China Merchants China Direct Investments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

ANNUAL REPORT 2012


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CORPORATE INFORMATION

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 Director:
Mr. KE Shifeng

Independent Non-executive Directors:
Mr. LIU Baojie
Mr. XIE Tao
Mr. ZHU Li
Mr. TSANG Wah Kwong

INVESTMENT COMMITTEE

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

AUDIT COMMITTEE

Mr. TSANG Wah Kwong
Mr. XIE Tao
Mr. ZHU Li

NOMINATION COMMITTEE

Mr. LI Yinquan
Mr. XIE Tao
Mr. ZHU Li

COMPANY SECRETARY

Mr. LEUNG Chong Shun

INVESTMENT MANAGER

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

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Linklaters
Victor Chu & Co
Woo Kwan Lee & Lo

PRINCIPAL BANKERS

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

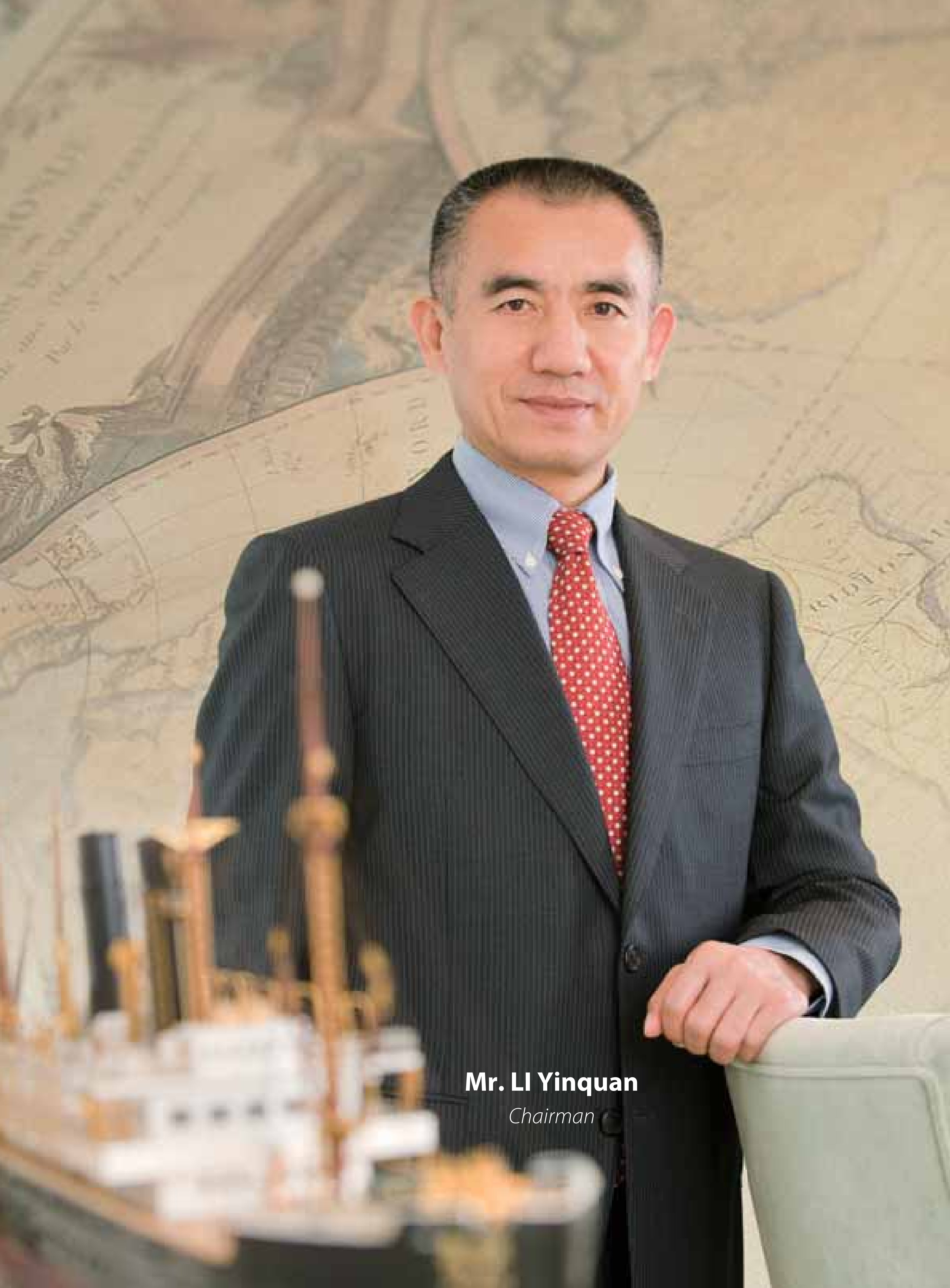
SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wan Chai,
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

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



Mr. LI Yinquan

Chairman

CHAIRMAN'S STATEMENT

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 2012, amounted to US$478.40 million, representing a slight increase of 0.3% compared to an amount of US$476.91 million in 2011. The net asset value per share was US$3.021, representing a decrease of 4.0% compared to an amount of US$3.148 in 2011. The Group's audited consolidated profit after taxation for 2012 was US$9.88 million, compared to an audited consolidated loss of US$19.83 million for the same period last year.

The Board recommended the payment of a final dividend of US$0.05 per share for the year 2012. As there was no interim dividend payable, total dividends payable for the year 2012 was also US$0.05 per share. The Board is actively seeking other means to return cash to shareholders, in addition to dividend payment.

In 2012, given the deterioration of the European debt crisis, the global economy experienced a significant slowdown. China took steps to restrain the property market and to mitigate emerging risks related to local government investment and financing platforms, and this placed much downward pressure on economic growth. The Central Government placed greater emphasis on steady development, and focused on stabilising growth as its most prominent task. It aimed at stabilising the operation of the economy through enhancement and improvement of macroeconomic regulation and control. Although China's economic growth slowed in 2012, it maintained a healthy momentum and stable fundamentals – with slowing growth in industrial production, improving corporate profits, slowing growth in domestic consumption, and slowing imports and exports within the context of an increase in trade surplus. According to a preliminary report from the National Bureau of Statistics of China, China's gross domestic product (GDP) for 2012 recorded growth of 7.8% over 2011, i.e. 1.4 percentage points slower than in the previous year. In addition, the consumer price index (CPI) saw a year-over-year increase of 2.6%, placing inflation at 2.8 percentage points lower than prior year.

At the end of 2012, the Group's total holdings in direct investment projects amounted to US$509.57 million (US$458.01 million at the end of 2011), accounting for 89.60% of the Group's total asset value and representing an increase of US$51.56 million that was largely due to capital contributions made to new and existing projects, as well as to the overall increase in the fair value of investment projects. Meanwhile, investment in bonds was US$0.71 million, accounting for 0.13% of total asset value, and cash on hand was US$57.78 million, accounting for 10.15% of total asset value.

In 2012, the Investment Manager has actively sought new investment opportunities, with intensive due diligence and the screening of many prospects, and the Group invested in two new projects – namely, Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd. (formerly known as Bazhou Chengtian Cotton Co., Ltd.) and Esurfing Media Co., Ltd. – for aggregate investments of US$20.80 million in 2012. These projects covered the agriculture and culture and media industries, and helped to further optimise the Group's investment portfolio.

In preparing to participate in the share rights issuance announced by China Merchants Bank Co., Ltd. ("**CMB**") in 2011 and to fulfill the conditions of the waiver granted by the Hong Kong Stock Exchange, the Group disposed of 12 million A shares of CMB in the middle of 2012, with net proceeds of US$20.49 million. In addition, given the divergence between the current business operations of Renren Inc. and our expectations when the Group first made this investment, the Group disposed of its entire interest in Renren Inc. in December 2012, for net proceeds of US$2.56 million and an accounting loss of US$0.23 million in 2012 compared with the carrying value of US$2.79 million at the end of 2011.

The existing investment management agreement expired on 31 December 2012. As such, the Company and the Investment Manager entered into a new investment management agreement on 18 October 2012 for another term of three years. Under the recommendations of the Independent Board Committee, formed by the Independent Non-executive Directors of the Company, and approved by the Company's independent shareholders on 29 November 2012, the new agreement became effective on 1 January 2013.

Looking ahead to 2013, we believe that challenges and opportunities continue to coexist. In 2013, the global environment shall be full of complexities and uncertainties, and therefore China is seeking a new balance in its domestic economy. While the Central Government continues to pursue active fiscal policies and steady monetary policies, it will also focus on the combination of demand and supply policies, as well as on the combination of short-term and medium to long-term policies to enhance their flexibility and effectiveness. Through such policies, the Central Government aims to address the difficulties in production and operation of enterprises, to accelerate structural adjustments, and to foster new competitive advantages, with a view to propel changes in growth momentum, as well as changes in the approach to development that will in turn promote a stable domestic economy. These policies will create more opportunities for the Group to make direct investments. As always, the Investment Manager will face the challenges ahead and strive to identify new investment opportunities that will increase shareholders' return.

Lastly, on behalf of the Board, I would like to offer my heartfelt gratitude to the members of the Audit Committee, Nomination 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. In the meantime, 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, 27 March 2013

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

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

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

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

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

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

As of 31 December 2012, the Fund had capital commitments of US$19.86 million (31 December 2011: US$50.58 million) for investments that were approved, but not yet provided for in the financial statements – specifically, for future payments related to the investment in China Media Investment, and the subscription for the convertible bonds of NTong Technology Co., Ltd., which is contingent upon request and fulfillment of certain conditions as stipulated in the investment agreement.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Fund's investments are located in China where the official currency is the Renminbi ("**RMB**"). The conversion rate of RMB against US dollar recorded an increase of approximately 0.24% in 2012, which had a positive impact on the Fund since it holds a considerable amount of assets denominated in RMB.

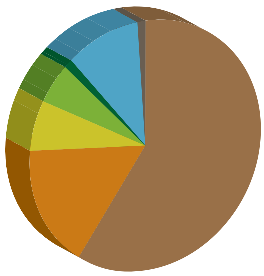
EMPLOYEES

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

THE PORTFOLIO

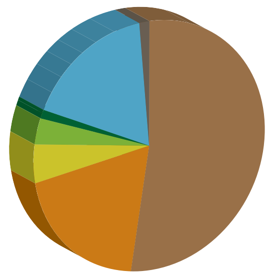
As of 31 December 2012, the Fund's total investments amounted to US$510.28 million, which comprised US$509.57 million in direct investments and US$0.71 million in bonds. The sector distribution of direct investments was US$347.44 million in financial services (representing 61.09% of the Fund's total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

TOTAL ASSETS DISTRIBUTION



AS OF 31 DECEMBER 2012

- **Financial Services Investment (2012 : 61.09% ; 2011 : 53.59%)**
- **Culture and Media Investment (2012 : 16.98% ; 2011 : 20.20%)**
- **Manufacturing Investment (2012 : 6.53% ; 2011 : 5.17%)**
- **Other Ventures (2012 : 5.00% ; 2011 : 3.39%)**
- **Bonds (2012 : 0.13% ; 2011 : 0.13%)**
- **Cash (2012 : 10.15% ; 2011 : 17.23%)**
- **Others (2012 : 0.12% ; 2011 : 0.29%)**



AS OF 31 DECEMBER 2011

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 2012:

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Carrying value *(US$ million)*	Percentage of total assets *%*
Financial Services:					
1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	118	20.67
2. Industrial Bank Co., Ltd.	Fuzhou, Fujian	Banking	Shanghai Stock Exchange	119	20.85
3. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	110	19.42
4. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	1	0.15
		Sub-total:		**348**	**61.09**
Culture and Media:					
5. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	17	2.93
6. NBA China, L.P.	Beijing	Sports marketing	Unlisted	25	4.44
7. Unibank Media Group Inc.	Beijing	Indoor media	Unlisted	3	0.53
8. Guangzhou Digital Media Group Ltd.	Guangzhou, Guangdong	Cable television & broadband access	Unlisted	28	4.99
9. China Business Network	Shanghai	Provision of financial information service	Unlisted	10	1.78
10. Esurfing Media Co., Ltd.	Shanghai	Mobile & online videos platform	Unlisted	13	2.31
		Sub-total:		**96**	**16.98**

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Carrying value (US$ million)	Percentage of total assets %
Manufacturing:					
11. Shandong Jinbao Electronics Co., Ltd.	Zhaoyuan, Shandong	Copper foil & laminates	Unlisted	21	3.73
12. Shenzhen Geesun Automation Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	0	0.06
13. Jiangsu Huaer Quartz Materials Co., Ltd.	Yangzhou, Jiangsu	High purity silica crucibles	Unlisted	–	–
14. Liaoning Zhenlong Native Produce Holding Company Ltd.	Fuxin, Liaoning	Food processing	Unlisted	4	0.67
15. Guangxi Hwagain Group Co., Ltd.	Nanning, Guangxi	Printing paper & tissue paper	Unlisted	12	2.07
		Sub-total:		**37**	**6.53**
Others:					
(i) Energy & Resources:					
16. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	Unlisted	2	0.43
(ii) Information Technology:					
17. Xi'an Jinpower Electrical Co., Ltd.	Xi'an, Shaanxi	Electrical system related	Unlisted	4	0.68
18. NTong Technology Co., Ltd.	Beijing	Software development	Unlisted	16	2.87
19. Teralane Semiconductor (Shenzhen) Co., Ltd.	Shenzhen, Guangdong	IC design	Unlisted	1	0.18
(iii) Agriculture:					
20. Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd.	Bazhou, Xinjiang	Cotton, jujube	Unlisted	5	0.84
(iv) Real Estate:					
21. China Merchants Plaza (Shanghai) Property Co., Ltd.	Shanghai	Office & commercial	Unlisted	–	–
		Sub-total:		**28**	**5.00**
		Total:		**509**	**89.60**

China Merchants Bank Co., Ltd. ("CMB") is China's first joint-stock commercial bank, with shares listed on the Shanghai Stock Exchange since 2002 and on the Hong Kong Stock Exchange since 2006. In addition to its network of over 910 branches and offices across China, CMB also owns 100% of Wing Lung Bank in Hong Kong and has established a branch and a representative office in New York, the United States, as well as representative offices in both London, the United Kingdom, and Taipei. As of 31 December 2012, the Fund held 53.83 million A shares of CMB, representing an equity interest of 0.25%, with a corresponding investment cost of RMB90.03 million (equivalent to US$9.36 million). In June 2012, the Fund received a cash dividend of RMB27.65 million from CMB for 2011.

