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 2010

The Board of Directors of China Merchants China Direct Investments Limited (the "**Company**") announces that the audited consolidated results for the year ended 31 December 2010 of the Company and its subsidiaries (the "**Group**") together with the 2009 comparative figures are as follows:-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	US$	*US$*
Change in fair value of financial assets at fair value through profit or loss	**(140,043,610)**	388,682,366
Investment income *(Note 3)*	**13,088,836**	8,440,088
Other income	**179,195**	153,757
Administrative expenses	**(26,733,102)**	(31,252,692)
Share of results of associates	**2,203,129**	1,556,589
Gain on deemed disposal of associate	**2,523,001**	-
(Loss) profit before taxation	**(148,782,551)**	367,580,108
Taxation *(Note 5)*	**36,723,056**	(103,974,484)
(Loss) profit for the year	**(112,059,495)**	263,605,624
Other comprehensive income (loss)		
Exchange difference arising on translation	**14,899,642**	83,200
Share of change in translation reserve of associates	**1,386,656**	(26,905)
Change in fair value of available-for-sale financial assets	**23,666**	1,199
Other comprehensive income for the year	**16,309,964**	57,494
Total comprehensive (loss) income for the year	**(95,749,531)**	263,663,118
(Loss) profit for the year attributable to owners of the Company	**(112,059,495)**	263,605,624
Total comprehensive (loss) income attributable to owners of the Company	**(95,749,531)**	263,663,118
Basic (loss) earnings per share *(Note 6)*	**(0.751)**	1.767

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	2010	2009
	US$	*US$*
Non-current assets		
Interests in associates	**22,382,129**	17,651,708
Financial assets at fair value through profit or loss	**207,681,626**	117,078,997
Available-for-sale financial assets	**722,004**	698,338
	230,785,759	135,429,043
Current assets		
Financial assets at fair value through profit or loss	**307,667,689**	569,097,615
Other receivables	**299,032**	481,056
Bank balances and cash	**63,282,735**	129,600,520
	371,249,456	699,179,191
Current liabilities		
Other payables	**34,857,649**	71,724,364
Taxation payable	**5,015,328**	20,344,661
	39,872,977	92,069,025
Net current assets	**331,376,479**	607,110,166
Total assets less current liabilities	**562,162,238**	742,539,209
Non-current liabilities		
Financial liabilities at fair value through profit or loss	**661,699**	421,986
Deferred taxation	**74,094,298**	144,046,891
	74,755,997	144,468,877
Net assets	**487,406,241**	598,070,332
Capital and reserves		
Share capital	**14,914,560**	14,914,560
Share premium and reserves	**202,149,946**	185,605,050
Retained profits	**270,341,735**	397,550,722
Equity attributable to owners of the Company	**487,406,241**	598,070,332
Net asset value per share *(Note 7)*	**3.268**	4.010

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.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**"). 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 the following new and revised Standards, Amendments and Interpretations ("**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting years.

New and revised HKFRSs affecting presentation and disclosure only

HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

The Group has applied HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to the Group's accounting policies for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current financial year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting years.

Results of the Group in future financial years may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

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:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[2]
HKFRS 9	Financial instruments (relating to the classification and measurement of financial assets)[3]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[4]
HKAS 24 (Revised)	Related party disclosures[5]
HKAS 32 (Amendment)	Classification of rights issues[6]
HK(IFRIC) - INT 14 (Amendment)	Prepayments of a minimum funding requirement[5]
HK(IFRIC) - INT 19	Extinguishing financial liabilities with equity instruments[7]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2011.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 January 2011.
[6] Effective for annual periods beginning on or after 1 February 2010.
[7] Effective for annual periods beginning on or after 1 July 2010.

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* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either 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 relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in 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 presentation 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of change in fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

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.

The Group also anticipates that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements of the Group.

