before 25 November, per the requirement of the conciliation award, the Fund applied for enforcement with the Nanshan Court and the application was accepted. At present, the Fund's lawyer is maintaining close communication with the Nanshan Court for the case.

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

As of the end of 2014, the carrying value of the Fund's interest in Chengtian was US$4.14 million, representing a decrease of 29.47% from the value at the end of last year of US$5.87 million.

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

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

In January 2015, the controlling shareholder of Chengtian committed that it would complete the repayment of the outstanding equity interest purchase, as well as interest owed to the Fund, by the end of June 2015.

Nanjing Sanhome Pharmaceutical Co., Ltd. ("Sanhome Pharmaceutical") was incorporated in Nanjing, Jiangsu in 1996 and is principally engaged in the research and development, production and sale of pharmaceutical products. The company's main products include the Xiaoaiping Injection, Levornidazole and Sodium Chloride Injections, and Ornidazole and Sodium Chloride Injections. Sanhome Pharmaceutical is a national grade high technology enterprise. The Fund invested RMB105 million (equivalent to US$17.17 million) in December 2013 for a 3.50% equity interest in Sanhome Pharmaceutical.

As of the end of 2014, the carrying value of the Fund's interest in Sanhome Pharmaceutical was US$20.22 million, representing an increase of 17.42% over US$17.22 million at the end of last year.

The 2013 audited net profit of Sanhome Pharmaceutical was approximately RMB27 million (after a one-time compensation plan incentive for the management in the amount of RMB90 million). The unaudited net profit of Sanhome Pharmaceutical for 2014 was RMB139 million.

A restructuring of Sanhome Pharmaceutical was completed in the first half of 2014, and it has now become a joint-stock company with its Chinese name changed to its present name. Meanwhile, the company has submitted preparatory listing documentation to the CSRC Jiangsu branch in November 2014.

Guangxi Xinhua Preschool Education Investment Corporation Limited ("Xinhua Preschool Education") was set up 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 and dealing in cultural and educational products. Xinhua Preschool Education was jointly established by the Fund with Guangxi Xinhua Bookstore Group Share Corporation Limited ("**Guangxi Xinhua Bookstore**"), the relative stakes of Guangxi Xinhua Bookstore and the Fund were 70% and 30%, respectively. In December 2014, the Fund completed the first capital contribution of RMB30 million (equivalent to US$4.90 million), with the remaining RMB60 million of capital to be injected according to the development progress of Xinhua Preschool Education.

As of the end of 2014, the carrying value of the Fund's interest in Xinhua Preschool Education was US$4.90 million.

On 8 January 2015, Xinhua Preschool Education officially completed its business registration. All businesses have been starting systematically, and it is expected that it can realise the enrollment of five kindergartens before September 2015. It is also expected that within 2015, the preliminary work of over ten new kindergartens will be completed and construction work will be started.

REVIEW OF LISTED INVESTMENTS

In 2014, the A shares market of China remained in a narrow range in the first half of the year, and trended upward continuously since late July. The upward trend steepened in the fourth quarter, with the SSE Composite Index closing at 3235 on 31 December 2014, for a cumulative increase of 52.87% from the end of 2013. Globally, it was the stock market with the second largest increase in 2014. Economic growth slowed in the first half of the year, import-export trade growth was sluggish, government policies tended to be slightly stimulating with targeted loosening measures. The SSE Composite Index fluctuated below 2180 in the first half of the year, and reached its lowest point for the year on 12 March at 1974, followed by a period of volatility. In late July, the SSE Composite Index started to pick up, and since August, with the renewed slowing of the Chinese economy and inflation, the Central Government launched various measures in sequence to further ease its monetary policy. Subsequently, on 17 November, the "Shanghai-Hong Kong Stock Connect" was officially started, while the People's Bank of China unexpectedly announced on 21 November its first interest rate cut in two years. Funds flooded into the A shares market on a massive scale, pushing the blue chips to rise remarkably, while margin financing and securities lending markets saw explosive growth which further fuelled the stock market to rise.

In the first half of 2014, the Hong Kong stock market ranged between 21100 and 23500. The trend of the second half of the year tended to be more volatile with surges and tumbles on a large scale. The Hang Seng Index closed at 23605 on 31 December 2014, rising just 1.28% from the end of 2013. At the beginning of the year, the market reflected worry about an early interest rate increase in the United States and a slowdown in the Chinese economy, Hang Seng Index bottomed at 21138 for the year in March. In April, Premier LI Keqiang announced the forthcoming implementation of the "Shanghai-Hong Kong Stock Connect" in Boao Forum, coupled with indications from the US Federal Reserve that it would maintain a very low interest rate policy, the Hang Seng Index picked up, and reached its peak of the year at 25363 in early September. Subsequently, the market once again reflected worry that the US Federal Reserve would move more quickly to raise interest rates, the Hong Kong stock market experienced a correction. In November, the People's Bank of China announced a reduction in interest rates, stimulating the Hong Kong stock market to rise, and later due to the currency crisis of Russia, the Hang Seng Index once again fell to the lowest point of the latest six months. In late December, A shares of China made a robust jump, in addition, the People's Bank of China made a "de-facto" cut in its reserve ratio, the Hang Seng Index was affected and rose again.

The Fund primarily invests directly in high quality investment projects in China, and mostly in unlisted enterprises. Given the large quantity of listed shares that the Fund still holds, the Fund intends to not increase its exposure to the stock markets. Therefore, the Fund did not trade any equities in the secondary market, except for the disposal of some shares of CMB in 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 Fund will take the initiative to grapple with these uncertainties and to seek out the best opportunities for investment.

BUSINESS STRATEGY

The Fund is an investment company listed on the Hong Kong Stock Exchange. Its main business is to directly invest in high quality unlisted enterprises in China. Our strategies are: to primarily invest in high quality and mature investment projects while also seizing good opportunities in emerging industries; to closely monitor changes in global financial conditions and in China's economic policies for diverse investments; to continue viewing industry developments from a broad perspective and to avoid the risk of investing in over-bought sectors; to constantly optimise the investment portfolio and to manage the level of risk; to avoid blindly engaging in price competitions when bidding on investment projects; and to fulfill our goal of long-term appreciation and preservation of capital value. Currently, our investment focus is on quality enterprises in the industries of financial services, 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. Meanwhile, the Fund is also paying attention to quality enterprises in other industries.

SUB-PARTICIPATION SCHEME (THE "SCHEME")

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

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

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

As of 31 December 2014, details of aggregate amounts provided by the Participants and their relative proportion to the investment amounts paid by the Fund were as follows:

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

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

In addition, as of 31 December 2014, details of the amounts paid by Directors of the Fund as well as some Directors of the Investment Manager for the Scheme were as follows:

Name of projects	Mr. HONG Xiaoyuan (Note 1) US$	Mr. WANG Xiaoding (Note 2) US$	Mr. TSE Yue Kit (Note 3) US$	Mr. TSIM Tak Chee (Note 4) US$	Ms. ZHOU Linda Lei (Note 5) US$
Unibank Media (1st round capital injection)	12,900	20,640	1,290	N/A	12,900
Wuhan Rixin	3,510	3,510	1,290	N/A	4,390
Unibank Media (2nd round capital injection)	6,950	6,950	1,290	N/A	8,750
China Media Management	300	1,160	30	N/A	580
Geesun Technology	4,640	5,780	1,290	N/A	5,800
China Media Investment (1st installment capital contribution)	2,500	10,040	250	N/A	5,010
Jiangsu Huaer	3,500	4,380	1,290	N/A	4,380
Jinpower Electrical	4,830	6,030	1,280	N/A	6,030
China Media Investment (2nd installment capital contribution)	390	1,570	40	N/A	780
Liaoning Zhenlong	4,720	4,620	1,280	N/A	5,900
NTong	16,420	12,830	1,280	N/A	12,830
Teralane Semiconductor	3,090	2,570	1,290	N/A	3,860
Hwagain	12,880	12,880	1,290	N/A	25,770
China Media Investment (3rd installment capital contribution)	430	1,710	40	N/A	850
China Media Investment (4th installment capital contribution)	1,820	7,260	180	N/A	3,630
Chengtian	12,890	6,440	1,290	N/A	12,890
China Media Investment (5th installment capital contribution)	190	780	20	N/A	390
Esurfing	12,890	12,890	1,290	N/A	12,890
China Media Investment (6th installment capital contribution)	2,220	8,880	220	N/A	4,440
China Media Investment (7th installment capital contribution)	1,300	5,200	130	N/A	2,600
Sanhome Pharmaceutical	12,900	6,450	1,290	12,900	12,900
China Media Investment (8th installment capital contribution)	790	3,170	80	N/A	1,580
China Media Investment – IMAX China	6,450	6,450	1,290	6,450	6,450
China Media Investment (9th installment capital contribution)	330	1,330	30	N/A	670
Xinhua Preschool Education (1st installment capital contribution)	2,150	4,310	440	4,310	N/A

Note 1: Director of the Fund (appointed as Chairman of the Fund on 18 November 2014, and previously also Chairman of the Investment Manager but resigned from the post on 28 November 2014)

Note 2: Director of the Fund (appointed on 15 September 2014) and Managing Director of the Investment Manager (appointed on 19 May 2014)

Note 3: Director of the Fund and Director of the Investment Manager

Note 4: Director of the Investment Manager

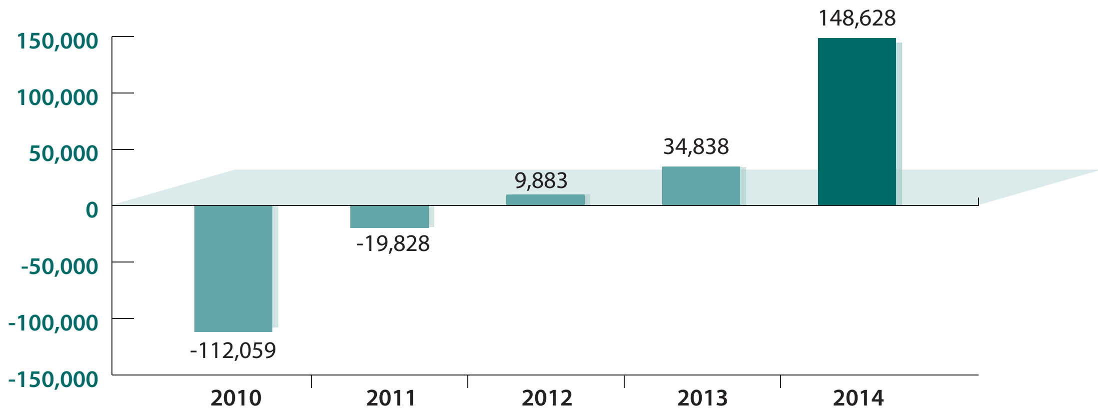
Note 5: Director of the Fund (resigned on 15 September 2014) and Managing Director of the Investment Manager (resigned on 19 May 2014)

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

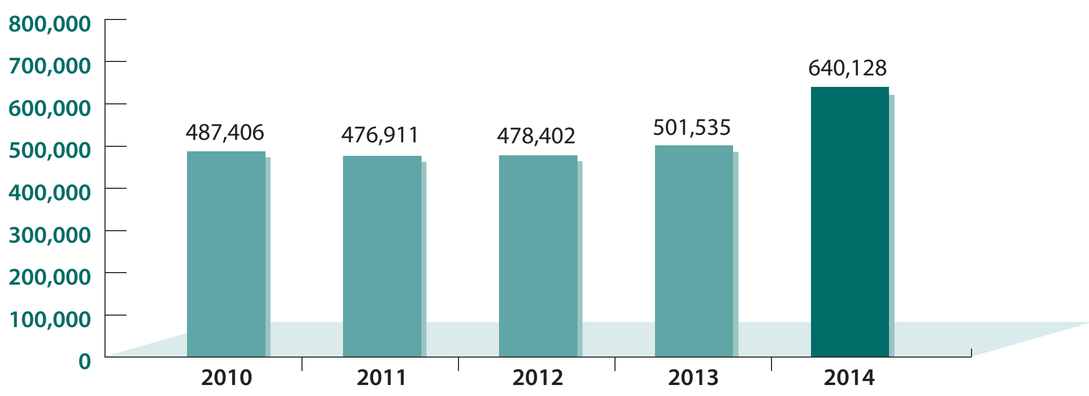
Hong Kong, 26 March 2015

YEAR	NET PROFIT (LOSS) *(US$'000)*	NET ASSETS *(US$'000)*
2014	**148,628**	**640,128**
2013	34,838	501,535
2012	9,883	478,402
2011	(19,828)	476,911
2010	(112,059)	487,406

NET PROFIT (LOSS) (US$'000)



NET ASSETS (US$'000)



DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 61.

The Directors recommend the payment of a final dividend of US$0.06 per share (2013: US$0.06) and a special dividend of US$0.03 per share (2013: Nil), totaling US$0.09 per share (2013: US$0.06) for 2014 to the shareholders on the register of members on 28 May 2015 amounting to US$13,709,971 (2013: US$9,139,981).

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company has an amount of US$70,851,668 (31 December 2013: US$95,546,028) available for distribution as at 31 December 2014.

SHARE CAPITAL

Details of movements during the year in the issued share capital of the Company are set out in note 24 to the financial statements.

EMOLUMENT POLICY

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

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

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

DIRECTORS

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

Executive Directors

Mr. HONG Xiaoyuan* *(Chairman)*	
Mr. LI Yinquan*	
Mr. CHU Lap Lik, Victor*	
Mr. WANG Xiaoding*	(Appointed on 15 September 2014)
Mr. TSE Yue Kit	
Ms. KAN Ka Yee, Elizabeth* *(alternate to Mr. CHU Lap Lik, Victor*)*	
Ms. ZHOU Linda Lei	(Resigned on 15 September 2014)

Non-executive Director

Mr. KE Shifeng

Independent Non-executive Directors

Mr. LIU Baojie	
Mr. ZHU Li	
Mr. TSANG Wah Kwong	
Dr. LI Fang	(Appointed on 6 October 2014)
Mr. XIE Tao	(Resigned on 15 September 2014)

* *members of Investment Committee*

In accordance with Article 101 and Article 105 of the Articles of Association of the Company, Mr. LI Yinquan, Mr. WANG Xiaoding, Mr. TSE Yue Kit, Mr. ZHU Li, Mr. TSANG Wah Kwong and Dr. LI Fang retire and, being eligible, offer themselves for re-election.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors:

Mr. HONG Xiaoyuan, aged 52, has been an Executive Director of the Company since June 2007. He was appointed as Chairman of the Company on 18 November 2014. He is currently an Assistant General Manager of China Merchants Group Limited and the Chairman and General Manager of China Merchants Finance Holdings Company Limited, both of the companies are substantial shareholders of the Company. He is also a Director of China Merchants Capital Investment Co., Ltd., China Merchants Bank Co., Ltd. (its shares are listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange) and China Merchants Securities Co., Ltd. (its shares are listed on the Shanghai Stock Exchange), and the Chairman of China Merchants Finance Investment Holdings Co., Ltd., China Merchants Holdings (UK) Limited and Bosera Asset Management Co., Ltd. Mr. HONG obtained his master degree in Economics from Peking University and master of science degree from The Australian National University.

Mr. LI Yinquan, aged 60, has been an Executive Director of the Company since July 2008. He was the Chairman of the Company prior to a job re-designation effective 18 November 2014. He is the Chairman of the Investment Manager. He is also the Vice Chairman and Chief Executive Officer of China Merchants Capital Investment Co., Ltd. and a Director of China Merchants Bank Co., Ltd. (its shares are listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange). He was a Director of China Merchants Holdings (International) Company Limited (its shares are listed on the Hong Kong Stock Exchange) from June 2001 to March 2015. Mr. LI is a Hong Kong Deputy to the 12th National People's Congress of the PRC. Mr. LI joined China Merchants Group Limited in January 2000 and has served, respectively, as the General Manager of Finance Department, Deputy Chief Financial Officer, Chief Financial Officer, Vice President and Chief Financial Officer and Executive Vice President. Mr. LI previously worked with the Agricultural Bank of China for 14 years, where he held senior posts in various divisions and was the Deputy General Manger of Hong Kong Branch just before leaving for China Merchants Group Limited. Mr. LI obtained his master degree in Economics from the Graduate School of the People's Bank of China and master degree in Banking & Finance from the Finafrica Institute in Milan, Italy. He is also a qualified senior economist in China. Mr. LI was once honoured as "China CFO of the Year for 2005" and "China Best CIO for the Year 2006".

Mr. CHU Lap Lik, Victor, aged 57, has been an Executive Director of the Company since June 1993 and holds directorship in the Investment Manager and a subsidiary of the Company. He is also Chairman of First Eastern Investment Group which is a pioneer of private equity investments in the PRC. Mr. CHU is currently Chairman of the Hong Kong-Europe Business Council. He has formerly served on the Central Policy Unit of the Hong Kong Government, the Council of the Hong Kong Stock Exchange, the Takeovers and Mergers Panel and the Advisory Committee of the Securities and Futures Commission. Outside of Hong Kong, Mr. CHU is a Foundation Board Member of the World Economic Forum in Geneva and a Director of Camper & Nicholsons Marina Investments Limited, a company listed on the AIM, London. Mr. CHU took his law degree at University College London where he is now an Honorary Fellow.

Mr. WANG Xiaoding, aged 46, was appointed as an Executive Director of the Company on 15 September 2014. He was appointed as the Managing Director of the Investment Manager in May 2014. He serves as the Chief Representative of the Investment Manager's Shenzhen Representative Office since March 2009. At the same time, he served as the Chief Investment Officer of the Investment Manager from June 2011 to May 2014. Before joining the Investment Manager, Mr. WANG served as Chief Executive Officer of Guangxi Baihe Chemicals Corp., Chief Financial Officer of Guangxi Fenglin Group Co., Ltd., Senior Software Engineer of Thrive Media Corporation in Canada, Finance Manager of Wellkent International Corporation in Canada. Currently, Mr. WANG serves as a Director of Wuhan Rixin Technology Co., Ltd., China Media (Tianjin) Investment Management Co., Ltd., Shenzhen Geesun Automation Technology Co., Ltd., Jiangsu Huaer Quartz Materials Co., Ltd., Hwagain Group Co., Ltd. and China Credit Trust Co., Ltd. Mr. WANG is licensed with the Securities and Futures Commission in Hong Kong as responsible officer. Mr. WANG studied in Peking University, People's (Renmin) University of China and University of Alberta in Canada, where he obtained his bachelor degree in Geo-economics, master degree in Regional Economics and master degree in Economics, respectively.

Mr. TSE Yue Kit, aged 53, has been an Executive Director of the Company since November 2000 and holds directorship in the Investment Manager and a subsidiary of the Company. Mr. TSE is the General Manager in Funds Division of China Merchants Finance Holdings Company Limited, which is a substantial shareholder of the Company. Mr. TSE has a number of years extensive experiences in accounting, auditing, corporate finance as well as investment. Mr. TSE is licensed with the Securities and Futures Commission in Hong Kong as responsible officer. Mr. TSE obtained his bachelor degree with honours in Accountancy from the University of Exeter, UK.

Ms. KAN Ka Yee, Elizabeth (alternate to Mr. CHU Lap Lik, Victor), aged 57, has been an Alternate Director of the Company since May 1999. She is Managing Director of First Eastern Investment Group with which she is a founding member since its establishment in 1988. She serves on boards of various companies which include Evolution Securities China Limited, Camper & Nicholsons Marina Investments Limited and Sustainable Development Capital (Asia) Limited. Ms. KAN was Deputy Managing Director and a Director of the Investment Manager from 1993 to 2006. Ms. KAN is licensed with the Securities and Futures Commission in Hong Kong. She is a Certified Public Accountant (U.S.A.) and a Fellow of the Hong Kong Institute of Certified Public Accountants. Ms. KAN is also a Member of the Hong Kong Securities Institute and a Fellow Member of the Hong Kong Institute of Directors. She began her professional career with the Hong Kong office of Arthur Andersen & Co. in the area of audit and business advisory services. Ms. KAN obtained her Bachelor of Science degree in Business Administration and Accounting and Bachelor of Arts degree in Economics from the University of Minnesota, Minneapolis, USA.

Mr. KE Shifeng, aged 49, has been a Non-executive Director of the Company since December 2009. He has 18 years investment experience. Mr. KE was employed by Martin Currie Investment Management Limited ("**Martin Currie**") between 1997 and 2006 to provide research and investment management services to certain of its clients investing in the Greater China and Taiwan markets. He also served as a Director of Martin Currie from February 2004 to June 2006. In 2006, Mr. KE and his partner left Martin Currie to form Heartland Capital Management Ltd. ("**Heartland**"); Heartland and Martin Currie established MC China Ltd. – a joint venture dedicated to running a range of specialist China strategies, including the China Fund Inc. (a NYSE listed company), Martin Currie China Hedge Fund and Martin Currie China A Share Fund. In November 2011, Mr. KE and his partner took over this joint venture and co-founded Open Door Capital Management. Mr. KE practiced law before moving to China's Ministry of Labour and Social Security where he had served from 1990 to 1996. Mr. KE holds an MBA degree from The University of Edinburgh, UK.

Mr. LIU Baojie, aged 51, has been an Independent Non-executive Director of the Company since December 2009. He has about 20 years of experience in the financial services industry. He is currently Chief Executive Officer of Huaneng Invesco WLR (Beijing) Investment Fund Management Company Ltd., and prior to this, he had worked for two other investment management companies focusing on China investment. Before that he held various positions with financial institutions, including Bank of America, ICEA Capital Limited and J.P. Morgan. Mr. LIU holds an MBA degree from University of Utah, USA.