In preparation for a new share rights issuance by CMB and to fulfill the conditions of the waiver granted by the Hong Kong Stock Exchange (i.e. to dispose of a minimum of 10.50 million A shares of CMB by the ex-rights date of the share rights issuance by CMB), the Fund disposed of 12 million A shares of CMB in the middle of 2012. Net proceeds from the disposal amounted to RMB129.64 million (equivalent to US$20.49 million).

CMB convened a board meeting on 20 July 2012 and respective shareholders meetings on 7 September 2012 in order to consider and approve a resolution to extend the validity period of the share rights issuance for one year, to September 2013. CMB has obtained approval from the China Banking Regulatory Commission ("**CBRC**") for the share rights issuance and approval from the Public Offering Review Committee of the China Securities Regulatory Commission ("**CSRC**") regarding the A share rights issuance. However, the share rights issuance is still pending approval by the CSRC and the Hong Kong Stock Exchange before it can proceed. The Fund will subscribe to the share rights issuance when it is implemented.

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. IBC has a network of over 670 branches and offices across China. As of 31 December 2012, the Fund held 44.62 million A shares of IBC, representing an equity interest of 0.41%, with a corresponding investment cost of RMB110.18 million (equivalent to US$11.55 million). In May 2012, the Fund received a cash dividend of RMB14.09 million from IBC for 2011.

The CSRC approved the issuance of 1,915 million new shares by IBC to three designated strategic investors, including PICC Asset Management Co., Ltd. This issuance was completed on 7 January 2013 and raised RMB23.5 billion in order to supplement its core capital. Following the new issuance, the Fund's equity interest in IBC was diluted to 0.35%.

During 2012, the Fund did not dispose of any A shares of IBC.

China Credit Trust Co., Ltd. ("CCT") was established in 1995. The principal activities of CCT are trust management, fund management, investments and loan financing. As of 31 December 2012, the Fund held a 6.94% equity interest in CCT, with a total investment cost of US$50.49 million. In June and August 2012, the Fund received a total cash dividend of US$4.01 million from CCT for 2011.

For 2012, CCT recorded an unaudited net profit (excluding its share of the results of its affiliates under the equity method) of RMB1.6 billion, representing a double-digit increase over the same period last year. However, net interest income declined slightly, while commissions and handling fees grew somewhat more slowly than in prior year. CCT adopted a strategy for 2012 to shrink its business of launching trust products in cooperation with banks, which has a very low margin. Therefore, the size of its trust management assets may rank lower among peers, while the size of its actively managed assets should retain a leading position in the industry.

CCT's real estate trust business, which tends to see higher profit margins and a greater contribution to net income, may face increasing challenges in 2013. Since July 2011, the CBRC has strengthened regulation of real estate trusts, resulting in a significant decrease in the number of new real estate trusts secured by CCT. Meanwhile, the number of existing real estate trusts has been declining due to expiration or early repayment. In addition, an expected increase in the domestic supply of capital funds combined with a decrease in the interest rates of trust loans may adversely affect the income from its trust business. CCT expects to see a number of real estate trusts due for repayment in 2013, and CCT will continue to strengthen the tracking and oversight of these trusts in order to manage any risks on repayment.

CCT made an announcement on 26 June 2012, stating that Zhenfu Energy Group Co., Ltd. (山西振富能源集團有限公司), to whom funds of about RMB3.03 billion from a collective trust scheme, namely, "2010 年中誠 • 誠至金開1號集合信託計劃" was invested, had involved in a private off-balance-sheet financing. Under the central leadership of a dedicated team organised by the local government, CCT is participating actively, and it is hoping that the issue can be resolved properly and legitimately with a maximum protection for the interests of investors of the trust.

Southwest Securities Co., Ltd. made an announcement on 7 August 2012, stating that the acquisition of Guodu Securities Co., Ltd. ("**Guodu Securities**") had been terminated (Note: CCT is the single largest shareholder of Guodu Securities, with a 15.35% stake).

China Media (Tianjin) Investment Management Co., Ltd. ("China Media Management") was established in Tianjin, with registered capital of RMB60 million. The Fund invested RMB4.62 million (equivalent to US$0.68 million) in April 2010 for a 7.70% equity interest in China Media Management. As the general partner and investment manager of China Media Investment (see the section on China Media Investment below), China Media Management is responsible for defining and executing the investment strategy for China Media Investment, as well as for managing their operations.

China Media Management completed three new investments and a second round of investment in an existing project for China Media Investment in 2012.

China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("China Media Investment") was established in Shanghai, and is the first fund in the culture and media sector approved for registration by the National Development and Reform Commission. Total capital of RMB5 billion is expected to be raised, with an initial capitalisation of RMB2 billion. China Media Investment has an investment horizon of 10 years. The scope of investments of China Media Investment includes major projects in broadcasting and media, publishing, animation and creative media, as well as direct investments in the culture and media sector in both China and overseas. China Media Management, in which the Fund has an interest, is the general partner and investment manager of China Media Investment.

In April 2010, the Fund agreed to make a capital investment of RMB200 million by installment in China Media Investment. The first installment of RMB40 million (equivalent to US$5.86 million) was made by the Fund in June 2010. The second installment of RMB6.26 million (equivalent to US$0.95 million) was made in March 2011, and additional capital investments of RMB6.77 million (equivalent to US$1.08 million), RMB28.82 million (equivalent to US$4.57 million), RMB3.08 million (equivalent to US$0.48 million) and RMB35.24 million (equivalent to US$5.56 million) were made in February, July, August and September 2012, respectively. Cumulatively, the Fund has invested RMB120.17 million (equivalent to US$18.50 million) in China Media Investment, representing 60% of the total investment committed by the Fund.

In 2012, China Media Investment completed investments in three new projects, namely, Shanghai Oriental DreamWorks Co., Ltd. (上海東方夢工廠有限公司), as lead investors with DreamWorks Animation of the United States; Shanghai Jade East Propagation Co., Ltd., jointly with Television Broadcasts Limited (TVB) and Shanghai Media Group Ltd.; and OCJ (東方購物). In addition, China Media Investment completed its second round of investment in the Star China Project.

On 24 January 2013, China Media Investment and Raine Group announced that both parties had entered into a strategic cooperative relationship to explore investment opportunities in the global media industry.

NBA China, L.P. ("NBA China") is a limited liability partnership incorporated in the Cayman Islands in 2007. The Fund invested US$23 million in 2008 for a 1% preferred equity stake in NBA China. 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 a cash distribution from NBA China of US$144,000 in February 2012 and a cash distribution from NBA China of US$99,000 in January 2013.

According to the partnership agreement, NBA China has an obligation to return the entire principal amount of capital invested to all preferred equity holders, and the timing of such return of capital shall be determined by NBA China with reference to its cash availability. The Fund received a partial return of capital on 3 January 2013, in the amount of US$17.25 million, representing 75% of the capital originally invested. After this partial return of capital, the Fund continues to hold a 1% preferred equity stake in NBA China and continues to be entitled to all rights as set out in the partnership agreement.

Due to the delay in reaching a collective bargaining agreement between the NBA League and the National Basketball Players Association until December 2011, the current season was shortened, and this in turn affected the revenues and net profit of NBA China. However, ratings were rising and costs remained well under control, allowing NBA China to still roughly meet its expectations for the financial year.

In November 2012, NBA China, China Central Television (CCTV) and CCTV Future Advertising Company announced the formation of a new, comprehensive, long-term television partnership. This partnership will significantly expand NBA coverage, as well as greatly increase the number of games to be broadcasted. The parties will also form a joint media team to promote the televised NBA games. This alliance is expected to positively impact the revenues and net profit of NBA China in the coming years, and to contribute significantly to the growth of revenues and profits for NBA China in the financial year of 2013.

NBA China launched the "NBA Nation" initiative in June to October 2012, which was a travelling basketball event for fans that visited 20 cities in 12 Chinese provinces and 3 municipalities over a five-month period. NBA Nation offered a basketball and entertainment playground exceeding 2,000 square metres, featuring a combination of basketball and music activities.

Unibank Media Group Inc. ("Unibank Media") was established in Beijing in 2011 as an operating entity following a merger and reorganisation, and is principally engaged in commercial advertising through its video display network in banking service outlets across China. The Fund made a total investment of RMB75 million (equivalent to US$10.98 million) in one of its predecessors, Inbank Media (China) Co., Ltd. ("**Inbank Media**") in June 2009 and February 2010, and held a 14.51% equity interest in Inbank Media. After the completion of the merger and reorganisation as well as a capital increase by Inbank Media in the fourth quarter of 2011, the Fund holds a 7.62% equity interest in Unibank Media. (Note: The Fund has made a contingent commitment to transfer a 1.14% stake in Unibank Media to the management of Unibank Media, as an incentive earned upon completion of an IPO or sale of the business. The total incentive to the management of Unibank Media is a 15% stake in Unibank Media, to be transferred by all shareholders, and 1.14% is the Fund's pro rata portion of the incentive. Net of this incentive, the Fund's stake in Unibank Media will be 6.48%.)

By the end of 2012, Unibank Media had installed more than 22,500 advertising display devices in banking service outlets in over 13,800 network locations in major cities across China (Of these, more than 19,500 have been fully tested and are operational).

Given that the company has a well-established advertising display network, and given that advertising clients usually determine a majority of their advertising plans in the fourth quarter of each year, the management of Unibank Media strategically shifted its focus from expanding the display network to marketing in 2012, and therefore plans to recruit experienced individuals to strengthen its advertising sales team.

The advertising industry is somewhat vulnerable to macroeconomic conditions. Therefore, even Unibank Media, with its sizable advertising display network, has seen an impact to its business and has yet to revert to profitability, amid weak macroeconomic conditions.

Guangzhou Digital Media Group Ltd. ("Guangzhou Digital") was established in Guangzhou, Guangdong in 1993 to engage in the operation of cable television transmission and internet broadband access. The Fund invested RMB210 million (equivalent to US$30.74 million) in August 2009 for a 21% equity interest in Guangzhou Digital. In July 2012, the Fund received a total cash dividend of RMB8.62 million from Guangzhou Digital for 2011.

In 2012, Guangzhou Digital increased its promotion efforts for interactive high definition TV (HDTV) and offered a variety of programme packages. At the end of 2012, Guangzhou Digital had over 120,000 HDTV users, while the ARPU value of HDTV users increased to a level that is 37% higher than for standard definition TV (SDTV) users.

Overall, due to several factors, such as more significant growth in HDTV users with higher ARPU value, a decrease in amortised amounts related to the set-top boxes given to users, the unaudited revenues and net profit of Guangzhou Digital for 2012 increased compared to the same period last year. In 2013, Guangzhou Digital shall continue to work toward reaching its target of 150,000 new HDTV users, as well as to further enhance the ARPU value of HDTV users.

Guangzhou Digital's conversion into a joint-stock limited company, which was originally scheduled for the fourth quarter of 2011, has yet to be completed due to delays in the administrative groundwork (e.g. audit, valuation, etc.) for the integration of Guangzhou Digital and Guangdong Broadcasting and Television Network Co., Ltd. The Fund will continue to monitor the progress of the integration in order to protect the interests of the Fund.

China Business Network ("CBN") was established in Shanghai in 2003 and is currently one of the financial information providers with the greatest breadth of media communication channels for financial information in China. CBN's business segments include television (that is, CBN Channel and CBN | Ning Xia Satellite TV), newspapers, radio, magazines, websites, and research institutes. CBN is also actively exploring digital media. The Fund invested RMB120 million (equivalent to US$18.10 million) in December 2010 for a 5.29% equity interest in CBN.

The winners of the inaugural "PR Newswire China Multimedia Communications Awards" were revealed in October 2012 and "Yicai.com" of CBN Weekly was recognised as the "Best Multimedia Communications Platform" for 2012. According to the latest research data from iResearch, a third party internet consulting firm, "Yicai.com" ranked 2nd among the top 10 independent finance website with strongest user stickiness in China for the first half of 2012, just after "eastmoney.com".

According to the "Report on General Monitoring of the Retail Market for Economic and Management Magazines in Big 4 Central Cities in 2012Q3," published by Kaiyuan Research in November 2012, CBN Weekly ranked the highest in market share among economic and management magazines in the big four central cities, namely, Beijing, Shanghai, Guangzhou and Hangzhou, with a market share of 26.97%, which is 7 percentage points higher than the second ranked Business Weekly. The market share of Caijing Magazine, New Century Newsweek, and Qianjing Magazine was 17.90%, 10.13% and 10.08%, respectively.

On 18 December 2012, CBN officially launched a new broadcasting business in Singapore, with a pilot broadcast on the cable channel StarHub TV of Singapore.

Due to an increase in advertising revenue, audited revenues and net profit of CBN recorded an increase in 2012 compared to the same period last year, with an increase in net profit of approximately 48% compared to the same period last year, after taking into account the tax preferential treatments.

Esurfing Media Co., Ltd. ("Esurfing") was established in Shanghai in 2011. It is principally engaged to provide platform services for mobile and online videos, and is one of the larger mobile video platform enterprises in China. The Fund invested RMB$102 million (equivalent to US$16.07 million) in August 2012 for a 5.37% equity interest in Esurfing.

Esurfing has entered into partnerships with 126 mainstream content providers in China and has become the largest mobile platform for paid videos in China.

At the end of 2012, Esurfing had approximately 90 million mobile video users, an increase of approximately 40 million users since June 2012. Of these users, almost 14 million make recurring monthly payments. The composition of paid users has continued to improve, and the proportion of active subscription users with higher payments has increased and now exceeds 40% of all users. Since the online video business converted from a free service to a paid service in June 2012, the number of paid users has increased by about 200,000 within half a year.

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 25.91% as of 31 December 2012.

For 2012, Jinbao's unaudited revenues decreased compared to the same period last year, and the company sustained a net loss. Jinbao has been subject to the prevailing poor business conditions in its industry, and the heavy financing costs as well as rising raw material prices have had relatively large impacts on its financial results.

Shenzhen Geesun Automation Technology Co., Ltd. ("Geesun Technology") was established in Shenzhen, Guangdong in 2006 and is a leading manufacturer of equipment and automated production lines for lithium ion batteries and supercapacitors. The Fund invested RMB20 million (equivalent to US$2.93 million) in May 2010, and held a 12.62% stake in Geesun Technology as of 31 December 2012.

For 2012, Geesun Technology's unaudited revenues decreased significantly compared to the same period last year, resulting in a net loss – caused in part by a decrease in demand due to sluggish macroeconomic conditions. Internal management and cost controls have been enhanced. Nevertheless, weak business management and an accumulation of receivables and inventories since 2010 and 2011 posed some difficult financial challenges for Geesun Technology in 2012.

Jiangsu Huaer Quartz Materials Co., Ltd. ("Jiangsu Huaer"), formerly known as Jiangsu Huaer Optoelectronic Material Co., Ltd., with the name change effective as of 15 November 2012, was established in Yangzhou, Jiangsu and is principally engaged in the research, development and production of high purity silica crucibles. Jiangsu Huaer is a manufacturer producing silica crucibles with comprehensive specifications, and has the capability to produce 28-inch silica crucibles on a large scale. The silica crucible products manufactured by Jiangsu Huaer are consumable auxiliary equipment required to produce single crystalline silicon ingots, which are used in turn to produce single crystalline silicon solar cells and semiconductor chips. The Fund invested RMB15 million (equivalent to US$2.23 million) in September 2010 for a 7.50% equity interest in Jiangsu Huaer.

Due primarily to excess inventories in the downstream of solar photovoltaic industry, the sales volume, prices and gross margin of silica crucibles have fallen. As a result, the unaudited revenues and net profit of Jiangsu Huaer for 2012 decreased significantly compared to the same period last year.

The management of Jiangsu Huaer believes that demand in the global solar photovoltaic market is still growing and that the currently difficult market conditions are due primarily to over-production by downstream operators, who will need some time to consume their existing inventories of finished goods on hand. However, as downstream operators gradually reduce production and consolidate, and as their inventories of finished goods on hand return to more normal levels, market conditions are expected to improve, possibly in the second quarter of 2013. In addition, Jiangsu Huaer has engaged overseas technical experts to further enhance the quality of its products from solar grade to electronics grade in order to increase its gross margin, and to expand its maximum production capabilities from 28-inch products to 32-inch products in order to pursue overseas orders. Currently, preliminary results can already be seen from the product enhancement strategy.

Liaoning Zhenlong Native Produce Holding Company Ltd. ("Liaoning Zhenlong") was established in Fuxin, Liaoning in 2000. It is a joint-stock limited company with an export license, principally engaged in the acquisition, processing, and sale of pumpkin seeds and other nut products. Its main products include pumpkin seeds, pumpkin nuts, sunflower seeds, sunflower nuts, pine nuts, pistachios, and almonds, as well as other baked nuts, pumpkin dried buckwheat noodles and cereals, etc. Products are sold via two channels, overseas and domestic. The overseas market covers more than twenty countries and regions in Europe, America, Asia Pacific and Oceania, while the domestic market covers mid-size to large cities, including Shanghai, Beijing, Nanjing, and Chengdu. The Fund invested a total of RMB19.20 million (equivalent to US$2.97 million) in August 2011 for a 2% equity interest in Liaoning Zhenlong.

For 2012, the unaudited revenues and net profit of Liaoning Zhenlong both increased, due primarily to the company's active development of the domestic and overseas markets, and to increased demand through its expanded sales channels and internet marketing.

Liaoning Zhenlong's IPO plan for China's A shares market has proceeded smoothly, and the company is presently responding to feedback from the CSRC.

Guangxi Hwagain Group Co., Ltd. ("Hwagain") was formed by merging two paper manufacturers located in Nanning, Guangxi in 1998. It is principally engaged in the research, development and production of high quality printing paper and tissue paper. The Fund invested RMB119.99 million (equivalent to US$19 million) in January 2012 for a 7.10% equity interest in Hwagain.

In 2012, weak global macroeconomic conditions and low market prices for imported pulp affected the entire China's printing paper industry, continuing the weak trend since the fourth quarter of 2011. Comparable listed companies reported significant drops in profits or losses on their principal business in their announced results for the first three quarters or whole year of 2012.

For Hwagain, which operates with a "Forest-Pulp-Paper Integration" business strategy, the increase in domestic bamboo and wood prices during 2012 put temporary pressure on its profit (Note: Hwagain's forest resources have gradually entered a felling cycle beginning in the fourth quarter of 2012, but given that logging and sales of forest products have yet to achieve high volume, and that additional plantings are still underway, the benefit of the increase in bamboo and wood prices has not yet been realised). In addition, Hwagain is carrying higher debt compared with the same period last year due to the construction of its 150,000 tonne high-end tissue paper project in Ganzhou, Jiangxi. At the same time, Hwagain has been investing in the development of sales channels, in preparation for new products from the Ganzhou high-end tissue paper project. These factors contributed to a significant increase in the company's financing costs and selling expenses during 2012 compared to the same period last year.

The first phase of the Ganzhou high-end tissue paper project will commence operations in 2013. Following this increase in capacity, Hwagain's business mix will gradually shift from printing paper to high-end tissue paper. In addition, its forest resources are entering a felling and harvesting phase. For these reasons, Hwagain is expected to see profit growth over the next few years.

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

Because Wuhan Rixin engages primarily in the construction and operation of BIPV power stations, the downturn in the solar photovoltaic industry since 2011 has in fact benefited the company by reducing the construction costs of power stations, and thereby increasing profitability. In September 2012, China's National Energy Administration issued a "Notice about Reporting the Scale Application of Distributed Photovoltaic Power Generation in Demonstration Areas", which highlighted the fixed subsidy policy for photovoltaic power generation units in demonstration areas, as well as the standard subsidies for self-produced and self-consumed electricity and excess electricity sold to power grids. Power grid corporations shall be responsible for measuring the total electricity generated and the on-grid electricity of each project, and for providing subsidies. If these policies are implemented well, the approach to subsidies for China's solar energy industry will gradually align with the global market practice. In turn, this implies that Wuhan Rixin will not be overly reliant on direct subsidies (which are classified as non-recurring items) as a contribution to its revenue and net profit.

In 2012, Wuhan Rixin completed the construction and delivery of a number of photovoltaic power units in Wuhan and Huangshi, Hubei province, as well as in Dezhou, Shangdong province. In 2013, Wuhan Rixin will continue to focus on the construction of new photovoltaic power units, as well as on connecting power grids for completed photovoltaic power units and on charging electricity fees. It is expected that by the end of 2013, the total power from the photovoltaic power units ready for grid connection and owned by Wuhan Rixin will exceed 45MW.

Xi'an Jinpower Electrical Co., Ltd. ("Jinpower Electrical") was established in Xi'an, Shaanxi in 2001 and is a high technology enterprise principally engaged in the research, development and production of intelligent on-line monitoring systems for transmission lines and substation equipment for the power grid. The Fund invested RMB20 million (equivalent to US$3.03 million) in January 2011 for a 5.26% equity interest. Jinpower Electrical completed a capital increase of RMB45.84 million in the first quarter of 2012 and, as a result, the Fund's equity interest in Jinpower Electrical was diluted somewhat from 5.26% to 4.83%.

For national grids, there was a significant seasonality change in the bidding environment for intelligent on-line grid monitoring systems in 2012 – total number of bids significantly increased in the first half of 2012 compared to the same period last year, but this increase slowed from the third quarter of 2012 through December, when the market began to recover.

Jinpower Electrical's unaudited revenues and net profit increased significantly in 2012 as compared to the same period last year, as it benefited from an increase in investment by China's power grid corporations in transmission lines with on-line monitoring capabilities, as well as from the enhancement of its product offerings, production capacity and market presence. In addition, the company retained its leading position in terms of market share within its sector for transmission lines with on-line monitoring capabilities.

NTong Technology Co., Ltd. ("NTong") was established in Beijing in 2002 and is principally engaged in software development, operation and maintenance of information technology systems and systems integration. The Fund invested RMB66.50 million (equivalent to US$10.41 million) in August 2011 for a 12.34% equity interest in NTong.

NTong's unaudited revenues and net profit recorded increases in 2012 compared to the same period last year, benefiting primarily from an increase in orders from the government due to the introduction of intelligent city and e-government initiatives. In December 2012, NTong joined the "Task for the Standardisation of Intelligent Cities Conference", and was the only company invited to do so. NTong plans to make an application to the CSRC for listing in the first half of 2013.

Teralane Semiconductor (Shenzhen) Co., Ltd. ("Teralane Semiconductor") was established in Shenzhen, Guangdong in 2004 and is principally engaged in the design of integrated circuits (IC), the research and development, manufacturing and sale of related products, and the provision of related systems integration and technical services. Its current principal products and services comprise: liquid crystal display (LCD) driver ICs, light emitting diode (LED) displays and illumination driver ICs, touch screen display driver ICs, battery pack control ICs, audio and sound control ICs and power management applications. Furthermore, its business spans the entire process of IC design. Teralane Semiconductor is a state-accredited high technology enterprise and software enterprise. The development of IC design and applications, on the basis of its proprietary patents and technological research and development, is at an advanced level by national standards. In December 2011, the Fund subscribed to an issuance of convertible bonds by Teralane Semiconductor in the amount of RMB5 million (equivalent to US$0.79 million). The convertible bonds can be converted into an approximately 1.80% equity interest in the enlarged capital of Teralane Semiconductor (per the registered capital at the time of subscription).

Despite the unfavourable macroeconomic climate, Teralane Semiconductor's unaudited revenues and net profit recorded rapid growth in 2012, driven in part by robust sales of large screen smart phones.

Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd ("Chengtian"), formerly known as Bazhou Chengtian Cotton Co., Ltd., was established in Yuli County of Bayingolin Mongol Autonomous Prefecture, Xinjiang in 2007. Chengtian's current principal businesses include acquisition of unginned cotton and cottonseed; processing of unginned cotton; wholesale and retail sales of ginned cotton, cotton by-products, cotton linter, and cottonseed; processing and sale of cottonseed oil, cottonseed husk, cottonseed meal, and cottonseed protein; and cultivation and sale of cotton, jujube, fruit, animal forage and other crops. Chengtian also intends to extend its business to the husbandry, slaughter and processing of cattle and sheep. The Fund invested RMB30 million (equivalent to US$4.73 million) in July 2012 for a 6.25% equity interest in Chengtian.

In the fourth quarter of 2012, as China fully implemented a cotton purchasing and reserve program in Xinjiang with the purchase price set in early 2012, Chengtian's cotton segment, which is its largest segment, delivered record results in terms of both unaudited revenues and net profit for 2012.

In August 2012, Chengtian completed its capital restructuring and conversion into a joint-stock limited company and changed to its present name. The company plans to make an application to the CSRC for listing in the second half of 2013.

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, Jing'an District, Shanghai, with a remaining 49,438 square metres available for lease. 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 2012, China Merchants Plaza recorded an unaudited net profit of RMB11.86 million, representing an increase of 17% over the same period last year. The improvement in profit was primarily due to an increase of revenues and a reduction in management expenses.

REVIEW OF LISTED INVESTMENTS

The A shares market in China began the year with a rally, and then declined until the significant rebound near the end of the year in 2012. The SSE Composite Index closed at 2269 at 31 December 2012, representing an increase of 3.2% compared to 2011. The Index rallied from a closing value of 2199 at the end of 2011 to a 2012 high of 2478 on 27 February 2012 due to expectations of monetary easing by the Central Government. However, China's economy gradually declined due to a deterioration of the European debt crisis. The SSE Composite Index began to decline in early May and reached a low for the year of 1949 on 4 December. In the first eleven months of 2012, the SSE Composite Index recorded a decrease of approximately 10%. Nevertheless, economic data on the China's economy suggest that a bottom was reached in December. Greater clarity on the direction of China's economic policy in 2013, combined with a continuation of active fiscal policies and steady monetary policies and active promotion of urbanisation, prompted the A shares market to rebound. Furthermore, the CSRC has been introducing a number of policies to facilitate the ongoing development of the equity market, while also increasing the application quota for QFII to attract foreign long-term capital into China's capital markets. This has also helped in the recovery of the A shares market.

Hong Kong's equity market rallied during both early and late 2012, but was sluggish mid-year. Early in the year, the Hang Seng Index reached a high level of 21760. Nevertheless, the Index sharply declined by more than 2000 until a bottom of 18056 was reached in June, due to a sudden rise in concerns of a hard landing by the China's economy and the potential for a Greek exit from the Eurozone. However, these concerns were gradually digested by the market in the second half of the year. Together with appreciation of the RMB, which attracted investment to Hong Kong, Hong Kong's equity market gradually showed signs of recovery. The Hang Seng Index closed at 22657 for the year, up 4223 or 22.9%, which was the best performance by the equity market since 2009.

The Fund primarily invests directly in high quality investment projects in China, and mostly in unlisted enterprises. Given the large quantity of listed shares that the Fund still holds, the Fund intends to not increase its exposure to the stock markets. Therefore, the Fund did not trade any equities in the secondary market during 2012, except for the disposal of all American depositary shares of Renren Inc. and some CMB shares.

As of 31 December 2012, the Fund had a corporate bond investment that amounted to US$0.71 million (31 December 2011: US$0.73 million). Details are listed below:

Issuer	Business nature	Investment amount (US$ million)	Carrying value (US$ million)	Coupon	Date of maturity
China Insurance International Holdings (BVI) Limited	Insurance	0.695	0.71	5.800%	12 November 2013
		0.695	**0.71**		

PROSPECTS

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

BUSINESS STRATEGY

The Fund is an investment company listed on the Hong Kong Stock Exchange. Its main business is to directly invest in high quality unlisted enterprises in China. Our strategies are: to primarily invest in high quality and mature investment projects while also seizing good opportunities in emerging industries; to closely monitor changes in global financial conditions and in China's economic policies for diverse investments; to continue viewing industry developments from a broad perspective and to avoid the risk of investing in over-bought sectors; to constantly optimise the investment portfolio and to manage the level of risk; to avoid blindly engaging in price competitions when bidding on investment projects; and to fulfill our goal of long-term appreciation and preservation of capital value. Currently, our investment focus is on quality enterprises in the industries of financial services, consumer goods (with particular focus on consumer-oriented projects in second and third tier cities), culture and media, advanced manufacturing, non-traditional financial services, energy and agriculture. Meanwhile, the Fund is also paying attention to quality enterprises in other industries.

SUB-PARTICIPATION SCHEME (THE "SCHEME")

In order to strengthen the investment management process, and to align the interests of management and staff with the interests of the Fund in entering new investment projects, the Investment Manager, with the consent of the Fund, has administered the Scheme since 2009.

Under the Scheme, the Fund has entered into sub-participation agreements (the "**Agreements**") with certain executive Directors of the Fund, certain directors and employees of the Investment Manager, and persons nominated by shareholders of the Investment Manager (collectively the "**Participants**"), with respect to new investments made by the Fund beginning in 2009. Pursuant to the Agreements, the Participants will receive a portion of the return (in the form of dividends, interest, or other distributions or proceeds from realisation) from the Funds investment in the project company that is proportional to the amount provided by the Participants to the Fund as a percentage of the total Fund's investment in the project company. If the Fund suffers a loss from its investment in the project company, the Participants will correspondingly share a loss in the amount they provided to the Fund on a pro rata basis. The Agreements will terminate upon either the realisation of the investment in the project 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 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 project company. In the latter case, the Participants will receive a pro rata portion of the value of the equity interest in the project 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 project company will be assessed by an independent valuer appointed jointly by the Fund and the Investment Manager. In addition, the costs and expenses incurred for the preparation and execution of the Agreements, the costs incidental to the implementation of the Scheme, and the relevant portion of the identifiable costs related to the Fund's investment in the project company that corresponds to the amount provided by the Participants to the Fund under the Agreements will be borne by the Investment Manager.

Under the Scheme, it was originally determined that the aggregate amount provided by the Participants in each of the Fund's new investment projects should not exceed 2% of the Fund's investment in each project (the "**Ceiling of Relative Proportion**"). In order to further strengthen the investment management process, with the consent of the Fund and starting from 26 August 2011, the Ceiling of Relative Proportion for each of the Fund's new investment projects is revised as follows: 1) for projects with an investment amount of RMB30 million or less, the Ceiling of Relative Proportion will be 5%; 2) for projects with an investment amount of more than RMB30 million and up to RMB100 million, the Ceiling of Relative Proportion will be RMB1.5 million or 2%, whichever is higher; and 3) for projects with an investment amount of more than RMB100 million, the Ceiling of Relative Proportion will be 2%.

As of 31 December 2012, details of aggregate amounts provided by the Participants and their relative proportion to the investment amounts paid by the Fund were as follows:

Name of projects	**Original investment amount of the Fund** *US$**	**Original amounts paid by the Participants** *US$**	**Relative proportion**
Unibank Media (1st round capital injection)	6,585,600	129,000	1.959%
Wuhan Rixin	2,195,500	43,900	2.000%
Guangzhou Digital	30,737,700	175,500	0.571%
Unibank Media (2nd round capital injection)	4,394,100	87,500	1.991%
China Media Management	676,100	4,500	0.666%
Geesun Technology	2,929,500	58,000	1.980%
China Media Investment (1st installment capital contribution)	5,858,300	38,800	0.662%
Jiangsu Huaer	2,226,200	43,800	1.966%
CBN	18,098,200	235,700	1.302%
Jinpower Electrical	3,033,500	60,300	1.988%
China Media Investment (2nd installment capital contribution)	953,500	6,100	0.638%
Liaoning Zhenlong	2,974,500	59,000	1.986%
NTong	10,409,700	130,300	1.252%
Teralane Semiconductor	789,500	34,200	4.335%
Hwagain	19,004,900	161,100	0.847%
China Media Investment (3rd installment capital contribution)	1,075,300	6,200	0.575%
China Media Investment (4th installment capital contribution)	4,566,600	26,300	0.577%
Chengtian	4,733,300	74,100	1.566%
China Media Investment (5th installment capital contribution)	484,900	2,800	0.580%
Esurfing	16,068,600	125,100	0.778%
China Media Investment (6th installment capital contribution)	5,555,100	32,200	0.579%

* Calculated with prevalent exchange rates at the time of the amounts paid

In addition, as of 31 December 2012, details of the amounts paid by Directors of the Fund as well as a Director of the Investment Manager for the Scheme were as follows:

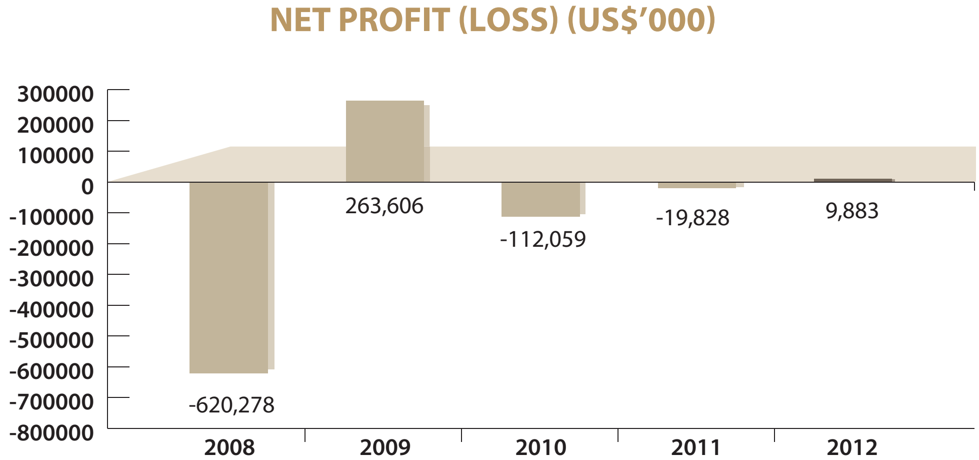
Name of projects	**Mr. HONG Xiaoyuan** (Note 1) *US$*	**Ms. ZHOU Linda Lei** (Note 2) *US$*	**Mr. TSE Yue Kit** (Note 3) *US$*	**Mr. WU Huifeng** (Note 4) *US$*
Unibank Media (1st round capital injection)	12,900	12,900	1,290	12,900
Wuhan Rixin	3,510	4,390	1,290	3,510
Guangzhou Digital	12,900	25,810	1,290	12,900
Unibank Media (2nd round capital injection)	6,950	8,750	1,290	6,950
China Media Management	300	580	30	300
Geesun Technology	4,640	5,800	1,290	4,640
China Media Investment (1st installment capital contribution)	2,500	5,010	250	2,500
Jiangsu Huaer	3,500	4,380	1,290	3,500
CBN	12,850	25,700	1,290	25,700
Jinpower Electrical	4,830	6,030	1,280	4,830
China Media Investment (2nd installment capital contribution)	390	780	40	390
Liaoning Zhenlong	4,720	5,900	1,280	4,720
NTong	16,420	12,830	1,280	16,420
Teralane Semiconductor	3,090	3,860	1,290	3,090
Hwagain	12,880	25,770	1,290	19,330
China Media Investment (3rd installment capital contribution)	430	850	40	430
China Media Investment (4th installment capital contribution)	1,820	3,630	180	1,820
Chengtian	12,890	12,890	1,290	12,890
China Media Investment (5th installment capital contribution)	190	390	20	190
Esurfing	12,890	12,890	1,290	12,890
China Media Investment (6th installment capital contribution)	2,220	4,440	220	2,220

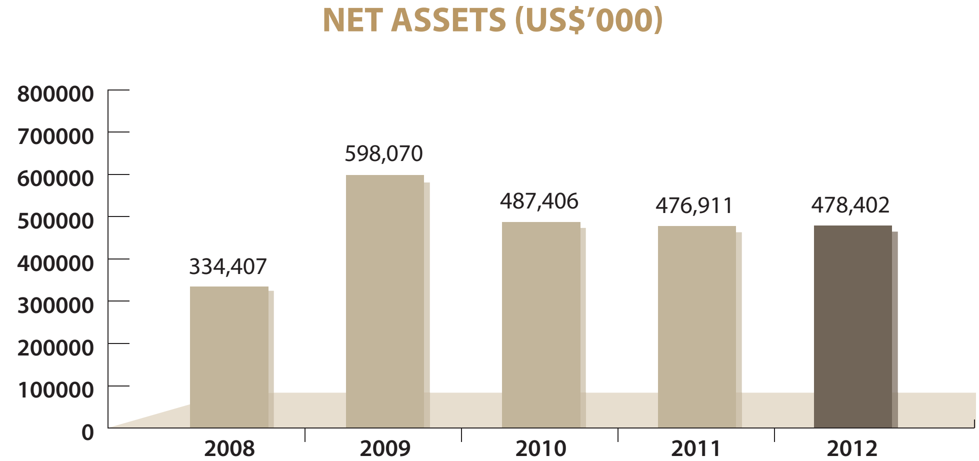
Note 1: Director of the Fund and Chairman of the Investment Manager
Note 2: Director of the Fund and Managing Director of the Investment Manager
Note 3: Director of the Fund and Director of the Investment Manager
Note 4: Director of the Investment Manager

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

Hong Kong, 27 March 2013

YEAR	NET PROFIT (LOSS) *(US$'000)*	NET ASSETS *(US$'000)*
2012	**9,883**	**478,402**
2011	(19,828)	476,911
2010	(112,059)	487,406
2009	263,606	598,070
2008	(620,278)	334,407





The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2012.

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 financial statements.

RESULTS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 53.

The Directors recommend the payment of a final dividend of US$0.05 per share (2011: US$0.04) for 2012 to the shareholders on the register of members on 23 May 2013 amounting to US$7,917,171 (2011: US$18,179,884).

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company has an amount of US$131,259,410 (31 December 2011: US$159,849,343) available for distribution as at 31 December 2012.

SHARE CAPITAL

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

EMOLUMENT POLICY

The emoluments of the Directors of the Company are fixed by the Board of Directors with the authorisation by 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 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 Director

Mr. KE Shifeng

Independent Non-executive Directors

Mr. LIU Baojie	
Mr. XIE Tao	
Mr. ZHU Li	
Mr. TSANG Wah Kwong	(appointed on 14 September 2012)
Mr. LI Kai Cheong, Samson	(resigned on 14 September 2012)

* *members of Investment Committee*

In accordance with Article 101 and Article 105 of the Articles of Association of the Company, Mr. LI Yinquan, Mr. HONG Xiaoyuan, Mr. TSE Yue Kit, Mr. XIE Tao and Mr. TSANG Wah Kwong 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 58, has been the Chairman and an Executive Director of the Company since July 2008. He is currently a Vice President of China Merchants Group Limited and the Chairman of China Merchants Finance Holdings Company Limited, both of the companies are substantial shareholders of the Company. He is also the Vice Chairman of China Merchants Capital Investment Co., Ltd. and a Director of China Merchants Holdings (International) Company Limited (its shares are listed on the Hong Kong Stock Exchange) and China Merchants Bank Co., Ltd. (its shares are listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange). Mr. LI is a Hong Kong Deputy to the 12th National People's Congress of the PRC. 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, Chief Financial Officer and Vice President and Chief Financial Officer. 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 his master degree in Economics from the Graduate School of the People's Bank of China and master degree in Banking & Finance from the Finafrica Institute in Milan, Italy. 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 50, has been an Executive Director of the Company since June 2007. He is currently an Assistant President of China Merchants Group Limited and the Managing Director of China Merchants Finance Holdings Company Limited, both of the companies are substantial shareholders of the Company. He is the Chairman of the Investment Manager. He is also a Director of China Merchants Capital Investment Co., Ltd., 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), Great Wall Securities Co., Ltd. and Morgan Stanley Huaxin Fund Management Co., Ltd.; and the Chairman of China Merchants Holdings (UK) Limited, China Merchants Industry Development (Shenzhen) Limited, China Merchants Insurance Company Limited, Houlder Insurance Brokers Far East Limited and China Merchants Kunlun Equity Investment Management Co., Ltd.. Mr. HONG obtained his master degree in Economics from Peking University and master of science degree from The Australian National University.

Mr. CHU Lap Lik, Victor, aged 55, 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, a Board Member of Zurich Insurance Group and Siam Select Fund Limited. Mr. CHU took his law degree at University College London where he is now a Honorary Fellow.

Ms. ZHOU Linda Lei, aged 44, 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 in February 2008. Ms. ZHOU is currently a Director of China Business Network, Guangzhou Digital Media Group Ltd. and Guangxi Hwagain Group Co., Ltd. and a Supervisor of Industrial Bank Co., Ltd.. Ms. ZHOU is also an Independent Non-executive Director of Jiangxi Shihong 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 and Master of Business Administration degree from California State University respectively.

Mr. TSE Yue Kit, aged 51, 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 Direct Investment 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 55, has been an Alternate Director of the Company since May 1999. She is Managing Director of First Eastern Investment Group with which she is a founding member since its establishment in 1988. She serves on boards of various companies which include Monitise Asia Pacific Limited, Evolution Securities China Limited, Siam Select Fund Limited, Camper & Nicholsons First Eastern Limited and Sustainable Development Capital (Asia) Limited. Ms. KAN was Deputy Managing Director and a Director of the Investment Manager from 1993 to 2006. 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 is also a Member of the Hong Kong Securities Institute and a Fellow Member of the Hong Kong Institute of Directors. She began her professional career with the Hong Kong office of Arthur Andersen & Co. in the area of audit and business advisory services. Ms. KAN 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 47, has been a Non-executive Director of the Company since December 2009. He has 16 years investment experience. Mr. KE was employed by Martin Currie Investment Management Limited ("**Martin Currie**") 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 from February 2004 to June 2006. In 2006, Mr. KE and his partner left Martin Currie to form Heartland Capital Management Ltd. ("**Heartland**"); Heartland and Martin Currie established MC China Ltd. – a joint venture dedicated to running a range of specialist China strategies, including the China Fund Inc. (a NYSE listed company), Martin Currie China Hedge Fund and Martin Currie China A Share Fund. In November 2011, Mr. KE and his partner took over this joint venture and co-founded Open Door Capital Management. 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. LIU Baojie, aged 49, has been an Independent Non-executive Director of the Company since December 2009. He has over 15 years of experience in the financial services industry. He is currently Chief Executive Officer of Huaneng Invesco WLR Investment Consulting Company Ltd., and prior to this, he had worked for two other investment management companies focusing on China investment. Before that he held various positions with financial institutions, including Bank of America, ICEA Capital Limited and J.P. Morgan, etc. Mr. LIU holds an MBA degree from University of Utah, USA.

Mr. XIE Tao, aged 49, has been as an Independent Non-executive Director of the Company since October 2011. Previously, Mr. XIE engaged in the advisory practice at PricewaterhouseCoopers for 22 years where he led the China market corporate finance practice of PricewaterhouseCoopers and served on the firm's management board. Mr. XIE has extensive experience in China related cross-border investments, merger and acquisition and corporate restructuring. Mr. XIE received his bachelor degree in Physics from Peking University and is a Member of The Association of Chartered Certified Accountants, UK.

Mr. ZHU Li, aged 64, has been an Independent Non-executive Director of the Company since October 2011. He is now the founding partner of Beijing Hong Lu Hao Lin Investment Management Centre (Limited Partnership). Previously, Mr. ZHU worked in the State Commission for Restructuring Economic System of China from 1982 to 1992. He served as the Head of the Finance Department and the Deputy Director of the Macro System Division. During that period, he had been to Germany to study finance and learned and worked in various commercial banks. In October 1992, Mr. ZHU became the first Secretary General of the China Securities Regulatory Commission ("**CSRC**") once after it was established, and served as the Deputy Chairman and Secretary General of the CSRC from August 1994. Since 1996, he had worked in various financial institutions in China, including serving as the Vice President of the Agricultural Development Bank of China, the President of China Galaxy Securities Company Limited and the Chairman of China Galaxy Financial Holdings Limited, etc. Mr. ZHU not only possesses years of experience in the financial services industry, but also has years of experience in the decision-making departments for state's economy and finance in China. In particular, he had contributed to the establishment, regulation and development of China's securities market during his term in the CSRC. Mr. ZHU received his bachelor degree from Beijing School of Economics.

Mr. TSANG Wah Kwong, aged 60, was appointed as an Independent Non-Executive Director of the Company on 14 September 2012. He is a former partner of Hong Kong and China firm of PricewaterhouseCoopers. He has over 30 years of experience in auditing and providing support for initial public offerings and acquisition transactions. Currently, Mr. TSANG is an Independent Non-executive Director, Chairman of the Audit Committee and a Member of the Compensation Committee of Agria Corporation, a company listed on the New York Stock Exchange. He is also an Independent Non-executive Director, Chairman of the Audit Committee and a Member of the Nomination Committee and Remuneration Committee of PanAsialum Holdings Company Limited, a company listed on the Hong Kong Stock Exchange, and an Alternate Director of PGG Wrightson Limited, a company listed on the New Zealand Stock Exchange. He was a Director of PGG Wrightson Limited from November 2011 to December 2012. Mr. TSANG is a Fellow Member of the Hong Kong Institute of Certified Public Accountants, a Member of the Chinese Institute of Certified Public Accountants, and a Fellow Member of The Association of Chartered Certified Accountants. Mr. TSANG received a bachelor degree of Business Administration from the Chinese University of Hong Kong.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2012, 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 Issuers, were as follows:

Name of director	Number of ordinary shares interested	Capacity	Percentage of total issued shares
Mr. CHU Lap Lik, Victor	3,224,000	Interest of controlled corporation	2.04%

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 2012, 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 2012.

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

Save as disclosed, 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.

COMPETING INTERESTS

Mr. LI Yinquan and Mr. HONG Xiaoyuan are respectively Vice Chairman and Director of China Merchants Capital Investment Co., Ltd. which is actively involved in direct investments and which may compete, either directly or indirectly, with business of the Group. Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth (being alternate to Mr. CHU Lap Lik, Victor) are Directors of various companies within First Eastern Investment Group which is actively involved in direct investments in the PRC and which may compete, either directly or indirectly, with business of the Group. However, the Company is capable of carrying on its business independently of, and at arm's length from, the businesses of China Merchants Capital Investment Co., Ltd. and First Eastern Investment Group. If conflict of interest arises on the part of Mr. LI, Mr. HONG, Mr. CHU, or Ms. KAN, as the case may be, they shall, pursuant to the Articles of Association of the Company, not vote or be counted in the quorum on the relevant resolution of the Board of Directors.

Save as disclosed, in so far as the Directors are aware, none of the Directors or any of their respective associates has an interest in a business that competes or may compete with the business of the Group.

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 2012, 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 of shareholder	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	42,604,015	26.91%
China Merchants Steam Navigation Company Limited (Note 3)	Long position	Interest of controlled corporation	42,604,015	26.91%
China Merchants Holdings (Hong Kong) Company Limited (Note 1)	Long position	Interest of controlled corporation	42,604,015	26.91%
China Merchants Finance Holdings Company Limited (Note 2)	Long position	Interest of controlled corporation	42,604,015	26.91%
China Merchants Financial Services Limited (Note 3)	Long position	Interest of controlled corporation	39,393,627	24.88%
Good Image Limited	Long position	Beneficial owner	39,393,627	24.88%
Lazard Asset Management LLC	Long position	Investment manager	32,972,945	20.82%
華夏全球精選股票型證券投資基金	Long position	Beneficial owner	9,682,000	6.11%

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.

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 2012, 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 and Ms. KAN Ka Yee, Elizabeth have 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 existing Investment Management Agreement entered into between the Company and the Investment Manager (the "**Existing Management Agreement**") on 5 February 2010 became effective on 15 July 2010 and was for a fixed term ended on 31 December 2012.

On 18 October 2012, the Company announced that it had on 18 October 2012 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. 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 9 November 2012 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 29 November 2012. The Revised Management Agreement became effective on 1 January 2013 and is for a fixed term ending on 31 December 2015.

For the year ended 31 December 2012, 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$9,508,196 (2011: US$9,869,331) were paid or payable to the Investment Manager.

CONTINUING CONNECTED TRANSACTIONS (continued)

2. Brokerage Agreements

On 8 November 2010, China Merchants Industry Development (Shenzhen) Limited ("**CMID**"), a wholly-owned subsidiary of the Company renewed the brokerage agreement and supplemental brokerage agreement (the "**Renewed Brokerage Agreements**") with China Merchants Securities Co., Ltd. ("**CMS**") in relation to the securities brokerage services provided by CMS to CMID for a term of three years. The Renewed Brokerage Agreements took effect on 13 December 2010. CMS 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. For the year ended 31 December 2012, the securities brokerage commission fee totalling US$8,230 (2011: US$41,015) was paid or payable to CMS.

The Independent Non-executive Directors have reviewed the above continuing connected transactions and have 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.

Pursuant to Rule 14A.38 of the Listing Rules, the Company engaged its external auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions set out above in accordance with Rule 14A.38 of the Listing Rules.

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 30 to the 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. LI Yinquan
Chairman

Hong Kong, 27 March 2013

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance practices are important to protect shareholders' interests and to promote investor confidence. The Company has complied with all the code provisions set out in Appendix 14 to the Listing Rules (Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (the "**New Code**", effective from 1 April 2012)) throughout the year under review, except for the deviations as stated below:

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

Due to business trips or other business engagements, some of the Directors were unable to attend the annual general meeting ("**AGM**") and/or the extraordinary general meeting ("**EGM**") of the Company held on 17 May 2012 and 29 November 2012 (Please refer to the section below for attendance of each of the Directors and Alternate Director).

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

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

BOARD OF DIRECTORS

As at 31 December 2012, the Board consisted of five Executive Directors, one Non-executive Director and four Independent Non-executive Directors as defined by the Listing Rules. The biography of the Directors are set out on pages 30 to 35 of the Annual Report.

The Company has appointed an Investment Manager to manage its investment portfolio and day-to-day administration of the Company. According to the Investment Management Agreement entered into between the Company and the Investment Manager, the Investment Manager undertakes all investment and management duties arising pursuant to the operation of the Company and is responsible for identifying and evaluating investment opportunities, executing investment decisions, monitoring and enhancing investments of the Company, making decisions on investments and realisations for the Company, managing the corporate affairs of the Company and dealing with its day-to-day administration.

BOARD OF DIRECTORS (continued)

The Board is responsible for formulating the Company's overall investment strategy and guidelines that the Investment Manager shall follow to make the investments. The Board is also responsible for performing the following corporate governance duties as required under the New Code:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development ("**CPD**") of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the employees and Directors; and
- reviewing the Company's compliance with the New Code and disclosure in the corporate governance report.

During the year under review, the Board considered the following corporate governance matters:

- adoption of the New Code as the corporate governance practices of the Company;
- establishment of a Nomination Committee;
- establishment of a shareholders communication policy; and
- amendments to the terms of reference of the Audit Committee.

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 three regular meetings during the year under review. The attendance of each of the Directors and Alternate Director is as follows:

BOARD OF DIRECTORS (continued)

	Attendance/number of regular meetings during the Director's term of office in 2012
Executive Directors:	
Mr. LI Yinquan *(Chairman)*	3/3
Mr. HONG Xiaoyuan	3/3
Mr. CHU Lap Lik, Victor	1/3
Ms. ZHOU Linda Lei	3/3
Mr. TSE Yue Kit	3/3
Non-executive Director:	
Mr. KE Shifeng	3/3
Independent Non-executive Directors:	
Mr. LIU Baojie	3/3
Mr. XIE Tao	3/3
Mr. ZHU Li	3/3
Mr. TSANG Wah Kwong *(appointed on 14 September 2012)*	1/1
Mr. LI Kai Cheong, Samson *(resigned on 14 September 2012)*	2/2
Alternate Director:	
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor)*	2/3

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 Directors, or any members of the Audit Committee, Nomination Committee or 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 three committees during the year under review, namely, the Audit Committee, Nomination Committee and Investment Committee for assisting to monitor the management of the Company. The details of the Committees are as below:

BOARD OF DIRECTORS (continued)

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 New Code. The terms of reference of the Audit Committee (revised in March 2012) are available on the Company's website. All the Committee members, including the Chairman, are Independent Non-executive Directors. The duties of the Audit Committee include but not limited to the following:

- considering the appointment of the independent auditor, the audit fee, and any questions of resignation or dismissal of that auditor;
- reviewing the interim and annual results and reports;
- reviewing financial and internal controls and risk management system;
- considering major investigation findings on internal control matters; and
- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee is provided with sufficient resources enabling it to perform its duties.

The Audit 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
Independent Non-executive Directors:	
Mr. TSANG Wah Kwong *(Chairman of the Audit Committee)* *(appointed on 14 September 2012)*	Not applicable
Mr. XIE Tao	2/2
Mr. ZHU Li	2/2
Mr. LI Kai Cheong, Samson *(Chairman of the Audit Committee)* *(resigned on 14 September 2012)*	2/2

BOARD OF DIRECTORS (continued)

Audit Committee (continued)

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 2012;
- reviewed the interim report and the interim results announcement for the six months ended 30 June 2012;
- reviewed the audit plan for the year 2012 to assess the general scope of audit work;
- reviewed the annual report (including audited consolidated financial statements) and the final results announcement for the year 2011; and
- considered the internal controls assessment report prepared by the Company's independent auditor.

Nomination Committee and Appointment of Directors

A Nomination Committee was established in March 2012 by the Board with specific terms of reference in accordance with the New Code and comprises a majority of Independent Non-executive Directors. The terms of reference of the Nomination Committee are available on the Company's website. The Nomination Committee is responsible to review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to become Board member and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. It is also provided with sufficient resources enabling it to perform its duties. Before its establishment, the role and function of the Nomination Committee were taken by the Board.

During the year under review, the Nomination Committee held a meeting to review the structure, size and composition of the Board and recommend the appointment of Mr. TSANG Wah Kwong as Independent Non-executive Director of the Company after considering his qualification, experience and independence. The attendance of individual members of the Nomination Committee is as follows:

	Attendance/ number of meetings
Executive Director:	
Mr. LI Yinquan *(Chairman of the Nomination Committee)*	1/1
Independent Non-executive Directors:	
Mr. XIE Tao	1/1
Mr. ZHU Li	1/1

BOARD OF DIRECTORS (continued)

Nomination Committee and Appointment of Directors (continued)

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

According to the Articles of Association of the Company, at each AGM, 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.

Investment Committee

The Board has established an Investment Committee, of which currently has four members (Mr. LI Yinquan, Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor and Ms. ZHOU Linda Lei), to approve transactions (investments or realisations) of over US$20 million each (effective from 5 February 2010) and to supervise the day-to-day management functions of the Investment Manager. All the Committee members are Executive Directors.

During the year under review, the Investment Committee 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 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.

TRAINING AND SUPPORT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or Alternate Director shall receive an induction package covering the Company's businesses and the statutory and regulatory obligations of a director of a listed company. The Company continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to the Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

TRAINING AND SUPPORT FOR DIRECTORS (continued)

Participation of the Directors and Alternate Director in the CPD during the year under review is as follows:

	Type of CPD
Executive Directors:	
Mr. LI Yinquan *(Chairman)*	a,c
Mr. HONG Xiaoyuan	a,c
Mr. CHU Lap Lik, Victor	a,c
Ms. ZHOU Linda Lei	a,c
Mr. TSE Yue Kit	a,c
Non-executive Director:	
Mr. KE Shifeng	a,b,c
Independent Non-executive Directors:	
Mr. LIU Baojie	c
Mr. XIE Tao	a,c
Mr. ZHU Li	a,c
Mr. TSANG Wah Kwong *(appointed on 14 September 2012)*	a,c
Mr. LI Kai Cheong, Samson *(resigned on 14 September 2012)*	a,c
Alternate Director:	
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor)*	a,c

Note:

a: attending training courses, in-house briefings, seminars, conferences, or forums

b: giving talks at seminars, conferences, or forums

c: reading newspapers, journals and updates relating to the economy, general business, investment, or director's duties and responsibility, etc.

DIRECTORS' SECURITIES TRANSACTIONS

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

REMUNERATION OF DIRECTORS

The Company has no salaried employees, except the qualified accountant whose remuneration package is determined and borne by the Investment Manager. The Company has applied for and The Stock Exchange of Hong Kong Limited has granted a waiver to the Company for establishment of remuneration committee on condition that the Executive Directors and senior management of the Company will not receive any Directors' fee or emolument from the Company. Thus, no remuneration committee has been established by the Company.

The remuneration of the Directors is determined by the shareholders at the AGM of the Company. At the AGM of the Company held on 17 May 2012, it was resolved that the remuneration of the Directors for the year ended 31 December 2012 be fixed by the Board. All the Executive Directors did not receive any remuneration from the Company for the year ended 31 December 2012 (2011: Nil). The total remuneration payable to other Directors for the year ended 31 December 2012 is disclosed in note 9 to the financial statements.

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$117,155 and for non-audit services provided is US$45,680 which was mainly for the purpose of reviewing the internal control systems 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 51.

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.

COMPANY SECRETARY

The Company Secretary, Mr. LEUNG Chong Shun, is a practicing solicitor in Hong Kong. Although he is not a full time employee of the Company, he reports to the Board and is responsible for advising the Board on governance matters. The primary contact person of the Company with the Company Secretary is Mr. TSE Yue Kit, the Executive Director of the Company. The Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training during the year.

CONSTITUTIONAL DOCUMENTS

During the year under review, there is no significant change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirements under Paragraph O of the New Code which became effective from 1 April 2012.

Convening of EGM on Requisition

In accordance with Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (the "**Ordinance**"), shareholder(s) holding at the date of the deposit of the requisition not less than one-twentieth (1/20) of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, may require the Directors to convene an EGM. The written requisition must state the objects of the meeting, and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company at 1803 China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong for the attention of the Board.

SHAREHOLDERS' RIGHTS (continued)

Putting Forward Proposals at General Meetings

Section 115A of the Ordinance provides that (i) shareholder(s) representing not less than one-fortieth (1/40) of the total voting rights of all shareholders of the Company or (ii) not less than fifty shareholders holding the shares in the Company on which there has been paid up an average sum of not less than HK$2,000 per shareholder can put forward proposals for consideration at a general meeting of the Company by depositing a requisition in writing signed by the relevant shareholder(s) at the registered office of the Company at 1803 China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong for the attention of the Board.

Pursuant to Article 100 of the Articles of Association of the Company, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least 7 days. The period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting. Detailed procedures for shareholders to propose a person for election as a Director can be found on the Company's website.

Enquiries to the Board

Shareholders have been provided with contact details of the Company on the Company's website, such as telephone number, fax number, email address and postal address, in order to enable them to make any enquiries that they may have with respect to the Company. They can also send their enquiries to the Board using these means. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

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 Company (through the Investment Manager) has also actively responded to the investors' queries by emails and 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. Shareholders may refer to the "Shareholders Communication Policy" that posted on the Company's website for more details.

General meetings, including AGM, provide a useful forum for shareholders to exchange their views with the Board. Separate resolutions are proposed at general meetings on each substantially separate issue.

INVESTOR RELATIONSHIP AND COMMUNICATION (continued)

General meeting proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of general meeting is distributed to all shareholders at least 20 clear business days prior to an AGM and at least 10 clear business days prior to an EGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of a general meeting exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website on the day of the general meeting.

The Company held two general meetings during the year under review. The attendance of each of the Directors and Alternate Director is as follows:

	Attendance/Number of meetings	
	AGM held on 17 May 2012	**EGM held on 29 Nov 2012**
Executive Directors:		
Mr. LI Yinquan *(Chairman)*	1/1	0/1
Mr. HONG Xiaoyuan	0/1	1/1
Mr. CHU Lap Lik, Victor	0/1	1/1
Ms. ZHOU Linda Lei	1/1	1/1
Mr. TSE Yue Kit	1/1	1/1
Non-executive Director:		
Mr. KE Shifeng	0/1	0/1
Independent Non-executive Directors:		
Mr. LIU Baojie	0/1	0/1
Mr. XIE Tao	0/1	0/1
Mr. ZHU Li	0/1	0/1
Mr. TSANG Wah Kwong *(appointed on 14 September 2012)*	Not applicable	1/1
Mr. LI Kai Cheong, Samson *(resigned on 14 September 2012)*	1/1	Not applicable
Alternate Director:		
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor)*	1/1	1/1

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 53 to 99, which comprise the consolidated and Company's statements of financial position as at 31 December 2012, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view 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 2012 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
27 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**2012** **US$**	2011 US$
Change in fair value of financial assets at fair value through profit or loss		**23,636,644**	(19,745,991)
Investment income	6	**13,679,480**	17,330,254
Other gains and losses		**172,122**	499,670
Administrative expenses		**(11,789,508)**	(15,762,196)
Share of results of associates	15	**(1,411,813)**	58,112
Profit (loss) before taxation	8	**24,286,925**	(17,620,151)
Taxation	11	**(14,403,677)**	(2,207,479)
Profit (loss) for the year		**9,883,248**	(19,827,630)
Other comprehensive income (loss)			
Exchange difference arising on translation		**959,878**	21,294,983
Share of change in translation reserve of associates		**49,432**	121,604
Change in fair value of available-for-sale financial assets		**(13,430)**	4,694
Other comprehensive income for the year		**995,880**	21,421,281
Total comprehensive income for the year		**10,879,128**	1,593,651
Profit (loss) for the year attributable to owners of the Company		**9,883,248**	(19,827,630)
Total comprehensive income attributable to owners of the Company		**10,879,128**	1,593,651
Basic earnings (loss) per share	13	**0.064**	(0.132)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 US$	2011 US$
Non-current assets			
Interests in associates	15	**21,237,267**	22,890,874
Financial assets at fair value through profit or loss	16	**252,189,653**	219,725,630
Available-for-sale financial assets	17	**–**	726,698
		273,426,920	243,343,202
Current assets			
Financial assets at fair value through profit or loss	16	**236,147,975**	215,401,697
Available-for-sale financial assets	17	**713,268**	–
Other receivables	19	**709,793**	1,612,182
Bank balances and cash	20	**57,778,638**	95,824,723
		295,349,674	312,838,602
Current liabilities			
Other payables	21	**22,654,936**	21,050,450
Taxation payable	22	**3,943,887**	3,999,297
		26,598,823	25,049,747
Net current assets		**268,750,851**	287,788,855
Total assets less current liabilities		**542,177,771**	531,132,057
Non-current liabilities			
Financial liabilities at fair value through profit or loss	23	**1,192,063**	1,268,441
Deferred taxation	24	**62,583,346**	52,953,100
		63,775,409	54,221,541
Net assets		**478,402,362**	476,910,516

As at 31 December 2012

	Notes	**2012** **US$**	2011 US$
Capital and reserves			
Share capital	25	**15,834,342**	15,149,904
Share premium and reserves		**237,712,531**	228,287,230
Retained profits		**224,855,489**	233,473,382
Equity attributable to owners of the Company		**478,402,362**	476,910,516
Net asset value per share	27	**3.021**	3.148

The consolidated financial statements on pages 53 to 99 were approved and authorised for issue by the Board of Directors on 27 March 2013 and are signed on its behalf by:

Mr. HONG Xiaoyuan
Director

Ms. ZHOU Linda Lei
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 US$	2011 US$
Non-current assets			
Investments in subsidiaries	14	**28,573,279**	26,050,007
Financial assets at fair value through profit or loss	16	**52,994,347**	40,604,327
Amounts due from subsidiaries	18	**36,825,730**	66,953,575
		118,393,356	133,607,909
Current assets			
Amounts due from subsidiaries	18	**189,553,092**	190,409,417
Other receivables	19	**25,891**	24,255
Bank balances and cash	20	**6,707,115**	2,901,837
		196,286,098	193,335,509
Current liabilities			
Amounts due to subsidiaries	18	**4,948,995**	4,842,326
Other payables	21	**3,110,713**	2,710,492
Taxation payable	22	**3,842,500**	3,842,500
		11,902,208	11,395,318
Net current assets		**184,383,890**	181,940,191
Total assets less current liabilities		**302,777,246**	315,548,100
Non-current liabilities			
Financial liabilities at fair value through profit or loss	23	**1,192,063**	1,268,441
Deferred taxation	24	**3,769,561**	2,530,559
		4,961,624	3,799,000
Net assets		**297,815,622**	311,749,100
Capital and reserves			
Share capital	25	**15,834,342**	15,149,904
Share premium and reserves	26	**281,981,280**	296,599,196
Equity attributable to owners of the Company		**297,815,622**	311,749,100

Mr. HONG Xiaoyuan
Director

Ms. ZHOU Linda Lei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital	Share premium	Translation reserve	General reserve	Available-for-sale financial assets reserve	Retained profits	Equity attributable to owners of the Company
	US$	*US$*	*US$*	*US$*	*US$*	*US$*	*US$*
Balance at 1 January 2011	14,914,560	109,493,184	86,492,840	6,139,057	24,865	270,341,735	487,406,241
Loss for the year	–	–	–	–	–	(19,827,630)	(19,827,630)
Exchange difference on translation	–	–	21,294,983	–	–	–	21,294,983
Share of change in translation reserve of associates	–	–	121,604	–	–	–	121,604
Change in fair value of available-for-sale financial assets	–	–	–	–	4,694	–	4,694
Total comprehensive income (loss) for the year	–	–	21,416,587	–	4,694	(19,827,630)	1,593,651
2010 final and special dividends paid							
– Cash	–	–	–	–	–	(12,089,376)	(12,089,376)
– Scrip alternative	235,344	4,081,296	–	–	–	(4,316,640)	–
Transfer to general reserve	–	–	–	634,707	–	(634,707)	–
Balance at 31 December 2011	15,149,904	113,574,480	107,909,427	6,773,764	29,559	233,473,382	476,910,516
Balance at 1 January 2012	**15,149,904**	**113,574,480**	**107,909,427**	**6,773,764**	**29,559**	**233,473,382**	**476,910,516**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**9,883,248**	**9,883,248**
Exchange difference on translation	**–**	**–**	**959,878**	**–**	**–**	**–**	**959,878**
Share of change in translation reserve of associates	**–**	**–**	**49,432**	**–**	**–**	**–**	**49,432**
Change in fair value of available-for-sale financial assets	**–**	**–**	**–**	**–**	**(13,430)**	**–**	**(13,430)**
Total comprehensive income (loss) for the year	**–**	**–**	**1,009,310**	**–**	**(13,430)**	**9,883,248**	**10,879,128**
2011 final and special dividends paid							
– Cash	**–**	**–**	**–**	**–**	**–**	**(9,387,282)**	**(9,387,282)**
– Scrip alternative	**684,438**	**8,108,164**	**–**	**–**	**–**	**(8,792,602)**	**–**
Transfer to general reserve	**–**	**–**	**–**	**321,257**	**–**	**(321,257)**	**–**
Balance at 31 December 2012	**15,834,342**	**121,682,644**	**108,918,737**	**7,095,021**	**16,129**	**224,855,489**	**478,402,362**

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012	2011
	US$	*US$*
OPERATING ACTIVITIES		
Profit (loss) before taxation	**24,286,925**	(17,620,151)
Adjustments for:		
Share of results of associates	**1,411,813**	(58,112)
Other gains and losses	**–**	(309,007)
Interest income	**(1,692,195)**	(2,085,396)
Dividend income from equity investments	**(11,987,285)**	(15,244,858)
Change in fair value of financial assets designated at fair value through profit or loss	**(25,714,856)**	34,966,753
Operating cash flows before movements in working capital	**(13,695,598)**	(350,771)
(Increase) decrease in financial assets at fair value through profit or loss	**(26,589,016)**	67,713,173
Decrease (increase) in other receivables	**69,001**	(20,084)
Increase (decrease) in other payables	**1,158,537**	(13,692,997)
Increase in financial liabilities at fair value through profit or loss	**369,571**	492,540
Cash (used in) generated from operations	**(38,687,505)**	54,141,861
Interest received	**2,764,520**	855,432
Dividend received	**11,987,285**	15,244,858
Income taxes paid	**(4,770,851)**	(27,563,727)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(28,706,551)**	42,678,424
CASH USED IN INVESTING ACTIVITY		
Advance to associates	**–**	(20,022)
CASH USED IN FINANCING ACTIVITY		
Dividend paid	**(9,387,282)**	(12,089,376)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(38,093,833)**	30,569,026
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**95,824,723**	63,282,735
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**47,748**	1,972,962
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**57,778,638**	95,824,723

1. GENERAL INFORMATION

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 convenience of the consolidated financial statements users, the consolidated financial statements are presented in United States dollars ("**USD**").

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

In the current year, the Group and the Company have applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

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

The application of the above amendments to HKFRSs in the current year has had no material effect on the Group's and the Company's financial performance and positions for the current and prior years and/or on disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRSs (Amendments)	Annual improvements to HKFRSs 2009 – 2011 Cycle[2]
HKFRS 7 (Amendments)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities[2]
HKFRS 9 and 7 (Amendments)	Mandatory effective date of HKFRS 9 and transition disclosures[4]
HKFRS 10, 12 and HKAS 27 (Amendments)	Investment entities[3]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 10, 11 and 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interest in other entities: Transition guidance[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of financial statements – Presentation of items of other comprehensive income[1]

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

New and revised HKFRSs in issue but not yet effective (continued)

HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
HKAS 32 (Amendments)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities[3]
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine[2]

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

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated at fair value through profit or loss was presented in profit or loss.

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

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

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

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

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

Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

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

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

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

If the Company is qualified as an investment entity under the amendments to HKFRS 10, instead of consolidating its subsidiaries, the Company may be required to measure its interests in subsidiaries at fair value through profit or loss. The Group is in the process of making an assessment of the impact of these amendments to HKFRSs.

HKFRS 13 *Fair Value Measurement*

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

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

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

3. 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. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

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 joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income 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 are 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)

Interests in associates (continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Financial instruments

Financial assets and financial liabilities are recognised in 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 ("**FVTPL**")) 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 FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories – financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 debt instrument 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

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

A financial asset may be designated 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 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, bank balances and amounts due from subsidiaries and associates) are carried at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of 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 available-for-sale financial assets reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (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 affected.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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 amounts 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 an 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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss 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 instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liability or as equity 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. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. The Group's financial liabilities are generally classified into financial liabilities designated at FVTPL 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 debt instrument 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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 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 at FVTPL.

Financial liabilities at FVTPL are measured 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 instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

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

Derecognition

Financial assets are derecognised only when the contractual 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, and only 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Revenue recognition

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a timely 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 FVTPL is recognised when the shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual entity of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the respective functional currency at the rates of exchange prevailing at 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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. USD) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of 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 before taxation 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 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. Current and deferred tax are recognised in profit or loss, except when they relate 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 the 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 the consolidated 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 new shares issues as well as the issue of new debt. The Group's overall strategy remains unchanged throughout the year.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	US$	*US$*	***US$***	*US$*
Financial assets				
Designated at FVTPL	**488,337,628**	435,127,327	**52,994,347**	40,604,327
Available-for-sale	**713,268**	726,698	**–**	–
Loans and receivables (including cash and cash equivalents)	**58,466,044**	97,414,688	**240,364,394**	260,266,867
Financial liabilities				
Amortised cost	**3,661,353**	3,023,624	**8,059,708**	7,552,818
Designated at FVTPL	**1,192,063**	1,268,441	**1,192,063**	1,268,441

Financial risk management objective and policies

The Group's major financial instruments include financial assets at FVTPL, available-for-sale financial assets, other receivables, bank balances and cash, other payables and financial liabilities at FVTPL. 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 which expose the Group to foreign currency risk. The related balances include amounts due from/to subsidiaries, other receivables, bank balances and cash and other payables, denominated in a currency other than the functional currency, and so 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 amounts of the Group's and the Company's monetary assets and monetary liabilities which are denominated in a currency other than the functional currency of the relevant group entities at the reporting date are as follows:

	THE GROUP	
	2012	2011
	US$	*US$*
Monetary assets		
United States Dollar	**6,608,996**	424,534
Hong Kong Dollar	**144,639**	2,586,719
Monetary liabilities		
United States Dollar	**4,008,503**	3,640,584
Hong Kong Dollar	**294,273**	338,349

	THE COMPANY	
	2012	2011
	US$	*US$*
Monetary assets		
United States Dollar	**36,166,929**	38,072,887
Hong Kong Dollar	**124,856**	2,502,404
Monetary liabilities		
United States Dollar	**8,957,498**	8,821,259
Hong Kong Dollar	**294,273**	–

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 increased/decreased by 5%, the Group's result for the year would decrease/increase by US$130,000 (2011: increase/decrease by US$161,000).

For the currency risk of the Company, if the exchange rate of RMB against USD had increased/decreased by 5%, the Company's result for the year would decrease/increase by US$1,364,000 (2011: increase/decrease by US$1,466,000).

For the Group and the Company, no sensitivity analysis has been prepared between RMB and HKD as the amount involved is not significant.

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 (mainly short-term bank deposits at market rate) 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's 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 in note 16 and financial liabilities in note 23 which are designated at FVTPL.

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 the end of the reporting period.

If the market bid prices of the listed equity securities had been 20% (2011: 20%) higher/lower, the Group's result for the year would increase/decrease by US$33,651,000 (2011: decrease/increase by US$31,104,000). This is mainly attributable to the changes in fair values of the listed equity investments held by the Group.

If the fair value of the investments other than listed equity securities had been 20% (2011: 20%) higher/lower, the Group's result for the year would increase/decrease by US$37,827,000 (2011: decrease/increase by US$33,398,000). 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, and the Company also has financial assets on amounts due from subsidiaries.

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, which is 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.

The Group and the Company have concentration of credit risk in a single geographic area in the PRC.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group and the Company are unable to meet their 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.

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 fee accruals and business tax accruals) and financial liabilities at FVTPL related to sub-participation agreements. The Company's financial liabilities represent other payables (management fee accruals), financial liabilities at FVTPL and amounts due to subsidiaries. Apart from financial liabilities at FVTPL which is repayable upon realisation 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 FVTPL are determined with reference to quoted market bid prices and generally accepted pricing models.

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

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

	Level 1	**Level 2**	**Level 3**	**2012 Total**
	US$	***US$***	***US$***	***US$***
Financial assets at FVTPL				
Financial assets designated at FVTPL	**236,147,975**	**–**	**252,189,653**	**488,337,628**
Available-for-sale financial assets				
Bonds	**–**	**–**	**713,268**	**713,268**
Total	**236,147,975**	**–**	**252,902,921**	**489,050,896**
Financial liabilities at FVTPL				
Financial liabilities designated at FVTPL	**–**	**–**	**1,192,063**	**1,192,063**
Total	**–**	**–**	**1,192,063**	**1,192,063**

	Level 1	Level 2	Level 3	2011 Total
	US$	*US$*	*US$*	*US$*
Financial assets at FVTPL				
Financial assets designated at FVTPL	215,401,697	–	219,725,630	435,127,327
Available-for-sale financial assets				
Bonds	–	–	726,698	726,698
Total	215,401,697	–	220,452,328	435,854,025
Financial liabilities at FVTPL				
Financial liabilities designated at FVTPL	–	–	1,268,441	1,268,441
Total	–	–	1,268,441	1,268,441

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Designated at FVTPL *US$*	**Available-for-sale** *US$*	**2012 Total** *US$*
Opening balance	**219,725,630**	**726,698**	**220,452,328**
Gains or losses recognised in:			
Profit or loss – unrealised	**(19,784,123)**	**–**	**(19,784,123)**
Other comprehensive income	**–**	**(13,430)**	**(13,430)**
Exchange differences arising on translation	**398,566**	**–**	**398,566**
Purchases	**51,849,580**	**–**	**51,849,580**
Closing balance	**252,189,653**	**713,268**	**252,902,921**

	Designated at FVTPL *US$*	Available-for-sale *US$*	2011 Total *US$*
Opening balance	207,681,626	722,004	208,403,630
Gains or losses recognised in:			
Profit or loss – realised	3,403,632	–	3,403,632
Profit or loss – unrealised	(13,691,743)	–	(13,691,743)
Other comprehensive income	–	4,694	4,694
Exchange differences arising on translation	8,858,210	–	8,858,210
Purchases	18,561,858	–	18,561,858
Disposals	(5,087,953)	–	(5,087,953)
Closing balance	219,725,630	726,698	220,452,328

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial liabilities:

	2012 *US$*	2011 *US$*
Designated at FVTPL		
Opening balance	**1,268,441**	661,699
Additions	**427,590**	508,706
Disposals	**(51,010)**	–
Change in fair value	**(452,958)**	98,036
Closing balance	**1,192,063**	1,268,441

Significant assumptions used in determining Level 3 fair value of financial assets

The consolidated financial statements include holdings in unlisted equities which are measured at fair value (note 16). Fair value is estimated using generally accepted pricing models, which included some assumptions that are not supportable by observable market rates. In determining the fair value, certain unobservable inputs (such as market multiples) and a risk adjusted discount factor were used. The total amount of the loss on change in fair value estimated using a valuation technique that was recognised in profit or loss during the year was US$19,784,123 (2011: US$13,691,743), which is related to financial assets held at the end of the reporting period.

6. INVESTMENT INCOME

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

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

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

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

7. SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the executive management for the purposes of resources allocation and performance assessment (since the size of investments in energy and resources, agriculture, real estate and other types of investing activities is not significant, these investments are aggregated and reported as "Others"), are as follows:

(a) Financial services: investees engaged in financial services activities.

(b) Culture and media: investees engaged in culture and media activities.

(c) Manufacturing: investees engaged in manufacturing of products activities.

(d) Information technology: investees engaged in information technology activities.

(e) Others: investees engaged in investments related to energy and resources, agriculture, real estate activities and other types of investing activities.

Information regarding the above segments is reported below:

The following is an analysis of the Group's reportable and operating segments for the year under review.

For the year ended 31 December 2012

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

7. SEGMENTAL INFORMATION (CONTINUED)

For the year ended 31 December 2011

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

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

7. SEGMENTAL INFORMATION (CONTINUED)

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

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

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

All assets are allocated to reportable segments other than certain other receivables, bank balances and cash, and all liabilities are allocated to reportable segments other than other payables, current and deferred tax liabilities.

During the year, the Group was principally involved in investing in companies with significant business involvement in the PRC, hence no geographical information in relation to the investing activities are presented.

8. PROFIT (LOSS) BEFORE TAXATION

	THE GROUP	
	2012	2011
	US$	*US$*
Profit (loss) before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**135,724**	175,060
Net foreign exchange gains	**(24,275)**	(129,509)
Investment Manager's management fee	**9,508,196**	9,869,331
Directors' fees	**134,090**	107,772
Share of tax of associates (included in share of results of associates)	**(114,674)**	69,310

9. DIRECTORS' EMOLUMENTS

The Group has no chief executives and the Directors' fees paid or payable to each of the 12 (2011: 13) Directors were as follows:

	THE GROUP	
	2012	2011
	US$	*US$*
Executive Directors:		
Mr. LI Yinquan	–	–
Mr. HONG Xiaoyuan	–	–
Mr. CHU Lap Lik, Victor	–	–
Ms. ZHOU Linda Lei	–	–
Mr. TSE Yue Kit	–	–
Ms. KAN Ka Yee, Elizabeth *(Alternate Director)*	–	–
	–	–

9. DIRECTORS' EMOLUMENTS (CONTINUED)

	THE GROUP	
	2012	2011
	US$	*US$*
Non-executive Directors:		
Mr. KE Shifeng	**25,787**	20,528
Independent Non-executive Directors:		
Mr. LIU Baojie	**25,787**	20,528
Mr. XIE Tao*	**25,787**	3,464
Mr. ZHU Li*	**25,787**	3,464
Mr. TSANG Wah Kwong**	**9,282**	Not applicable
Mr. LI Kai Cheong, Samson#	**21,660**	25,660
Mr. KUT Ying Hay##	**Not applicable**	17,064
Mr. WANG Jincheng##	**Not applicable**	17,064
	108,303	87,244
Total	**134,090**	107,772

* The Directors were appointed during the year 2011.

** The Director was appointed during the year 2012.

The Director resigned during the year 2012.

The Directors resigned during the year 2011.

10. EMPLOYEES' EMOLUMENTS

The six (2011: seven) 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	
	2012	2011
	US$	*US$*
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	**(4,913,290)**	(26,042,014)
Deferred taxation (note 24)		
Current year	**(9,490,387)**	23,834,535
Total	**(14,403,677)**	(2,207,479)

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the years. PRC Enterprise Income Tax in the PRC is calculated at the rates prevailing in the relevant regions.

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

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

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:

	2012	2011
	US$	*US$*
Profit (loss) before taxation	**24,286,925**	(17,620,151)
Share of results of associates	**1,411,813**	(58,112)
Profit (loss) before taxation attributable to the Company and its subsidiaries	**25,698,738**	(17,678,263)
Tax at the domestic income tax rate of 25% (2011: 24%) (Note 1)	**(6,424,685)**	4,242,783
Tax effect of expenses not deductible for tax purpose	**(2,946,750)**	(1,781,196)
Tax effect of income not taxable for tax purpose	**3,167,490**	4,390,134
Tax effect of tax losses/deductible temporary differences not recognised	**(2,170)**	(2,267)
Effect of different tax rates of the Company operating in other regions in the PRC	**1,866,081**	(1,830,106)
Adjustment on deferred tax on disposal of financial assets at FVTPL	**–**	771,454
Effect of different tax rate applied for deferred tax liability recognised for the year	**(1,149,391)**	(3,853,780)
Dividend withholding taxation in the PRC	**(8,914,252)**	(4,144,501)
Taxation	**(14,403,677)**	(2,207,479)

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

12. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of US$0.05 per share (2011: US$0.04) in respect of the year ended 31 December 2012 has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

A cash dividend of US$9,387,282 (2011: US$12,089,376) was paid and a total number of 6,844,381 (2011: 2,353,436) scrip shares were allotted and issued at the price of HK$9.956 (2011: HK$14.34) on 31 July 2012 (2011: 29 July 2011) by the Company for the year ended 31 December 2011.

13. BASIC EARNINGS (LOSS) PER SHARE

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

	THE GROUP	
	2012	2011
Profit (loss) for the purpose of basic earnings (loss) per share (US$)	**9,883,248**	(19,827,630)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**154,350,861**	150,126,198
Basic earnings (loss) per share (US$)	**0.064**	(0.132)

All 6,844,381 (2011: 2,353,436) scrip shares allotted during the year have been issued before the year end as described in note 12 above. No diluted earnings (loss) per share were noted at both years as there were no dilutive potential shares outstanding during both years.

14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2012	2011
	US$	*US$*
Unlisted shares, at cost	**10,000,007**	10,000,007
Deemed capital contribution through interest-free loans	**18,573,272**	16,050,000
Total	**28,573,279**	26,050,007

Particulars of the Company's principal subsidiaries at 31 December 2012 are set out in note 32.

15. INTERESTS IN ASSOCIATES

	THE GROUP	
	2012	2011
	US$	*US$*
Cost of unlisted investments in associates	**16,452,455**	16,452,455
Share of post-acquisition results, net of dividends received	**1,015,521**	2,692,819
Share of exchange reserve	**3,769,291**	3,719,859
	21,237,267	22,865,133
Amounts due from associates	**6,486,055**	6,511,796
Allowance on amounts due from associates	**(6,486,055)**	(6,486,055)
	–	25,741
Total	**21,237,267**	22,890,874

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

As at 31 December 2012 and 2011, the Group had investments in the following associates:

Name of company	**Place of incorporation/ registration and operation**	**Class of share held**	**Principal activities**	**2012 Proportion of nominal value of issued capital/ registered capital held by the Group**	2011 Proportion of nominal value of issued capital/ registered capital held by the Group
Daily On Property Limited	HK/PRC	Ordinary	Property development	**22%**	22%
Hansen Enterprises Limited	BVI/PRC	Ordinary	Property investment	**35%**	35%
Shandong Jinbao Electronics Co., Ltd.	PRC/PRC	Registered capital	Manufacturing Electronics products	**25.91%**	25.91%

15. INTERESTS IN ASSOCIATES (CONTINUED)

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

	2012	2011
	US$	*US$*
Total assets	**481,384,174**	471,106,571
Total liabilities	**(384,463,553)**	(379,429,044)
Net assets	**96,920,621**	91,677,527
Group's share of net assets of associates	**21,237,267**	22,865,133
Turnover	**319,938,375**	348,902,963
(Loss) profit for the year	**(11,196,950)**	2,104,736
Group's share of results of associates for the year (excluding unrecognised share of profits of associates having accumulated losses in prior year)	**(1,411,813)**	58,112

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

	2012	2011
	US$	*US$*
Unrecognised share of (losses) profits for the year	**(1,781,679)**	446,259
Accumulated unrecognised share of losses of associates	**(3,583,057)**	(1,801,378)

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2012	2011
	US$	*US$*
Equity and debt securities designated at FVTPL:		
– listed equities in PRC (Note a)	**236,147,975**	212,612,412
– listed equity in USA (Note b)	**–**	2,789,285
– unlisted equities (Note c)	**225,908,364**	194,142,093
– unlisted preferred equity (Note c)	**25,280,000**	24,790,000
– convertible bond (Note c)	**1,001,289**	793,537
Total	**488,337,628**	435,127,327
Analysed to reporting purposes as		
Current assets	**236,147,975**	215,401,697
Non-current assets	**252,189,653**	219,725,630
Total	**488,337,628**	435,127,327

The Group's sales proceeds from disposals of investments in 2012 were US$23,182,351 (2011: US$110,234,802).

	THE COMPANY	
	2012	2011
	US$	*US$*
Equity securities:		
– unlisted (Note c)	**52,994,347**	40,604,327

Notes:

(a) The listed equity securities represent 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 listed equity security represents the Group's interest in Renren Inc.. The fair value of the above listed security is determined based on the quoted market closing price available on the relevant exchange.

(c) As at 31 December 2012, fair value of unlisted equities amounted to US$4,772,890 was arrived at by reference to their recent transaction prices prior to the year end. For unlisted investments with no recent transactions noted, their fair values were arrived at on the basis of valuations carried out by an independent valuer not connected with the Group. Determination of fair value is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability. Factors considered in determining the fair value of these investments include multiples of comparable companies listed on stock exchanges. Fair value of the convertible bond was arrived at by reference to the appropriate valuation model.

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 2012 disclosed pursuant to Section 129(2) of the Hong Kong Companies Ordinance are as follows:

Name of company	Place of registration	Class of share capital	2012 Percentage of equity held by the Group	2011 Percentage of equity held by the Group
China Merchants Bank Co., Ltd.	PRC	A shares	**0.25%**	0.31%
Industrial Bank Co., Ltd.	PRC	A shares	**0.41%**	0.41%
China Credit Trust Co., Ltd.	PRC	Paid up capital	**6.9369%**	6.9369%

THE COMPANY

Particulars of the Company's investment portfolio which exceeds 10% of the assets of the Company at 31 December 2012 disclosed pursuant to Section 129(2) of the Hong Kong Companies Ordinance are as follows:

Name of company	Place of registration	Class of share capital	2012 Percentage of equity held by the Company	2011 Percentage of equity held by the Company
China Credit Trust Co., Ltd.	PRC	Paid up capital	**3.3297 %**	3.3297 %

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP	
	2012	2011
	US$	*US$*
Quoted debt securities – available-for-sale (Note)	**713,268**	726,698

Note: The maturity of the debt securities is less than one year and the effective interest rate is 5.80% per annum. The debt securities are classified from non-current asset at prior year end to current asset at 31 December 2012.

18. AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2012	2011
	US$	*US$*
Amounts due from subsidiaries	**245,012,895**	268,245,384
Less: Allowance on amounts due from subsidiaries	**(18,634,073)**	(10,882,392)
Total	**226,378,822**	257,362,992
Analysis of amounts due from subsidiaries		
Current	**189,553,092**	190,409,417
Non-current	**36,825,730**	66,953,575
Total	**226,378,822**	257,362,992
Amounts due to subsidiaries	**4,948,995**	4,842,326

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

	THE COMPANY	
	2012	2011
	US$	*US$*
Allowance on amounts due from subsidiaries at 1 January and 31 December	**18,634,073**	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 are with good quality as they have the repayment ability to settle the outstanding amounts.

19. OTHER RECEIVABLES

	THE GROUP	
	2012	2011
	US$	*US$*
Consideration receivable on disposal of unlisted investments	**–**	63,102
Dividend receivable from associates	**463,605**	224,668
Interest receivable	**203,073**	1,275,398
Other receivables	**43,115**	49,014
Total	**709,793**	1,612,182

	THE COMPANY	
	2012	2011
	US$	*US$*
Interest receivable	**3,504**	2,038
Other receivables	**22,387**	22,217
Total	**25,891**	24,255

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$51,044,923 (2011: US$92,885,064) which is denominated in RMB.

21. OTHER PAYABLES

THE GROUP AND THE COMPANY

Other payables mainly comprise management fee payable to China Merchants China Investment Management Limited ("**Investment Manager**") as disclosed in note 31 and business tax payable of US$18,993,583 (2011: US$18,026,826) arose from disposal of listed equity securities.

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 GROUP AND THE COMPANY

The financial liabilities designated at FVTPL as at 31 December 2012 were related to the sub-participation agreements (the "**Sub-participation Agreements**") entered into between the Company and the participants in respect of the investment by the Group in 北京銀廣通廣告有限公司(Unibank Media Group Inc.), 武漢日新科技股份有限公司(Wuhan Rixin Technology Co., Ltd.), 廣州珠江數碼集團有限公司(Guangzhou Digital Media Group Ltd.), 華人文化(天津)投資管理有限公司(China Media (Tianjin) Investment Management Co., Ltd.), 深圳市吉陽自動化科技有限公司(Shenzhen Geesun Automation Technology Co., Ltd.), 華人文化產業股權投資(上海)中心(有限合夥)(China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)), 江蘇華爾石英材料股份有限公司(Jiangsu Huaer Quartz Materials Co., Ltd.), 上海第一財經傳媒有限公司(China Business Network), 西安金源電氣股份有限公司(Xi'an Jinpower Electrical Co., Ltd.), 遼寧振隆特產股份有限公司(Liaoning Zhenlong Native Produce Holding Company Ltd.), 能通科技股份有限公司(NTong Technology Co., Ltd.), 天利半導體(深圳)有限公司(Teralane Semiconductor (Shenzhen) Co., Ltd.), 廣西華勁集團股份有限公司(Guangxi Hwagain Group Co., Ltd.), 新疆承天農牧業發展股份有限公司(Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd.) and 天翼視訊傳媒有限公司(Esurfing Media Co., Ltd.)(collectively referred to as the "**Project Companies**"). As all above mentioned investments by the Group in the Project Companies are designated as financial assets at FVTPL and value of the Sub-participation Agreements are associated directly with these underlying investments, the Sub-participation Agreements are thus designated as financial liabilities at FVTPL.

Pursuant to the Sub-participation Agreements, the participants will receive a portion of the return (in the form of dividends, interest, or other distributions or proceeds from realisation) from the Group's investment in the Project Companies that is proportional to the amount provided by the participants to the Group as a percentage of the total Group's investment in the Project Companies. If the Group suffers a loss from its investment in the Project Companies, the participants will correspondingly share a loss in the amount they provided to the Group on a pro rata basis. Details of the Sub-participation Agreements are disclosed in the section of Investment Manager's Discussion and Analysis and under the heading of Sub-participation Scheme.

24. DEFERRED TAXATION

THE GROUP

The Group's deferred tax liability comprises deferred taxation of US$8,697,712 (2011: Nil) related to undistributed earnings of PRC subsidiaries since 1 January 2008 and of US$53,885,634 (2011: US$52,953,100) related 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	
	2012	2011
	US$	*US$*
Balance at 1 January	**52,953,100**	74,094,298
Charge (credit) to profit or loss for the year	**9,490,387**	(23,834,535)
Exchange differences	**139,859**	2,693,337
Balance at 31 December	**62,583,346**	52,953,100

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

THE COMPANY

The Company's deferred tax liability is related 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	
	2012	2011
	US$	*US$*
Balance at 1 January	**2,530,559**	3,792,442
Charge (credit) to profit or loss for the year	**1,239,002**	(1,261,883)
Balance at 31 December	**3,769,561**	2,530,559

At the end of the reporting period, the Company had estimated unused tax losses of US$75,351 (2011: US$75,084) available for offsetting against future taxable profits. The losses may 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 2011, 1 January and 31 December 2012	**300,000,000**	**30,000,000**
Issued and fully paid:		
At 1 January 2011	149,145,600	14,914,560
Issue of ordinary shares	2,353,436	235,344
At 31 December 2011 and 1 January 2012	**151,499,036**	**15,149,904**
Issue of ordinary shares	**6,844,381**	**684,438**
At 31 December 2012	**158,343,417**	**15,834,342**

A total number of 6,844,381 (2011: 2,353,436) ordinary shares of US$0.10 each were allotted and issued at the price of HK$9.956 (2011: HK$14.34) on 31 July 2012 by the Company to satisfy the payment of the 2011 final and special dividends of US$8,792,602 (2011: US$4,316,640). These shares rank pari passu in all respects with other shares in issue.

26. SHARE PREMIUM AND RESERVES

THE COMPANY

	Share premium US$	Accumulated (losses) profits US$	Total US$
Balance at 1 January 2011	109,493,184	137,692,699	247,185,883
Profit for the year	–	61,738,033	61,738,033
2010 final and special dividends paid			
– Cash	–	(12,089,376)	(12,089,376)
– Scrip alternative	4,081,296	(4,316,640)	(235,344)
Balance at 1 January 2012	**113,574,480**	**183,024,716**	**296,599,196**
Loss for the year	**–**	**(4,546,196)**	**(4,546,196)**
2011 final and special dividends paid			
– Cash	**–**	**(9,387,282)**	**(9,387,282)**
– Scrip alternative	**8,108,164**	**(8,792,602)**	**(684,438)**
Balance at 31 December 2012	**121,682,644**	**160,298,636**	**281,981,280**

27. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share at the end of the reporting period is based on the net assets of US$478,402,362 (2011: US$476,910,516) and 158,343,417 ordinary shares (2011: 151,499,036 ordinary shares) of US$0.10 each in issue at 31 December 2012.

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:

	2012	2011
	US$	*US$*
Within one year	–	89,500
In the second to fifth years inclusive	–	333,100
	–	422,600

Operating lease payments represent rentals payable by the Group for certain of its office properties.

29. CAPITAL COMMITMENTS

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

(a) On 29 April 2010, the Group entered into an agreement with, among others, China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**"), pursuant to which the Group agreed to make a cash injection of RMB200 million (equivalent to approximately US$31.20 million) in total by installments into the capital of China Media Investment in return for approximately 10% interest in China Media Investment. In addition, the other investors agreed to make cash injections proportionate to their holdings. As at 31 December 2012, the Group has injected RMB120.17 million, equivalent to approximately US$18.50 million (2011: RMB46.26 million, equivalent to approximately US$6.81 million) into China Media Investment and classified the investment as a financial asset at FVTPL under non-current assets.

(b) On 29 August 2011, the Group entered into agreements in relation to NTong Technology Co., Ltd. ("**NTong**"), pursuant to which, among others, the Group agreed to subscribe to convertible bonds of RMB45 million (equivalent to approximately US$7.16 million) from NTong upon request of NTong.

30. EVENT AFTER THE REPORTING PERIOD

On 3 January 2013, the Group received a return of capital of US$17,250,000 from NBA China, L.P., representing 75% of the principal amount of the Group's capital investment in NBA China, L.P..

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, other than as disclosed elsewhere in the consolidated financial statements, the Group and the Company have incurred the following related party transactions:

(a) The Company paid or accrued to the Investment Manager management fees totalling US$9,508,196 (2011: US$9,869,331). The fee is calculated based on a fixed percentage on the value of the Group's assets as stipulated in the Investment 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 2012 was US$2,508,433 (2011: US$2,342,683). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

(b) Securities brokerage commission fees totalling US$8,230 (2011: US$41,015) were paid or payable to a subsidiary of a substantial shareholder who has significant influence over the Company. Since the shareholder of the Company has significant influence over the Company and has control over its subsidiary, the securities brokerage commission fees are considered to be related party transactions (Note 1).

(c) 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$109,622, US$143,726 and US$14,942 respectively (2011: US$99,882, US$143,750 and US$15,228 respectively). Moreover, the financial liability of the Group with Mr. WU Huifeng, a Director of the Investment Manager, was US$120,804 (2011: US$115,899).

(d) Key management compensation is disclosed in note 9 to the financial statements.

Note 1: These related party transactions also constitute 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 2012 and 2011, 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)
Leadman Investment Limited	HK/HK	Investment holding	1 share of HK$1 each (Limited liability company)
Main Star Investment Limited	HK/HK	Inactive	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 RMB700,000,000 (Limited liability company)
Wheaton International Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operation	Principal activities	Particulars of issued share capital
Wisetech Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Xinjiang Tian Hong Equity Investment Co., Ltd.	PRC/PRC	Investment holding	Paid up capital of RMB30,000,000 (Limited liability company)

None of the subsidiaries had any debt securities subsisting at 31 December 2012 and 2011 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 and liabilities at FVTPL

As indicated in notes 5, 16 and 23, the Group selects appropriate valuation techniques for financial instruments and liabilities not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair values of unlisted financial assets and liabilities designated at FVTPL are determined in accordance with generally accepted pricing models. The values assigned to the financial assets and liabilities 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.

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2008	2009	2010	2011	**2012**
	US$	*US$*	*US$*	*US$*	***US$***
Investment income	12,767,998	8,440,088	13,088,836	17,330,254	**13,679,480**
(Loss) profit from operations	(783,854,123)	366,023,519	(153,508,681)	(17,678,263)	**25,698,738**
Share of results of associates	(2,206,239)	1,556,589	2,203,129	58,112	**(1,411,813)**
Gain on deemed disposal of associate	–	–	2,523,001	–	**–**
Taxation	165,781,898	(103,974,484)	36,723,056	(2,207,479)	**(14,403,677)**
(Loss) profit attributable to equity holders of the Company	(620,278,464)	263,605,624	(112,059,495)	(19,827,630)	**9,883,248**

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2008	2009	2010	2011	**2012**
	US$	*US$*	*US$*	*US$*	***US$***
Total assets	526,998,638	834,608,234	602,035,215	556,181,804	**568,776,594**
Total liabilities	(192,591,424)	(236,537,902)	(114,628,974)	(79,271,288)	**(90,374,232)**
Shareholders' funds	334,407,214	598,070,332	487,406,241	476,910,516	**478,402,362**