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## CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

### 招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

### ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The Board of Directors (the “**Board**”) of China Merchants China Direct Investments Limited (the “**Company**”) announces that the audited consolidated results for the year ended 31 December 2013 of the Company and its subsidiaries (the “**Group**”) together with the 2012 comparative figures are as follows:-

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	<u>US\$</u>	<u>US\$</u>
Change in fair value of financial assets at fair value through profit or loss	34,932,077	23,636,644
Investment income (Note 3)	23,558,016	13,679,480
Other gains and losses	1,184,040	172,122
Administrative expenses	(10,693,687)	(11,789,508)
Share of results of associates	(4,702,094)	(1,411,813)
Profit before taxation	44,278,352	24,286,925
Taxation (Note 5)	(9,440,386)	(14,403,677)
Profit for the year attributable to owners of the Company	34,837,966	9,883,248
Other comprehensive income (loss)		
Items that will not be reclassified subsequently to profit or loss		
Exchange difference arising on translation	14,353,991	959,878
Share of change in translation reserve of associates	623,714	49,432
Item that may be reclassified subsequently to profit or loss		
Change in fair value of available-for-sale financial assets	(16,129)	(13,430)
Other comprehensive income for the year, net of tax	14,961,576	995,880
Total comprehensive income for the year	<u>49,799,542</u>	<u>10,879,128</u>
Profit for the year attributable to owners of the Company	<u>34,837,966</u>	<u>9,883,248</u>
Total comprehensive income for the year attributable to owners of the Company	<u>49,799,542</u>	<u>10,879,128</u>
Basic earnings per share (Note 6)	<u>0.224</u>	<u>0.064</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2013

	<b>2013</b>	2012
	<b>US\$</b>	US\$
	<u>                    </u>	<u>                    </u>
Non-current assets		
Interests in associates	17,158,887	21,237,267
Financial assets at fair value through profit or loss	<u>310,640,112</u>	<u>252,189,653</u>
	<u>327,798,999</u>	<u>273,426,920</u>
Current assets		
Financial assets at fair value through profit or loss	244,845,058	236,147,975
Available-for-sale financial assets	-	713,268
Other receivables	758,048	709,793
Bank balances and cash	<u>27,253,376</u>	<u>57,778,638</u>
	<u>272,856,482</u>	<u>295,349,674</u>
Current liabilities		
Other payables	24,467,197	22,654,936
Taxation payable	<u>41,028</u>	<u>3,943,887</u>
	<u>24,508,225</u>	<u>26,598,823</u>
Net current assets	<u>248,348,257</u>	<u>268,750,851</u>
Total assets less current liabilities	<u>576,147,256</u>	<u>542,177,771</u>
Non-current liabilities		
Financial liabilities at fair value through profit or loss	1,759,244	1,192,063
Deferred taxation	<u>72,853,246</u>	<u>62,583,346</u>
	<u>74,612,490</u>	<u>63,775,409</u>
<b>Net assets</b>	<u><b>501,534,766</b></u>	<u><b>478,402,362</b></u>
<b>Capital and reserves</b>		
Share capital	15,233,301	15,834,342
Share premium and reserves	255,864,016	237,712,531
Retained profits	<u>230,437,449</u>	<u>224,855,489</u>
<b>Equity attributable to owners of the Company</b>	<u><b>501,534,766</b></u>	<u><b>478,402,362</b></u>
<b>Net asset value per share (Note 7)</b>	<u><b>3.292</b></u>	<u><b>3.021</b></u>

**Notes:**

**1. BASIS OF PRESENTATION**

The consolidated financial statements have been reviewed by the Company's Audit Committee.

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

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial 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.

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

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, 11 and 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of financial statements – Presentation of items of other comprehensive income

**New and revised Standards on consolidation, joint arrangements, associates and disclosures**

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

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

### **New and revised Standards on consolidation, joint arrangements, associates and disclosures - continued**

#### *Impact of the application of HKFRS 10*

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) it has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The application of HKFRS 10 in current year does not have material impact on the Group's financial position for the current and prior years.

#### *Impact of the application of HKFRS 12*

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

It is not applicable for other standards of the package to the Group.

### **HKFRS 13 Fair Value Measurement**

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

### Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except as described above, the application of the other new and revised HKFRSs and amendments in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on disclosures set out in these consolidated financial statements.

