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 2012

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 2012 of the Company and its subsidiaries (the "**Group**") together with the 2011 comparative figures are as follows:-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	2012	2011
	US$	*US$*
Change in fair value of financial assets at fair value through profit or loss	**23,636,644**	(19,745,991)
Investment income *(Note 3)*	**13,679,480**	17,330,254
Other gains and losses	**172,122**	499,670
Administrative expenses	**(11,789,508)**	(15,762,196)
Share of results of associates	**(1,411,813)**	58,112
Profit (loss) before taxation	**24,286,925**	(17,620,151)
Taxation *(Note 5)*	**(14,403,677)**	(2,207,479)
Profit (loss) for the year	**9,883,248**	(19,827,630)
Other comprehensive income (loss)		
Exchange difference arising on translation	**959,878**	21,294,983
Share of change in translation reserve of associates	**49,432**	121,604
Change in fair value of available-for-sale financial assets	**(13,430)**	4,694
Other comprehensive income for the year	**995,880**	21,421,281
Total comprehensive income for the year	**10,879,128**	1,593,651
Profit (loss) for the year attributable to owners of the Company	**9,883,248**	(19,827,630)
Total comprehensive income attributable to owners of the Company	**10,879,128**	1,593,651
Basic earnings (loss) per share *(Note 6)*	**0.064**	(0.132)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	2012	2011
	US$	*US$*
Non-current assets		
Interests in associates	**21,237,267**	22,890,874
Financial assets at fair value through profit or loss	**252,189,653**	219,725,630
Available-for-sale financial assets	**-**	726,698
	273,426,920	243,343,202
Current assets		
Financial assets at fair value through profit or loss	**236,147,975**	215,401,697
Available-for-sale financial assets	**713,268**	-
Other receivables	**709,793**	1,612,182
Bank balances and cash	**57,778,638**	95,824,723
	295,349,674	312,838,602
Current liabilities		
Other payables	**22,654,936**	21,050,450
Taxation payable	**3,943,887**	3,999,297
	26,598,823	25,049,747
Net current assets	**268,750,851**	287,788,855
Total assets less current liabilities	**542,177,771**	531,132,057
Non-current liabilities		
Financial liabilities at fair value through profit or loss	**1,192,063**	1,268,441
Deferred taxation	**62,583,346**	52,953,100
	63,775,409	54,221,541
Net assets	**478,402,362**	476,910,516
Capital and reserves		
Share capital	**15,834,342**	15,149,904
Share premium and reserves	**237,712,531**	228,287,230
Retained profits	**224,855,489**	233,473,382
Equity attributable to owners of the Company	**478,402,362**	476,910,516
Net asset value per share *(Note 7)*	**3.021**	3.148

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.

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 amendments to HKFRSs issued by the HKICPA.

HKFRS 7 (Amendments)	Financial instruments: Disclosures – Transfers of financial assets
HKAS 12 (Amendments)	Deferred tax – Recovery of underlying assets

The application of the above amendments to HKFRSs in the current year has had no material effect 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.

<u>New and revised HKFRSs in issue but not yet effective</u>

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

HKFRSs (Amendments)	Annual improvements to HKFRSs 2009 – 2011 Cycle [2]
HKFRS 7 (Amendments)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities[2]
HKFRS 9 and 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[4]
HKFRS 10, 12 and HKAS 27 (Amendments)	Investment entities[3]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 10, 11 and 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interest in other entities: Transition guidance[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of financial statements – Presentation of items of other comprehensive income[1]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
HKAS 32 (Amendments)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities[3]
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine[2]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

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 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be 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 reporting 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 liability's credit risk are not subsequently reclassified to profit or loss. Previously, 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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with early application permitted.

Based on the Group's financial assets and financial liabilities as at 31 December 2012, the Group anticipates that the application of HKFRS 9 will have no material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

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

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

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities.

Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at FVTPL.

To qualify as an investment entity, certain criteria have to be met. Specifically, an 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 to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted.