3. INVESTMENT INCOME

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

	THE GROUP	
	2010	2009
	US$	*US$*
Interest income on		
Bank deposits	**894,755**	1,694,334
Available-for-sale financial assets - listed	**40,600**	21,417
	935,355	1,715,751
Dividend income		
Listed investments	**7,083,323**	4,798,558
Unlisted investments	**5,070,158**	1,925,779
	12,153,481	6,724,337
Total	**13,088,836**	8,440,088

3. INVESTMENT INCOME - continued

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

	THE GROUP	
	2010	2009
	US$	*US$*
Available-for-sale financial assets	**40,600**	21,417
Loans and receivables (including bank balances and cash)	**894,755**	1,694,334
Total interest income for financial assets not designated as at fair value through profit or loss	**935,355**	1,715,751
Investment income earned on financial assets designated as at fair value through profit or loss	**12,153,481**	6,724,337
Total	**13,088,836**	8,440,088

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, real estate and other types of investing activities are 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) Others: investees engaged in investments related to energy and resources, real estates 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 segments for the year under review.

For the year ended 31 December 2010

	Financial services	**Culture and media**	**Manufacturing**	**Others**	**Total**
	US$	***US$***	***US$***	***US$***	***US$***
Change in investment value	**(126,213,758)**	**(14,276,283)**	**4,105,884**	**1,066,677**	**(135,317,480)**
Dividend income	**9,481,481**	**2,418,962**	**249,631**	**3,407**	**12,153,481**
Interest income from available -for-sale financial assets	**-**	**-**	**-**	**40,600**	**40,600**
Other income	**23,617**	**155,578**	**-**	**-**	**179,195**
Segment (loss) profit	**(116,708,660)**	**(11,701,743)**	**4,355,515**	**1,110,684**	**(122,944,204)**
Unallocated:					
- Administrative expenses					**(26,733,102)**
- Interest income on bank deposits					**894,755**
Loss before taxation					**(148,782,551)**

4. SEGMENTAL INFORMATION - continued

For the year ended 31 December 2009

	Financial services *US$*	Culture and media *US$*	Manufacturing *US$*	Others *US$*	Total *US$*
Change in investment value	377,087,319	11,595,047	1,524,084	32,505	390,238,955
Dividend income	6,724,337	-	-	-	6,724,337
Interest income from available -for-sale financial assets	-	-	-	21,417	21,417
Other income	37,115	116,642	-	-	153,757
Segment profit	383,848,771	11,711,689	1,524,084	53,922	397,138,466
Unallocated:					
- Administrative expenses					(31,252,692)
- Interest income on bank deposits					1,694,334
Profit before taxation					367,580,108

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

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

	2010 ***US$***	2009 *US$*
Segment assets		
Financial services	**421,070,077**	611,938,414
Culture and media	**87,427,019**	71,999,119
Manufacturing	**27,027,082**	16,316,391
Others	**2,929,270**	4,272,734
Total segment assets	**538,453,448**	704,526,658
Unallocated	**63,581,767**	130,081,576
Consolidated assets	**602,035,215**	834,608,234
Segment liabilities		
Financial services	**5,295**	-
Culture and media	**522,487**	378,116
Manufacturing	**90,772**	-
Others	**43,145**	43,870
Total segment liabilities	**661,699**	421,986
Unallocated	**113,967,275**	236,115,916
Consolidated liabilities	**114,628,974**	236,537,902

4. SEGMENTAL INFORMATION - continued

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

All assets are allocated to reportable segments other than 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 credit (charge) for the year comprises:

	THE GROUP	
	2010	2009
	US$	*US$*
The Company and its subsidiaries:		
Current tax:		
Hong Kong	**-**	423
PRC Enterprise Income Tax	**(35,714,392)**	(34,384,870)
	(35,714,392)	(34,384,447)
Deferred taxation		
Current year	**72,437,448**	(65,164,579)
Attributable to the change in expected reversal date of temporary differences	**-**	(4,425,458)
Total	**36,723,056**	(103,974,484)

Hong Kong Profits Tax is calculated at 16.5% (2009: 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 "**New 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 New 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 2010 is 22% (2009: 20%) and such tax rate will be gradually increased to 25% in 2012. Other PRC incorporated entities which were incorporated after 15 March 2007, are subject to 25% tax rate for Enterprise Income Tax effective from 1 January 2008. The applicable PRC tax rate for the Company as non-resident is 10%.