### New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 Cycle <sup>2</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 Cycle <sup>2</sup>
HKFRS 9	Financial instruments <sup>3</sup>
Amendments to HKFRS 9 and 7	Mandatory effective date of HKFRS 9 and transition disclosures <sup>3</sup>
Amendments to HKFRS 10, 12 and HKAS 27	Investment entities <sup>1</sup>
HKFRS 14	Regulatory deferral accounts <sup>4</sup>
Amendments to HKAS 19	Defined benefit plans: Employee contributions <sup>2</sup>
Amendments to HKAS 32	Financial instruments: Presentation – Offsetting financial assets and financial liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets <sup>1</sup>
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting <sup>1</sup>
HK(IFRIC) – Int 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

<sup>3</sup> Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

<sup>4</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

## 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.

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

Based on the Group's financial assets and financial liabilities as at 31 December 2013, the management anticipates that the application of HKFRS 9 will have no material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

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 FVTPL in its 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 professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

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

If the Company is qualified as an investment entity under the amendments to HKFRS 10, instead of consolidating its subsidiaries, the Company may be required to measure its interests in subsidiaries at FVTPL. The management is in the process of making an assessment of the impact of these amendments to the Group.

### 3. INVESTMENT INCOME

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

	<b>THE GROUP</b>	
	<b>2013</b>	2012
	<i>US\$</i>	<i>US\$</i>
<b>Interest income on</b>		
Bank deposits	<b>1,167,357</b>	1,651,595
Available-for-sale financial assets - listed	<b>34,057</b>	40,600
	<b><u>1,201,414</u></b>	<u>1,692,195</u>
<b>Dividend income on financial assets designated at FVTPL</b>		
Listed investments	<b>10,616,894</b>	6,613,938
Unlisted investments	<b>11,739,708</b>	5,373,347
	<b><u>22,356,602</u></b>	<u>11,987,285</u>
Total	<b><u>23,558,016</u></b>	<u>13,679,480</u>

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

	<b>THE GROUP</b>	
	<b>2013</b>	2012
	<i>US\$</i>	<i>US\$</i>
Available-for-sale financial assets	<b>34,057</b>	40,600
Loans and receivables (including bank balances and cash)	<b>1,167,357</b>	1,651,595
Total interest income for financial assets not designated at FVTPL	<b>1,201,414</b>	1,692,195
Investment income earned on financial assets designated at FVTPL	<b>22,356,602</b>	11,987,285
Total	<b><u>23,558,016</u></b>	<u>13,679,480</u>

#### 4. SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the executive management for the purposes of resources allocation and performance assessment (since the size of investments in energy and resources, agriculture, medical and pharmaceutical, 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) Others: investees engaged in investments related to energy and resources, agriculture, medical and pharmaceutical, 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 2013

	Financial services US\$	Culture and media US\$	Manufacturing US\$	Information technology US\$	Others US\$	Total US\$
Change in investment value	(24,091,916)	63,701,151	(8,594,543)	(6,391,165)	5,606,456	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 and losses	-	98,912	-	520,511	-	619,423
Segment (loss) profit	<u>(3,870,559)</u>	<u>65,342,709</u>	<u>(8,594,543)</u>	<u>(5,331,733)</u>	<u>5,694,191</u>	<u>53,240,065</u>
<b>Unallocated:</b>						
- Administrative expenses						(10,693,687)
- Interest income on bank deposits						1,167,357
- Other gains and losses						564,617
Profit before taxation						<u>44,278,352</u>

##### For the year ended 31 December 2012

	Financial services US\$	Culture and media US\$	Manufacturing US\$	Information technology US\$	Others US\$	Total US\$
Change in investment value	69,050,900	(41,040,366)	(10,507,352)	4,563,169	158,480	22,224,831
Dividend income on financial assets designated at FVTPL	10,620,428	1,366,639	-	-	218	11,987,285
Interest income from available -for-sale financial assets	-	-	-	-	40,600	40,600
Other gains and losses	-	143,559	-	4,288	-	147,847
Segment profit (loss)	<u>79,671,328</u>	<u>(39,530,168)</u>	<u>(10,507,352)</u>	<u>4,567,457</u>	<u>199,298</u>	<u>34,400,563</u>
<b>Unallocated:</b>						
- Administrative expenses						(11,789,508)
- Interest income on bank deposits						1,651,595
- Other gains and losses						24,275
Profit before taxation						<u>24,286,925</u>



#### 4. SEGMENTAL INFORMATION - continued

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 and losses earned by each segment without allocation of central administrative expenses, fees to the Investment Manager, interest income on bank deposits and certain other gains and losses. 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).

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

	2013 <u>US\$</u>	2012 <u>US\$</u>
<b>Segment assets</b>		
Financial services	348,162,186	347,435,860
Culture and media	149,151,488	96,602,886
Manufacturing	30,066,521	37,578,686
Information technology	15,434,400	21,222,433
Others	30,293,067	7,911,903
Total segment assets	<u>573,107,662</u>	<u>510,751,768</u>
Unallocated	<u>27,547,819</u>	<u>58,024,826</u>
Consolidated assets	<u><b>600,655,481</b></u>	<u><b>568,776,594</b></u>
<b>Segment liabilities</b>		
Financial services	5,718	5,654
Culture and media	1,029,484	556,780
Manufacturing	172,263	181,422
Information technology	221,834	325,149
Others	329,945	123,058
Total segment liabilities	<u>1,759,244</u>	<u>1,192,063</u>
Unallocated	<u>97,361,471</u>	<u>89,182,169</u>
Consolidated liabilities	<u><b>99,120,715</b></u>	<u><b>90,374,232</b></u>

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 other payables, current and deferred tax liabilities.