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 Group is in the process of making an assessment of the impact of these amendments to HKFRSs.

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies 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 in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with early application permitted. The Group is in the process of making an assessment of the impact of HKFRS 13.

The Group is in the process of making an assessment of the impact of other new and revised HKFRSs.

3. INVESTMENT INCOME

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

	THE GROUP 2012 US$	THE GROUP 2011 US$
Interest income on		
Bank deposits	**1,651,595**	2,044,796
Available-for-sale financial assets - listed	**40,600**	40,600
	1,692,195	2,085,396
Dividend income on financial assets designated at FVTPL		
Listed investments	**6,613,938**	5,665,388
Unlisted investments	**5,373,347**	9,579,470
	11,987,285	15,244,858
Total	**13,679,480**	17,330,254

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

	THE GROUP 2012 US$	THE GROUP 2011 US$
Available-for-sale financial assets	**40,600**	40,600
Loans and receivables (including bank balances and cash)	**1,651,595**	2,044,796
Total interest income for financial assets not designated at FVTPL	**1,692,195**	2,085,396
Investment income earned on financial assets designated at FVTPL	**11,987,285**	15,244,858
Total	**13,679,480**	17,330,254

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, 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, 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 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)	**79,671,328**	**(39,530,168)**	**(10,507,352)**	**4,567,457**	**199,298**	**34,400,563**
Unallocated:						
- Administrative expenses						**(11,789,508)**
- Interest income on bank deposits						**1,651,595**
- Other gains and losses						**24,275**
Profit before taxation						**24,286,925**

For the year ended 31 December 2011

	Financial services *US$*	Culture and media *US$*	Manufacturing *US$*	Information technology *US$*	Others *US$*	Total *US$*
Change in investment value	(31,467,745)	9,302,832	(1,923,863)	2,028,429	2,372,468	(19,687,879)
Dividend income on financial assets designated at FVTPL	12,115,797	3,121,613	-	-	7,448	15,244,858
Interest income from available-for-sale financial assets	-	-	-	-	40,600	40,600
Other gains and losses	7,518	53,627	309,007	-	-	370,152
Segment (loss) profit	(19,344,430)	12,478,072	(1,614,856)	2,028,429	2,420,516	(4,032,269)
Unallocated:						
- Administrative expenses						(15,762,196)
- Interest income on bank deposits						2,044,796
- Other gains and losses						129,518
Loss before taxation						(17,620,151)

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:

	2012	2011
	US$	*US$*
Segment assets		
Financial services	**347,435,860**	298,012,911
Culture and media	**96,602,886**	112,348,567
Manufacturing	**37,578,686**	28,769,052
Information technology	**21,222,433**	16,600,803
Others	**7,911,903**	3,013,566
Total segment assets	**510,751,768**	458,744,899
Unallocated	**58,024,826**	97,436,905
Consolidated assets	**568,776,594**	556,181,804
Segment liabilities		
Financial services	**5,654**	5,214
Culture and media	**556,780**	833,748
Manufacturing	**181,422**	115,342
Information technology	**325,149**	269,106
Others	**123,058**	45,031
Total segment liabilities	**1,192,063**	1,268,441
Unallocated	**89,182,169**	78,002,847
Consolidated liabilities	**90,374,232**	79,271,288

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) credit for the year comprises:

	THE GROUP	
	2012	2011
	US$	*US$*
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	**(4,913,290)**	(26,042,014)
Deferred taxation		
Current year	**(9,490,387)**	23,834,535
Total	**(14,403,677)**	(2,207,479)

Hong Kong Profits Tax is calculated at 16.5% (2011: 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.

The PRC promulgated the Law of the PRC on Enterprise Income Tax (the "**Tax Law**") by Order No. 63 of the President of the PRC on 16 March 2007. The State Council of the PRC issued Implementation Regulations of the Tax Law and the Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax (Guo Fa [2007] No. 39) on 6 December 2007 and 26 December 2007 respectively. Accordingly, the applicable Enterprise Income Tax rate for a PRC subsidiary of the Company in 2012 is 25% (2011: 24%). Other PRC incorporated entities which were incorporated after 15 March 2007, are subject to 25% tax rate for Enterprise Income Tax with effect from 1 January 2008.

Under the Tax Law, 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 (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the earnings for the year of US$9,883,248 (2011: a loss of US$19,827,630) and the weighted average number of 154,350,861 ordinary shares (2011: 150,126,198 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$478,402,362 (2011: US$476,910,516) and 158,343,417 ordinary shares (2011: 151,499,036 ordinary shares) of US$0.10 each in issue at 31 December 2012.

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 16 May 2013 the payment of a final dividend of US$0.05 (or HK$0.39) per share (2011: US$0.04) for the year ended 31 December 2012 to shareholders whose names appear on the register of members on 23 May 2013. The final dividend, if approved, is to be payable in cash, with an option to receive new, fully paid shares in lieu of cash (the "**Scrip Dividend Scheme**"). Total dividend for the year is US$0.05 (or HK$0.39) per share (2011: US$0.12), amounting to US$7,917,171 (2011: US$18,179,884).

Subject to the approval by shareholders at the forthcoming AGM, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 27 June 2013. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme. It is expected that the dividend warrants and the share certificates for the Scrip Dividend Scheme will be sent to shareholders on or around 31 July 2013.

BOOK CLOSURE

The register of members of the Company will be closed from 14 May 2013 to 16 May 2013, 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 13 May 2013. 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 23 May 2013. 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 23 May 2013.

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$9.88 million for the year ended 31 December 2012, compared to a loss attributable to equity shareholders of US$19.83 million for the same period last year – with the movement from loss to profit largely attributable to a turnaround in the fair value of the financial assets designated at FVTPL (the "**Financial Assets**"). As of 31 December 2012, the net assets of the Group were US$478.40 million (31 December 2011: US$476.91 million), with a net asset value per share of US$3.021 (31 December 2011: US$3.148).

For 2012, the gain on change in fair value of the Financial Assets was US$23.64 million (2011: loss on change in fair value of US$19.75 million). The fair value of listed and unlisted direct investments recorded a gain of US$43.42 million and a loss of US$19.78 million, respectively.

Total investment income for the year decreased by 21% compared to the same period last year, to US$13.68 million (2011: US$17.33 million), due primarily to a decrease in dividend income from investments and in interest income.

Material Acquisitions and Disposals of Investments

In 2012, the Group sought out and evaluated many investment opportunities, and entered into two new investments in the agriculture and culture and media industries.

On 26 July 2012, the Group invested US$4.73 million in Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd. ("**Chengtian**", formerly known as Bazhou Chengtian Cotton Co., Ltd.) for a 6.25% equity interest in the enlarged capital of Chengtian. Chengtian's current principal businesses include acquisition of unginned cotton and cottonseed; processing of unginned cotton; wholesale and retail sales of ginned cotton, cotton by-products, cotton linter, and cottonseed; processing and sale of cottonseed oil, cottonseed husk, cottonseed meal, and cottonseed protein; and cultivation and sale of cotton, jujube, fruit, animal forage and other crops.

On 20 August 2012, the Group invested US$16.07 million in Esurfing Media Co., Ltd. ("**Esurfing**") for a 5.37% equity interest in the enlarged capital of Esurfing. Esurfing's principal business is to provide platform services for mobile and online videos.

In addition, the Group disposed of certain investments in 2012.

The Group was granted authorisation by its shareholders to dispose of its entire holding of A shares of both China Merchants Bank Co., Ltd. ("**CMB**") and Industrial Bank Co., Ltd. ("**IBC**"). During the year, the Group did not dispose of any A shares of IBC, but did dispose of 12 million A shares of CMB for net proceeds of US$20.49 million.

For the period from 26 November to 11 December 2012, the Group disposed of 785,714 American depositary shares of Renren Inc. in the open market, which represented the Group's entire equity interest in Renren Inc., for net proceeds of US$2.56 million. To compare with the carrying value of US$2.79 million at the end of 2011, the Group made an accounting loss on disposal of US$0.23 million in 2012.

Liquidity, Financial Resources, Gearing and Capital Commitments

The Group's cash on hand decreased by 40%, from US$95.82 million at the end of last year to US$57.78 million as of 31 December 2012 (representing 10.15% of the Group's total assets), due primarily to capital contributions made during the year to Guangxi Hwagain Group Co., Ltd., China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**"), Chengtian and Esurfing.

As of 31 December 2012, the Group had no outstanding bank loans (31 December 2011: Nil).

As of 31 December 2012, the Group had capital commitments of US$19.86 million (31 December 2011: US$50.58 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 the subscription for the convertible bonds of NTong Technology Co., Ltd., which is contingent upon request and fulfillment of certain conditions as stipulated in the investment agreement.

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 0.24% in 2012, 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 2012, the Group's total investments amounted to US$510.28 million, which comprised US$509.57 million in direct investments and US$0.71 million in bonds. The sector distribution of direct investments was US$347.44 million in financial services (representing 61.09% of the Group's total assets), US$96.60 million in culture and media (16.98%), US$37.12 million in manufacturing (6.53%), and US$28.41 million in other ventures (including energy and resources, information technology, agriculture and real estate) (5.00%). In addition, cash on hand was US$57.78 million, representing 10.15% of the Group's total assets as of 31 December 2012.

Prospects

It is expected that the global economy in 2013 will remain in a time of post-crisis deep correction. The global environment will be full of complexities and uncertainties. Though originally equipped with competitive advantages, China's growth momentum will gradually be weakened while new advantages are yet to be established. Together with unstable market confidence and expectations, China's economy is in the process of seeking a new balance. In 2013, China's growth in aggregate demand will continue to face certain downside risks. First, growth in exports is expected to be roughly the same as in 2012, given overall global economic conditions in 2013, as well as factors like increasing labour costs, weakening of the advantage of lower costs and further structural adjustments. Second, consumption growth is expected to remain stable. In the current downtrend of the economy, employment has remained generally stable, and income for residents of both urban and rural areas has maintained its rapid growth. These factors form the foundation for steady growth in consumption. An improvement or increase in sales volume for housing, for automobile and petroleum products, for jewelry and precious metals, as well as for other related industrial products, will also drive steady growth in consumption. In addition, investment growth will face certain downward pressures, mainly due to the impact of an inadequate recovery in real estate, a slowdown of investment in the manufacturing industry, and limitations from various factors on the expansion of infrastructure investments. In 2013, reflecting a new round of global monetary easing, a rise in prices of domestic or international bulk commodities and a short-term inflow of capital may increase the upward pressure on prices in China. Given the macro-economic framework of actively and properly maintaining stable and rapid development in economy as advocated by the Central Government, the Group will actively seek more investment opportunities.

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 and agriculture. 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 (Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012)) 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 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. In addition, it is suitable for the Company to hold regular Board meeting twice a year at a minimum.

Due to business trips or other business engagements, some of the Directors were unable to attend the AGM and/or the extraordinary general meeting ("**EGM**") of the Company held on 17 May 2012 and 29 November 2012. The attendance of each of the Directors and Alternate Director will be set out in the section of Corporate Governance Report contained in the Annual Report 2012.

At the forthcoming AGM of the Company, a resolution will be put forth to approve the re-election of Mr. TSANG Wah Kwong as Director of the Company pursuant to Article 101 of the Articles of Association of the Company. However, according to the code provision A.4.2, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, i.e. the EGM of the Company held on 29 November 2012.

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. Having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code throughout the year under review.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

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

By Order of the Board
ZHOU Linda Lei
Director

Hong Kong, 27 March 2013

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.