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 2011

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 2011 of the Company and its subsidiaries (the "**Group**") together with the 2010 comparative figures are as follows:-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	2011	2010
	US$	*US$*
Change in fair value of financial assets at fair value through profit or loss	**(19,745,991)**	(140,043,610)
Investment income *(Note 3)*	**17,330,254**	13,088,836
Other gains and losses	**499,670**	179,195
Administrative expenses	**(15,762,196)**	(26,733,102)
Share of results of associates	**58,112**	2,203,129
Gain on deemed disposal of associate	**-**	2,523,001
Loss before taxation	**(17,620,151)**	(148,782,551)
Taxation *(Note 5)*	**(2,207,479)**	36,723,056
Loss for the year	**(19,827,630)**	(112,059,495)
Other comprehensive income		
Exchange difference arising on translation	**21,294,983**	14,899,642
Share of change in translation reserve of associates	**121,604**	1,386,656
Change in fair value of available-for-sale financial assets	**4,694**	23,666
Other comprehensive income for the year	**21,421,281**	16,309,964
Total comprehensive income (loss) for the year	**1,593,651**	(95,749,531)
Loss for the year attributable to owners of the Company	**(19,827,630)**	(112,059,495)
Total comprehensive income (loss) attributable to owners of the Company	**1,593,651**	(95,749,531)
Basic loss per share *(Note 6)*	**(0.132)**	(0.751)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	2011	2010
	US$	*US$*
Non-current assets		
Interests in associates	**22,890,874**	22,382,129
Financial assets at fair value through profit or loss	**219,725,630**	207,681,626
Available-for-sale financial assets	**726,698**	722,004
	243,343,202	230,785,759
Current assets		
Financial assets at fair value through profit or loss	**215,401,697**	307,667,689
Other receivables	**1,612,182**	299,032
Bank balances and cash	**95,824,723**	63,282,735
	312,838,602	371,249,456
Current liabilities		
Other payables	**21,050,450**	34,857,649
Taxation payable	**3,999,297**	5,015,328
	25,049,747	39,872,977
Net current assets	**287,788,855**	331,376,479
Total assets less current liabilities	**531,132,057**	562,162,238
Non-current liabilities		
Financial liabilities at fair value through profit or loss	**1,268,441**	661,699
Deferred taxation	**52,953,100**	74,094,298
	54,221,541	74,755,997
Net assets	**476,910,516**	487,406,241
Capital and reserves		
Share capital	**15,149,904**	14,914,560
Share premium and reserves	**228,287,230**	202,149,946
Retained profits	**233,473,382**	270,341,735
Equity attributable to owners of the Company	**476,910,516**	487,406,241
Net asset value per share *(Note 7)*	**3.148**	3.268

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, for the first time, the following new and revised Standards, Amendments and Interpretations ("**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issues
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments

The application of the above new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or 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 HKFRSs that have been issued but are not yet effective:

HKFRS 7 (Amendments)	Financial instruments: Disclosures – Transfers of financial assets[1]
HKFRS 7 (Amendments)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Revised) (Amendments)	Presentation of financial statements – Presentation of items of other comprehensive income[5]
HKAS 12 (Amendments)	Deferred tax – Recovery of underlying assets[4]
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[6]
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 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

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:

- HKFRS 9 requires 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.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss ("**FVTPL**")) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at FVTPL, 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

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

Based on the Group's financial assets and financial liabilities as at 31 December 2011, 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.

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	
	2011	2010
	US$	*US$*
Interest income on		
Bank deposits	**2,044,796**	894,755
Available-for-sale financial assets - listed	**40,600**	40,600
	2,085,396	935,355
Dividend income on financial assets designated as at FVTPL		
Listed investments	**5,665,388**	7,083,323
Unlisted investments	**9,579,470**	5,070,158
	15,244,858	12,153,481
Total	**17,330,254**	13,088,836

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

	THE GROUP	
	2011	2010
	US$	*US$*
Available-for-sale financial assets	**40,600**	40,600
Loans and receivables (including bank balances and cash)	**2,044,796**	894,755
Total interest income for financial assets not designated as at FVTPL	**2,085,396**	935,355
Investment income earned on financial assets designated as at FVTPL	**15,244,858**	12,153,481
Total	**17,330,254**	13,088,836

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) Information technology: investees engaged in information technology activities.
(e) Others: investees engaged in investments related to energy and resources, 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 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 as 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)**

For the year ended 31 December 2010

	Financial services *US$*	Culture and media *US$*	Manufacturing *US$*	Information technology *US$*	Others *US$*	Total *US$*
Change in investment value	(126,213,758)	(14,276,283)	4,105,884	-	1,066,677	(135,317,480)
Dividend income on financial assets designated as at FVTPL	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 gains and losses	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

Segment profit (loss) represents the change in value of investments (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 purpose 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 accounting policies of the reportable and operating segments are the same as the Group's accounting policies.

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

	2011	2010
	US$	*US$*
Segment assets		
Financial services	**298,012,911**	421,070,077
Culture and media	**112,348,567**	87,427,019
Manufacturing	**28,769,052**	27,027,082
Information technology	**16,600,803**	-
Others	**3,013,566**	2,929,270
Total segment assets	**458,744,899**	538,453,448
Unallocated	**97,436,905**	63,581,767
Consolidated assets	**556,181,804**	602,035,215
Segment liabilities		
Financial services	**5,214**	5,295
Culture and media	**833,748**	522,487
Manufacturing	**115,342**	90,772
Information technology	**269,106**	-
Others	**45,031**	43,145
Total segment liabilities	**1,268,441**	661,699
Unallocated	**78,002,847**	113,967,275
Consolidated liabilities	**79,271,288**	114,628,974

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 (charge) credit for the year comprises:

	THE GROUP	
	2011	2010
	US$	*US$*
The Company and its subsidiaries:		
Current tax:		
PRC Enterprise Income Tax	**(26,042,014)**	(35,714,392)
Deferred taxation		
Current year	**23,834,535**	72,437,448
Total	**(2,207,479)**	36,723,056

Hong Kong Profits Tax is calculated at 16.5% (2010: 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 2011 is 24% (2010: 22%) and such tax rate will be 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 PER SHARE

The calculation of basic loss per share is based on the loss for the year of US$19,827,630 (2010: US$112,059,495) and the weighted average of number of 150,126,198 ordinary shares (2010: 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$476,910,516 (2010: US$487,406,241) and 151,499,036 ordinary shares (2010: 149,145,600 ordinary shares) of US$0.10 each in issue.

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 17 May 2012 the payment of a final dividend of US$0.04 (or HK$0.31) per share (2010: US$0.04) and a special dividend of US$0.08 (or HK$0.62) per share (2010: US$0.07), totalling US$0.12 (or HK$0.93) per share (2010: US$0.11), for the year ended 31 December 2011 to shareholders whose names appear on the register of members on 23 May 2012. 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$0.12 (or HK$0.93) per share (2010: US$0.11), amounting to US$18,179,884 (2010: US$16,406,016).

Subject to the approval by shareholders at 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 27 June 2012. 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 2012.

BOOK CLOSURE

The register of members of the Company will be closed from 15 May 2012 to 17 May 2012, 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 annual general meeting, 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 14 May 2012. Subject to the approval by shareholders at the forthcoming annual general meeting, the final dividend and special dividends will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on 23 May 2012. In order to qualify for the final dividend and special dividends, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at the above address not later than 4:30 p.m. on 23 May 2012.

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$19.83 million for the year ended 31 December 2011, compared to a loss attributable to equity shareholders of US$112.06 million for the same period last year – a significant decrease in loss of US$92.23 million. The improvement in loss was largely attributable to a lesser decrease in the fair value of financial assets (the "**Financial Assets**"). As of 31 December 2011, the net assets of the Group were US$476.91 million (31 December 2010: US$487.41 million), with a net asset value per share of US$3.148 (31 December 2010: US$3.268).

For 2011, the loss on change in fair value of the Financial Assets was US$19.75 million (2010: loss on change in fair value of US$140.04 million), and was chiefly attributable to the fact that China Credit Trust Co., Ltd., the Group's major investment, recorded a loss on change in fair value of US$31.19 million.

Total investment income for the year increased by 32% compared to the same period last year, to US$17.33 million (2010: US$13.09 million), due primarily to an increase in dividend income from investment projects and an increase in interest income.

Material Acquisitions and Disposals of Investments

In 2011, the Group searched for investment opportunities and either invested or committed to invest in several new projects in the culture and media, manufacturing, and information technology industries.

On 28 January 2011, the Group invested US$3.03 million in Xi'an Jinpower Electrical Co., Ltd. ("**Jinpower Electrical**") for a 5.26% equity interest in the enlarged capital. Jinpower Electrical is principally engaged in the research, development and production of intelligent on-line monitoring systems for transmission lines and substation equipment for the power grid.

On 20 April 2011, the Group made an investment of US$11 million in Renren Inc. ("**Renren**") through a joint venture, and acquired a beneficial interest in 785,714 American depositary shares of Renren. The American depositary shares of Renren have been listed on the New York Stock Exchange since 4 May 2011. Renren is a leading real name social networking internet platform in China.

On 14 June and 31 August 2011, the Group entered into a capital increase agreement and a supplemental capital increase agreement in relation to Guangxi Hwagain Group Co., Ltd. ("**Hwagain**") respectively. Pursuant to these agreements, in January 2012, the Group made an investment of US$19.04 million in Hwagain, and acquired a 7.10% equity interest in the enlarged capital. Hwagain is principally engaged in the research, development and production of high quality printing paper and tissue paper.

On 5 August 2011, the Group completed an investment of US$2.97 million in Liaoning Zhenlong Native Produce Holding Company Ltd. ("**Liaoning Zhenlong**"), and acquired a 2% equity interest in the enlarged capital. Liaoning Zhenlong is principally engaged in the acquisition, processing, and export and import of agricultural byproducts and domestic produce.

On 29 August 2011, the Group made an investment of US$10.41 million in NTong Technology Co., Ltd. ("**NTong**") for a 12.34% equity interest in the enlarged capital. NTong is principally engaged in software development, operation and maintenance of information technology systems and systems integration.

On 6 December 2011, the Group invested in Teralane Semiconductor (Shenzhen) Co., Ltd. ("**Teralane Semiconductor**") by subscribing to a convertible bond offering in the principal amount of US$0.79 million. The bonds are convertible into an equity interest of approximately 1.80% in the enlarged capital. Teralane Semiconductor is principally engaged in the design of integrated circuit panels, as well as the research and development, manufacture and sale of related products, and the provision of system integration and technical services.

In addition, the Group disposed of certain investments in 2011.

In March 2011, the Group sold its 10% equity interest in Morgan Stanley Huaxin Fund Management Co., Ltd. ("**Morgan Stanley Fund**") to a connected party of the Group in exchange for consideration of RMB33 million (equivalent to US$5.03 million) – an amount that was arrived at through an arm's length negotiation between the Group and the connected party, and that was based on a valuation assessment by a professional and independent third party. The pre-tax internal rate of return of the Group's investment in Morgan Stanley Fund amounts to 20%.

In August 2011, the wholly-owned subsidiaries of Hansen Enterprises Limited, in which the Group has a 35% interest, sold the third floor of Shenzhen Mankam Square (the "**Mankam Project**") to an independent third party for consideration of RMB49 million. In November 2011, the Group received net amounts of US$2.32 million from the Mankam Project, upon completion of the sale. The Group invested US$4.30 million in the Mankam Project in 1994 and made a full provision for the project in 2005, recording a loss of 46% when compared with the original investment cost.

Lastly, the Group was granted authorisation by its shareholders to dispose of its entire holding of A shares of both CMB and IBC. During 2011, the Group did not dispose of any A shares in CMB, but did dispose of 38.40 million A shares in IBC for net proceeds of US$102.09 million.

Liquidity, Financial Resources, Gearing and Capital Commitments

The Group's cash on hand increased by 51%, from US$63.28 million at the end of last year to US$95.82 million (representing 17.23% of the Group's total assets) as of 31 December 2011, due primarily to partial disposal of A shares in IBC during the year.

As of 31 December 2011, the Group had no outstanding bank loans (31 December 2010: Nil).

As of 31 December 2011, the Group had capital commitments of US$50.58 million (31 December 2010: US$24.16 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 Creative Industry Private Equity (Shanghai) Centre (Limited Partnership), the investment in Hwagain, and the subscription for the convertible bonds of NTong, contingent on the request of NTong.

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 5% in 2011, 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 packages are 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 2011, the Group's total investments amounted to US$458.74 million, which comprised US$458.01 million in direct investments and US$0.73 million in bonds. The sector distribution of direct investments was US$298.01 million in financial services (representing 53.59% of the Group's total assets), US$112.35 million in culture and media (20.20%), US$28.77 million in manufacturing (5.17%), and US$18.88 million in other ventures (including energy and resources, information technology and real estate) (3.39%). In addition, cash on hand was US$95.82 million, representing 17.23% of the Group's total assets as of 31 December 2011.

Prospects

In 2012, the world's major economies are expected to grow more slowly and this, in combination with current government policy, may cause China's domestic economic growth to slow to a relatively low range. As growth decelerates, China's trade surplus will narrow and its trade balance will improve. Exports and investment growth may decline, while domestic consumption increases, and this shift will contribute to the economic development of China. Driven by industrial relocation and increased demand for energy and resources, the central and western regions will see more rapid growth, which will be conducive to narrowing the discrepancies between regions. The income of farmers is expected to grow faster than urban residents. Owing to the changes in the supply and demand relationship of labour, the rise in wages is favourable to the improvement of income distribution. Overall, China's economy is expected to slow steadily, with positive progress on economic restructuring. In the face of the notable decline in real estate investment and weak external demand, macroeconomic control measures will be more conservative. The Central Government will continue to pursue an active fiscal policy and a steady monetary policy. As for fiscal policy, the income and expenditure imbalance of the central and local authorities will be resolved through structural reforms of taxation. As for monetary policy, while the aim is structural loosening and optimisation, emphasis will be placed on conservative loosening, rather than stimulative loosening policies. As China sees a transformation in the structure of its domestic economy and upgrades to its industrial base, strategic emerging and service industries backed by the Central Government will evolve gradually, which will provide the Group with more direct 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 the second-and third-tier cities), culture and media, advanced manufacturing, 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 Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the "**Code**") of the Listing Rules for the time being in force 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 determined and 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, at the forthcoming annual general meeting of the Company, resolutions will be put forth to approve the re-election of Mr. XIE Tao and Mr. ZHU Li as Directors 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 extraordinary general meeting of the Company held on 5 December 2011.

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
ZHOU Linda Lei
Director

Hong Kong, 29 March 2012

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. LI Kai Cheong, Samson, Mr. LIU Baojie, Mr. XIE Tao and Mr. ZHU Li. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor.