China Merchants China Direct Investments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

ANNUAL REPORT 2009


100
中国人民银行

CONTENTS

BOARD OF DIRECTORS

Executive Directors:

Mr. LI Yinquan* *(Chairman)*
Mr. HONG Xiaoyuan*
Mr. CHU Lap Lik, Victor*
Ms. ZHOU Linda Lei*
Mr. TSE Yue Kit
Ms. KAN Ka Yee, Elizabeth*
(alternate to Mr. CHU Lap Lik, Victor)*

Non-executive Directors:

Mr. KE Shifeng
Mr. WANG Qi

Independent Non-executive Directors:

Mr. KUT Ying Hay
Mr. WANG Jincheng
Mr. LI Kai Cheong, Samson
Mr. LIU Baojie

* *members of Investment Committee*

AUDIT COMMITTEE

Mr. LI Kai Cheong, Samson
Mr. KUT Ying Hay
Mr. WANG Jincheng

INVESTMENT MANAGER

China Merchants China Investment Management Limited

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

PRINCIPAL BANKERS

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

COMPANY SECRETARY

Mr. LEUNG Chong Shun

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Linklaters
Victor Chu & Co
Woo Kwan Lee & Lo

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Stock Code: 0133.HK
Web-site: www.cmcdi.com.hk

Mr. LI Yinquan

Chairman

The Board of Directors (the “**Board**”) announces that the audited consolidated net asset value of China Merchants China Direct Investments Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”), as of 31 December 2009, amounted to US$598.07 million, with a net asset value per share of US$4.010, representing an increase of 78.9% as compared to US$2.242 in 2008. The Group’s audited consolidated profit after taxation for 2009 was US$263.61 million, compared to an audited consolidated loss of US$620.28 million for the same period last year.

In 2009, a stimulus package was implemented by the Central Government in response to the global financial crisis, which included the exercise of a proactive fiscal policy and a moderately loose monetary policy that helped the Chinese economy to get through the worst of the crisis while reversing the marked downturn in economic growth at faster speeds, resulting in a steady upturn trend of the national economy as a whole. According to a preliminary report of the National Bureau of Statistics of China, China’s gross domestic product (GDP) for 2009 recorded an increase of 8.7% over the prior year, representing a slight decrease of only 0.3 percentage points from the increase of 9% reported in 2008. In 2009, China’s industrial production returned to strong growth and corporate profits showed continuous improvement, while the consumer price index (CPI) generally remained stable. In addition, the decrease in import-export activity seen since May 2009 has begun to reverse, and is now showing a sustained increase in volume.

Despite the turmoil and adjustments experienced in 2009, China’s securities markets on balance remained on a steady upward trend. As the economy gradually recovered, the SSE Composite Index recorded an annual increase of over 79% for the year. Prices of A shares of the two listed banks held by the Group also showed respective increases in pace with the stock market movements, and had a favourable impact on the Group’s operating results for 2009. Meanwhile, other financial services assets held by the Group also benefited from the improving domestic securities market, thereby further strengthening the Group’s performance.

As of the end of 2009, the Group’s total holdings in direct investment projects amounted to US$703.82 million, accounting for 84.32% of the Group’s total asset value and representing an increase of US$280.59 million as compared to US$423.23 million as of the end of the preceding year – largely due to the substantial increase in the value of the banking assets held by the Group, as well as to the completion of investments in three projects. In addition, investment in bonds amounted to US$0.70 million, accounting for 0.08% of the total asset value, and cash on hand was US$129.60 million, accounting for 15.53% of the total asset value.

In 2009, the Investment Manager has been actively seeking new investment opportunities and, on the basis of intensive due diligence and the screening of various projects, the Group invested US$4.39 million to acquire an equity interest of 9.09% in Inbank Media (China) Co., Ltd. and to subscribe to a three-year convertible bond in the amount of US$2.20 million in June 2009. In February 2010, the Group made a further capital investment of US$4.39 million and exercised its right under the convertible bond to convert in full into equity, resulting in the Group holding a cumulative 14.51% equity interest in the project. The project is principally engaged in commercial advertising through its video display network in banking service outlets throughout China, and is seeing satisfactory growth in its business.

In July 2009, the Group made an investment of US$2.20 million to acquire a 5% equity interest in Wuhan Rixin Technology Co., Ltd., which is principally engaged in the design, production and installation of solar modules and Building Integrated Photovoltaic or BIPV products, as well as in the operation and maintenance management of solar-powered electric systems. The project is also seeing satisfactory growth in its business.

In August 2009, the Group made an investment of US$30.77 million to acquire a 21% equity interest in Guangzhou Digital Media Group Ltd. The project is principally engaged in the cable television transmission and internet broadband access, and is continuing to see steady growth in its business.

In 2009, the Group continued to dispose of the A shares of both China Merchants Bank Co., Ltd. ("**CMB**") and Industrial Bank Co., Ltd. ("**IBC**") according to market conditions, with a view to increasing working capital and realising returns for its shareholders. In order to replenish capital and to improve capital adequacy ratios, CMB and IBC successively proposed new stock issuances during 2009. In CMB's A shares issuance, completed in March 2010, the Group subscribed for 14,400,100 A shares at US$18.66 million, and will dispose of the CMB A shares as planned in 2010. IBC's A shares rights issue has yet to be finalised and, in view of expected dilution, the Group will subscribe for the new IBC shares on the condition that the required waivers and approvals are granted.

In order to strengthen the investment management process, and to align the interests of management and relevant staff with the interests of the Company in entering new investment projects, the Investment Manager, with the consent of the Company, is implementing a Co-investment Scheme, commencing in 2009. Since the Co-investment Scheme will enhance both the motivation and carefulness of its participants in assessing investment opportunities for the Company, and since the shareholders of the Company will benefit indirectly from the investment returns of selected projects through their shareholding in the Company, it is therefore in the interests of the Company and its shareholders as a whole. As of 31 December 2009, three projects had been entered into under the Co-investment Scheme.

The existing investment management agreement, which is for a current term of three years, will expire on 14 July 2010. Upon review and recommendation by the independent committee formed by the independent non-executive Directors of the Company, the Company and the Investment Manager re-entered into an investment management agreement on 5 February 2010. As approved by the independent shareholders of the Company on 25 March 2010, the agreement will become effective on 15 July 2010.

Looking ahead to 2010, we believe that challenges and opportunities still exist together. On the one hand, the Chinese economy faces many difficulties – including Renminbi appreciation, inflationary pressure, severe overcapacity, developing economic structures, and a relatively weak social safety net – that increase the uncertainty around China's future economic development. On the other hand, it also appears that a global economic recovery and growth of the Chinese economy will both gain strength in 2010. Steady increases in domestic consumption, growing exports, and a continuing surge in investment capital will all provide support to the Chinese economy and will help to create a favourable investment environment for the Group. As always, the Investment Manager will combat these challenges and strive to identify new investment opportunities to increase shareholders' return.

Lastly, on behalf of the Board, I would like to offer my heartfelt gratitude to the members of the Audit Committee and Investment Committee, and to the entire staff of the Investment Manager for their many contributions and dedicated effort, and to the shareholders for their support. Meanwhile, I will continue to give my best effort to lead the Group in the continual pursuit of creating value for shareholders in the coming year.

Mr. LI Yinquan
Chairman

Hong Kong, 12 April 2010

Mr. HONG Xiaoyuan

Chairman of the Board of the Investment Manager

OVERALL PERFORMANCE

China Merchants China Direct Investments Limited and its subsidiaries (the "**Fund**") recorded a profit attributable to equity shareholders of US$263.61 million for the year ended 31 December 2009, compared to a loss attributable to equity shareholders of US$620.28 million for the same period last year. The reversal was mainly attributable to a significant increase in the fair value of financial assets designated at fair value through profit or loss (the "**Financial Assets**"). As of 31 December 2009, the net assets of the Fund were US$598.07 million (31 December 2008: US$334.41 million), with a net asset value per share of US$4.010 (31 December 2008: US$2.242).

For the year 2009, the increase in fair value of the Financial Assets was US$388.68 million (2008: a decrease in fair value of US$783.31 million) and was concentrated in two of the Fund's investments, namely CMB and IBC, for which the fair values increased by US$84.52 million and US$138.83 million respectively as compared to the end of the previous year.

Total investment income for the year decreased by 34% from the same period last year to US$8.44 million (2008: US$12.77 million), due primarily to a decline in dividend income from CMB, IBC and China Credit Trust Co., Ltd.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In 2009, the Fund increased its efforts in identifying new investment opportunities, with intensive due diligence and screening of projects in financial services, culture and media, energy, environmental protection, pharmaceuticals, manufacturing, hi-tech and consumer related industries. On 30 April 2009, the Fund entered into an agreement with Guangzhou Digital Media Group Ltd. ("**Guangzhou Digital**"), pursuant to which the Fund agreed to invest US$30.77 million to acquire an equity interest of 21% in the enlarged capital of Guangzhou Digital. The transaction was completed on 26 August 2009. On 1 June 2009, the Fund entered into an agreement with Inbank Media (China) Co., Ltd. ("**Inbank Media**"), pursuant to which the Fund agreed to invest US$4.39 million to acquire an equity interest of 9.09% in the enlarged capital of Inbank Media. Under the same transaction, Inbank Media also agreed to issue a convertible bond to the Fund in the amount of US$2.20 million. The convertible bond bears interest at a rate of 6.7% per annum, with a term of three years commencing from cash injection. The transaction was completed on 12 June 2009. On 14 July 2009, the Fund entered into an agreement with Wuhan Rixin Technology Co., Ltd. ("**Wuhan Rixin**") and another investor, pursuant to which the Fund agreed to invest US$2.20 million to acquire an equity interest of 5% in the enlarged capital of Wuhan Rixin. The transaction was completed on 14 July 2009.

The Fund convened an extraordinary general meeting on 15 December 2008 and was authorised to dispose of its entire holding of A shares of both CMB and IBC within a year, and at prices of not less than RMB4.62 per share and RMB7.78 per share, respectively. The Fund convened another extraordinary general meeting on 14 December 2009 and was authorised to dispose of its entire holding of A shares of both CMB and IBC within a year, and at prices of not less than RMB5 per share and RMB12 per share, respectively. During 2009, the Fund disposed of 34.00 million A shares of CMB and 17.80 million A shares of IBC, and the aggregate net proceeds were RMB1,018.43 million.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

The Fund's cash on hand increased by 27%, from US$101.99 million at the end of last year to US$129.60 million as of 31 December 2009, due primarily to the persistent sale of interests in CMB and IBC.

As of 31 December 2009, the Fund had no outstanding bank loans (2008: Nil).

As of 31 December 2009, the Fund had a capital commitment of US$35.17 million (2008: Nil) for an investment that was duly approved, but not yet provided for in the financial statements.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Fund's investments are located in China where the official currency is the Renminbi ("**RMB**"). The conversion rate of RMB against U.S. dollar recorded a slight increase of 0.09% in 2009, which had a positive impact on the Fund since it holds a considerable amount of assets denominated in RMB.

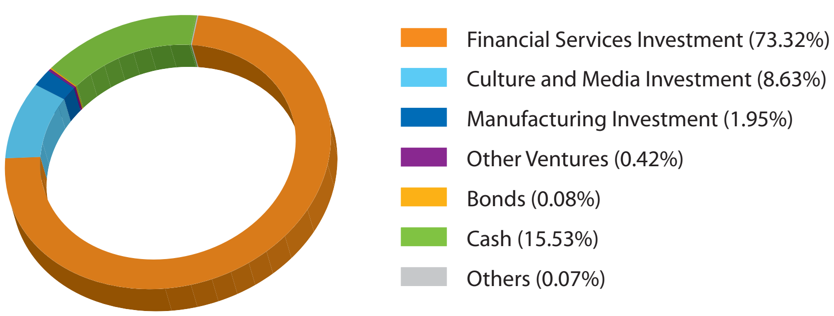
EMPLOYEES

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

THE PORTFOLIO

As of 31 December 2009, the Fund's total investment was US$704.52 million, which comprised US$703.82 million in direct investments and US$0.70 million in bonds. The sector distribution of direct investments was US$611.94 million in financial services (representing 73.32% of the Fund's total assets), US$72.00 million in culture and media (8.63%), US$16.32 million in manufacturing (1.95%), and US$3.56 million in other ventures (including real estate, energy and resources, etc.) (0.42%). In addition, cash on hand was US$129.60 million, representing 15.53% of the Fund's total assets as of 31 December 2009.

TOTAL ASSETS DISTRIBUTION (AS AT 31 DECEMBER 2009)



Ms. ZHOU Linda Lei

Managing Director of the Investment Manager

REVIEW OF DIRECT INVESTMENTS

The following table shows the direct investment projects held by the Fund as at 31 December 2009:

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Book value (US$ million)	Percentage of total assets
Financial Services:					
1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	292	34.97
2. Industrial Bank Co., Ltd.	Fuzhou, Fujian	Banking	Shanghai Stock Exchange	277	33.22
3. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	39	4.62
4. Industrial Securities Co., Ltd.	Fuzhou, Fujian	Securities	Unlisted	3	0.40
5. Morgan Stanley Huaxin Fund Management Co., Ltd.	Shenzhen, Guangdong	Fund management	Unlisted	1	0.11
		Sub-total:		**612**	**73.32**
Culture and Media:					
6. NBA China, L.P.	Beijing	Sports marketing	Unlisted	23	2.77
7. Inbank Media (China) Co., Ltd.	Beijing	Indoor media	Unlisted	7	0.85
8. Guangzhou Digital Media Group Ltd.	Guangzhou, Guangdong	Cable television & broadband access	Unlisted	42	5.01
		Sub-total:		**72**	**8.63**
Manufacturing:					
9. Shandong Jinbao Electronics Co., Ltd.	Zhaoyuan, Shandong	Copper foil & laminates	Unlisted	16	1.95
		Sub-total:		**16**	**1.95**
Others:					
(i) Real Estate:					
10. Langfang Oriental Education Facilities Development Co., Ltd.	Langfang, Hebei	Student dormitory	Unlisted	1	0.16
11. Shenzhen Mankam Square	Shenzhen, Guangdong	Retail shops	Unlisted	–	–
12. China Merchants Plaza (Shanghai) Property Co., Ltd.	Shanghai	Office & commercial	Unlisted	–	–
(ii) Energy & Resources:					
13. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	Unlisted	2	0.26
(iii) Investment:					
14. Shenzhen Jutian Investment Co., Ltd.	Shenzhen, Guangdong	Investment	Unlisted	–	–
		Sub-total:		**3**	**0.42**
		Total:		**703**	**84.32**

China Merchants Bank Co., Ltd. ("CMB") is China's first joint-stock commercial bank and was established in 1987, with its shares listed on the Shanghai Stock Exchange since 2002 and on the Hong Kong Stock Exchange since 2006. In addition to its service outlet network of over 700 branches and offices across China, CMB also owns 100% of Wing Lung Bank in Hong Kong and has established a branch in New York, the United States, and a representative office in London, the United Kingdom. CMB has become one of the top 100 banks worldwide. As of the balance sheet date, the Fund held 110.77 million A shares of CMB, representing an equity interest of 0.58%, and with an investment cost of RMB81.73 million (equivalent to US$9.58 million). The book value of the Fund's holding in CMB was US$291.84 million. In July 2009, the Fund received a cash dividend of RMB9.38 million for 2008, along with 28.15 million bonus shares from CMB.

In 2009, the Fund disposed of a total of 34.00 million A shares of CMB, and the net proceeds amounted to RMB572.50 million.

In October 2009, a proposed rights issue of A shares and H shares was approved at CMB's shareholders meeting. In February 2010, CMB's Board resolved that the rights issue would be conducted on the basis of 1.3 shares for every 10 existing shares. In early April 2010, CMB successfully completed the rights issue in full and raised nearly RMB22 billion in new capital.

On 14 December 2009, the Fund was authorised to participate in CMB's rights issue, pursuant to a mandate granted at an extraordinary general meeting. On 8 March 2010, the Fund made a capital investment of RMB127.44 million (equivalent to US$18.66 million) to subscribe for 14,400,100 A shares at a price of RMB8.85 per share. The Fund will dispose of its CMB shares as planned during 2010 so that the value of its investment in CMB will not exceed 20% of the Fund's net asset value, in compliance with Rule 21.04(3)(b) of the Listing Rules.

Industrial Bank Co., Ltd. ("IBC") is a joint-stock commercial bank incorporated in the PRC, with shares listed on the Shanghai Stock Exchange since 2007. It currently has a service outlet network of over 500 branches and offices across China. As of the balance sheet date, the Fund held 47.00 million A shares of IBC, representing an equity interest of 0.94%, and with an investment cost of RMB81.44 million (equivalent to US$9.83 million). The book value of the Fund's holding in IBC was US$277.26 million. In June 2009, the Fund received a cash dividend of RMB23.40 million for 2008 from IBC.

In 2009, the Fund disposed of a total of 17.80 million A shares of IBC, and the net proceeds amounted to RMB445.93 million.

At IBC's shareholders meeting held on 8 December 2009, IBC's A shares rights issue was approved. According to an announcement made by IBC on 2 April 2010, all shareholders will be placed with IBC's shares on the basis of 2 shares for every 10 existing shares. The net proceeds will not exceed RMB18 billion, and will be used to replenish IBC's capital so as to improve the bank's capital adequacy ratio.

In view of expected dilution, the Fund will subscribe for the new IBC shares on the condition that the required waivers and approvals are granted.

China Credit Trust Co., Ltd. ("CCT") was established in 1995. The principal activities of CCT are trust management, fund management, investments and loan financing. The Fund invested US$15.31 million in CCT in 2005, and holds a 6.8167% stake. In June 2009, the Fund received a cash dividend of US$1.79 million for 2008 from CCT.

For the year 2009, CCT recorded an unaudited net profit (before its share of results of its associated companies under the equity method) of RMB519 million, representing an increase of 39% over the same period last year. The net interest income for 2009 was RMB239 million, representing an increase of 347% over the same period last year, and net fees and commissions income (derived primarily from income of trust business) was RMB489 million, representing an increase of 12% over the same period last year. CCT uses its own funds for lending operations and securities investment, and continues to focus on trust products related to real estate loans, securities investments and trust products in cooperation with banks for its trust business.

In August 2009, CCT obtained approval from the China Banking Regulatory Commission to develop its business in private equity investments with its own funds.

In November 2009, CCT's proposed share capital increase was approved at the shareholders meeting, pursuant to which a share capital increase will be made to its shareholders on a pro rata basis, thereby increasing its registered capital from RMB1.2 billion to RMB2.5 billion. In December 2009, the Investment Committee of the Fund considered and approved the subscription for CCT's newly-issued capital on a pro rata basis and for an amount of approximately RMB240 million (equivalent to approximately US$35.17 million). The cash was subsequently paid on 23 March 2010 by the Fund. The share capital increase of CCT is subject to the approval of relevant regulatory authorities.

Industrial Securities Co., Ltd. ("ISCL") is a comprehensive securities company incorporated in the PRC. With approval by the China Securities Regulatory Commission **("CSRC")**, ISCL obtained a new securities business licence in April 2009. As a result, its scope of operations has been expanded to include brokerage, securities investment consulting, financial advisory services with respect to securities transactions and securities investments, securities underwriting and sponsoring, proprietary securities trading, securities asset management, distribution of securities investment funds, and intermediary services for commodities companies.

The Fund invested RMB8.51 million (equivalent to US$1.03 million) in 1999, and held 8.736 million shares, representing a 0.45% equity interest in ISCL as of the balance sheet date. In August 2009, the Fund received a cash dividend of RMB0.87 million for 2008 from ISCL.

In 2009, trading volume on the stock markets in Shenzhen and Shanghai increased significantly and contributed to exceptional growth in commissions income for securities companies participating in these markets. ISCL recorded an audited net profit of RMB1.155 billion for 2009, representing an increase of 221% over the same period last year.

In September 2009, ISCL was approved by the CSRC as a pilot of direct investment business. A wholly-owned subsidiary, namely 興業創新資本管理有限公司, will be established by ISCL to carry out the direct investment business, with an initial capital of RMB100 million.

A shareholders meeting of ISCL was convened on 10 September 2009 to consider and approve a resolution on ISCL's application for its initial public offering and listing.

Morgan Stanley Huaxin Fund Management Co., Ltd. ("Morgan Stanley Fund"), formerly known as Jutian Fund Management Co., Ltd., was established in 2003 with registered capital of RMB100 million. The Fund invested RMB10 million (equivalent to US$1.21 million) in 2003 and holds a 10% equity interest in Morgan Stanley Fund.

Morgan Stanley Fund recorded an audited loss of RMB26.83 million for 2009, representing an increase of 27% as compared to the loss for the same period last year. The increase of loss was attributable primarily to a significant increase in one-time issuance and marketing fees that occurred in relation to new fund issues.

In 2009, Morgan Stanley Fund resumed to launch new funds following almost three years' stoppage. It established two new funds, and set up the 摩根士丹利華鑫領先優勢股票型基金 (Morgan Stanley Huaxin Leading Advantage Equity Securities Investment Fund, with an initial raised amount of approximately RMB700 million) in September 2009 and the 摩根士丹利華鑫強收益債券型基金 (Morgan Stanley Huaxin Enhanced Return Bond Securities Investment Fund, with an initial raised amount of approximately RMB360 million) in December 2009 – both of which contributed to growth in assets managed by Morgan Stanley Fund in the fourth quarter of 2009. As of 31 December 2009, the assets managed by Morgan Stanley Fund increased significantly to RMB3.26 billion, up from RMB1.66 billion as reported as at the end of the previous year. Moreover, the funds managed under Morgan Stanley Fund continue to deliver a satisfactory sales performance and further growth can therefore be expected.

Morgan Stanley Fund is currently still at an investment stage, additional investments are required to enhance its IT systems infrastructure and to enable the issuance of new funds, and a loss in 2010 is possible again. However, the rollout of new funds and an increase in assets under management are expected to provide a solid foundation for longer-term growth.

NBA China, L.P. ("NBA China") is a limited liability partnership entity, incorporated in the Cayman Islands in 2007. The Fund invested US$23 million in 2008, accounting for 1% of the preferred equity in NBA China. Other strategic investors hold the remaining 10% of the preferred equity. NBA China has exclusive rights to operate the NBA's businesses in the Greater China Region, including television broadcasting rights, advertising, sponsorship, events, digital media, and merchandising, among other new businesses. The Fund received distributions from NBA China of US$0.117 million and US$0.156 million in 2009 and early 2010, respectively.

At present, NBA China derives most of its revenues from the businesses of television broadcasting and advertising, sponsorships and digital media – of which the television broadcasting and advertising business provides the larger proportion of total revenues, due to its longer history of establishment, and will maintain steady and relatively faster growth. Sponsorships business will still be an important source of revenue growth in the short term. Since its inception, NBA China has been successful in establishing cooperative relationships with many large enterprises in a range of industries, including Toyota, Peak, Mengniu, OPPO, and Tsingtao Beer. As sponsorship agreements are usually of a cooperative term of two or three years, the results of NBA China will be less affected by short-term economic volatility and other temporary unfavourable factors. NBA China will also focus on the development of its digital media business in order to develop another important source of revenue growth. As such, NBA China has proposed to work with a well-known domestic website to launch online community-based games as one way to enable growth in this line of business.

In addition, since July 2008, NBA China has established eight franchised NBA specialty stores in Beijing, Shanghai, Guangzhou, Changsha, Wenzhou, Zhuzhou and Taizhou. The strong sales performance of these stores is expected to lead to more store openings in 2010, and active development of NBA specialty stores in the second tier cities.

Substantial progress has been made in NBA China's joint venture with AEG Group to participate in the design, marketing and operation of multi-purpose NBA-style sports and entertainment arenas in various cities across China. Naming rights for Shanghai World Expo Performing Arts Centre, which is invested by Shanghai Oriental Pearl (Group) Co., Ltd. and is operated in cooperation with AEG and NBA China, has been successfully sold to Mercedes-Benz for a term of ten years beginning in 2011 – an agreement from which the joint venture will receive stable income each year.

Inbank Media (China) Co., Ltd. ("Inbank Media") was established in Beijing in 2007 to principally engage in commercial advertising through its video display network located in banking service outlets in China. The Fund invested a total of RMB45 million (equivalent to US$6.59 million) in June 2009 to acquire a 9.09% equity interest in Inbank Media, as well as a convertible bond amounting to RMB15 million with a three year maturity and a rate of 6.7% per annum. After the balance sheet date, the Fund made a further capital investment of RMB30.00 million (equivalent to US$4.39 million) and exercised its conversion right in February 2010, and, as a result, the Fund currently holds a cumulative 14.51% equity interest in Inbank Media.

At present, the video display network of Inbank Media is located in three major cities – Beijing, Shanghai and Guangzhou – and it enjoys the highest contracted sales rate in the banking service outlets of these three cities. Most of the contracts entered into with the banking service outlets with respect to video displays are long-term contracts with a term of 15 years. Inbank Media will soon expand into ten new cities, including Jinan, Qingdao, Shenzhen, Chengdu and Suzhou. External sale of advertising time was formally commenced in August 2009 and has begun to generate revenue.

Inbank Media has completed its second round of capital injection. It is planning to apply for listing on the National Association of Securities and Dealers Automated Quotation (NASDAQ) of the United States, and has appointed a listing sponsor for such purpose.

Guangzhou Digital Media Group Ltd. ("Guangzhou Digital") was established in Guangzhou, Guangdong in 1993 to principally engage in the operation of cable television transmission and internet broadband access. The Fund invested RMB210 million (equivalent to US$30.77 million) in August 2009 to acquire a 21% equity interest in Guangzhou Digital.

For the year 2009, Guangzhou Digital recorded an unaudited operating income of RMB533 million, representing an increase of 12% over the same period last year, and an unaudited net profit of RMB66.85 million, representing an increase of 2,253% over the same period last year. The growth in Guangzhou Digital's operating income and net profit was due primarily to an increase in transmission fees received by Guangzhou Digital in 2009 from Guangzhou Television and from the respective satellite television stations using Guangzhou Digital's cable television transmission network, along with preferential tax treatments (in the form of three-year and five-year exemptions from business tax and enterprise income tax, respectively) that began to enjoy as from 2009.

Guangzhou Digital is now preparing for a second round of capital injection. It is also planning to apply for listing on the Small and Medium Enterprise (SME) Board of the Shenzhen Stock Exchange, and has appointed a listing sponsor for such purpose.

Shandong Jinbao Electronics Co., Ltd. ("Jinbao") was established in Zhaoyuan, Shandong in 1993 to engage in the production and sale of copper-foil and laminate. The Fund's cumulative investment in Jinbao is US$7.85 million, representing an equity interest of 30%.

For the year 2009, Jinbao recognised an unaudited revenue of RMB1.432 billion, representing an increase of 6% over the same period last year, and an unaudited net profit of RMB36.91 million, compared to a loss of RMB63.94 million for the same period last year. The reversal was attributable primarily to a sizeable loss incurred at the end of the previous year, which resulted from a sharp reduction in revenue as well as a significant decline in inventory prices, both precipitated by the global economic crisis. Jinbao experienced a recovery beginning in the first quarter of 2009, and its capacity utilisation gradually increased from below 30% at the end of the previous year to a high level of 80% and reached almost 100% in the second quarter of 2009. During the second half of the year, all key performance indicators, including sales and production, had stabilised.

Given that Jinbao incurred a loss for 2008, its listing application was withdrawn in the first half of 2009. With the electronics industry now seeing a gradual recovery, Jinbao realised normal earnings in 2009 and will therefore reinitiate plans for listing.

Langfang Oriental Education Facilities Development Co., Ltd. ("Oriental") is a Sino-foreign cooperative joint venture established in Langfang, Hebei. The total project cost is US$20 million, with a 20-year contract term. In 2002, the Fund invested US$5 million for an equity interest of 25% in Oriental.

Oriental is engaged in the operation and management of the Phase 1 dormitories of Oriental University City of Langfang City, which has a capacity of approximately 17,000 students. It accommodated 13,700 students in the school year of 2009/2010, an increase of 7% over the previous school year. Meanwhile, an increase in average rental income was also recorded. For the year 2009, Oriental reported an audited net profit of RMB3.56 million, compared to an audited loss of RMB0.18 million for the same period last year.

The Fund is in negotiations with its new joint venture partner, Raffles Education Corp. of Singapore, seeking to conclude its participation in Oriental under the relevant agreements.

Shenzhen Mankam Square ("Mankam") is a 33-storey business/commercial complex on North Wen Jin Road, Shenzhen. In 1994, the Fund invested US$4.30 million through Hansen Enterprises Limited, which has a 35% equity interest in the complex, to purchase 5,262 square metres of retail space on the third floor of Mankam. Due to problems concerning ownership, the first and second floors have not yet commenced operation which has caused great difficulty in leasing or selling the third floor. The Fund made a full provision for this investment in 2005. The Fund is still actively seeking an opportunity to exit the investment.

China Merchants Plaza (Shanghai) Property Co., Ltd. ("China Merchants Plaza") was incorporated in Shanghai in 1994, to engage in the development of a commercial and business complex. The Fund invested US$5.685 million in 1994 and holds an effective equity interest of 19.8% in China Merchants Plaza. The commercial complex is a 28-storey office/retail building located at North Chengdu Road, Jingan District, Shanghai, with a total saleable area of 60,217 square metres, of which 49,438 square metres (net of the area sold) remain available for leasing. The Fund made a full provision for this investment in 2000 due to the substantial leverage, high financing costs and significant accumulated losses of China Merchants Plaza.

For the year 2009, China Merchants Plaza recorded an unaudited net profit of RMB9.46 million, representing a decrease of 40% from the same period last year. The decrease in profit was mainly attributable to a reduction in occupancy. In addition, the indebtedness of China Merchants Plaza is denominated primarily in foreign currencies, and appreciation of the RMB contributed to a significant increase in exchange gains in the prior year. However, appreciation of the RMB in this year was not material leading to decreased exchange gains, and in turn the net profit.

Wuhan Rixin Technology Co., Ltd. ("Wuhan Rixin") was a high-tech enterprise incorporated in Wuhan, Hubei in 2001, to engage in the design, production and installation of solar modules and Building Integrated Photovoltaic or BIPV products, as well as the operation and maintenance management of solar-powered electric systems. The Fund invested RMB15 million (equivalent to US$2.20 million) in July 2009 to acquire a 5% equity interest in Wuhan Rixin.

For the year 2009, Wuhan Rixin recorded an unaudited operating income of RMB129 million, representing an increase of 41% over the same period last year, and an unaudited net profit of RMB8.96 million, representing an increase of 45% over the same period last year. In April 2009, the Ministry of Finance and the Ministry of Housing and Urban-Rural Development of the PRC promulgated the finalised subsidy policies, in which the BIPV industry has been provided with better support and stimuli. Wuhan Rixin, as a leading regional enterprise in the BIPV industry, benefited directly and showed faster growth shown in operating income and net profit for the year.

In September 2009, Wuhan Rixin started to prepare for a listing application to the ChiNext of the Shenzhen Stock Exchange. A dedicated working group has been established and a listing sponsor has been engaged in this regard. In November 2009, a shareholders meeting of Wuhan Rixin was convened, where the resolutions for the transformation of the company into stockholding company were passed, including that for changing the company name to the existing one.

Shenzhen Jutian Investment Co., Ltd. ("Jutian Investment"). In 2001, the Fund invested RMB35.36 million (equivalent to US$4.27 million) in Jutian Investment, representing an equity interest of 4.66%. The Fund made a full provision for this investment in 2005. Jutian Investment is fully committed to recovering outstanding debts, and settling taxation issues and remaining litigation.

Shenzhen Zhongzheng Xiandai Industry Co., Ltd. made a bundling acquisition to the three original major shareholders of Jutian Investment, through China Beijing Equity Exchange, for the controlling stakes (52.53% in aggregate) in Jutian Investment. It completed the business registration in late September 2009 to formally become the majority shareholder of Jutian Investment.

REVIEW OF LISTED INVESTMENTS

In 2009, the A-share market in China rose sharply along with the SSE Composite Index, which rocketed up more than 79%, from 1821 points as of 31 December 2008 to 3277 points as of 31 December 2009, proof of the effectiveness of the proactive fiscal policy by the Central Government and the moderately loose monetary policy implemented by the People's Bank of China. Hong Kong stock market also rose substantially, with the Hang Seng Index up more than 52%, from 14387 points as of 31 December 2008 to 21873 points as of 31 December 2009.

The Fund primarily invests directly in high quality investment projects in China, mostly private enterprises. Given the large quantity of A shares of listed banks the Fund still holds, the Fund intends not to increase exposure to stock markets. Therefore, the Fund did not trade any equities in the secondary market during 2009, except for disposing of certain shares in CMB and IBC.

As at 31 December 2009, the Fund had a corporate bond investment of US$0.698 million (2008: US$0.697 million). Details are listed below:

Issuer	Business nature	Investment amount (US$ million)	Book value (US$ million)	Coupon	Date of maturity
China Insurance International Holdings (BVI) Limited	Insurance	0.695	0.698	5.800%	12 November 2013
		0.695	**0.698**		

PROSPECTS

In 2010, the world's major economies are expected to be in slow recovery, which leads to a promising external environment for the Chinese economy. As the stimulus policies continue to spur domestic consumption, stabilise high level of investments, and facilitate gradual recovery in exports, the overall Chinese economy is expected to maintain rapid growth throughout 2010. There are, however, risks of inflation and an overheating economy, particularly the potential impact of volatilities in the real estates market on the overall economic cycle. Moreover, at some point, the implementation of the State's "exit" policy will exert greater impact on the economy as a whole, all creating uncertainties to the steady and accelerating growth. In 2010, the level of overall corporate profits is expected to continue to improve, compared to 2009. In particular, flourishing development can be expected in the financial services, culture and media, pharmaceuticals, and new energy and resources sectors, which provides favourable market opportunities for the Fund. Nevertheless, the volatility of economic growth and policy adjustments may have greater impact on the Fund's operation and investment activities.

The Fund will continue to make every effort to identify new potential investment projects, while maintaining an emphasis on investment opportunities in consumer goods (particularly focusing on consumption projects in the second and third tier cities), financial services, culture and media, pharmaceuticals, energy and environmental protection. The Fund will also seek opportunity in assets switch in order to create greater shareholder value.

CO-INVESTMENT SCHEME (THE "SCHEME")

In order to strengthen the investment management process, and to align the interests of management and relevant staff with the interests of the Fund in entering new investment projects, the Investment Manager, with the consent of the Fund, is implementing the Scheme. Under the Scheme, the Fund will enter into sub-participation agreements with certain executive directors of the Fund, certain directors and employees of the Investment Manager, and persons nominated by the Investment Manager (collectively the "**Participants**"), with respect to new investments made by the Fund beginning in 2009.

As of 31 December 2009, sub-participation agreements (the "**Agreements**") involving the investment in Inbank Media, Guangzhou Digital and Wuhan Rixin (Inbank Media, Guangzhou Digital and Wuhan Rixin, each a "**Target Company**") have been made.

Pursuant to the Agreements, the Participants have paid to the Fund in aggregate HK$1 million (equivalent to RMB0.88 million) for participation in the Fund's investment in Inbank Media, amounting to 1.96% of total Fund's investment of RMB45 million. Pursuant to the Agreements, the Participants have paid to the Fund in aggregate HK$1.36 million (equivalent to RMB1.20 million) for participation in the Fund's investment in Guangzhou Digital, amounting to 0.57% of total Fund's investment of RMB210 million. Pursuant to the Agreements, the Participants have paid to the Fund in aggregate HK$0.34 million (equivalent to RMB0.30 million) for participation in the Fund's investment in Wuhan Rixin, amounting to 2% of total Fund's investment of RMB15 million. The Participants will receive a portion of the return (in the form of dividends, interest, or other distributions or proceeds from realisation) from the Fund's investment in the Target Company that is proportional to the Participants' investments, as a percentage of the total Fund's investment in the Target Company. If the Fund suffers a loss from its investment in the Target Company, the Participants will share the loss on a pro rata basis.

The Agreements will terminate upon either the realisation of the investment in the Target Company by the Fund or upon the Investment Manager, who provides a guarantee to the Participants for the performance of the Fund's obligations under the Agreements, ceasing to be the investment manager of the Fund. In the former case, the Participants shall receive a pro rata portion of the proceeds from disposal of the Fund's interest in the Target Company. In the latter case, the Participants will receive a pro rata portion of the value of the equity interest in the Target Company, held by the Fund as of 90 days prior to the termination date of the Agreements. The value of the equity interest in the Target Company will be assessed by an independent valuer, appointed jointly by the Fund and the Investment Manager.

Sub-participation agreements on the same terms as the Agreements will be entered into with respect to other new investment projects of the Fund. The aggregate investment amount contributed by the Participants in each of the Fund's other new investment projects shall not exceed 2% of the Fund's investment in each project.

As of 31 December 2009, the following Directors of the Fund as well as a Director of the Investment Manager have participated in:

	Title	**Inbank Media** *US$**	**Guangzhou Digital** *US$**	**Wuhan Rixin** *US$**
Mr. HONG Xiaoyuan	Director of the Fund and Chairman of the Investment Manager	12,900	12,900	3,510
Ms. ZHOU Linda Lei	Director of the Fund and Managing Director of the Investment Manager	12,900	25,800	4,390
Mr. TSE Yue Kit	Director of the Fund and Director of the Investment Manager	1,290	1,290	1,290
Mr. WU Huifeng	Director of the Investment Manager	12,900	12,900	3,510

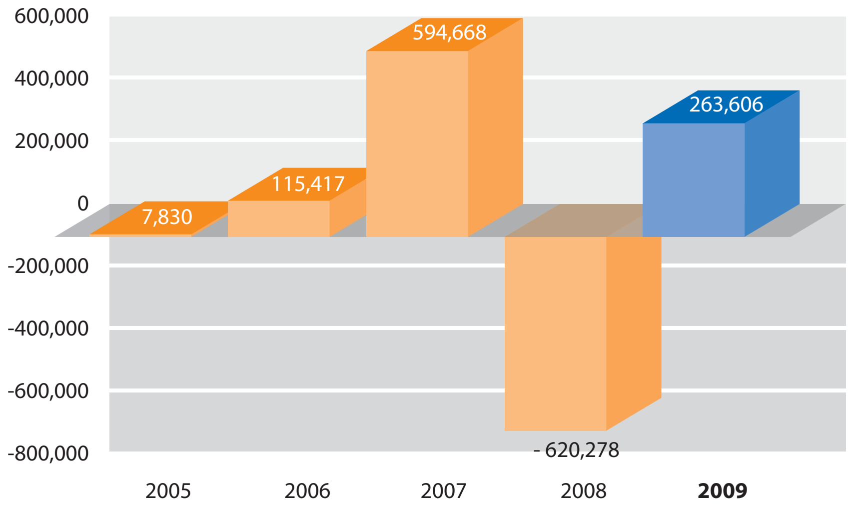
* *Stated in original amount*

Ms. ZHOU Linda Lei
Managing Director
China Merchants China Investment Management Limited

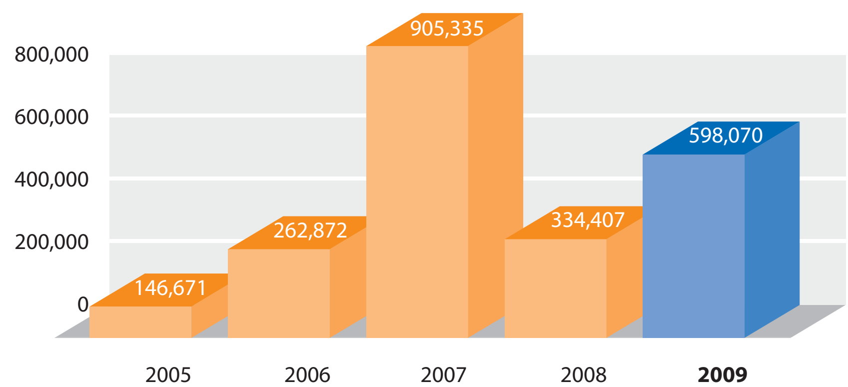
Hong Kong, 12 April 2010

YEAR	NET PROFIT (LOSS) (US$'000)	NET ASSETS (US$'000)
2009	**263,606**	**598,070**
2008	(620,278)	334,407
2007	594,668	905,335
2006	115,417	262,872
2005	7,830	146,671

NET PROFIT (LOSS) (US$'000)



NET ASSETS (US$'000)



The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of the subsidiaries and associates are set out in notes 32 and 15 respectively to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 40.

The Directors recommend the payment of a final dividend of US$0.04 per share (2008: Nil) and a special dividend of US$0.06 per share (2008: Nil), totalling US$0.10 per share for 2009 to the shareholders on the register of members on 19 May 2010 amounting to US$14,914,560.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company has an amount of US$15,996,553 (31 December 2008: Nil) available for distribution as at 31 December 2009.

SHARE CAPITAL

Details of the issued share capital of the Company are set out in note 25 to the consolidated financial statements.

EMOLUMENT POLICY

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

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

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

DIRECTORS

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

Executive Directors

Mr. LI Yinquan* *(Chairman)*
Mr. HONG Xiaoyuan*
Mr. CHU Lap Lik, Victor*
Ms. ZHOU Linda Lei*
Mr. TSE Yue Kit
Ms. KAN Ka Yee, Elizabeth*
(alternate to Mr. CHU Lap Lik, Victor)*

Non-executive Directors

Mr. KE Shifeng	(appointed on 22 December 2009)
Mr. WANG Qi	(appointed on 22 December 2009)

Independent Non-executive Directors

Mr. KUT Ying Hay	
Mr. WANG Jincheng	
Mr. LI Kai Cheong, Samson	
Mr. LIU Baojie	(appointed on 22 December 2009)

* *members of Investment Committee*

In accordance with Article 101 and Article 105 of the Company's Articles of Association, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Ms. ZHOU Linda Lei, Mr. KUT Ying Hay, Mr. KE Shifeng, Mr. WANG Qi and Mr. LIU Baojie retire and, being eligible, offer themselves for re-election.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors:

Mr. LI Yinquan, aged 55, has been the Chairman and an Executive Director of the Company since July 2008. He is concurrently the Vice President and Chief Financial Officer of China Merchants Group Limited, which is a substantial shareholder of the Company. He is also a Director of China Merchants Steam Navigation Company Limited, China Merchants Holdings (International) Company Limited (its shares are listed on the Hong Kong Stock Exchange), China Merchants Bank Co., Ltd. (its shares are listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange) and China Merchants Energy Shipping Co., Ltd. (its shares are listed on the Shanghai Stock Exchange). Mr. LI joined China Merchants Group Limited in January 2000 and has served respectively as the General Manager of Finance Department, Deputy Chief Financial Officer and Chief Financial Officer and has held the present post since March 2004. Mr. LI previously worked with the Agricultural Bank of China for 14 years, where he held senior posts in various divisions and was the Deputy General Manger of Hong Kong Branch just before leaving for China Merchants Group Limited. Mr. LI obtained a master degree in Economics from the Graduate School of the People's Bank of China in 1986 and a master degree in Banking & Finance from the Finafrica Institute in Milan, Italy in 1988. He is also a qualified senior economist in China. Mr. LI was once honoured as "China CFO of the Year for 2005" and "China Best CIO for the Year 2006".

Mr. HONG Xiaoyuan, aged 47, has been an Executive Director of the Company since June 2007. He is concurrently the Managing Director of China Merchants Finance Holdings Company Limited, which is a substantial shareholder of the Company. He is the Chairman of the Investment Manager. He is also a Director of China Merchants Bank Co., Ltd. (its shares are listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange), China Merchants Securities Co., Ltd. (its shares are listed on the Shanghai Stock Exchange), China Merchants Energy Shipping Co., Ltd. (its shares are listed on the Shanghai Stock Exchange), Great Wall Securities Co., Ltd., China Credit Trust Co., Ltd. and Morgan Stanley Huaxin Fund Management Co., Ltd.; and the Chairman of China Merchants Finance Investment Holdings Co., Ltd., China Merchants Holdings (UK) Limited, China Merchants Industry Development (Shenzhen) Limited, China Merchants Insurance Company Limited, Houlder Insurance Brokers Far East Limited and Houlder China Insurance Brokers Ltd.. Mr. HONG had previously served as an Officer of Department of Overall Planning of the State Commission for Restructuring Economic System of China, the General Manager of Shenzhen Longbo Enterprise Co., Ltd., the Assistant General Manager of China Merchants Shekou Industrial Zone Co., Ltd., the General Manager of China Merchants Property Development Co., Ltd. and China Merchants Technology Holdings Co., Ltd., and the Deputy General Manager of China Merchants Shekou Industrial Zone Co., Ltd.. Mr. HONG obtained a master degree in Economics from Peking University in 1988 and a master of science degree from The Australian National University in 1992.

Mr. CHU Lap Lik, Victor, aged 52, has been an Executive Director of the Company since June 1993 and holds directorship in the Investment Manager and a subsidiary of the Company. He is also Chairman of First Eastern Investment Group which is actively involved in direct investments in the PRC. Mr. CHU has served on the Central Policy Unit of the Hong Kong Government, the Council of the Hong Kong Stock Exchange, the Takeovers and Mergers Panel and the Advisory Committee of the Securities and Futures Commission. Outside of Hong Kong, Mr. CHU is a Foundation Board Member of the World Economic Forum in Geneva, Chairman of the Paris-based ICC Commission on Financial Services and Insurance, a Board Member of Zurich Financial Services AG and Siam Select Fund Limited. Mr. CHU took his law degree at University College London.

Ms. ZHOU Linda Lei, aged 41, has been an Executive Director of the Company since March 2008 and holds directorship in various subsidiaries of the Company. She was an Executive Director of the Company during the period from March 2002 to September 2005 and the Managing Director of the Investment Manager during the period from March 2002 to July 2005. Ms. ZHOU was re-appointed as the Managing Director of the Investment Manager on 19 February 2008. Before joining the Investment Manager in April 2001, Ms. ZHOU worked with ASI as a director of Business Development – Asia Pacific Region for three years and thereafter acted as a senior financial analyst and an advisor of Board of Advisory in iLink Global. Just prior to rejoining the Investment Manager in February 2008, Ms. ZHOU worked with China International Marine Containers (Group) Co., Ltd. and was responsible for leading the South America project team to study the feasibility of establishing refer container manufacturing base in Brazil and Chile and participated in other ad hoc projects. Meanwhile, Ms. ZHOU is also an Independent Non-executive Director of Jiangxi Selon Industrial Co., Ltd. and China Merchants Fund Management Co., Ltd. Ms. ZHOU has extensive experience in positioning foreign companies in China market and has actively involved with direct investments in China. Ms. ZHOU obtained her bachelor degree in Financial Accountancy from People's (Renmin) University of China in 1989 and Master of Business Administration degree from California State University at Sonoma in 1993.

Mr. TSE Yue Kit, aged 48, has been an Executive Director of the Company since November 2000. He is also a Director of the Investment Manager. Mr. TSE is the General Manager in Investment & Development Division of China Merchants Finance Holdings Company Limited, which is a substantial shareholder of the Company. Mr. TSE has a number of years extensive experience in accounting, auditing, corporate finance as well as investment. Mr. TSE is licensed with the Securities and Futures Commission in Hong Kong as responsible officer. Mr. TSE obtained his bachelor degree with honours in Accountancy from the University of Exeter, UK.

Ms. KAN Ka Yee, Elizabeth (alternate to Mr. CHU Lap Lik, Victor), aged 52, has been an Alternate Director of the Company since May 1999 and holds directorships in Siam Select Fund Limited and certain subsidiaries of the Company. Ms. KAN was Deputy Managing Director and a Director of the Investment Manager from 1993 to 2006. She is also Managing Director of First Eastern Investment Group with which she has been associated since its founding in 1988. Ms. KAN is licensed with the Securities and Futures Commission in Hong Kong. She is a Certified Public Accountant (U.S.A.) and a Fellow of the Hong Kong Institute of Certified Public Accountants. Ms. KAN began her professional accounting career with the Hong Kong office of Arthur Andersen in the area of audit and business advisory services. She obtained her Bachelor of Science degree in Business Administration and Accounting and Bachelor of Arts degree in Economics from the University of Minnesota, Minneapolis, USA.

Mr. KE Shifeng, aged 44, was appointed as a Non-executive Director of the Company on 22 December 2009. He was employed by Martin Currie Investment Management Limited between 1997 and 2006 to provide research and investment management services to certain of its clients investing in the Greater China and Taiwan markets. He also served as a director of Martin Currie Investment Management Limited from February 2004 to June 2006. Since 2006, Heartland Capital Management Limited has seconded Mr. KE to Martin Currie Investment Management Limited and its affiliates, including Martin Currie Inc. (collectively "Martin Currie"). Through this arrangement, Mr. KE continues to provide research and investment management services to certain clients of Martin Currie, including the China Fund Inc. (a NYSE listed company), on a full time basis with the same roles and responsibilities as a full time employee. Currently, Mr. KE is also a director of China Corn Oil Company Limited (a Hong Kong listed company). Mr. KE practiced law before moving to China's Ministry of Labour and Social Security where he had served from 1990 to 1996 and was responsible for the development of regulations and investment policies for pension funds. Mr. KE holds an MBA degree from The University of Edinburgh, UK.

Mr. WANG Qi, aged 49, was appointed as a Non-executive Director of the Company on 22 December 2009. He worked for a number of financial institutions in Hong Kong before 2005. Since June 2005, he became the managing director of Development Principles Group (Hong Kong) Limited, a private equity fund advisory company based in Hong Kong that provides investment advisory services to the management companies of two private equity funds which focus on investing in private companies across the Greater China Region. Mr. WANG has more than 15 years of experiences in research and investment in Chinese companies. Mr. WANG holds a BA degree in International Affairs from Peking University.

Mr. KUT Ying Hay, aged 55, has been an Independent Non-executive Director of the Company since June 1993. He is also an Independent Non-executive Director of China Merchants Holdings (International) Company Limited whose shares are listed on the Hong Kong Stock Exchange and whose ultimate holding company is a substantial shareholder of the Company and China Merchants Insurance Company Limited. Mr. KUT is a practicing solicitor and notary public and the proprietor of Messrs. Kut & Co., a firm of solicitors. He is an attesting officer appointed by the Ministry of Justice of the PRC since 1995. He is also a solicitor of the Supreme Courts of England, Victoria of Australia, and Singapore, and an associate member of the Institute of Chartered Arbitrators and the Institute of Arbitrators & Mediators, Australia. For the period from 1995 to 1998, he was a member of the Board of Review established by the Hong Kong government pursuant to the Inland Revenue Ordinance.

Mr. WANG Jincheng, aged 53, has been an Independent Non-executive Director of the Company since March 2007. He is a Professor and is currently an Assistant to Dean of the School of Electronic and Information Engineering of Dalian University of Technology, a member of the Education Working Committee of Chinese Automation Association, the Automation Profession Committee of the Association for Teaching and Research of China's Higher Educational Institutions and the Advisory Committee on Teaching of Dalian University of Technology, the Officer-in-Charge of Automation Profession of Dalian University of Technology, and a Director of Zhonglian Computer Development Co., Ltd., a company established in Dalian Economy and Technology Development Zone. Mr. WANG has significant contribution to the research studies of automation in the PRC. He also has a wide connection in the field of automation of metallurgical industry and a rich experience in corporate management. Mr. WANG graduated from Dalian University of Technology with a Bachelor degree in Automatic Control and a Master degree in System Engineering. He was once selected by the State Education Commission of China as a visiting scholar to go to Denmark participating in teaching and research work in Institute of Electronic Systems of Aalborg University, Denmark.

Mr. LI Kai Cheong, Samson, aged 49, has been an Independent Non-executive Director of the Company since August 2008. He was the Alternate Director to Dr. The Hon. David LI Kwok-po during the period from May 1999 to August 2008. Mr. LI is the Deputy Chief Executive & Chief Investment Officer of The Bank of East Asia, Limited whose shares are listed on the Hong Kong Stock Exchange. Mr. LI has more than ten years of experience specializing in fund management and securities dealing. He is also the Managing Director of East Asia Securities Company Limited, a member of the Hong Kong Stock Exchange, as well as a Director in a number of asset management companies. Mr. LI is a Fellow of The Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries & Administrators, and The Association of Chartered Certified Accountants. In addition, he is an Associate of the Hong Kong Institute of Certified Public Accountants and a Member of the Hong Kong Securities Institute. Mr. LI received his Professional Diploma in Accountancy from The Hong Kong Polytechnic University.

Mr. LIU Baojie, aged 46, was appointed as an Independent Non-executive Director of the Company on 22 December 2009. He has over 15 years of experience in the financial services industry. He was recently a senior vice president-investment with CitySpring Infrastructure Management Pte. Ltd., a Temasek subsidiary and trustee-manager of an infrastructure investment trust listed in Singapore. Prior to that, he held various positions with financial institutions, including managing director with Bank of America and ICEA Capital Limited, and vice president and Shanghai chief representative with J.P. Morgan. Mr. LIU holds an MBA degree from University of Utah, U.S.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2009, the interests of the Directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the **"SFO"**) or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Number of issued ordinary shares	Capacity	Percentage of total issued share capital
Mr. CHU Lap Lik, Victor	3,224,000	Interest of controlled corporation	2.16%

Save as disclosed above, none of the Directors or chief executives, or their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO as at 31 December 2009, and none of the Directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the year ended 31 December 2009.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than the "Investment Management Agreement" mentioned below, no contracts of significance, to which the Company or any related company or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the following persons, other than a Director or chief executive of the Company, had interests in the shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Name	Long/ short position	Capacity	Number of ordinary shares interested	Percentage of total issued shares
China Merchants Group Limited (Note 3)	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Steam Navigation Company Limited (Note 3)	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Holdings (Hong Kong) Company Limited (Note 1)	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Finance Holdings Company Limited (Note 2)	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Financial Services Limited (Note 3)	Long position	Interest of controlled corporation	33,989,760	22.79%
Good Image Limited	Long position	Beneficial owner	33,989,760	22.79%
Lazard Asset Management LLC	Long position	Investment Manager	30,079,300	20.17%
UBS AG	Long position	Beneficial owner	44,000	8.08%
		Security Interest	12,000,500	
Kuchanny Christopher Philip Charles (Note 4)	Long position	Interest of controlled corporation	10,440,191	7.00%
Osmium Capital Management Limited	Long position	Investment Manager	10,440,191	7.00%
Osmium Special Situations Fund Limited	Long position	Beneficial owner	10,440,191	7.00%
華夏全球精選股票型證券投資基金	Long position	Beneficial owner	9,682,000	6.49%

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

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

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

Note 4: Kuchanny Christopher Philip Charles is deemed to have corporate interests in the shares by virtue of its interest in the company whose name is set out immediately under it.

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, throughout the year of 2009, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

1. Investment Management Agreement

China Merchants China Investment Management Limited, a company incorporated in Hong Kong, is the Investment Manager of the Company for both listed and unlisted investments. Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit are Directors of both the Company and the Investment Manager. Mr. CHU Lap Lik, Victor has indirect beneficial interests in the Investment Manager. The Investment Manager is a subsidiary of a substantial shareholder of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The Investment Management Agreement entered into between the Company and the Investment Manager (the "**Existing Management Agreement**") became effective on 15 July 1993 and was for an initial term of five years and is thereafter automatically renewed for further periods of three years after the expiry of each fixed term unless the appointment is terminated by the Board either on six months' notice prior to the expiry of each term or with the sanction of shareholders in general meeting at any time if the Company suffers major losses due to the gross negligence of the Investment Manager.

Under the Existing Management Agreement, the management fees which were calculated based on a fixed percentage on the value of the Group's assets as stipulated in the Existing Management Agreement, totalling US$11,821,942 (2008: US$13,584,553) were paid or payable to the Investment Manager. The Investment Manager has unilaterally offered to waive 50% of its entitlement to receive the performance fee of US$36,539,024 for the year ended 31 December 2009 (2008: Nil) to be accrued by the Company under the Existing Management Agreement. The performance fee was calculated based on a fixed percentage on the excess of an agreed increment of the Group's net asset value after certain adjustments stipulated in the Existing Management Agreement.

The Company has served the notice on the Investment Manager on 13 January 2010 that the Existing Management Agreement will not be automatically renewed upon expiry of current three years term and entered into a new investment management agreement with the Investment Manager on 5 February 2010. Please refer to note 30 for details.

CONTINUING CONNECTED TRANSACTIONS (continued)

2. Brokerage Agreements

On 13 December 2007, China Merchants Industry Development (Shenzhen) Limited ("**CMID**"), a wholly-owned subsidiary of the Company entered into brokerage agreements with China Merchants Securities Co., Ltd. ("**CMS**") in relation to the securities brokerage service provided by CMS to CMID. CMS is an associate of a substantial shareholder of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. For the year ended 31 December 2009, the securities brokerage commission fee totalling US$74,656 (2008: US$34,070) was paid or payable to CMS.

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

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

2. on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and

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

Save as disclosed above, details of significant related party transactions are disclosed in note 31 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 30 to the consolidated financial statements.

AUDITOR

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

On behalf of the Board

Mr. HONG Xiaoyuan
Director

Hong Kong, 12 April 2010

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 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.

THE BOARD OF DIRECTORS

As at 31 December 2009, the Board consisted of five Executive Directors, two Non-executive Directors and four Independent Non-executive Directors as defined by the Listing Rules. The biography of the Directors are set out on pages 23 to 27 of this Annual Report.

The Company has appointed an Investment Manager to manage its investment portfolio and day-to-day management of the Company. According to the existing Investment Management Agreement entered into between the Company and the Investment Manager, the Investment Manager is responsible for identifying and researching prospective investments for the Company. The Board is responsible for formulating the Company's overall investment strategy and guidelines that the Investment Manager shall follow to make the investment.

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

THE BOARD OF DIRECTORS (continued)

	Attendance/number of regular meetings during the Director's term of office in 2009 (Note)
Executive Directors:	
Mr. LI Yinquan *(Chairman)*	2/2
Mr. HONG Xiaoyuan	2/2
Mr. CHU Lap Lik, Victor	0/2
Ms. ZHOU Linda Lei	2/2
Mr. TSE Yue Kit	2/2
Non-executive Directors:	
Mr. KE Shifeng *(appointed on 22 December 2009)*	0/0
Mr. WANG Qi *(appointed on 22 December 2009)*	0/0
Independent Non-executive Directors:	
Mr. KUT Ying Hay	2/2
Mr. WANG Jincheng	1/2
Mr. LI Kai Cheong, Samson	1/2
Mr. LIU Baojie *(appointed on 22 December 2009)*	0/0
Alternate Director:	
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor)*	2/2

Note: In addition to the regular Board meetings, there were four other Board meetings convened by short notice and held during the year under review and attended by the Directors as follows: Mr. LI Yinquan 4/4; Mr. HONG Xiaoyuan 4/4; Mr. CHU Lap Lik, Victor 3/4; Ms. ZHOU Linda Lei 4/4; Mr. TSE Yue Kit 4/4; Mr. KE Shifeng 0/0; Mr. WANG Qi 0/0; Mr. KUT Ying Hay 0/4; Mr. WANG Jincheng 4/4; Mr. LI Kai Cheong, Samson 3/4; Mr. LIU Baojie 0/0; and Ms. KAN Ka Yee, Elizabeth 0/4.

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

The Board has established two committees, namely the Audit Committee and the Investment Committee, to monitor the management of the Company. The details of the Committees are as below:

THE BOARD OF DIRECTORS (continued)

The Audit Committee

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

- considering and reviewing the appointment, resignation and removal of independent auditor;
- considering the audit fees;
- reviewing the interim and annual results;
- reviewing internal control and risk management systems; and
- discussing the potential audit issues with the independent auditor.

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

	Attendance/ number of meetings
Directors:	
Mr. LI Kai Cheong, Samson *(Chairman of the Audit Committee)*	1/2
Mr. KUT Ying Hay	2/2
Mr. WANG Jincheng	2/2

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

- reviewed and recommended the Board to approve the audit fee proposal for the year 2009;
- reviewed the interim report and the interim results announcement for the six months ended 30 June 2009;
- reviewed the audit plan for the year 2009 to assess the general scope of audit work;
- reviewed the audited financial statements and final results announcement for the year 2008; and
- considered the internal controls assessment report prepared by the Company's independent auditor.

The Audit Committee has been provided with sufficient resources to discharge its duties.

THE BOARD OF DIRECTORS (continued)

The Investment Committee

The Board has established an Investment Committee, of which currently has four members, to approve transactions (investments or realisations) of over US$5 million each and to supervise the day-to-day management functions of the Investment Manager.

During the year under review, the Investment Committee has approved the proposals in relation to the capital injection into Guangzhou Digital and Inbank Media, the investment in Hainan Natural Rubber Industry (Group) Co., Ltd., and the subscription for rights issue of A shares of CMB and for newly-issued capital of CCT. In addition, it has approved the disposal of the Company's entire holding of A shares of both CMB and IBC.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. LI Yinquan is appointed as the Chairman of the Company. The functions of the Chief Executive Officer have been undertaken by the Investment Manager. The Managing Director of the Investment Manager is Ms. ZHOU Linda Lei, who is also a Director of the Company. The roles of the Chairman and Chief Executive Officer are segregated and are not exercised by the same individual.

NON-EXECUTIVE DIRECTORS

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

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.

REMUNERATION OF DIRECTORS

The Company does not have a Remuneration Committee since the Company has no salaried employees, except the qualified accountant whose remuneration packages are borne by the Investment Manager. The remuneration of Directors is determined by the shareholders at the annual general meeting of the Company. At the annual general meeting of the Company held on 18 May 2009, it was resolved that the remuneration of the Directors for the year ending 31 December 2009 be fixed by the Board. The total remuneration payable to the Directors for the year ended 31 December 2009 is stated in note 9 to the consolidated financial statements.

NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting, either to fill a casual vacancy or as an addition to the existing Directors. The Board will consider and assess the qualification, ability and potential contribution of candidates for directorships on the Board.

At a meeting of the Board held on 17 December 2009 with the presence of all the Directors (except Mr. KUT Ying Hay), Mr. KE Shifeng and Mr. WANG Qi were appointed as Non-executive Directors and Mr. LIU Baojie as Independent Non-executive Director. The said appointments took effect from 22 December 2009.

According to the Articles of Association of the Company, any Directors appointed by the Board shall hold office until the next following annual general meeting of the Company, and shall then be eligible for re-election.

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

AUDITOR'S REMUNERATION

The Company has appointed Deloitte Touche Tohmatsu as the Company's independent auditor. During the year under review, the fees paid or payable to the Company's independent auditor for audit services provided is US$89,869 and for non-audit services provided is US$83,945 which was mainly for the purpose of reviewing the internal control systems and continuing connected transactions of the Company, and the circular relating to renewal of the mandates for the proposed disposal of shares in CMB and IBC.

FINANCIAL REPORTING

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 38.

INTERNAL CONTROL

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

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency when communicating with shareholders and the investment community at large. The Company is committed to maintaining an open and effective communication policy, and updates its shareholders and investors on relevant information on our business through general meetings, annual and interim reports, notices, announcements and circulars.

The general meetings, including annual general meetings, provide a useful forum for shareholders to exchange their views with the Board. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of Directors, very substantial disposals and subscription for CMB A right shares.

The Company (through the Investment Manager) has also held a number of meetings with shareholders and institutional investors on their requests throughout the year under review so as to discuss and explain the Company's investment strategies and hear their opinions.

Deloitte.
德勤

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

We have audited the consolidated financial statements of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 40 to 83, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
12 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 US$	2008 US$
Change in fair value of financial assets at fair value through profit or loss		**388,682,366**	(783,313,725)
Investment income	6	**8,440,088**	12,767,998
Other income		**153,757**	1,239,053
Administrative expenses		**(31,252,692)**	(14,547,449)
Share of results of associates	15	**1,556,589**	(2,206,239)
Profit (loss) before taxation	8	**367,580,108**	(786,060,362)
Taxation	11	**(103,974,484)**	165,781,898
Profit (loss) for the year		**263,605,624**	(620,278,464)
Other comprehensive income (loss)			
Exchange difference arising on translation		**83,200**	48,024,774
Share of change in translation reserve of associates		**(26,905)**	1,325,961
Change in fair value of available-for-sale financial assets		**1,199**	–
Other comprehensive income (loss) for the year		**57,494**	49,350,735
Total comprehensive income (loss) for the year		**263,663,118**	(570,927,729)
Profit (loss) for the year attributable to owners of the Company		**263,605,624**	(620,278,464)
Total comprehensive income (loss) attributable to owners of the Company		**263,663,118**	(570,927,729)
Basic earnings (loss) per share	13	**1.767**	(4.159)

At 31 December 2009

	Notes	2009 US$	2008 US$
Non-current assets			
Interests in associates	15	**17,651,708**	16,077,183
Financial assets at fair value through profit or loss	16	**117,078,997**	61,409,483
Available-for-sale financial assets	17	**698,338**	697,139
		135,429,043	78,183,805
Current assets			
Financial assets at fair value through profit or loss	16	**569,097,615**	345,748,162
Other receivables	19	**481,056**	1,071,794
Bank balances and cash	20	**129,600,520**	101,994,877
		699,179,191	448,814,833
Current liabilities			
Other payables	21	**71,724,364**	106,737,490
Taxation payable	22	**20,344,661**	11,493,691
		92,069,025	118,231,181
Net current assets		**607,110,166**	330,583,652
Total assets less current liabilities		**742,539,209**	408,767,457
Non-current liabilities			
Financial liabilities at fair value through profit or loss	23	**421,986**	–
Deferred taxation	24	**144,046,891**	74,360,243
		144,468,877	74,360,243
Net assets		**598,070,332**	334,407,214

At 31 December 2009

	Notes	2009 US$	2008 US$
Capital and reserves			
Share capital	25	**14,914,560**	14,914,560
Share premium and reserves		**185,605,050**	185,537,244
Retained profits		**397,550,722**	133,955,410
Equity attributable to owners of the Company		**598,070,332**	334,407,214
Net asset value per share	27	**4.010**	2.242

The consolidated financial statements on pages 40 to 83 were approved and authorised for issue by the Board of Directors on 12 April 2010 and are signed on its behalf by:

Mr. HONG Xiaoyuan
Director

Ms. ZHOU Linda Lei
Director

At 31 December 2009

	Notes	2009 US$	2008 US$
Non-current assets			
Investments in subsidiaries	14	**17,000,007**	13,500,007
Financial assets at fair value through profit or loss	16	**38,540,791**	34,295,729
Amounts due from subsidiaries	18	**61,218,272**	64,888,383
		116,759,070	112,684,119
Current assets			
Amounts due from subsidiaries	18	**118,060,000**	74,528,000
Other receivables	19	**111,653**	36,356
Bank balances and cash	20	**12,315,924**	5,164,897
		130,487,577	79,729,253
Current liabilities			
Amount due to subsidiaries	18	**3,277,471**	3,347,835
Other payables	21	**71,641,331**	106,737,490
Taxation payable	22	**5,903,000**	3,728,000
		80,821,802	113,813,325
Net current assets (liabilities)		**49,665,775**	(34,084,072)
Total assets less current liabilities		**166,424,845**	78,600,047
Non-current liabilities			
Financial liabilities at fair value through profit or loss	23	**421,986**	–
Deferred taxation	24	**2,324,205**	1,899,699
		2,746,191	1,899,699
Net assets		**163,678,654**	76,700,348
Capital and reserves			
Share capital	25	**14,914,560**	14,914,560
Share premium and reserves	26	**148,764,094**	61,785,788
Equity attributable to owners of the Company		**163,678,654**	76,700,348

Mr. HONG Xiaoyuan
Director

Ms. ZHOU Linda Lei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital US$	Share premium US$	Translation reserve US$	General reserve US$	Available-for-sale financial assets reserve US$	Retained profits US$	Equity attributable to owners of the Company US$
Balance at 1 January 2008	14,914,560	109,493,184	20,799,512	2,055,131	–	758,072,556	905,334,943
Loss for the year	–	–	–	–	–	(620,278,464)	(620,278,464)
Exchange difference on translation	–	–	48,024,774	–	–	–	48,024,774
Share of change in translation reserve of associates	–	–	1,325,961	–	–	–	1,325,961
Total comprehensive income (loss) for the year	–	–	49,350,735	–	–	(620,278,464)	(570,927,729)
Transfer to general reserve	–	–	–	3,838,682	–	(3,838,682)	–
Balance at 31 December 2008	14,914,560	109,493,184	70,150,247	5,893,813	–	133,955,410	334,407,214
Balance at 1 January 2009	**14,914,560**	**109,493,184**	**70,150,247**	**5,893,813**	**–**	**133,955,410**	**334,407,214**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**263,605,624**	**263,605,624**
Exchange difference on translation	**–**	**–**	**83,200**	**–**	**–**	**–**	**83,200**
Share of change in translation reserve of associates	**–**	**–**	**(26,905)**	**–**	**–**	**–**	**(26,905)**
Change in fair value of available-for-sale financial assets	**–**	**–**	**–**	**–**	**1,199**	**–**	**1,199**
Total comprehensive income (loss) for the year	**–**	**–**	**56,295**	**–**	**1,199**	**263,605,624**	**263,663,118**
Transfer to general reserve	**–**	**–**	**–**	**10,312**	**–**	**(10,312)**	**–**
Balance at 31 December 2009	**14,914,560**	**109,493,184**	**70,206,542**	**5,904,125**	**1,199**	**397,550,722**	**598,070,332**

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

For the year ended 31 December 2009

	2009 **US$**	2008 US$
OPERATING ACTIVITIES		
Profit (loss) before taxation	**367,580,108**	(786,060,362)
Adjustments for:		
Share of results of associates	**(1,556,589)**	2,206,239
Interest income	**(1,715,751)**	(868,762)
Dividend income from equity investments	**(6,724,337)**	(11,899,236)
Change in fair value of financial assets designated at fair value through profit or loss	**(337,503,010)**	710,886,002
Operating cash flows before movements in working capital	**20,080,421**	(85,736,119)
Decrease in financial assets at fair value through profit or loss	**58,428,934**	140,155,336
Increase in other receivables	**(144,465)**	(198,454)
Decrease in other payables	**(35,013,126)**	(3,361,453)
Increase in financial liabilities designated at fair value through profit or loss	**421,986**	–
Cash generated from operations	**43,773,750**	50,859,310
Interest received	**1,509,299**	855,020
Dividend received	**6,906,620**	12,081,451
Income taxes paid	**(25,552,118)**	(7,366,614)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**26,637,551**	56,429,167
INVESTING ACTIVITIES		
Advance to associates	**(2,073)**	(1,153)
Repayment of capital from associates	**763,730**	–
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**761,657**	(1,153)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**27,399,208**	56,428,014
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**101,994,877**	45,687,332
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**206,435**	(120,469)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**129,600,520**	101,994,877

1. GENERAL

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

The Company acts as an investment holding company. The activities of the principal subsidiaries and associates are set out in notes 32 and 15 respectively.

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

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

In the current year, the Group and the Company have 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 and the Company for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 7).

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group and the Company have not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments (relating to the classification and measurement of financial assets)[7]
HK(IFRIC)-INT 14 (Amendment)	Prepayments of minimum funding requirement[6]
HK(IFRIC)-INT 17	Distribution of non-cash assets to owners[1]
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The Group anticipates that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company transactions, balances, income and expenses are eliminated on consolidation.

Investments in subsidiaries

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

Interests in associates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Financial assets at fair value through profit or loss

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

At the end of the reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of available-for-sale financial assets reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the available-for-sale financial assets reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities designated as at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities at FVTPL

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity (continued)

Other financial liabilities

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

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

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

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

Revenue recognition

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated under the heading of translation reserve and will be reclassified from translation reserve to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Group and the Company (i.e. United States Dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. CAPITAL RISK MANAGEMENT

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

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

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	US$	US$	**US$**	US$
Financial assets				
Designated as at fair value through profit or loss	**686,176,612**	407,157,645	**38,540,791**	34,295,729
Available-for-sale	**698,338**	697,139	**–**	–
Loans and receivables (including cash and cash equivalents)	**130,062,879**	103,030,961	**191,687,152**	144,581,926
Financial liabilities				
Amortised cost	**71,724,364**	106,737,490	**74,918,802**	110,085,325
Designated as at fair value through profit or loss	**421,986**	–	**421,986**	–

Financial risk management objective and policies

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

Market risk

Currency risk

The Group and the Company undertake certain transactions including amount due from/to subsidiaries, other receivables, bank balances and cash and other payables, denominated in the currency other than the functional currency, hence exposures to exchange rate fluctuations arise.

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

5. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Currency risk (continued)

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

	THE GROUP	
	2009	2008
	US$	US$
Monetary assets		
United States Dollar	**12,147,726**	1,971,735
Hong Kong Dollar	**300,884**	3,205,262
Monetary liabilities		
United States Dollar	**71,336,043**	106,737,490
Hong Kong Dollar	**305,287**	–

	THE COMPANY	
	2009	2008
	US$	US$
Monetary assets		
United States Dollar	**38,077,828**	32,438,699
Hong Kong Dollar	**261,635**	3,193,989
Monetary liabilities		
United States Dollar	**75,340,788**	110,085,325
Hong Kong Dollar	**–**	–

5. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity

For the currency risk of the Group, if the exchange rate of RMB against USD had been increased/decreased by 5%, the Group's result for the year would increase/decrease by US$2,967,000 (2008: decrease/increase by US$5,251,000).

For the currency risk of the Company, if the exchange rate of RMB against USD had been increased/decreased by 5%, the Company's result for the year would increase/decrease by US$1,868,000 (2008: decrease/increase by US$3,892,000).

Interest rate risk

The Group and the Company are exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets at market rates.

The Group is also exposed to fair value interest rate risk on certain debt securities (see note 17). The Group manages such interest rate exposure through the Investment Manager, the Group considers that there is no significant impact on the results of the Group arising from the volatility of interest rates.

Interest rate sensitivity

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

Price risk

The Group and the Company are exposed to price risk through its investments and financial liabilities which are designated as at fair value through profit or loss.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Price risk (continued)

Price sensitivity

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

If the input of market bid prices of the listed equity securities had been 20% (2008: 20%) higher/lower, the Group's result for the year would increase/decrease by US$113,820,000 (2008: US$81,423,000). This is mainly attributable to the changes in fair values of the listed investments held by the Group.

If the fair value of the investments other than listed investments had been 20% (2008: 20%) higher/lower, the Group's result for the year would increase/decrease by US$23,416,000 (2008: US$12,282,000). This is mainly attributable to the changes in fair values of the investments held by the Group.

Credit risk

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

The Group's and the Company's financial assets include debt and equity investments, other receivables and bank balances and cash.

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

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

Liquidity risk

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

5. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (continued)

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

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

Fair value of financial instruments

The fair value of financial assets designated at fair value through profit or loss and traded on active liquid markets are determined with reference to quoted market bid prices, market multiples, discounted cash flows and binomial model (see note 16 and 33).

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the consolidated statement and the Company's statement of financial position approximates their fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments (continued)

Fair value measurements recognised in the statement of financial position (continued)

	Level 1 US$	Level 2 US$	Level 3 US$	2009 Total US$
Financial assets at FVTPL				
Financial assets designated at fair value through profit or loss	569,097,615	–	117,078,997	686,176,612
Available-for-sale financial assets				
Bonds	–	–	698,338	698,338
Total	569,097,615	–	117,777,335	686,874,950
Financial liabilities at FVTPL				
Financial liabilities designated at fair value through profit or loss	–	–	421,986	421,986
Total	–	–	421,986	421,986

Reconciliation of Level 3 fair value measurements of financial assets:

	Designated at fair value through profit or loss US$	2009 Available-for-sale US$	Total US$
Opening balance	61,409,483	697,139	62,106,622
Gains or losses recognised in:			
Profit or loss	16,083,461	–	16,083,461
Other comprehensive income	–	1,199	1,199
Exchange differences arising on translation	44,153	–	44,153
Purchases	39,541,900	–	39,541,900
Closing balance	117,078,997	698,338	117,777,335

6. INVESTMENT INCOME

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

	THE GROUP	
	2009	2008
	US$	US$
Interest income on		
Bank deposits	**1,694,334**	827,946
Available-for-sale financial assets	**21,417**	40,816
	1,715,751	868,762
Dividend income		
Listed investments	**4,798,558**	8,749,308
Unlisted investments	**1,925,779**	3,149,928
	6,724,337	11,899,236
Total	**8,440,088**	12,767,998

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

	THE GROUP	
	2009	2008
	US$	US$
Available-for-sale financial assets	**21,417**	40,816
Loans and receivables (including bank balances and cash)	**1,694,334**	827,946
Total interest income for financial assets not designated as at fair value through profit or loss	**1,715,751**	868,762
Investment income earned on financial assets designated as at fair value through profit or loss	**6,724,337**	11,899,236
Total	**8,440,088**	12,767,998

7. SEGMENTAL INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive management for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of assets with reference to the operation of the investees. The application of HKFRS 8 has resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14.

The Group's operating segments under HKFRS 8 are therefore 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 real estates, and other types of business activities.

7. SEGMENTAL INFORMATION (CONTINUED)

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. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8:

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**
Segment profit	**383,811,656**	**11,595,047**	**1,524,084**	**32,505**	**396,963,292**
Interest income	**–**	**–**	**–**	**21,417**	**21,417**
Other income	**37,115**	**116,642**	**–**	**–**	**153,757**
	383,848,771	**11,711,689**	**1,524,084**	**53,922**	**397,138,466**
Unallocated:					
– Administrative expenses					**(31,252,692)**
– Interest income					**1,694,334**
Profit before taxation					**367,580,108**

For the year ended 31 December 2008

	Financial services US$	Culture and media US$	Manufacturing US$	Others US$	Total US$
Change in investment value	(783,397,725)	53,000	(1,992,252)	(182,987)	(785,519,964)
Dividend income	11,717,021	–	–	182,215	11,899,236
Segment profit (loss)	(771,680,704)	53,000	(1,992,252)	(772)	(773,620,728)
Interest income	–	–	–	43,434	43,434
Other income	1,239,053	–	–	–	1,239,053
	(770,441,651)	53,000	(1,992,252)	42,662	(772,338,241)
Unallocated:					
– Administrative expenses					(14,547,449)
– Interest income					825,328
Loss before taxation					(786,060,362)

7. SEGMENTAL INFORMATION (CONTINUED)

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 earned by each segment without allocation of central administrative expenses, fees to the Investment Manager, interest income and other income. 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 and operating segments:

	2009	2008
	US$	US$
Segment assets		
Financial services	**611,938,414**	384,062,338
Culture and media	**71,999,119**	23,053,000
Manufacturing	**16,316,391**	14,777,676
Others	**4,272,734**	2,038,953
Total segment assets	**704,526,658**	423,931,967
Unallocated	**130,081,576**	103,066,671
Consolidated assets	**834,608,234**	526,998,638
Segment liabilities		
Financial services	**–**	–
Culture and media	**378,116**	–
Manufacturing	**–**	–
Others	**43,870**	–
Total segment liabilities	**421,986**	–
Unallocated	**236,115,916**	192,591,424
Consolidated liabilities	**236,537,902**	192,591,424

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

All assets are allocated to reportable and operating segments other than other receivables, bank balances and cash, and all liabilities are allocated to reportable and operating 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 PRC. Accordingly, no analysis by geographical location is presented.

8. PROFIT (LOSS) BEFORE TAXATION

	THE GROUP	
	2009	2008
	US$	US$
Profit (loss) before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**129,305**	93,496
Net foreign exchange losses (gains)	**74,453**	(1,218,649)
Investment Manager's management fee	**11,821,942**	13,584,553
Investment Manager's performance fee	**18,269,512**	–
Directors' fees	**61,893**	58,984
Share of tax of associates (included in share of results of associates)	**515,016**	(460,837)

9. DIRECTORS' EMOLUMENTS

The Directors' fees paid or payable to each of the 12 (2008: 13) Directors were as follows:

	THE GROUP	
	2009	2008
	US$	US$
Executive Directors:		
Mr. LI Yinquan*	**–**	10,258
Mr. HONG Xiaoyuan	**–**	6,411
Mr. CHU Lap Lik, Victor	**–**	6,411
Ms. ZHOU Linda Lei*	**–**	6,411
Mr. TSE Yue Kit	**–**	6,411
Ms. KAN Ka Yee, Elizabeth *(Alternate Director)*	**–**	–
Dr. FU Yuning#	**Not applicable**	–
Mr. XIE Kuixing#	**Not applicable**	–
	–	35,902

9. DIRECTORS' EMOLUMENTS (CONTINUED)

	THE GROUP	
	2009	2008
	US$	US$
Non-executive Directors:		
Mr. KE Shifeng**	**–**	Not applicable
Mr. WANG Qi**	**–**	Not applicable
Mr. WANG Xingdong#	**Not applicable**	–
	–	–
Independent Non-executive Directors:		
Mr. KUT Ying Hay	**20,631**	7,694
Mr. WANG Jincheng	**20,631**	7,694
Mr. LI Kai Cheong, Samson*	**20,631**	7,694
Mr. LIU Baojie**	**–**	Not applicable
Dr. The Hon. David LI Kwok-po#	**Not applicable**	–
	61,893	23,082
Total	**61,893**	58,984

* The Directors were appointed during the year 2008.

** The Directors were appointed during the year 2009.

The Directors resigned during the year 2008.

10. EMPLOYEES' EMOLUMENTS

The three (2008: five) highest paid individuals in the Group were all Directors of the Company and details of their emoluments are included in note 9 above.

11. TAXATION

The tax (charge) credit for the year comprises:

	THE GROUP	
	2009	2008
	US$	US$
The Company and its subsidiaries		
Current tax:		
Hong Kong	**423**	–
PRC – Enterprise Income Tax	**(34,384,870)**	(18,435,323)
	(34,384,447)	(18,435,323)
Deferred taxation (Note 24)		
Current year	**(65,164,579)**	192,971,447
Attributable to the change in expected reversal date of temporary differences	**(4,425,458)**	(8,754,226)
Total	**(103,974,484)**	165,781,898

Hong Kong Profits Tax is calculated at 16.5% (2008: 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 2009 is 20% (2008: 18%) and such tax rate will be gradually increased to 25% in 2012. Other PRC incorporated entities which incorporated after 15 March 2007, are subject to 25% tax rate for Enterprise Income Tax with effect from 1 January 2008. The applicable tax rate for the Company is 10%.

11. TAXATION (CONTINUED)

The tax (charge) credit for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of comprehensive income as follows:

	2009 **US$**	2008 US$
Profit (loss) before taxation	**367,580,108**	(786,060,362)
Share of results of associates	**(1,556,589)**	2,206,239
Profit (loss) before taxation attributable to the Company and its subsidiaries	**366,023,519**	(783,854,123)
Tax at the domestic income tax rate of 20% (2008: 18%) (Note 1)	**(73,204,703)**	141,093,742
Tax effect of expenses not deductible for tax purpose	**(6,138,703)**	(2,888,940)
Tax effect of income not taxable for tax purpose	**1,385,099**	2,614,779
Tax effect of tax losses/deductible temporary differences not recognised	**(8,251)**	(418,922)
Effect of different tax rates of entities operating in other regions in the PRC	**520,350**	971,396
Adjustment on deferred tax on disposal of financial assets at fair value through profit or loss	**2,783,454**	2,287,522
Adjustment on deferred tax resulting from change in expected reversal date of temporary difference	**(4,425,458)**	(8,754,226)
Effect of different tax rate applied for deferred tax liability reversed (recognised) for the year	**(18,800,773)**	34,604,547
Others	**(4,571)**	–
Dividend withholding taxation in the PRC (Note 2)	**(6,080,928)**	(3,728,000)
Taxation	**(103,974,484)**	165,781,898

Note 1: The domestic tax rate (which is PRC Enterprise Income Tax rate applicable to the Company's subsidiary in the PRC) represents the tax rate in the jurisdiction where the investments of the Group are substantially located.

Note 2: Under the New Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Withholding tax has been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries.

12. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of US$0.04 per share (2008: Nil) and a special dividend of US$0.06 per share (2008: Nil), totalling US$0.10 per share in respect of the year ended 31 December 2009 have been proposed by the Directors and are subject to approval by the shareholders at the forthcoming annual general meeting.

13. BASIC EARNINGS (LOSS) PER SHARE

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

	THE GROUP	
	2009	2008
Earnings (loss) for the purpose of basic earnings (loss) per share (US$)	**263,605,624**	(620,278,464)
Weighted average of number of ordinary shares for the purpose of basic earnings (loss) per share	**149,145,600**	149,145,600
Basic earnings (loss) per share (US$)	**1.767**	(4.159)

14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2009	2008
	US$	US$
Unlisted shares, at cost	**10,000,007**	10,000,007
Deemed capital contribution through interest-free loans	**7,000,000**	3,500,000
Total	**17,000,007**	13,500,007

Particulars of the Company's principal subsidiaries at 31 December 2009 are set out in note 32.

15. INTERESTS IN ASSOCIATES

	THE GROUP	
	2009	2008
	US$	US$
Cost of unlisted investments in associates	**17,173,392**	17,173,392
Share of post-acquisition results, net of dividends received	**(1,738,393)**	(3,294,982)
Share of exchange reserve	**2,211,599**	2,195,736
	17,646,598	16,074,146
Amounts due from associates	**6,551,105**	6,549,032
Allowance on amounts due from associates	**(6,545,995)**	(6,545,995)
	5,110	3,037
Total	**17,651,708**	16,077,183

The amounts due from associates are unsecured, interest free and are repayable on demand.

As at 31 December 2009, the Group had investments in the following associates:

Name of company	Place of incorporation/ registration and operation	Class of share held	Principal activities	Proportion of nominal value of issued capital/ registered capital held by the Group
Daily on Property Limited	HK/PRC	Ordinary	Property development	22%
Hansen Enterprises Limited	BVI/PRC	Ordinary	Property investment	35%
Shandong Jinbao Electronics Co., Ltd.	PRC/PRC	Registered capital	Manufacturing electronics products	30%
Langfang Oriential Education Facilities Development Co., Ltd.	PRC/PRC	Registered capital	Dormitories investment	25%

15. INTERESTS IN ASSOCIATES (CONTINUED)

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

	2009 US$	2008 US$
Total assets	**444,726,820**	361,941,074
Total liabilities	**(353,992,760)**	(291,892,735)
Net assets	**90,734,060**	70,048,339
Group's share of net assets of associates	**17,646,598**	16,077,183
Turnover	**222,252,388**	199,387,384
Profit (loss) for the year	**6,589,048**	(5,926,286)
Group's share of results of associates for the year (excluding unrecognised share of profits of associates having accumulated losses in prior year)	**1,556,589**	(2,206,239)

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

	2009 US$	2008 US$
Unrecognised share of profits for the year	**284,608**	478,400
Accumulated unrecognised share of losses of associates	**(2,661,510)**	(2,946,118)

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2009	2008
	US$	US$
Equity and debt securities:		
– listed in PRC (note a)	**569,097,615**	345,748,162
– unlisted (note b)	**91,299,965**	38,356,483
– unlisted preferred equity (note b)	**23,051,300**	23,053,000
– convertible bond (note b)	**2,727,732**	–
Total	**686,176,612**	407,157,645
Analysed to reporting purposes as		
Current assets	**569,097,615**	345,748,162
Non-current assets	**117,078,997**	61,409,483
Total	**686,176,612**	407,157,645

	THE COMPANY	
	2009	2008
	US$	US$
Equity securities:		
– unlisted (note b)	**38,540,791**	34,295,729

Notes:

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

(b) The fair value is determined by reference to the recent transaction prices or valuation models (note 33).

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

THE GROUP

Particulars of the Group's investment portfolio which exceed 10% of the assets of the Group at 31 December 2009 disclosed pursuant to Section 129(2) of the Companies Ordinance are as follows:

Name of company	Place of registration	Class of share capital	2009 Percentage of equity held by the Group	2008 Percentage of equity held by the Group
China Merchants Bank Co., Ltd.	PRC	A shares	**0.58%**	0.79%
Industrial Bank Co., Ltd.	PRC	A shares	**0.94%**	1.30%

THE COMPANY

Particulars of the Company's investment portfolio which exceeds 10% of the assets of the Company at 31 December 2009 disclosed pursuant to Section 129(2) of the Companies Ordinance are as follows:

Name of company	Place of registration	Class of share capital	2009 Percentage of equity held by the Company	2008 Percentage of equity held by the Company
China Credit Trust Co., Ltd.	PRC	Paid up capital	**6.8167%**	6.8167%

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP	
	2009 US$	2008 US$
Debt securities – available-for-sale (note a)	**698,338**	697,139

Note (a): The maturity of the debt securities is over one year but less than five years and which carries effective interest rate at 5.80% per annum.

18. AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2009	2008
	US$	US$
Amounts due from subsidiaries	**190,160,664**	150,298,775
Less: Allowance on amounts due from subsidiaries	**(10,882,392)**	(10,882,392)
Total	**179,278,272**	139,416,383
Analysis of amounts due from subsidiaries		
Current	**118,060,000**	74,528,000
Non-current	**61,218,272**	64,888,383
Total	**179,278,272**	139,416,383
Amounts due to subsidiaries	**3,277,471**	3,347,835

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

	THE COMPANY	
	2009	2008
	US$	US$
Allowance on amounts due from subsidiaries at 1 January and 31 December	**10,882,392**	10,882,392

The amounts due from subsidiaries are impaired because the carrying amounts are larger than the present value of discounted cash flows of the impaired subsidiaries. The other amounts due from subsidiaries which are neither past due nor impaired have good quality as they have the repayment ability to settle the outstanding amounts.

19. OTHER RECEIVABLES

	THE GROUP	
	2009	2008
	US$	US$
Dividend receivable	**–**	182,215
Interest receivable	**295,812**	88,511
Other receivables	**185,244**	801,068
Total	**481,056**	1,071,794

	THE COMPANY	
	2009	2008
	US$	US$
Interest receivable	**19,352**	646
Other receivables	**92,301**	35,710
Total	**111,653**	36,356

20. BANK BALANCES AND CASH

THE GROUP AND THE COMPANY

Bank balances comprise short-term bank deposits at fixed prevailing market interest rates. The bank balances and cash of the Group include an amount of US$117,183,112 (2008: US$96,771,620) which is denominated in RMB.

21. OTHER PAYABLES

THE GROUP AND THE COMPANY

Other payables mainly comprise amount due to China Merchants China Investment Management Limited ("**Investment Manager**") mainly for performance fee and management fee as disclosed in note 31.

22. TAXATION PAYABLE

THE GROUP AND THE COMPANY

The taxation payable represents applicable PRC taxes calculated at the rates prevailing in the relevant regions.

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial liabilities designated as at fair value through profit or loss are related to the sub-participation agreements (the "**Sub-participation Agreements**") which entered into between the Company and co-investment participants in respect of the investment by the Group in 北京東方銀廣文化傳媒有限公司 (Inbank Media (China) Co., Ltd.), 武漢日新科技股份有限公司 (Wuhan Rixin Technology Co., Ltd.) and 廣州珠江數碼集團有限公司 (Guangzhou Digital Media Group Ltd.). Details of the Sub-participation Agreements are disclosed in the section of Investment Manager's Discussion and Analysis and under the heading of Co-investment Scheme.

24. DEFERRED TAXATION

THE GROUP

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

	THE GROUP	
	2009	2008
	US$	US$
Balance at 1 January	**74,360,243**	246,385,543
Charge (credit) to profit or loss for the year	**65,164,579**	(192,971,447)
Attributable to a change in expected reversal date of temporary differences	**4,425,458**	8,754,226
Exchange differences	**96,611**	12,191,921
Balance at 31 December	**144,046,891**	74,360,243

At the end of the reporting period, the Group had deductible temporary differences and estimated unused tax losses available for offsetting against future taxable profits of US$5,613,836 (2008: US$5,279,639) and US$2,451,333 (2008: US$2,410,077) respectively. The losses can be carried forward indefinitely for Hong Kong Profits Tax.

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

24. DEFERRED TAXATION (CONTINUED)

THE COMPANY

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

	THE COMPANY	
	2009	2008
	US$	US$
Balance at 1 January	**1,899,699**	684,661
Charge to statement of comprehensive income for the year	**424,506**	1,215,038
Balance at 31 December	**2,324,205**	1,899,699

At the end of the reporting period, the Company had nil deductible temporary differences (2008: Nil) and estimated unused tax losses of US$2,431,526 (2008: US$2,399,231) available for offsetting against future taxable profits. The losses can be carried forward indefinitely for Hong Kong Profits Tax.

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

25. SHARE CAPITAL

	Number of shares	**US$**
Ordinary shares of US$0.10 each		
Authorised:		
At 31 December 2008, 1 January and 31 December 2009	**300,000,000**	**30,000,000**
Issued and fully paid:		
At 31 December 2008, 1 January and 31 December 2009	**149,145,600**	**14,914,560**

26. SHARE PREMIUM AND RESERVES

THE COMPANY

	Share premium	Accumulated (losses)/profit	Total
	US$	US$	US$
Balance at 1 January 2008	109,493,184	(120,234,741)	(10,741,557)
Profit for the year	–	72,527,345	72,527,345
Balance at 1 January 2009	**109,493,184**	**(47,707,396)**	**61,785,788**
Profit for the year	**–**	**86,978,306**	**86,978,306**
Balance at 31 December 2009	**109,493,184**	**39,270,910**	**148,764,094**

27. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of US$598,070,332 (2008: US$334,407,214) and 149,145,600 ordinary shares (2008: 149,145,600 ordinary shares) of US$0.10 each in issue.

28. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009	2008
	US$	US$
Within one year	**9,443**	9,276
In the second to fifth years inclusive	**3,148**	12,368
	12,591	21,644

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases and rentals are negotiated for a term of three years.

29. CAPITAL COMMITMENTS

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

On 14 December 2009, the Investment Committee of the Company approved to make a further investment in China Credit Trust Co., Ltd. with an amount of approximately RMB240 million (equivalent to approximately US$35.17 million). The subscription letter was signed on 23 December 2009 and the cash was injected on 23 March 2010.

30. EVENTS AFTER THE REPORTING PERIOD

(a) An independent committee of the Company's Board of Directors was formed on 13 November 2009 to review the terms of the Existing Management Agreement as the current three years term of the Existing Management Agreement is due for renewal on 15 July 2010. Pursuant to the review conducted by the independent committee, the independent committee and the Company resolved to revise the terms of the Existing Management Agreement and served the notice on the Investment Manager on 13 January 2010 that the Existing Management Agreement will not be automatically renewed upon expiry of the current three years term. On 5 February 2010, the Company announced that it had on 5 February 2010 entered into an Investment Management Agreement (the "**Revised Management Agreement**") with the Investment Manager in relation to the proposed re-appointment of the Investment Manager as the investment manager of the Company immediately following the expiry date of the Existing Management Agreement on 14 July 2010.

As the Investment Manager is a connected person of the Company and the transaction contemplated under the Revised Management Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules, the entering into of the Revised Management Agreement was subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. A circular dated 10 March 2010 containing, among others, further details of the Revised Management Agreement, the recommendation of the independent board committee, the advice of the independent financial adviser to the independent board committee and the independent shareholders and a notice convening the extraordinary general meeting to approve the Revised Management Agreement and the proposed annual caps had been despatched to the shareholders of the Company. The independent shareholders of the Company approved the Revised Management Agreement and the proposed annual caps at the extraordinary general meeting held on 25 March 2010.

(b) On 5 February 2010, the Group made a cash injection of RMB400 million (equivalent to approximately US$58.58 million) into the capital of Shenzhen Tian Zheng Investment Co., Ltd., which is an indirect wholly-owned subsidiary of the Company.

(c) On 8 February 2010, the Group made a further cash injection of RMB30 million (equivalent to approximately US$4.39 million) into the project of Inbank Media (China) Co., Ltd. Meanwhile, the Group converted its convertible bond issued by the project company in full into equity, resulting in the Group holding a cumulative 14.51% equity interest in the project.

30. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(d) The Group has subscribed for 14,400,100 CMB A rights shares with an amount of approximately RMB127 million (equivalent to approximately US$18.66 million) according to the terms announced by CMB on 2 March 2010. The subscription money was paid on 8 March 2010.

31. RELATED PARTY TRANSACTIONS

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

During the year, the Group has incurred the following related party transactions:

(a) Management fees totalling US$11,821,942 (2008: US$13,584,553) were paid or accrued to the Investment Manager. The fee is calculated based on a fixed percentage on the value of the Group's assets as stipulated in the Existing Management Agreement (Note 1).

The amount due to the Investment Manager included in other payables in the statements of financial position as at 31 December 2009 was US$71,336,043 (2008: US$106,456,766). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

(b) A performance fee totalling US$18,269,512 (2008: Nil) is provided for the year 2009. The fee is estimated based on a fixed percentage on the excess of an agreed increment of the Group's net asset value after certain adjustment as stipulated in the Existing Management Agreement and after taking into account of the waiver of 50% of its entitlement to receive the performance fee for the year ended 31 December 2009 unilaterally offered by the Investment Manager (Note 1).

(c) Rental fees in respect of the office properties totalling US$9,443 (2008: US$16,020) were paid or payable to a wholly-owned subsidiary of a substantial shareholder of the Company (Note 1).

(d) Securities brokerage commission fees totalling US$74,656 (2008: US$34,070) were paid or payable to an associate of a substantial shareholder of the Company (Note 1).

(e) Pursuant to the Sub-participation Agreements, the financial liabilities of the Group with Mr. HONG Xiaoyuan, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit, who are Directors of both the Company and the Investment Manager, were US$35,002, US$53,430 and US$4,439 respectively (2008: Nil). Moreover, the financial liability of the Group with Mr. WU Huifeng, a Director of the Investment Manager, was US$35,002 (2008: Nil) (Note 1).

Note 1: These related party transactions also constitute connected transactions or continuing connected transactions and are disclosed in accordance with Chapter 14A of the Listing Rules.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of all principal subsidiaries at 31 December 2009 and 2008, which are all wholly-owned by the Company, are as follows:

Name	Place of incorporation/ registration and operation	Principal activities	Particulars of issued share capital
CMCDI Zhaoyuan Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
China Merchants Industry Development (Shenzhen) Limited	PRC/PRC	Investment holding	Paid up capital of US$10,000,000 (Wholly owned foreign enterprise)
Everich Dynamic Investments Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Goshing Investment Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Main Star Investment Limited	HK/HK	Investment holding	1 share of HK$1 each (Limited liability company)
Ryan Pacific Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Star Group Limited	HK/HK	Investment holding	2 ordinary shares of HK$1 each (Limited liability company)
Shenzhen Tian Zheng Investment Co., Ltd.	PRC/PRC	Investment holding	Paid up capital of RMB100,000,000 (Limited liability company)
Wheaton International Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Wisetech Limited	BVI/PRC	Inactive	1 share of US$1 each (Limited liability company)

None of the subsidiaries had any debt securities subsisting at 31 December 2009 and 2008 or at any time during the year.

33. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

Fair value of financial assets at fair value through profit or loss

As indicated in note 16, the Group selects appropriate valuation techniques for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair values of unlisted financial assets designated at fair value through profit or loss are determined in accordance with generally accepted pricing models on the basis of market multiples, discounted cash flows and binomial model. The values assigned to the financial assets are based upon available information and do not necessarily represent amounts which might ultimately be realised, since such amounts depend on future circumstance and cannot be reasonably determined until the individual position is realised.

Income taxes

As at 31 December 2009, deferred tax liabilities of US$144,046,891 (2008: US$74,360,243) were recognised in relation to the investments of the Group (including financial assets designated at FVTPL and interests in associates). As mentioned in note 11, the applicable tax rate for the PRC subsidiary of the Company will gradually increase from 20% in 2009 to 25% in 2012 and the deferred tax liabilities are being provided by estimating the applicable tax rate upon the disposal of investments. The realisability of the deferred tax liabilities mainly depends on the timing of disposal of corresponding investments and the applicable tax rate at the time of disposal. In cases where the estimated timing of disposal is subsequently revised or the actual timing of disposal is different from the estimated timing, a material reversal of deferred tax liabilities may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2005	2006	2007	2008	**2009**
	US$	US$	US$	US$	**US$**
Investment income	3,118,649	5,443,293	8,669,147	12,767,998	**8,440,088**
Profit (loss) from operations	11,152,435	136,552,868	806,236,284	(783,854,123)	**366,023,519**
Share of results of associates	(1,301,764)	1,203,233	3,422,469	(2,206,239)	**1,556,589**
Taxation	(2,020,645)	(22,338,826)	(214,990,720)	165,781,898	**(103,974,484)**
Profit (loss) attributable to equity holders of the Company	7,830,026	115,417,275	594,668,033	(620,278,464)	**263,605,624**

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2005	2006	2007	2008	**2009**
	US$	US$	US$	US$	**US$**
Total assets	157,459,741	313,622,217	1,261,982,987	526,998,638	**834,608,234**
Total liabilities	(10,788,779)	(50,750,107)	(356,648,044)	(192,591,424)	**(236,537,902)**
Shareholders' funds	146,670,962	262,872,110	905,334,943	334,407,214	**598,070,332**