Mr. ZHU Li, aged 66, has been an Independent Non-executive Director of the Company since October 2011. He is now the founding partner of Beijing Hong Lu Hao Lin Investment Management Centre (Limited Partnership). Previously, Mr. ZHU worked in the State Commission for Restructuring Economic System of China from 1982 to 1992. He served as the Head of the Finance Department and the Deputy Director of the Macro System Division. During that period, he had been to Germany to study finance and learned and worked in various commercial banks. In October 1992, Mr. ZHU became the first Secretary General of the China Securities Regulatory Commission ("**CSRC**") once after it was established, and served as the Deputy Chairman and Secretary General of the CSRC from August 1994. Since 1996, he had worked in various financial institutions in China, including serving as the Vice President of the Agricultural Development Bank of China, the President of China Galaxy Securities Company Limited and the Chairman of China Galaxy Financial Holdings Limited, etc. Mr. ZHU not only possesses years of experience in the financial services industry, but also has years of experience in the decision-making departments for state's economy and finance in China. In particular, he had contributed to the establishment, regulation and development of China's securities market during his term in the CSRC. Mr. ZHU received his bachelor degree from Beijing School of Economics.

Mr. TSANG Wah Kwong, aged 62, has been an Independent Non-executive Director of the Company since September 2012. He is a former partner of Hong Kong and China firm of PricewaterhouseCoopers. He has over 30 years of experience in auditing and providing support for initial public offerings and acquisition transactions. Currently, Mr. TSANG is an Independent Non-executive Director of a number of companies, including Agria Corporation (listed on the New York Stock Exchange), PanAsialum Holdings Company Limited (Stock Code: 2078.HK), Sihuan Pharmaceutical Holdings Group Ltd. (Stock Code: 460.HK), TK Group (Holdings) Limited (Stock Code: 2283.HK) and China Animation Characters Company Limited (Stock Code: 1566.HK). Mr. TSANG was a Director of PGG Wrightson Limited ("**PGGW**", a company listed on the New Zealand Stock Exchange) from November 2011 to December 2012 and has been re-appointed as a Director of PGGW since November 2014. Mr. TSANG is a Fellow Member of the Hong Kong Institute of Certified Public Accountants, a Member of the Chinese Institute of Certified Public Accountants, and a Fellow Member of The Association of Chartered Certified Accountants. Mr. TSANG received a bachelor degree of Business Administration from the Chinese University of Hong Kong.

Dr. LI Fang, aged 57, was appointed as an Independent Non-executive Director of the Company on 6 October 2014. She is currently the Managing Director of Yuanta Securities (Hong Kong) Company Limited and the Vice Chairman of CR Yuanta Fund Management Co., Ltd. Dr. LI has 19 years of professional experience in securities, asset management, insurance and banking. Dr. LI was a Senior Research Assistant in Financial Research Bureau at the headquarters of the People's Bank of China, a Research Fellow at the Asia-Pacific Operations of Aetna International Inc., the Head of Research Centre for Asian/Pacific Regional Pensions of ING Group, a Senior Business Advisor of Global Retirement Services of ING Group and the Chief Strategist at Corporate Finance of Yuanta Securities (Hong Kong) Company Limited. Dr. LI holds a doctorate degree in Economics from Monash University in Australia, a master degree in Banking and Finance from the Graduate School of the People's Bank of China (now known as PBC School of Finance, Tsinghua University) and a master degree in Public Administration from the International Christian University in Japan.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2014, the interests of the Directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "**SFO**") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of director	Number of ordinary shares interested	Capacity	Percentage of total issued shares
Mr. CHU Lap Lik, Victor	3,030,024	Interest of controlled corporation	1.99%

Save as disclosed above, none of the Directors or chief executives, or their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO as at 31 December 2014, and none of the Directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the year ended 31 December 2014.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed, no contracts of significance, to which the Company or any related company or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

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

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

DIRECTORS' SERVICE CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, the following persons, other than a Director or chief executives of the Company, had interests in the shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Name of shareholder	Long/ short position	Capacity	Number of ordinary shares interested	Percentage of total issued shares
China Merchants Group Limited (Note 3)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Steam Navigation Company Limited (Note 3)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Holdings (Hong Kong) Company Limited (Note 1)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Finance Holdings Company Limited (Note 2)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Financial Services Limited (Note 3)	Long position	Interest of controlled corporation	38,855,507	25.51%
Good Image Limited	Long position	Beneficial owner	38,855,507	25.51%
Lazard Asset Management LLC	Long position	Investment manager	28,947,290	19.00%

Note 1: China Merchants Holdings (Hong Kong) Company Limited is deemed to have corporate interests in the shares by virtue of its controlling shareholding (i.e. 99.32%) in the company whose name is set out immediately under it.

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

Note 3: China Merchants Group Limited, China Merchants Steam Navigation Company Limited and China Merchants Financial Services Limited are deemed to have corporate interests in the shares by virtue of its entire shareholding in the company whose name is set out immediately under it.

Save as disclosed above, there was no person, other than a Director or chief executives of the Company, who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, throughout the year of 2014, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

1. Investment Management Agreement

China Merchants China Investment Management Limited, a company incorporated in Hong Kong, is the Investment Manager of the Company for both listed and unlisted investments. Mr. LI Yinquan (appointed as a Director of the Investment Manager on 28 November 2014), Mr. CHU Lap Lik, Victor, Mr. WANG Xiaoding (appointed as a Director of both the Company and the Investment Manager on 15 September 2014 and 19 May 2014, respectively), Mr. TSE Yue Kit, Mr. HONG Xiaoyuan (resigned as a Director of the Investment Manager on 28 November 2014) and Ms. ZHOU Linda Lei (resigned as a Director of both the Company and the Investment Manager on 15 September 2014 and 19 May 2014, respectively) are Directors of both the Company and the Investment Manager. Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth have indirect beneficial interests in the Investment Manager. The Investment Manager is a subsidiary of a substantial shareholder of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The existing Investment Management Agreement entered into between the Company and the Investment Manager (the "**Existing Management Agreement**") on 18 October 2012 became effective on 1 January 2013 and is for a fixed term ending on 31 December 2015.

For the year ended 31 December 2014, the management fees which were calculated based on a fixed percentage on the value of the Group's assets as stipulated in the Existing Management Agreement totaling US$10,195,170 (2013: US$9,353,307) were paid or payable to the Investment Manager. A performance fee of US$10,821,857 (2013: Nil) was accrued by the Company under the Existing Management Agreement. It was calculated based on a fixed percentage on the agreed increment of the Group's net asset value after certain adjustments as stipulated in the Existing Management Agreement.

CONTINUING CONNECTED TRANSACTIONS (continued)

2. Brokerage Agreements

On 24 October 2013, China Merchants Industry Development (Shenzhen) Limited ("**CMID**"), a directly wholly-owned subsidiary of the Company, entered into the brokerage agreement and supplemental brokerage agreement with China Merchants Securities Co., Ltd. ("**CMS**") in relation to the securities brokerage services provided by CMS to CMID for a term of three years. On 24 October 2013, Shenzhen Tian Zheng Investment Co., Ltd. ("**Tian Zheng**"), an indirectly wholly-owned subsidiary of the Company, also entered into the brokerage agreement and supplemental brokerage agreement with CMS in relation to the securities brokerage services provided by CMS to Tian Zheng for a term of three years. CMS is a subsidiary of a substantial shareholder of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2014, the securities brokerage commission fee totaling US$5,510 (2013: Nil) was paid to CMS.

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

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

2. on normal commercial terms or better; and

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

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

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

AUDITOR

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

On behalf of the Board

Mr. HONG Xiaoyuan
Chairman

Hong Kong, 26 March 2015

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 (the "**Code**") throughout the year under review, except for the deviations as stated below:

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

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.

BOARD OF DIRECTORS

As at 31 December 2014, the Board consisted of five Executive Directors, one Non-executive Director and four Independent Non-executive Directors as defined by the Listing Rules. The biography of the Directors are set out on pages 34 to 39 of the Annual Report.

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

BOARD OF DIRECTORS (continued)

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

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

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

BOARD OF DIRECTORS (continued)

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

	Attendance/number of regular meetings during the Director's term of office in 2014
Executive Directors:	
Mr. HONG Xiaoyuan *(Chairman)* *(appointed as Chairman of the Board on 18 November 2014)*	2/2
Mr. LI Yinquan *(resigned as Chairman of the Board on 18 November 2014)*	1/2
Mr. CHU Lap Lik, Victor	2/2
Mr. WANG Xiaoding *(appointed on 15 September 2014)*	0/0
Mr. TSE Yue Kit	2/2
Ms. ZHOU Linda Lei *(resigned on 15 September 2014)*	1/2
Non-executive Director:	
Mr. KE Shifeng	2/2
Independent Non-executive Directors:	
Mr. LIU Baojie	2/2
Mr. ZHU Li	2/2
Mr. TSANG Wah Kwong	2/2
Dr. LI Fang *(appointed on 6 October 2014)*	0/0
Mr. XIE Tao *(resigned on 15 September 2014)*	1/2
Alternate Director:	
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor)*	2/2

Note: In addition to the regular Board meetings, there were two Board meetings convened by short notice and held during the year under review and attended by the Directors as follows: Mr. HONG Xiaoyuan 2/2; Mr. LI Yinquan 2/2; Mr. CHU Lap Lik, Victor 0/2; Mr. WANG Xiaoding 1/1; Mr. TSE Yue Kit 2/2; Mr. KE Shifeng 2/2; Mr. LIU Baojie 2/2; Mr. ZHU Li 2/2; Mr. TSANG Wah Kwong 2/2; Dr. LI Fang 1/1; Ms. KAN Ka Yee, Elizabeth 2/2; Ms. ZHOU Linda Lei 1/1 and Mr. XIE Tao 1/1.

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

BOARD OF DIRECTORS (continued)

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

Audit Committee

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

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

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

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

	Attendance/ number of meetings
Independent Non-executive Directors:	
Mr. TSANG Wah Kwong *(Chairman of the Audit Committee)*	2/2
Mr. ZHU Li	2/2
Mr. LIU Baojie *(appointed on 15 September 2014)*	0/0
Mr. XIE Tao *(resigned on 15 September 2014)*	1/2

BOARD OF DIRECTORS (continued)

Audit Committee (continued)

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

- reviewed and recommended the Board to approve the audit fee proposal for the year 2014;
- reviewed the interim report and the interim results announcement for the six months ended 30 June 2014;
- reviewed the audit plan for the year 2014 to assess the general scope of audit work;
- reviewed the annual report (including audited consolidated financial statements) and the final results announcement for the year 2013; and
- considered the internal controls assessment report prepared by the Company's independent auditor.

Nomination Committee and Appointment of Directors

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

During the year under review, the Nomination Committee has resolved to recommend the appointment of Mr. WANG Xiaoding and Dr. LI Fang as Executive Director and Independent Non-executive Director of the Company, respectively; to recommend the renewal of appointment of Mr. ZHU Li as Independent Non-executive Director of the Company; and also to recommend the appointment of Mr. HONG Xiaoyuan as Chairman of the Company. It held a meeting to review the structure, size and composition of the Board. The attendance of individual members of the Nomination Committee is as follows:

BOARD OF DIRECTORS (continued)

Nomination Committee and Appointment of Directors (continued)

	Attendance/ number of meetings
Executive Directors:	
Mr. HONG Xiaoyuan *(Chairman of the Nomination Committee)* *(appointed as Chairman on 18 November 2014)*	0/0
Mr. LI Yinquan *(resigned as Chairman on 18 November 2014)*	2/2
Independent Non-executive Directors:	
Mr. ZHU Li	2/2
Mr. TSANG Wah Kwong *(appointed on 15 September 2014)*	1/1
Mr. XIE Tao *(resigned on 15 September 2014)*	0/1

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

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

Investment Committee

The Board has established an Investment Committee, of which currently has four members (Mr. HONG Xiaoyuan, Mr. LI Yinquan, Mr. CHU Lap Lik, Victor and Mr. WANG Xiaoding), to approve transactions (investments or realisations) of over US$20 million each (effective from 5 February 2010) and to supervise the day-to-day management functions of the Investment Manager. All the Committee members are Executive Directors.

During the year under review, the Investment Committee has approved the disposal proposals relating to the project of Guangzhou Digital and CBN, and a further investment made into the project of China Media Investment.

BOARD OF DIRECTORS (continued)

Investment Committee (continued)

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

	Attendance/ number of meetings
Executive Directors:	
Mr. HONG Xiaoyuan *(Chairman of the Investment Committee) (appointed as Chairman on 18 November 2014)*	1/2
Mr. LI Yinquan *(resigned as Chairman on 18 November 2014)*	2/2
Mr. CHU Lap Lik, Victor	0/2
Mr. WANG Xiaoding *(appointed on 15 September 2014)*	1/1
Ms. ZHOU Linda Lei *(resigned on 15 September 2014)*	1/1
Alternate Director:	
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor)*	2/2

BOARD DIVERSITY POLICY

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

Summary of the Policy

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

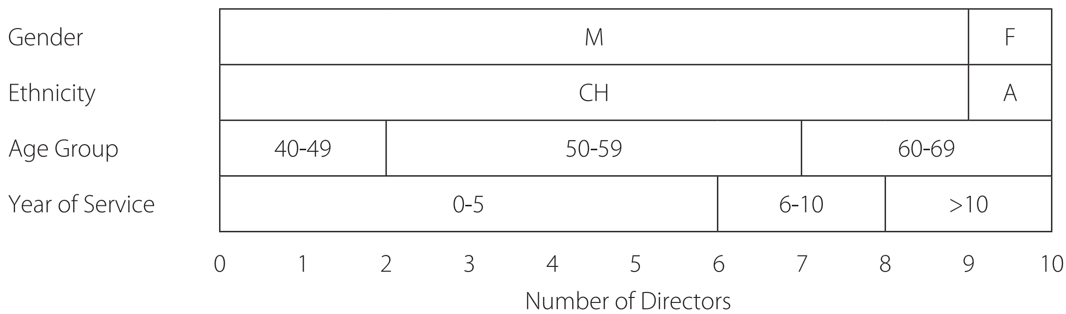
Measurable Objectives

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

BOARD DIVERSITY POLICY (continued)

Implementation

As at 31 December 2014, the Board's composition under major diversified perspectives was summarised as follows:



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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. LI Yinquan was the Chairman of the Company until 18 November 2014 and Mr. HONG Xiaoyuan was appointed to succeed Mr. LI as the Chairman of the Company on the same date. The functions of the Chief Executive Officer have been undertaken by the Investment Manager. For the period from 1 January 2014 to 19 May 2014, the Managing Director of the Investment Manager was Ms. ZHOU Linda Lei, who was also a Director of the Company until 15 September 2014. On 19 May 2014, Mr. WANG Xiaoding was appointed to succeed Ms. ZHOU as the Managing Director of the Investment Manager and has been a Director of the Company since 15 September 2014. The roles of the Chairman and Chief Executive Officer are segregated and are not exercised by the same individual.

NON-EXECUTIVE DIRECTORS

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

TRAINING AND SUPPORT FOR DIRECTORS

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

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

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

Note:

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

b: giving talks at seminars, conferences, or forums

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

DIRECTORS' SECURITIES TRANSACTIONS

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

REMUNERATION OF DIRECTORS

The Company has no salaried employees, except the qualified accountant whose remuneration package is determined and borne by the Investment Manager. The Company has applied for and The Stock Exchange of Hong Kong Limited has granted a waiver to the Company for establishment of remuneration committee on condition that the Executive Directors and senior management of the Company will not receive any Directors' fee or emolument from the Company. Thus, no remuneration committee has been established by the Company.

The remuneration of the Directors is determined by the shareholders at the AGM of the Company. At the AGM of the Company held on 21 May 2014, it was resolved that the remuneration of the Directors for the year ended 31 December 2014 be fixed by the Board. All the Executive Directors did not receive any remuneration from the Company for the year ended 31 December 2014 (2013: Nil). The total remuneration payable to other Directors for the year ended 31 December 2014 is disclosed in note 9 to the financial statements.

AUDITOR'S REMUNERATION

The Company has appointed Deloitte Touche Tohmatsu as the Company's independent auditor. During the year under review, the fees paid or payable to the Company's independent auditor for audit services provided is US$134,784 and for non-audit services provided is US$39,572 which was mainly for the purpose of reviewing the internal control systems of the Company and the circular relating to the disposal of 21% equity interest in Guangzhou Digital.

FINANCIAL REPORTING

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 59.

INTERNAL CONTROL

The Board recognises its responsibility for maintaining an adequate system of internal control for the Company. The Board has regularly reviewed the internal control policy so as to safeguard the Company's assets. In addition, the Board has appointed Deloitte Touche Tohmatsu, an independent accountancy firm, to review the internal control systems of the Company on an on-going basis. The review covered all material controls, including financial, operational and compliance controls, and risk management functions. The Board has discussed and considered the review report and the recommendations, if any. As requested by the Board, the Investment Manager has established an internal control system setting out the policies and procedures on investments and realisations, securities dealing and financial reporting. The Investment Manager is required to regularly update such policies and procedures.

COMPANY SECRETARY

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

CONSTITUTIONAL DOCUMENTS

In light of the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong)(the "**New CO**") came into effect on 3 March 2014, a special resolution was proposed and passed at the AGM of the Company held on 21 May 2014 to approve the adoption of the new Articles of Association of the Company in order to bring it up to the date and in line with the requirements of the New CO.

SHAREHOLDERS' RIGHTS

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

Convening of General Meeting on Request

Shareholder(s) may request the Directors to convene an extraordinary general meeting ("**EGM**") pursuant to Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) before 3 March 2014 and to call a general meeting pursuant to Sections 566 to 568 of the New CO from 3 March 2014 and onwards.

SHAREHOLDERS' RIGHTS (continued)

Convening of General Meeting on Request (continued)

In accordance with Section 566 of the New CO, the Directors are required to call a general meeting if the Company has received requests to do so from members of the Company representing at least 5% of the total voting rights of all the members having a right to vote at general meeting. Such requests (a) must state the general nature of the business to be dealt with at the meeting; and (b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such requests (a) may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 1803 China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong for the attention of the Board) or in electronic form (by email: info@cmcdi.com.hk); and (b) must be authenticated by the person or persons making it. In accordance with Section 567 of the New CO, the Directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the New CO and such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

Putting Forward Proposals at AGM/General Meeting

To put forward a resolution at an AGM, shareholders are requested to follow the requirements and procedures set out in Section 115A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) before 3 March 2014 and Sections 615 and 616 of the New CO from 3 March 2014 and onwards.

Section 615 of the New CO provides that the Company must give notice of a resolution if it has received requests that it do so from (a) the members of the Company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the AGM to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the AGM to which the requests relate. Such requests (a) may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 1803 China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong for the attention of the Board) or in electronic form (by email: info@cmcdi.com.hk); (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than (i) 6 weeks before the AGM to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. Section 616 of the New CO provides that the Company that is required under Section 615 of the New CO to give notice of a resolution must send a copy of it at the Company's own expense to each member of the Company entitled to receive notice of the AGM (a) in the same manner as the notice of the meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

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

SHAREHOLDERS' RIGHTS (continued)

Enquiries to the Board

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

INVESTOR RELATIONSHIP AND COMMUNICATION

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

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

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

INVESTOR RELATIONSHIP AND COMMUNICATION (continued)

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

	Attendance/number of meetings	
	AGM held on 21 May 2014	**EGM held on 3 September 2014**
Executive Directors:		
Mr. HONG Xiaoyuan *(Chairman)*	1/1	1/1
Mr. LI Yinquan	0/1	1/1
Mr. CHU Lap Lik, Victor	0/1	0/1
Mr. WANG Xiaoding *(appointed on 15 September 2014)*	0/0	0/0
Mr. TSE Yue Kit	1/1	1/1
Ms. ZHOU Linda Lei *(resigned on 15 September 2014)*	0/1	0/1
Non-executive Director:		
Mr. KE Shifeng	0/1	0/1
Independent Non-executive Directors:		
Mr. LIU Baojie	0/1	0/1
Mr. ZHU Li	0/1	0/1
Mr. TSANG Wah Kwong	1/1	1/1
Dr. LI Fang *(appointed on 6 October 2014)*	0/0	0/0
Mr. XIE Tao *(resigned on 15 September 2014)*	0/1	0/1
Alternate Director:		
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor)*	1/1	1/1

Deloitte.
德勤

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

We have audited the consolidated financial statements of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 61 to 115, which comprise the consolidated and Company's statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance (Cap. 622) (the "**Hong Kong Companies Ordinance**"), and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 March 2015

For the year ended 31 December 2014

	Notes	**2014** **US$**	2013 US$
Change in fair value of financial assets at fair value through profit or loss		**194,828,928**	34,932,077
Investment income	6	**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	15	**(1,461,117)**	(4,702,094)
Gain on disposal of a subsidiary	14	**9,723,213**	–
Gain on disposal of an associate	15	**1,432,126**	–
Profit before taxation	8	**199,082,553**	44,278,352
Taxation	11	**(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	13	**0.976**	0.224

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	**2014** **US$**	2013 *US$*
Non-current assets			
Interests in associates	15	**–**	17,158,887
Financial assets at fair value through profit or loss	16	**315,765,560**	310,640,112
		315,765,560	327,798,999
Current assets			
Financial assets at fair value through profit or loss	16	**334,409,697**	244,845,058
Other receivables	18	**593,899**	758,048
Bank balances and cash	19	**148,781,544**	27,253,376
		483,785,140	272,856,482
Current liabilities			
Other payables	20	**38,637,251**	24,467,197
Taxation payable	21	**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	22	**1,048,696**	1,759,244
Deferred taxation	23	**108,606,865**	72,853,246
		109,655,561	74,612,490
Net assets		**640,128,183**	501,534,766

	Notes	**2014** ***US$***	2013 *US$*
Capital and reserves			
Share capital	24	**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	26	**4.202**	3.292

The consolidated financial statements on pages 61 to 115 were approved and authorised for issue by the Board of Directors on 26 March 2015 and are signed on its behalf by:

Mr. LI Yinquan	**Mr. WANG Xiaoding**
Director	*Director*

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 US$	2013 US$
Non-current assets			
Investments in subsidiaries	14	**32,080,249**	30,211,265
Financial assets at fair value through profit or loss	16	**91,984,241**	59,172,300
Amounts due from subsidiaries	17	**29,759,690**	37,107,380
		153,824,180	126,490,945
Current assets			
Amounts due from subsidiaries	17	**156,956,480**	162,648,100
Other receivables	18	**9,217**	223,481
Bank balances and cash	19	**16,569,272**	3,088,545
		173,534,969	165,960,126
Current liabilities			
Amounts due to subsidiaries	17	**17,021,346**	5,694,311
Other payables	20	**14,312,683**	2,909,165
Taxation payable	21	**418,080**	–
		31,752,109	8,603,476
Net current assets		**141,782,860**	157,356,650
Total assets less current liabilities		**295,607,040**	283,847,595
Non-current liabilities			
Financial liabilities at fair value through profit or loss	22	**1,048,696**	1,759,244
Deferred taxation	23	**7,668,550**	4,387,356
		8,717,246	6,146,600
Net assets		**286,889,794**	277,700,995
Capital and reserves			
Share capital	24	**139,348,785**	15,233,301
Reserves	25	**147,541,009**	262,467,694
Equity attributable to owners of the Company		**286,889,794**	277,700,995

Mr. LI Yinquan
Director

Mr. WANG Xiaoding
Director

	Share capital US$	Share premium US$	Translation reserve US$	General reserve US$	Available-for-sale financial assets reserve US$	Retained profits US$	Equity attributable to owners of the Company US$
Balance at 1 January 2013	15,834,342	121,682,644	108,918,737	7,095,021	16,129	224,855,489	478,402,362
Profit for the year	–	–	–	–	–	34,837,966	34,837,966
Exchange difference on translation	–	–	14,353,991	–	–	–	14,353,991
Share of change in translation reserve of associates	–	–	623,714	–	–	–	623,714
Change in fair value of available-for-sale financial assets	–	–	–	–	(16,129)	–	(16,129)
Total comprehensive income (loss) for the year	–	–	14,977,705	–	(16,129)	34,837,966	49,799,542
Repurchases of ordinary shares	(791,718)	–	–	–	–	(20,581,766)	(21,373,484)
2012 final dividend paid							
– Cash	–	–	–	–	–	(5,293,654)	(5,293,654)
– Scrip alternative	190,677	2,432,840	–	–	–	(2,623,517)	–
Transfer to general reserve	–	–	–	757,069	–	(757,069)	–
Balance at 31 December 2013	15,233,301	124,115,484	123,896,442	7,852,090	–	230,437,449	501,534,766
Balance at 1 January 2014	**15,233,301**	**124,115,484**	**123,896,442**	**7,852,090**	**–**	**230,437,449**	**501,534,766**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**148,628,370**	**148,628,370**
Exchange difference on translation	**–**	**–**	**(721,515)**	**–**	**–**	**–**	**(721,515)**
Share of change in translation reserve of associates	**–**	**–**	**(173,457)**	**–**	**–**	**–**	**(173,457)**
Total comprehensive (loss) income for the year	**–**	**–**	**(894,972)**	**–**	**–**	**148,628,370**	**147,733,398**
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (note 24)	**124,115,484**	**(124,115,484)**	**–**	**–**	**–**	**–**	**–**
2013 final dividend paid	**–**	**–**	**–**	**–**	**–**	**(9,139,981)**	**(9,139,981)**
Transfer to general reserve	**–**	**–**	**–**	**1,965,429**	**–**	**(1,965,429)**	**–**
Balance at 31 December 2014	**139,348,785**	**–**	**123,001,470**	**9,817,519**	**–**	**367,960,409**	**640,128,183**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014	2013
	US$	*US$*
OPERATING ACTIVITIES		
Profit before taxation	**199,082,553**	44,278,352
Adjustments for:		
Share of results of associates	**1,461,117**	4,702,094
Gain on disposal of an associate	**(1,432,126)**	-
Gain on disposal of a subsidiary	**(9,723,213)**	-
Interest income	**(1,439,452)**	(1,201,414)
Dividend income from equity investments	**(15,613,619)**	(22,356,602)
Change in fair value of financial assets designated at fair value through profit or loss	**(168,700,563)**	(34,936,376)
Operating cash flows before movements in working capital	**3,634,697**	(9,513,946)
Decrease (increase) in financial assets at fair value through profit or loss	**73,825,655**	(17,620,917)
Decrease in available-for-sale financial assets	**-**	697,011
(Increase) decrease in other receivables	**(174,763)**	3,353
Increase in other payables	**13,767,270**	2,136,987
(Decrease) increase in financial liabilities at fair value through profit or loss	**(346,843)**	58,073
Cash generated from (used in) operations	**90,706,016**	(24,239,439)
Interest received	**1,113,657**	1,334,188
Dividend received	**15,613,619**	22,356,602
Income taxes paid	**(3,751,123)**	(4,476,016)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**103,682,169**	(5,024,665)
INVESTING ACTIVITIES		
Proceeds from disposal of an associate	**16,907,523**	-
Proceeds from disposal of a subsidiary	**9,723,213**	-
Dividend received from an associate	**463,605**	-
NET CASH GENERATED FROM INVESTING ACTIVITIES	**27,094,341**	-
FINANCING ACTIVITIES		
Dividend paid	**(9,139,981)**	(5,293,654)
Repurchases of ordinary shares	**-**	(21,373,484)
NET CASH USED IN FINANCING ACTIVITIES	**(9,139,981)**	(26,667,138)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**121,636,529**	(31,691,803)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**27,253,376**	57,778,638
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(108,361)**	1,166,541
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**148,781,544**	27,253,376

1. GENERAL INFORMATION

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

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

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

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

In the current year, the Group and the Company have applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**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 in its consolidated and separate financial statements.

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.

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

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

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 statements.

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

New and revised HKFRSs in issue but not yet effective

The Group and the Company have 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]

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 exceptions. Earlier application is permitted.

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*

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.

- With regard to the measurement of financial liabilities designated at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value 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 fair value through profit or loss 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.

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)

- 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 and the Company'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 and the Company's financial assets and financial liabilities.

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 statements.

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 statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36.

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

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

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

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

The principal accounting policies are set out below.

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

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

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

Investments in subsidiaries

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

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates (continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Financial instruments

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

Financial assets

The Group's financial assets are classified into the following categories – financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

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

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

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

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

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

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

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables (continued)

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

Impairment of financial assets

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

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

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

Classified as debt or equity

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

Equity instruments

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities at FVTPL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities (continued)

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

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

Derecognition

Financial assets are derecognised only when the contractual rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when, and only when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

Revenue recognition

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

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

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

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

4. CAPITAL RISK MANAGEMENT

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

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

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	US$	*US$*	***US$***	*US$*
Financial assets				
Designated at FVTPL	**650,175,257**	555,485,170	**91,984,241**	59,172,300
Loans and receivables (including cash and cash equivalents)	**149,374,412**	27,989,045	**203,293,628**	203,045,127
Financial liabilities				
Amortised cost	**19,029,764**	5,473,614	**31,334,029**	8,603,476
Designated at FVTPL	**1,048,696**	1,759,244	**1,048,696**	1,759,244

Financial risk management objective and policies

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

5. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk

Currency risk

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

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

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

	THE GROUP	
	2014	2013
	US$	*US$*
Monetary assets		
USD	**16,384,929**	2,932,015
Hong Kong Dollar	**205,565**	392,303
Monetary liabilities		
USD	**15,028,934**	4,244,749
Hong Kong Dollar	**332,445**	423,661

	THE COMPANY	
	2014	2013
	US$	*US$*
Monetary assets		
USD	**21,284,013**	13,517,715
Hong Kong Dollar	**194,407**	380,858
Monetary liabilities		
USD	**32,050,280**	9,939,060
Hong Kong Dollar	**332,445**	423,661

5. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity

For the currency risk of the Group, if the exchange rate of RMB against USD had increased/decreased by 5%, the Group's after taxation result for the year would decrease/increase by US$68,000 (2013: US$66,000).

For the currency risk of the Company, if the exchange rate of RMB against USD had increased/decreased by 5%, the Company's after taxation result for the year would increase/decrease by US$540,000 (2013: decrease/increase by US$179,000).

For the Group and the Company, no sensitivity analysis has been prepared between RMB and Hong Kong Dollar as the amount involved is not significant.

Interest rate risk

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

Interest rate sensitivity

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

Price risk

The Group and the Company are exposed to price risk through its investments as disclosed in note 16 and financial liabilities in note 22 which are designated at FVTPL.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Price risk (continued)

Price sensitivity

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

If the market bid prices of the listed equity securities had been 20% (2013: 20%) higher/lower, the Group's after taxation result for the year would increase/decrease by US$46,170,000 (2013: US$31,919,000). This is mainly attributable to the changes in fair values of the listed equity investments held by the Group.

If the fair value of the investments other than listed equity securities had been 20% (2013: 20%) higher/lower, the Group's after taxation result for the year would increase/decrease by US$48,058,000 (2013: US$49,724,000). This is mainly attributable to the changes in fair values of the investments held by the Group.

Credit risk

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

The Group's and the Company's financial assets include debt and equity investments, other receivables and bank balances and cash, and the Company also has financial assets on amounts due from subsidiaries.

The Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated and the Company's statements of financial position, which is net of any allowances for losses.

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

The Group and the Company have concentration of credit risk in a single geographic area in the PRC.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

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

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

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

Fair value measurement of financial instruments

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

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

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (continued)

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

Financial assets	31 December 2014 US$	31 December 2013 US$	Fair value hierarchy	Valuation techniques	Significant unobservable input(s)	31 December 2014 Range	31 December 2013 Range	Relationship of unobservable inputs to fair value	31 December 2014 Increase(+)/ decrease(-) in carrying value of assets if 10% higher/lower of the unobservable inputs (Note 2) US$	31 December 2013 Increase(+)/ decrease(-) in carrying value of assets if 10% higher/lower of the unobservable inputs (Note 2) US$
Financial assets at FVTPL										
Listed equity securities classified as financial assets at FVTPL (Note 1)	**329,783,745**	223,989,246	Level 1	Quoted bid prices in active market	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Unlisted equity securities and preferred equity classified as financial assets at FVTPL (Note 1)	**280,656,881**	272,656,875	Level 3	Market comparable companies	– Earnings multiples – Revenue multiples – Book value multiples	**14.7x – 87.4x** **1.4x – 8.7x** **2.2x – 2.9x**	8.9x – 110.9x 1.0x – 5.9x 2.1x – 2.8x	The higher the multiples, the higher the fair value	**+28,000,000/ –28,000,000**	+26,000,000/ –26,000,000
					– Discount for lack of marketability and specific risk	**50%**	50%	The higher the discount rate, the lower the fair value	**–54,000,000/ +54,000,000**	–54,000,000/ +54,000,000
Unlisted equity classified as financial assets at FVTPL (Note 1)	**24,494,199**	20,761,370	Level 3	Fund's net asset value	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Unlisted equity securities classified as financial assets at FVTPL (Note 1)	**10,614,480**	17,221,867	Level 3	Recent transaction price	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Unlisted equity securities classified as financial assets at FVTPL (Note 1)	**-**	20,035,723	Level 3	Indicative offer price	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Unlisted equity securities and bond classified as financial assets at FVTPL (Note 1)	**4,625,952**	820,089	Level 3	Recoverable amount	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Closing balance	**650,175,257**	555,485,170								

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

Note 2: Amount represents increase(+)/decrease(-) in carrying value of the financial assets if the unobservable inputs were 10% higher/lower while all the other variables were held constant. The 10% higher/lower discount rate represents 60% and 40% discount, respectively.

Note 3: The analysis of financial liabilities is set out in note 22.

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

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (continued)

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

	Level 1 *US$*	Level 2 *US$*	Level 3 *US$*	2014 Total *US$*
Financial assets at FVTPL				
Financial assets designated at FVTPL	**329,783,745**	**–**	**320,391,512**	**650,175,257**
Financial liabilities at FVTPL				
Financial liabilities designated at FVTPL	**–**	**–**	**1,048,696**	**1,048,696**

	Level 1 *US$*	Level 2 *US$*	Level 3 *US$*	2013 Total *US$*
Financial assets at FVTPL				
Financial assets designated at FVTPL	223,989,246	-	331,495,924	555,485,170
Financial liabilities at FVTPL				
Financial liabilities designated at FVTPL	-	-	1,759,244	1,759,244

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (continued)

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

The following is the analysis of realised and unrealised gains (losses) on investments of the Group for the year ended 31 December 2014:

	2014	2013
	US$	*US$*
Change in fair value of financial assets at FVTPL		
Listed investments		
Realised	**(465,143)**	–
Unrealised	**120,008,230**	(33,456,240)
Unlisted investments		
Realised	**26,593,508**	(4,299)
Unrealised	**48,692,333**	68,392,616
Total	**194,828,928**	34,932,077

Reconciliation of Level 3 fair value measurements of financial assets:

	Designated at FVTPL	Available-for-sale	Total
	US$	*US$*	*US$*
Balance at 1 January 2013	252,189,653	713,268	252,902,921
Gains or losses recognised in:			
Profit or loss – realised	(7,288)	2,989	(4,299)
Profit or loss – unrealised	68,392,616	–	68,392,616
Other comprehensive income	–	(16,257)	(16,257)
Exchange differences arising on translation	7,564,615	–	7,564,615
Purchases	20,606,521	–	20,606,521
Disposals	(193)	(700,000)	(700,193)
Return of capital	(17,250,000)	–	(17,250,000)
Balance at 31 December 2013	331,495,924	–	331,495,924

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (continued)

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

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

	Designated at FVTPL US$	Available-for-sale US$	Total US$
Balance at 1 January 2014	**331,495,924**	**–**	**331,495,924**
Gains or losses recognised in:			
Profit or loss – realised	**26,833,689**	**–**	**26,833,689**
Profit or loss – unrealised	**48,692,333**	**–**	**48,692,333**
Exchange differences arising on translation	**(612,842)**	**–**	**(612,842)**
Purchases	**9,856,100**	**–**	**9,856,100**
Disposals	**(95,873,692)**	**–**	**(95,873,692)**
Balance at 31 December 2014	**320,391,512**	**–**	**320,391,512**

Reconciliation of Level 3 fair value measurements of financial liabilities:

	Designated at FVTPL US$
Balance at 1 January 2013	1,192,063
Additions	112,992
Change in fair value	454,189
Balance at 31 December 2013	1,759,244
Balance at 1 January 2014	**1,759,244**
Additions	**84,679**
Disposals	**(576,002)**
Change in fair value	**(219,225)**
Balance at 31 December 2014	**1,048,696**

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (continued)

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

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

Of the total gains for the year included in profit or loss, US$48,692,333 (2013: US$68,392,616) relates to financial assets designated at FVTPL categorised in Level 3 held at the end of the reporting period. Fair value gains or losses on financial assets designated at FVTPL are included in "Change in fair value of financial assets at fair value through profit or loss".

Included in other comprehensive income is a loss of US$16,257 relating to available-for-sale financial assets held until maturity for the year ended 31 December 2013 and is reported as a movement in available-for-sale financial assets reserve.

Fair value measurements and valuation processes

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

6. 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

7. 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

7. 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).

7. 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 PRC, hence no geographical information in relation to the investing activities are presented.

8. PROFIT BEFORE TAXATION

	THE GROUP	
	2014	2013
	US$	*US$*
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**150,204**	182,591
Net foreign exchange loss (gain)	**10,576**	(76,627)
Investment Manager's management fee	**10,195,170**	9,353,307
Investment Manager's performance fee	**10,821,857**	–
Directors' fees	**132,550**	134,119
Share of tax of associates (included in share of results of associates)	**–**	(1,299,778)

9. DIRECTORS' EMOLUMENTS

The Group has no chief executives and the Directors' fees paid or payable to each of the 13 (2013: 11) Directors were as follows:

	THE GROUP	
	2014	2013
	US$	*US$*
Executive Directors:		
Mr. HONG Xiaoyuan	**–**	–
Mr. LI Yinquan	**–**	–
Mr. CHU Lap Lik, Victor	**–**	–
Mr. WANG Xiaoding*	**–**	Not applicable
Mr. TSE Yue Kit	**–**	–
Ms. ZHOU Linda Lei#	**–**	–
Ms. KAN Ka Yee, Elizabeth (Alternate Director)	**–**	–
	–	–

9. DIRECTORS' EMOLUMENTS (CONTINUED)

	THE GROUP	
	2014	2013
	US$	*US$*
Non-executive Director:		
Mr. KE Shifeng	**25,763**	25,792
Independent Non-executive Directors:		
Mr. LIU Baojie	**25,763**	25,792
Mr. ZHU Li	**25,763**	25,792
Mr. TSANG Wah Kwong	**30,915**	30,951
Dr. LI Fang*	**6,183**	Not applicable
Mr. XIE Tao#	**18,163**	25,792
	106,787	108,327
Total	**132,550**	134,119

* The Directors were appointed during the year 2014.

\# The Directors resigned during the year 2014.

10. EMPLOYEES' EMOLUMENTS

The six (2013: five) highest paid individuals in the Group were all Directors of the Company and details of their emoluments are included in note 9 above.

11. 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 (note 23)		
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 year. 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 year as the Group's income neither arises in, nor is derived from, Hong Kong.

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

11. TAXATION (CONTINUED)

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

	2014	2013
	US$	*US$*
Profit before taxation	**199,082,553**	44,278,352
Share of results of associates	**1,461,117**	4,702,094
Gain on disposals of a subsidiary and an associate	**(11,155,339)**	–
Profit before taxation attributable to the Company and its subsidiaries	**189,388,331**	48,980,446
Tax at the domestic income tax rate of 25% (2013: 25%) (Note)	**(47,347,083)**	(12,245,111)
Tax effect of expenses not deductible for tax purpose	**(5,763,857)**	(2,598,830)
Tax effect of income not taxable for tax purpose	**4,122,938**	5,659,616
Tax effect of tax losses/deductible temporary differences not recognised	**(435)**	(1,675)
Effect of different tax rates of the Company and its subsidiaries operating in other regions in the PRC	**4,939,607**	942,420
Effect of different tax rate applied for deferred tax liability recognised for the year	**(4,837,425)**	(740,864)
Dividend withholding taxation in the PRC	**(1,567,928)**	(455,942)
Taxation	**(50,454,183)**	(9,440,386)

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

12. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of US$0.06 per share (2013: US$0.06) and a special dividend of US$0.03 per share (2013: Nil) in respect of the year ended 31 December 2014 have been proposed by the Directors and are subject to approval by the shareholders at the forthcoming annual general meeting.

A cash dividend of US$9,139,981 (2013: US$5,293,654) for the year ended 31 December 2013 was paid on 31 July 2014 (2013: 31 July 2013) and no scrip shares (2013: 1,906,767 scrip shares issued at the price of HK$10.732 each) were allotted and issued (2013: issued on 31 July 2013) by the Company during the year.

13. BASIC EARNINGS PER SHARE

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

	THE GROUP	
	2014	2013
Profit for the purpose of basic earnings per share (US$)	**148,628,370**	34,837,966
Weighted average number of ordinary shares for the purpose of basic earnings per share	**152,333,013**	155,200,176
Basic earnings per share (US$)	**0.976**	0.224

All 1,906,767 scrip shares allotted during the year 2013 had been issued before the year end of 2013 as described in note 12 above. No diluted earnings per share were noted at both years as there were no dilutive potential shares outstanding during both years.

14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2014	2013
	US$	*US$*
Unlisted shares, at cost	**10,000,006**	10,000,007
Deemed capital contribution through interest-free loans	**22,080,243**	20,211,258
Total	**32,080,249**	30,211,265

Particulars of the Company's principal subsidiaries at 31 December 2014 are set out in note 29.

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Disposal of a subsidiary

On 5 June 2014, the Group disposed of Wheaton International Limited which indirectly held the investment in China Merchants Plaza (Shanghai) Property Co., Ltd. (note 28(e)).

Consideration received

	2014 **US$**	2013 *US$*
Consideration received in cash and cash equivalents	**9,723,213**	–

Analysis of assets and liabilities over which control was lost

	2014 **US$**
Current liabilities	
Interest payable to the Company	**(2,004)**
Amount due to the Company	**(6,510,004)**
Net liabilities disposed of	**(6,512,008)**

Gain on disposal of a subsidiary

	2014 **US$**
Consideration received	**9,723,213**
Net liabilities disposed of	**6,512,008**
Translation reserve	**(25,953)**
Reversal of provision on amount due from a subsidiary	**(6,486,055)**
Gain on disposal	**9,723,213**

The gain on disposal is included in gain on disposal of a subsidiary in the consolidated statement of profit or loss and other comprehensive income.

Net cash inflow on disposal of a subsidiary

	2014 **US$**
Consideration received in cash and cash equivalents	**9,723,213**

15. INTERESTS IN ASSOCIATES

	THE GROUP	
	2014	2013
	US$	*US$*
Cost of unlisted interests in associates	–	11,965,207
Share of post-acquisition results, net of dividends received	–	1,513,531
Share of exchange reserve	–	3,680,149
	–	17,158,887
Amounts due from associates	–	6,486,055
Allowance on amounts due from associates	–	(6,486,055)
	–	–
Total	–	17,158,887

As at 31 December 2013, the amounts due from associates were unsecured, interest free and were repayable on demand.

The investments of the Group in associates as at 31 December 2014 and 2013 were as follows:

Name of company	**Place of incorporation/ registration and operation**	**Class of share held**	**Principal activities**	**2014 Proportion of nominal value of issued capital/ registered capital held by the Group**	2013 Proportion of nominal value of issued capital/ registered capital held by the Group
Daily On Property Limited (Note a)	HK/PRC	Ordinary	Property development	**N/A**	22%
Shandong Jinbao Electronics Co., Ltd. (Note b)	PRC/PRC	Registered capital	Manufacturing electronics products	**N/A**	25.91%

Notes:

(a) The Group held 22% equity interest of Daily On Property Limited ("**Daily On**") through a wholly-owned subsidiary, Wheaton International Limited, in 2013. Equity interest in Daily On, which was fully impaired by the Group in prior years, was disposed of through the disposal of Wheaton International Limited during the year 2014. Details of the disposal of the subsidiary are set out in note 14 and note 28(e) to the financial statements.

(b) Shandong Jinbao Electronics Co., Ltd. was disposed of during the year 2014 for consideration of RMB104.55 million (equivalent to approximately US$16.91 million).

15. INTERESTS IN ASSOCIATES (CONTINUED)

The summarised financial information in respect of the Group's material associate is set out below:

The associate is accounted for using the equity method in these consolidated financial statements.

Shandong Jinbao Electronics Co., Ltd.

	2014	2013
	US$	*US$*
Current assets	**N/A**	276,780,208
Non-current assets	**N/A**	118,655,361
Current liabilities	**N/A**	(311,370,310)
Non-current liabilities	**N/A**	(16,685,404)
Net assets	**N/A**	67,379,855
Group's share of net assets of associates	**N/A**	17,158,887
Turnover	**N/A**	257,652,187
Loss for the year	**N/A**	(18,445,525)
Other comprehensive loss for the year	**N/A**	(153,993)
Total comprehensive loss for the year	**N/A**	(18,599,518)
Dividends received from the associate during the year	**N/A**	–

Aggregate information of associates that are not individually material

	2014	2013
	US$	*US$*
Group's share of profit for the year	**N/A**	680,552

15. INTERESTS IN ASSOCIATES (CONTINUED)

Aggregate information of associates that are not individually material (continued)

The Group has discontinued recognition of its share of profits (losses) of certain associates. The amounts of unrecognised share of profits for the year and accumulated losses of those associates, extracted from the relevant audited/management accounts of associates are as follows:

	2014	2013
	US$	*US$*
Unrecognised share of profits for the year	**N/A**	680,552
Accumulated unrecognised share of losses of associates	**N/A**	(875,147)

Disposal of an associate

In the prior year, the Group held a 25.91% equity interest in Shandong Jinbao Electronics Co., Ltd. ("**Jinbao**") and accounted for the investment as an associate. In August 2014, the Group disposed of its entire interest in Jinbao to a third party for consideration of RMB104.55 million. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows.

	2014
	US$
Proceeds of disposal	**16,907,523**
Translation reserve	**48,914**
Less: carrying amount of the investment on the date of loss of significant influence	**(15,524,311)**
Gain recognised	**1,432,126**

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2014	2013
	US$	*US$*
Equity and debt securities designated at FVTPL:		
– listed equities in PRC (Note a)	**329,783,745**	223,989,246
– unlisted equities (Note b)	**303,351,236**	319,615,835
– unlisted preferred equity (Note b)	**16,550,000**	11,060,000
– unlisted bond (Note b)	**490,276**	820,089
Total	**650,175,257**	555,485,170
Analysed to reporting purposes as		
Current assets	**334,409,697**	244,845,058
Non-current assets	**315,765,560**	310,640,112
Total	**650,175,257**	555,485,170

The Group's sale proceeds from disposals of direct investments in 2014 were US$136,440,856 (2013: Nil).

	THE COMPANY	
	2014	2013
	US$	*US$*
Equity securities:		
– unlisted (Note b)	**91,984,241**	59,172,300

Notes:

(a) The listed equity securities represent the Group's interest held in China Merchants Bank Co., Ltd. and Industrial Bank Co., Ltd.. The fair values of the above listed securities are determined based on the quoted market bid prices available on the relevant exchanges.

(b) As at 31 December 2014, fair value of unlisted equities and bond amounting to US$15,240,432 (2013: US$38,077,679) was arrived at by reference to their recent transaction prices or indicative offer price or recoverable amounts prior to the year end. For unlisted investments with no recent transactions or sales and purchase agreements noted, their fair values were arrived at on the basis of valuations carried out by an independent valuer not connected with the Group. Determination of fair value is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability. Factors considered in determining the fair value of these investments include multiples of comparable companies listed on stock exchanges.

17. AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2014	2013
	US$	*US$*
Amounts due from subsidiaries	**196,735,778**	216,278,445
Less: Allowance on amounts due from subsidiaries	**(10,019,608)**	(16,522,965)
Total	**186,716,170**	199,755,480
Analysis of amounts due from subsidiaries		
Current	**156,956,480**	162,648,100
Non-current	**29,759,690**	37,107,380
Total	**186,716,170**	199,755,480
Amounts due to subsidiaries	**17,021,346**	5,694,311

The amounts due from (to) subsidiaries are unsecured, non-interest bearing and are repayable on demand.

	THE COMPANY	
	2014	2013
	US$	*US$*
Allowance on amounts due from subsidiaries at 1 January and 31 December	**10,019,608**	16,522,965

The amounts due from subsidiaries are impaired because the carrying amounts are larger than the present value of discounted cash flows of the impaired subsidiaries. The other amounts due from subsidiaries are with good quality as they have the repayment ability to settle the outstanding amounts.

18. OTHER RECEIVABLES

	THE GROUP	
	2014	2013
	US$	*US$*
Dividend receivable from associates	**–**	463,605
Interest receivable	**396,095**	70,300
Other receivables	**197,804**	224,143
Total	**593,899**	758,048

	THE COMPANY	
	2014	2013
	US$	*US$*
Interest receivable	**8,186**	–
Other receivables	**1,031**	223,481
Total	**9,217**	223,481

19. BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

Bank balances comprise current accounts, savings accounts and short-term bank deposits at fixed prevailing market interest rates. The bank balances and cash of the Group include an amount of US$132,192,059 (2013: US$24,149,329) which is denominated in RMB.

20. OTHER PAYABLES

THE GROUP AND THE COMPANY

Other payables mainly comprise management fee and performance fee payable to China Merchants China Investment Management Limited ("**Investment Manager**") as disclosed in note 28 and business tax payable of US$19,607,487 (2013: US$18,993,583) arising from disposal of listed equity securities.

21. TAXATION PAYABLE

THE GROUP AND THE COMPANY

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

22. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

THE GROUP AND THE COMPANY

The financial liabilities designated at FVTPL as at 31 December 2014 were related to the sub-participation agreements (the "**Sub-participation Agreements**") entered into between the Company and the participants in respect of the investments by the Group in 北京銀廣通廣告有限公司 (Unibank Media Group Inc.), 武漢日新科技股份有限公司 (Wuhan Rixin Technology Co., Ltd.), 華人文化(天津)投資管理有限公司 (China Media (Tianjin) Investment Management Co., Ltd.), 深圳市吉陽自動化科技有限公司 (Shenzhen Geesun Automation Technology Co., Ltd.), 華人文化產業股權投資(上海)中心(有限合夥) (China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)), 江蘇華爾石英材料股份有限公司 (Jiangsu Huaer Quartz Materials Co., Ltd.), 西安金源電氣股份有限公司 (Xi'an Jinpower Electrical Co., Ltd.), 遼寧振隆特產股份有限公司 (Liaoning Zhenlong Native Produce Holding Company Ltd.), 能通科技股份有限公司 (NTong Technology Co., Ltd.), 天利半導體(深圳)有限公司 (Teralane Semiconductor (Shenzhen) Co., Ltd.), 華勁集團股份有限公司 (Hwagain Group Co., Ltd.), 新疆承天農牧業發展股份有限公司 (Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd.), 天翼視訊傳媒有限公司 (Esurfing Media Co., Ltd.), 南京聖和藥業股份有限公司 (Nanjing Sanhome Pharmaceutical Co., Ltd.) and 廣西新華幼兒教育投資有限公司 (Guangxi Xinhua Preschool Education Investment Corporation Limited) (collectively referred to as the "**Project Companies**"). As all above mentioned investments by the Group in the Project Companies are designated as financial assets at FVTPL and value of the Sub-participation Agreements are associated directly with these underlying investments, the Sub-participation Agreements are thus designated as financial liabilities at FVTPL.

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

23. DEFERRED TAXATION

THE GROUP

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

	THE GROUP		
	Capital gains for investments	**Undistributed earnings of PRC subsidiaries**	**Total**
	US$	***US$***	***US$***
Balance at 1 January 2013	53,885,634	8,697,712	62,583,346
Charged to profit or loss for the year	6,751,890	1,794,757	8,546,647
Exchange differences	1,723,253	–	1,723,253
Balance at 31 December 2013	**62,360,777**	**10,492,469**	**72,853,246**
Charged to profit or loss for the year	**29,300,151**	**6,411,930**	**35,712,081**
Exchange differences	**41,538**	**–**	**41,538**
Balance at 31 December 2014	**91,702,466**	**16,904,399**	**108,606,865**

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.

THE COMPANY

The Company's deferred tax liability is related to the taxation on capital gains for certain investments in securities in the PRC. The following is the deferred tax liability recognised by the Company and movements thereon during the current and prior years:

	THE COMPANY	
	2014	2013
	US$	*US$*
Balance at 1 January	**4,387,356**	3,769,561
Charged to profit or loss for the year	**3,281,194**	617,795
Balance at 31 December	**7,668,550**	4,387,356

23. DEFERRED TAXATION (CONTINUED)

THE COMPANY (Continued)

At the end of the reporting period, the Company had estimated unused tax losses of US$75,376 (2013: US$75,355) available for offsetting against future taxable profits. The losses may be carried forward indefinitely for Hong Kong Profits Tax.

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

24. SHARE CAPITAL

	Number of shares	US$
Authorised:		
At 31 December 2013 and 1 January 2014		
– Ordinary shares of US$0.10 each	**300,000,000**	**30,000,000**
At 31 December 2014 (Note 1)	**N/A**	**N/A**
Issued and fully paid:		
At 1 January 2013		
– Ordinary shares of US$0.10 each	158,343,417	15,834,342
Repurchases of ordinary shares	(7,917,171)	(791,718)
Issue of ordinary shares	1,906,767	190,677
At 31 December 2013 and 1 January 2014		
– Ordinary shares of US$0.10 each	**152,333,013**	**15,233,301**
Transfer from share premium upon abolition of par value (Note 2)	**-**	**124,115,484**
At 31 December 2014		
– Ordinary shares with no par value (Note 1)	**152,333,013**	**139,348,785**

24. SHARE CAPITAL (CONTINUED)

A total number of 7,917,171 ordinary shares of US$0.10 each in issue were repurchased at the price of HK$20.94 per share and were cancelled by the Company on 3 July 2013 pursuant to a voluntary cash offer approved by the shareholders at an extraordinary general meeting held on 7 June 2013. Details of the voluntary cash offer are set out in the Company's circular dated 13 May 2013.

A total number of 1,906,767 ordinary shares of US$0.10 each were allotted and issued at the price of HK$10.732 on 31 July 2013 with an amount of US$2,623,517 by the Company to satisfy the partial payment of the 2012 final dividend of US$7,917,171. These shares rank pari passu in all respects with other shares in issue.

Note 1: The Company has no authorised share capital and its shares have no par value since the commencement date of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).

Note 2: In accordance with the transitional provision set out in section 37 of schedule 11 to Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

25. SHARE PREMIUM AND RESERVES

THE COMPANY

	Share premium *US$*	**Retained profits** *US$*	**Total** *US$*
Balance at 1 January 2013	121,682,644	160,298,636	281,981,280
Profit for the year	–	6,552,511	6,552,511
Repurchases of ordinary shares	–	(20,581,766)	(20,581,766)
2012 final dividend paid			
– Cash	–	(5,293,654)	(5,293,654)
– Scrip alternative	2,432,840	(2,623,517)	(190,677)
Balance at 1 January 2014	**124,115,484**	**138,352,210**	**262,467,694**
Profit for the year	**–**	**18,328,780**	**18,328,780**
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (note 24)	**(124,115,484)**	**–**	**(124,115,484)**
2013 final dividend paid	**–**	**(9,139,981)**	**(9,139,981)**
Balance at 31 December 2014	**–**	**147,541,009**	**147,541,009**

26. 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.

27. CAPITAL COMMITMENTS

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

(a) On 29 April 2010, the Group entered into an agreement with, among others, China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**"), pursuant to which the Group agreed to make a cash injection of RMB200 million (equivalent to approximately US$31.52 million) in total by installments into the capital of China Media Investment in return for approximately 10% interest in China Media Investment. In addition, the other investors agreed to make cash injections proportionate to their holdings. As at 31 December 2014, the Group has injected RMB158.66 million, equivalent to approximately US$24.76 million (2013: RMB140.80 million, equivalent to approximately US$21.85 million) into China Media Investment and classified the investment as a financial asset at FVTPL under non-current assets.

(b) On 31 October 2014, the Group entered into a joint venture agreement in relation to Guangxi Xinhua Preschool Education Investment Corporation Limited ("**Xinhua Preschool Education**"), pursuant to which the Group agreed to make a capital contribution of RMB90 million (equivalent to approximately US$14.71 million) in total by installments into the capital of Xinhua Preschool Education in return for a 30% interest in Xinhua Preschool Education. As at 31 December 2014, the Group has injected 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 3 November 2014, the Group entered into an agreement with, among others, Shanghai Wenguang Investment Management Centre (Limited Partnership) ("**SWG Investment**"), pursuant to which the Group agreed to make a cash injection of RMB120 million (equivalent to approximately US$19.61 million) in total by installments into the capital of SWG Investment in return for approximately 3.75% interest in SWG Investment. In addition, the other investors agreed to make cash injections proportionate to their holdings. SWG Investment will subscribe for A shares of BesTV New Media Co., Ltd. ("**BesTV**"), and through SWG Investment, the Group will indirectly own approximately 3,687,768 A shares of BesTV. As at 31 December 2014, the Group has injected RMB1.20 million (equivalent to approximately US$0.20 million) into SWG Investment and classified the investment as a deposit under current assets.

28. RELATED PARTY TRANSACTIONS

The Company has appointed the Investment Manager for both listed and unlisted investments. Certain Directors of the Company are also Directors and/or shareholders of the Investment Manager.

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

(a) The Company paid or accrued to the Investment Manager management fees totaling US$10,195,170 (2013: US$9,353,307). The fee is calculated based on a fixed percentage on the value of the Group's assets as stipulated in the Investment Management Agreement (Note).

(b) A performance fee of US$10,821,857 (2013: Nil) is provided for the year 2014 and is payable to the investment Manager. The fee is estimated based on a fixed percentage on the agreed increment of the Group's net asset value after certain adjustment as stipulated in the Investment Management Agreement (Note).

The amount due to the Investment Manager included in other payables in the statements of financial position as at 31 December 2014 was US$13,577,454 (2013: US$2,485,504). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

(c) Securities brokerage commission fee totaling US$5,510 (2013: Nil) was paid to a subsidiary of a substantial shareholder of the Company (the "**Substantial Shareholder**") who has significant influence over the Company. Since the Substantial Shareholder has significant influence over the Company and has control over its subsidiary, the securities brokerage commission fees are considered to be related party transactions (Note).

(d) Pursuant to the Sub-participation Agreements, the financial liability of the Group with Mr. TSE Yue Kit, a Director of both the Company and the Investment Manager, was US$16,606 (2013: US$22,005). The financial liability of the Group with Mr. WANG Xiaoding, a Director of both the Company and the Investment Manager and appointed on 15 September 2014 and 19 May 2014, respectively, was US$123,992 (2013: US$236,861). The financial liability of the Group with Mr. HONG Xiaoyuan, a Director of the Company and resigned as a Director of the Investment Manager on 28 November 2014, was US$105,115 (2013: US$165,069). The financial liability of the Group with Ms. ZHOU Linda Lei, a Director of both the Company and the Investment Manager and resigned on 15 September 2014 and 19 May 2014, respectively, was US$122,329 (2013: US$212,002). Moreover, the financial liability of the Group with Mr. TSIM Tak Chee, a Director of the Investment Manager, was US$25,937 (2013: US$12,896).

(e) On 12 May 2014, a 19.80% effective equity interest in China Merchants Plaza (Shanghai) Property Co., Ltd. was sold to a wholly-owned subsidiary of the Substantial Shareholder who has significant influence over the Company for consideration of RMB60 million (equivalent to approximately US$9.72 million). Since the Substantial Shareholder has significant influence over the Company and has control over its subsidiary, this transaction is considered to be a related party transaction (Note).

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Key management compensation is disclosed in note 9 to the financial statements.

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

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of all principal subsidiaries at 31 December 2014 and 2013, which are all wholly-owned by the Company, are as follows:

Name	Classes of shares held	Place of incorporation/ registration and operation	Principal activities	Particulars of issued share capital
CMCDI Zhaoyuan Limited	Ordinary	BVI/PRC	Investment holding	1 share of US$1 each (Directly owned limited liability company)
China Merchants Industry Development (Shenzhen) Limited	Registered capital	PRC/PRC	Investment holding	Paid up capital of US$10,000,000 (Directly owned & wholly-owned foreign enterprise)
Everich Dynamic Investments Limited	Ordinary	BVI/PRC	Investment holding	1 share of US$1 each (Directly owned limited liability company)
Goshing Investment Limited	Ordinary	BVI/PRC	Investment holding	1 share of US$1 each (Directly owned limited liability company)
Leadman Investment Limited	Ordinary	HK/HK	Inactive	1 share of HK$1 each (Directly owned limited liability company)
Main Star Investment Limited	Ordinary	HK/HK	Inactive	1 share of HK$1 each (Directly owned limited liability company)
Ryan Pacific Limited	Ordinary	BVI/PRC	Investment holding	1 share of US$1 each (Directly owned limited liability company)

29. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Classes of shares held	Place of incorporation/ registration and operation	Principal activities	Particulars of issued share capital
Star Group Limited	Ordinary	HK/HK	Inactive	2 ordinary shares of HK$1 each (Directly owned limited liability company)
Shenzhen Tian Zheng Investment Co., Ltd.	Registered capital	PRC/PRC	Investment holding	Paid up capital of RMB700,000,000 (Indirectly owned limited liability company)
Wheaton International Limited (Note)	Ordinary	BVI/PRC	Investment holding	1 share of US$1 each (Directly owned limited liability company)
Wisetech Limited	Ordinary	BVI/PRC	Investment holding	1 share of US$1 each (Directly owned limited liability company)
Xinjiang Tian Hong Equity Investment Co., Ltd.	Registered capital	PRC/PRC	Investment holding	Paid up capital of RMB30,000,000 (Indirectly owned limited liability company)

Note: Wheaton International Limited was disposed of during the year 2014.

None of the subsidiaries had any debt securities subsisting at 31 December 2014 and 2013 or at any time during the year.

30. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

Fair value of financial assets and liabilities at FVTPL

As indicated in notes 5, 16 and 22, the Group selects appropriate valuation techniques for financial instruments and liabilities not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair values of unlisted financial assets and liabilities designated at FVTPL are determined in accordance with generally accepted pricing models. The values assigned to the financial assets and liabilities are based upon available information and do not necessarily represent amounts which might ultimately be realised, since such amounts depend on future circumstance and cannot be reasonably determined until the individual position is realised.

FINANCIAL SUMMARY

For the year ended 31 December 2014

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2010	2011	2012	2013	**2014**
	US$	*US$*	*US$*	*US$*	***US$***
Investment income	13,088,836	17,330,254	13,679,480	23,558,016	**17,053,071**
(Loss) profit from operations	(153,508,681)	(17,678,263)	25,698,738	48,980,446	**189,388,331**
Share of results of associates	2,203,129	58,112	(1,411,813)	(4,702,094)	**(1,461,117)**
Gain on deemed disposal of associate	2,523,001	-	-	-	**-**
Gain on disposal of a subsidiary	-	-	-	-	**9,723,213**
Gain on disposal of an associate	-	-	-	-	**1,432,126**
Taxation	36,723,056	(2,207,479)	(14,403,677)	(9,440,386)	**(50,454,183)**
(Loss) profit attributable to owners of the Company	(112,059,495)	(19,827,630)	9,883,248	34,837,966	**148,628,370**

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2010	2011	2012	2013	**2014**
	US$	*US$*	*US$*	*US$*	***US$***
Total assets	602,035,215	556,181,804	568,776,594	600,655,481	**799,550,700**
Total liabilities	(114,628,974)	(79,271,288)	(90,374,232)	(99,120,715)	**(159,422,517)**
Net assets	487,406,241	476,910,516	478,402,362	501,534,766	**640,128,183**