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

## 5. TAXATION

The tax charge for the year comprises:

	<b>THE GROUP</b>	
	<b>2013</b>	2012
	<b>US\$</b>	US\$
	<hr/>	<hr/>
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	<b>(893,739)</b>	(4,913,290)
Deferred taxation		
Current year	<b>(8,546,647)</b>	(9,490,387)
Total	<b><u>(9,440,386)</u></b>	<b><u>(14,403,677)</u></b>

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) on the estimated assessable profits for the years. PRC Enterprise Income Tax in the PRC is calculated at the rates prevailing in the relevant regions.

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 accumulated profits of the PRC subsidiaries.

## 6. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the earnings for the year of US\$34,837,966 (2012: US\$9,883,248) and the weighted average number of 155,200,176 ordinary shares (2012: 154,350,861 ordinary shares) of US\$0.10 each in issue during the year.

## 7. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share at the end of the reporting period is based on the net assets of US\$501,534,766 (2012: US\$478,402,362) and 152,333,013 ordinary shares (2012: 158,343,417 ordinary shares) of US\$0.10 each in issue at 31 December 2013.

## **DIVIDEND**

No interim dividend was declared during the year.

The Board has resolved to recommend at the forthcoming annual general meeting (“AGM”) to be held on 21 May 2014 the payment of a final dividend of US\$0.06 (or HK\$0.47) per share (2012: US\$0.05) for the year ended 31 December 2013 to shareholders whose names appear on the register of members on 27 May 2014. The final dividend, if approved, is to be payable in cash on or around 31 July 2014. Total dividend for the year is US\$0.06 (or HK\$0.47) per share (2012: US\$0.05), amounting to US\$9,139,981 (2012: US\$7,917,171).

Shareholders who wish to receive the dividend in Hong Kong Dollars have to complete a Hong Kong Dollar dividend election form, a copy of which will be despatched with the Annual Report to shareholders, and return the same to the Company’s Share Registrar on or before 18 July 2014. Shareholders who have submitted the dividend election form previously do not need to re-submit this form.

## **BOOK CLOSURE**

The register of members of the Company will be closed from 19 May 2014 to 21 May 2014, both days inclusive, during which period no transfer of shares will be effected. In order to determine the identity of members who are entitled to attend and vote at the forthcoming AGM, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 16 May 2014. Subject to the approval by shareholders at the forthcoming AGM, the final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on 27 May 2014. In order to qualify for the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited at the above address not later than 4:30 p.m. on 27 May 2014.

## **REVIEW AND OUTLOOK**

### **Overall Performance**

China Merchants China Direct Investments Limited and its subsidiaries (the “Group”) recorded a profit attributable to equity shareholders of US\$34.84 million for the year ended 31 December 2013, compared to a profit attributable to equity shareholders of US\$9.88 million for the same period last year, representing an increase of US\$24.96 million or 252.63 % – with the profit increase largely attributable to a rise in fair value of the financial assets designated at FVTPL (the “Financial Assets”) and to an increase in investment income. As of 31 December 2013, the net assets of the Group were US\$501.53 million (net of US\$21.37 million for the repurchase of 7,917,171 shares of the Company) (31 December 2012: US\$478.40 million), with a net asset value per share of US\$3.292 (31 December 2012: US\$3.021).

The gain on change in fair value of the Financial Assets for the year was US\$34.93 million, compared to a gain of US\$23.64 million for the same period last year, representing an increase of 47.76%. The fair value of listed and unlisted direct investments recorded a loss of US\$33.46 million and a gain of US\$68.39 million, respectively.

Total investment income for the year increased by 72.22% compared to the same period last year, to US\$23.56 million (2012: US\$13.68 million), due primarily to a significant increase in dividend income from investments.

## **Material Acquisitions and Disposals of Investments**

In 2013, the Group sought out and evaluated many investment opportunities, and invested cash into the financial services and medical and pharmaceutical industry, respectively, during the year:

On 4 September 2013, and with the approval of shareholders of the Company on 5 December 2011, the Group subscribed to 9.37 million A shares of China Merchants Bank Co., Ltd. (“**CMB**”), allotted and issued pursuant to the share rights issuance of CMB at the subscription price of RMB9.29 per share, for a total invested amount of US\$14.10 million.

On 13 December 2013, the Group invested US\$17.17 million in Nanjing Sanhome Pharmaceutical Co., Ltd. (“**Sanhome Pharmaceutical**”) for a 3.50% equity interest in the enlarged capital of Sanhome Pharmaceutical. Sanhome Pharmaceutical 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.

In addition, the Group did not complete the disposal of any unlisted investments in 2013.

The Group was granted authorisation by its shareholders to dispose of its entire holding of A shares of both CMB and Industrial Bank Co., Ltd. (“**IBC**”). During the year, the Group did not dispose of any A shares of CMB or IBC.

## **Liquidity, Financial Resources, Gearing and Capital Commitments**

The Group’s cash on hand decreased by 52.84%, from US\$57.78 million at the end of last year to US\$27.25 million as of 31 December 2013 (accounting for 4.54% of the Group’s total asset value), due primarily to the capital injection into China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) (“**China Media Investment**”) and Sanhome Pharmaceutical, as well as the subscription to A rights shares of CMB in the second half of the year, partly offset by the return of a portion of the Group’s capital investment in NBA China, L.P. in the amount of US\$17.25 million, pursuant to the partnership agreement. In addition, the Group also used cash for the Company’s share repurchase in the second half of the year.

As of 31 December 2013, the Group had no outstanding bank loans (31 December 2012: Nil).

As of 31 December 2013, the Group had capital commitments of US\$9.71 million (31 December 2012: US\$19.86 million) for an investment that was approved but not yet provided for in the financial statements – specifically, for future payments related to an investment in China Media Investment.

## **Exposure to Fluctuations in Exchange Rates and Related Hedges**

Most of the Group’s investments are located in China where the official currency is the Renminbi (“**RMB**”). The conversion rate of RMB against US dollar recorded an increase of approximately 3.00% in 2013, which had a positive impact on the Group since it holds a considerable amount of assets denominated in RMB.

## **Employees**

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

## **The Portfolio**

As of 31 December 2013, the Group's total investments, which were all direct investments, amounted to US\$572.64 million. The sector distribution of direct investments was US\$348.16 million in financial services (representing 57.97% of the Group's total assets), US\$149.15 million in culture and media (24.82%), US\$29.60 million in manufacturing (4.93%), and US\$45.73 million in other ventures (including energy and resources, information technology, agriculture, medical and pharmaceutical and real estate) (7.62%). In addition, cash on hand was US\$27.25 million, representing 4.54% of the Group's total assets as of 31 December 2013.

## **Prospects**

In 2014, global economic growth is expected to demonstrate slow recovery. Nevertheless, with many variables influencing economic activity, downward risk still exists. Growth in China, as well as in other emerging market economies, has declined from the peak levels of the past few years, but should also remain higher than in most developed economies, as a result of both cyclical and structural factors. China's growth in 2014 may be lower than it was in 2013, but exports will benefit from gradual improvement in developed economies. Furthermore, due to ongoing anti-corruption efforts by the Central Government, industries such as restaurants, wines and luxury goods will remain weak, with little growth in consumption. In addition, current investment growth will be driven mainly by infrastructure and real estate projects. At the same time, the real estate market has been turbulent, imposing downward pressure on investment growth. In 2014, controlling inflation continues to be the primary goal of macroeconomic adjustments by the Central Government. A steady decline in the domestic economy, over-capacity, lower pressure from imported inflation and good harvests shall inhibit inflation. Nevertheless, stronger inflationary expectations, a resurgence in price of vegetables and pork, a rise in labour costs, and steady loosening of money supply and carryover effects will cause some amount of inflationary pressure. In this environment, the Group will take the initiative to grapple with these uncertainties and to seek out the best opportunities for investment.

The Group will continue to make every effort to identify new investment projects, while maintaining an emphasis on investment opportunities in consumer goods (with particular focus on consumer-oriented projects in second and third tier cities), culture and media, advanced manufacturing, non-traditional financial services, energy, agriculture, medical and pharmaceutical. The Group will also seek to optimise its mix of investments in order to create greater shareholder value.

## CORPORATE GOVERNANCE

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

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

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

## DIRECTORS' SECURITIES TRANSACTIONS

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

## PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

At an extraordinary general meeting of the Company held on 7 June 2013, it was approved to make a voluntary cash offer to repurchase up to 7,917,171 ordinary shares of US\$0.10 each of the Company in issue, representing approximately 5.00% of the entire issued share capital of the Company as at 13 May 2013, at a price of HK\$20.94 per share, subject to the terms and conditions set out in the offer document dated 13 May 2013. As a result, a total number of 7,917,171 ordinary shares of US\$0.10 each were repurchased and cancelled on 3 July 2013.

Save as disclosed above, during the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

By Order of the Board

**LI Yinquan**

*Chairman*

Hong Kong, 26 March 2014

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