6. BASIC (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss for the year of US$112,059,495 (2009: a profit of US$263,605,624) and the number of 149,145,600 ordinary shares (2009: 149,145,600 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 is based on the net assets of US$487,406,241 (2009: US$598,070,332) and 149,145,600 ordinary shares (2009: 149,145,600 ordinary shares) of US$0.10 each in issue.

SUBSEQUENT EVENTS

Subsequent to 31 December 2010, the Group has the following acquisition and disposal of investments:

(a) On 26 January 2011, the Group entered into a capital increase agreement in relation to Xi'an Jinpower Electrical Co., Ltd. ("**Jinpower Electrical**") whereby the Group agreed to make a cash injection of RMB20 million (equivalent to US$3.03 million) into Jinpower Electrical for a 5.26% enlarged equity interest. Jinpower Electrical is a technology-oriented company principally engaged in the research, development and production of intelligent on-line monitoring systems for transmission lines and substation equipment of power grid.

(b) On 4 March 2011, the Group entered into a share transfer agreement with China Merchants Finance Investment Holdings Co., Ltd. ("**CMFI**") whereby the Group agreed to sell 10% equity interest in Morgan Stanley Huaxin Fund Management Company Limited ("**Morgan Stanley Fund**") to CMFI. The consideration for the disposal was RMB33 million (equivalent to US$5.03 million) in cash, which was arrived at after arm's length negotiation between the Group and CMFI with reference to a valuation as at 1 January 2011 in the range of RMB27 million to RMB33 million based on market approach and assessed by a professional independent third party. The audited book value of the 10% equity interest in Morgan Stanley Fund as at 31 December 2010 was RMB11.2 million. For Morgan Stanley Fund, the audited losses before and after taxation were RMB34.08 million and RMB26.83 million respectively for the year ended 31 December 2009 and the audited profit before and after taxation were RMB0.54 million and RMB0.79 million respectively for the year ended 31 December 2010. The realised accounting profit of the disposal for the Group is approximately RMB21.8 million, which represents the difference between the consideration and the book value of the 10% equity interest in Morgan Stanley Fund.

DIVIDEND

No interim dividend was declared during the year.

The Board of Directors has resolved to recommend at the forthcoming annual general meeting to be held on 19 May 2011 the payment of a final dividend of US$0.04 (or HK$0.31) per share (2009: US$0.04) and a special dividend of US$0.07 (or HK$0.55) per share (2009: US$0.06), totalling US$0.11 (or HK$0.86) per share, for the year ended 31 December 2010 to shareholders whose names appear on the register of members on 19 May 2011. The final and special dividends, if approved, are 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$0.11 (or HK$0.86) per share (2009: US$0.10), amounting to US$16,406,016 (2009: US$14,914,560).

Subject to the approval by shareholders in the forthcoming annual general meeting, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 30 June 2011. 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 29 July 2011.

BOOK CLOSURE

The register of members of the Company will be closed from 17 May 2011 to 19 May 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final and special dividends to be approved at the forthcoming annual general meeting, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 16 May 2011.

REVIEW AND OUTLOOK

Overall Performance

China Merchants China Direct Investments Limited and its subsidiaries (the "**Group**") recorded a loss attributable to equity shareholders of US$112.06 million for the year ended 31 December 2010, as compared to a profit attributable to equity shareholders of US$263.61 million for the same period last year. The loss was largely attributable to a significant decrease in the fair value of the financial assets designated at fair value through profit or loss (the "**Financial Assets**"). As of 31 December 2010, the net assets of the Group were US$487.41 million (31 December 2009: US$598.07 million), with a net asset value per share of US$3.268 (31 December 2009: US$4.010).

For 2010, the loss on change in fair value of the Financial Assets was US$140.04 million (2009: gain on change in fair value of US$388.68 million), and was chiefly attributable to the fact that both China Merchants Bank Co., Ltd. ("**CMB**") and Industrial Bank Co., Ltd. ("**IBC**"), the Group's two major investments, recorded a loss on change in fair value of US$68.35 million and US$102.34 million, respectively.

Total investment income for the year increased by 55%, as compared to the same period last year, to US$13.09 million (2009: US$8.44 million), due primarily to a significant increase in dividend income from the investment projects.

Material Acquisitions and Disposals of Investments

In 2010, the Group searched relentlessly for investment opportunities and identified several targets in the culture and media, manufacturing, and financial services industries.

On 8 February 2010, the Group made an additional capital investment of US$4.39 million in Inbank Media (China) Co., Ltd. ("**Inbank Media**") and, at the same time, exercised its right to convert the convertible bonds already held by the Group into equity, thereby increasing the Group's interest in Inbank Media from 9.09% to 14.51%.

On 8 March 2010, the Group subscribed to 14.40 million A shares of CMB at RMB8.85 per share for a total consideration of US$18.67 million, as entitled under the CMB A Rights Issue and as approved by shareholders of the Company on 14 December 2009.

On 23 March 2010, the Group subscribed to a new equity issuance by China Credit Trust Co., Ltd. ("**CCT**") on a pro rata basis for a total consideration of US$35.18 million, in order to maintain the Group's original percentage interest in CCT.

On 29 April 2010, the Group entered into an agreement with China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**") to make a capital investment of US$30.02 million by installment, collectively representing a 10% interest in the initial capitalisation of China Media Investment. The first installment of US$5.86 million was made on 1 June 2010. The business scope of China Media Investment includes major projects in broadcasting and media, publishing, animation and creative media, as well as direct investments in the culture and media sector both in China and overseas. Pursuant to a series of agreements, on 30 April 2010, a capital investment of US$0.68 million was made in China Media (Tianjin) Investment Management Co., Ltd. ("**China Media Management**") for a 7.70% enlarged equity interest in China Media Management. China Media Management is the general partner and investment manager of China Media Investment.

On 12 May 2010, the Group made a capital investment of US$2.93 million in Shenzhen Geesun Automation Technology Co., Ltd. ("**Geesun Technology**") for a 15.38% enlarged equity interest in Geesun Technology, pursuant to an agreement dated 30 April 2010. Geesun Technology is a leading manufacturer of equipment and automated production lines for lithium ion batteries and super capacitors.

Material Acquisitions and Disposals of Investments - continued

On 26 May 2010, the Group subscribed to 8.28 million A shares of IBC at RMB18 per share for a total consideration of US$21.83 million, as entitled under the IBC A Rights Issue and as approved by the shareholders of the Company on 5 May 2010.

On 15 September 2010, the Group made a capital investment of US$2.23 million in Yangzhou Huaer Optoelectronic Material Co., Ltd. ("**Huaer Optoelectronic**") for a 7.50% enlarged equity interest in Huaer Optoelectronic. Huaer Optoelectronic is principally engaged in the R&D and production of high purity silica crucibles.

On 27 December 2010, the Group made a capital investment of US$18.10 million in China Business Network ("**CBN**") for a 5.29% enlarged equity interest in CBN. CBN's businesses include television, newspapers, radio, magazines, websites, and research institutes.

In addition, the Group disposed of/exited from certain investments in 2010.

The Group disposed of its 0.45% interest (representing 8.736 million shares) in Industrial Securities Co., Ltd. ("**Industrial Securities**") for a consideration of US$12.86 million (equivalent to RMB87.36 million) through a sale to an independent third party. An equity exchange contract was entered into on 15 June 2010, and the consideration was received on 8 July 2010. The Group acquired its equity interest in Industrial Securities through an investment of RMB8.51 million in 1999. The consideration received for the disposal is equivalent to approximately 10.3 times the original capital contribution, and approximately 3.8 times the audited net asset value of Industrial Securities for the financial year of 2009. The pre-tax internal rate of return of the Group's investment in Industrial Securities amounts to approximately 27%.

In July 2010, an agreement was reached between the Group, Langfang Oriental Education Facilities Development Co., Ltd. ("**Oriental**") and another shareholder of Oriental on the conclusion of the Group's participation in Oriental, pursuant to which the Group would receive a concluded amount of US$1.86 million, which was received in late July 2010. The Group invested US$5 million for an equity interest of 25% in Oriental in 2002. The pre-tax internal rate of return of the Group's investment in Oriental amounts to 7.3%.

The Group has also been actively addressing its non-performing investment projects. In December 2010, the Group reached an agreement with the controlling shareholder of Shenzhen Jutian Investment Co., Ltd. ("**Jutian Investment**") with respect to the transfer of the 4.66% interest of Jutian Investment held by the Group to the controlling shareholder. The Group recovered over US$1 million in cash, which was received by end of 2010. The Group invested US$4.27 million in Jutian Investment in 2001 and a full provision for this investment was made in 2005. Taking into account the recovered amount and one cash dividend received, a cash loss of nearly 70% was sustained by the Group.

The Company was duly granted authorisation by its shareholders to dispose of its entire holding of A shares of both CMB and IBC. During the year, the Group disposed of 59.34 million A shares in CMB and 5.60 million A shares in IBC for net proceeds of US$118.85 million and US$22.38 million, respectively.

Liquidity, Financial Resources, Gearing and Capital Commitments

The Group's cash on hand decreased by 51%, from US$129.60 million at the end of last year to US$63.28 million (representing 10.51% of the Group's total assets) as of 31 December 2010, due primarily to capital investments made during the year.

As of 31 December 2010, the Group had no outstanding bank loans (31 December 2009: Nil).

As of 31 December 2010, the Group had a capital commitment of US$24.16 million (31 December 2009: US$35.17 million) for an investment that was approved, but not yet provided for in the financial statements, and for future scheduled installments related to the 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 U.S. dollar recorded an increase of approximately 3% in 2010, 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 is 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 2010, the Group's total investments were US$538.45 million, which comprised US$537.73 million in direct investments and US$0.72 million in bonds. The sector distribution of direct investments was US$421.07 million in financial services (representing 69.93% of the Group's total assets), US$87.43 million in culture and media (14.52%), US$27.03 million in manufacturing (4.50%), and US$2.20 million in other ventures which included energy and resources, real estate, etc. (0.37%). In addition, cash on hand was US$63.28 million, representing 10.51% of the Group's total assets as of 31 December 2010.

Prospects

In 2011, the world's major economies are expected to be in slow recovery while China will continue to be one of the drivers of economic growth among the developing countries in Asia. China's economic growth may slow from a rapid rate stimulated by government policies to a steadier one in 2011. As for the three major economic drivers - investments, domestic consumption and imports and exports - it is expected that investments will continue to grow at around 20% with investments in projects for restructuring purposes such as strategic emerging industries, construction of social security housing, coordinated regional development and construction of high speed railways becoming a new highlight; that domestic consumption will maintain its rapid growth; and that international trade will be more balanced. However, the risks of inflation and economic overheating are inevitable, and the strength of the macro-economic controls will have greater impact on the overall economy, all posing certain uncertainties over the stable yet faster economic growth of China. The Central Government's economic policy will be more prudent and will include a combination of an active fiscal policy and a more conservative monetary policy. China's fiscal policy will focus more on adjusting the economic structure and stablising growth, and will aim at continuous expansion of domestic consumption and active and steady urbanisation. Its monetary policy will switch from "moderately easy" to "prudent" with greater emphasis on management of inflation expectations, and credit will be granted in a balanced and orderly manner. With tighter credit and fewer sources of funds available to enterprises, it is expected that there will be more opportunities for the Group to make direct investments.

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 consumption projects in the second- and third-tier cities), financial services, culture and media, pharmaceuticals, energy and environmental protection. 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 Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices of the Listing Rules throughout the year under review, except for the deviations as stated below:

According to the existing 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 packages are borne by the Investment Manager, the Company has no salaried employees. Thus, no Remuneration Committee has been established by the Company, and it is suitable for the Company to hold regular Board meeting twice a year at a minimum.

Besides, owing to a business trip, Mr. LI Yinquan, the Chairman of the Board, has given an apology for not being able to host the annual general meeting of the Company which was held on 19 May 2010.

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 of 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
LI Yinquan
Chairman

Hong Kong, 30 March 2011

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. KUT Ying Hay, Mr. WANG Jincheng, Mr. LI Kai Cheong, Samson and Mr. LIU Baojie. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor.