China Merchants China Direct Investments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

中國

2010 ANNUAL REPORT

CONTENTS

	PAGE
Corporate Information	2
Chairman's Statement	4
Investment Manager's Discussion And Analysis	7
Financial Highlights	23
Directors' Report	24
Corporate Governance Report	36
Independent Auditor's Report	42
Consolidated Statement of Comprehensive Income	44
Consolidated Statement of Financial Position	45
Statement of Financial Position	47
Consolidated Statement of Changes in Equity	48
Consolidated Statement of Cash Flows	49
Notes to the Financial Statements	50
Financial Summary	92

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

* *members of Investment Committee*

AUDIT COMMITTEE

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

INVESTMENT MANAGER

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

PRINCIPAL BANKERS

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

COMPANY SECRETARY

Mr. LEUNG Chong Shun

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Linklaters
Victor Chu & Co
Woo Kwan Lee & Lo

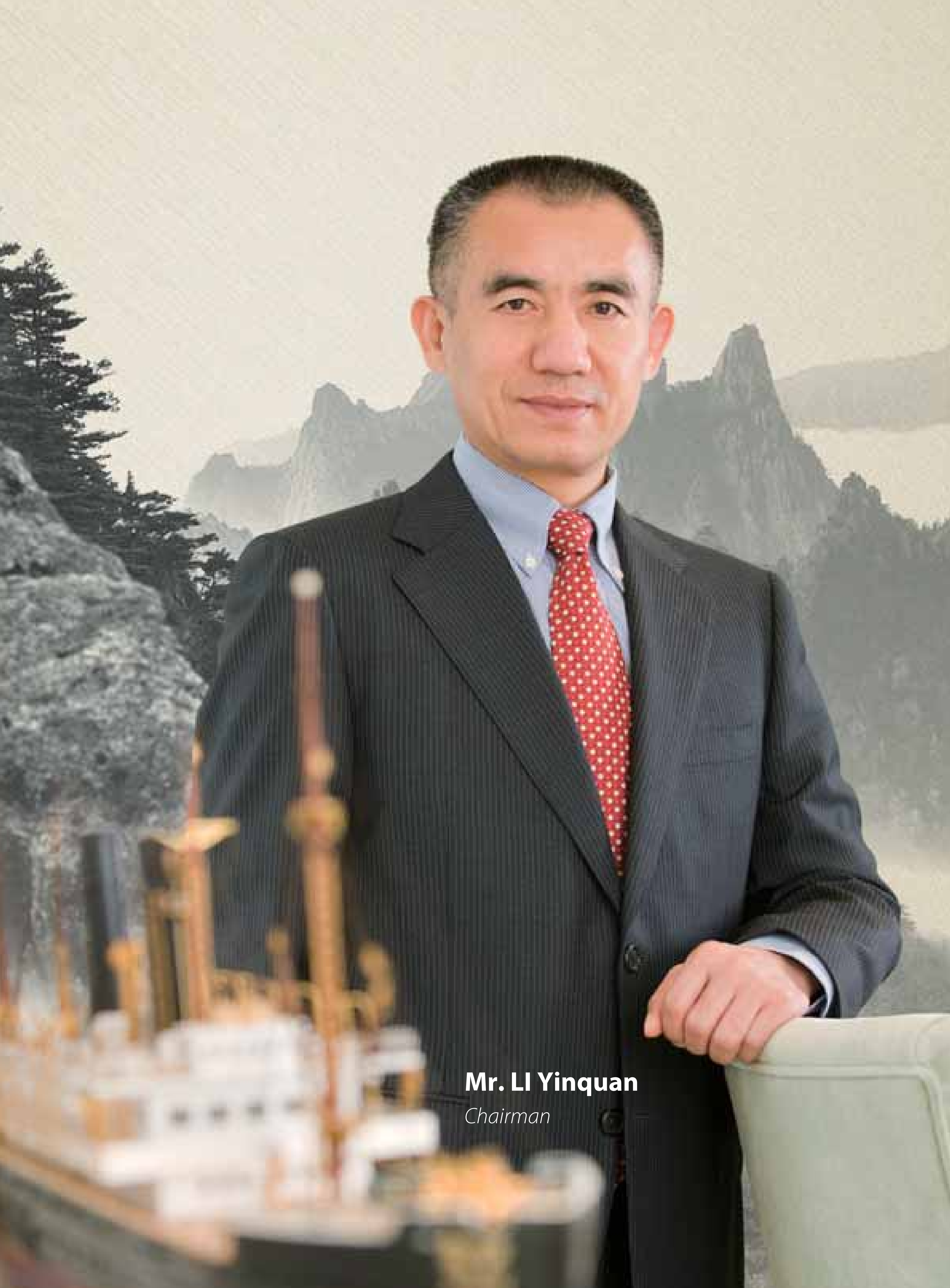
SHARE REGISTRAR

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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 2010, amounted to US$487.41 million, with a net asset value per share of US$3.268, representing a decrease of 18.5% compared to a net asset value per share of US$4.010 in 2009. The Group's audited consolidated loss for 2010 was US$112.06 million, compared to an audited consolidated profit after taxation of US$263.61 million for the same period last year.

In 2010, China's economy continued its stable upward trend and emerged mid-year with steady growth in industrial production, significant improvements in corporate efficiency, a steady expansion of domestic consumption, rapid increases in the total value of imports and exports, and a decrease in the trade surplus. According to a preliminary report from the National Bureau of Statistics of China, China's gross domestic product (GDP) for 2010 recorded an increase of 10.3% over 2009, representing an increase of 1.1 percentage points over the previous year. As for consumer prices, the consumer price index (CPI) saw a year-over-year increase of 3.3%, indicating mild inflation during the year.

In 2010, despite the continuing strong performance of China's economy, the A share large-cap stock market tumbled and remained volatile due to tightening money supply, inflationary pressures and an expectation of higher interest rates. The SSE Composite Index, which tracks large-cap stocks, ended 2010 down 14.3%. Prices of the A shares of the two listed banks held by the Group dropped along with the market and this, in turn, affected the 2010 operating results of the Group.

As of the end of 2010, the Group's total holdings in direct investment projects amounted to US$537.73 million, accounting for 89.32% of the Group's total asset value, and representing a decrease of US$166.09 million (as compared to US$703.82 million at the end of the previous year) that was largely due to the disposal of and change in value of the banking assets held by the Group. Meanwhile, investment in bonds amounted to US$0.72 million, accounting for 0.12% of the total asset value, and cash on hand was US$63.28 million, accounting for 10.51% of the total asset value.

In 2010, the Investment Manager actively sought new investment opportunities, and on the basis of intensive due diligence and the screening of various projects, the Group invested in five new projects, namely, China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership), China Media (Tianjin) Investment Management Co., Ltd., Shenzhen Geesun Automation Technology Co., Ltd., Yangzhou Huaer Optoelectronic Material Co., Ltd. and China Business Network, for an aggregate investment and committed investment of US$53.96 million. These investments covered the culture and media, manufacturing, and financial services industries, and helped to further optimise the Group's investment portfolio. Moreover, in view of the promising prospects of existing projects, the Group made additional investments in the total amount of US$39.57 million in Inbank Media (China) Co., Ltd. and China Credit Trust Co., Ltd. In addition, in order to better protect our shareholders' interests, the Group subscribed to 14.40 million A shares of China Merchants Bank Co., Ltd. ("**CMB**") and 8.28 million A shares of Industrial Bank Co., Ltd. ("**IBC**"), as entitled under the CMB A Rights Issue and IBC A Rights Issue, respectively.

In 2010, the Group continued to dispose of A shares of both CMB and IBC according to market conditions, with a goal of increasing working capital, realising returns for shareholders, and meeting the requirements of the conditional waiver granted by the Hong Kong Stock Exchange, which governs the Group's subscription to the new A shares of CMB and IBC. In addition, to realise a return on our investments, the Group disposed of its entire interest in Industrial Securities Co., Ltd. for US$12.86 million, resulting in a pre-tax internal rate of return of nearly 27%. Moreover, the Group entered into an exit proposal with Langfang Oriental Education Facilities Development Co., Ltd. and its another shareholder with respect to our withdrawal from the project, pursuant to which the Group would receive US$1.86 million, representing a pre-tax internal rate of return of over 7%. Lastly, through the vigorous efforts of the Investment Manager, the Group successfully disposed of one non-performing investment project – Shenzhen Jutian Investment Co., Ltd. – and recovered over US$1 million in cash.

Due to the disposal of investment projects and the realisation of returns, the Company's distributable profit has returned to positive, allowing the Company to once again declare cash dividends in 2010. To share the investment results with our shareholders, the Company intends to, under normal circumstances, adopt a relatively stable dividend policy in the future. In addition, in order to best meet shareholders' needs, the Company plans to offer a scrip dividend scheme beginning in 2011, which will provide our shareholders with an option to receive their dividends in cash or in newly issued shares in lieu of cash.

The previous three-year Investment Management Agreement expired on 14 July 2010. The new Investment Management Agreement entered into between the Company and the Investment Manager, dated 5 February 2010, took effect on 15 July 2010 and will expire on 31 December 2012.

Looking ahead to 2011, we believe that challenges and opportunities exist together. On the one hand, the Chinese economy faces many difficulties – including Renminbi appreciation, inflationary pressures, overcapacity, an imbalanced economic structure, and a relatively weak social safety net – that increase the risks around China's future economic development. On the other hand, China's economy will continue to develop in the medium-to long-term. However, the effects of the Central Government's contractionary monetary policy will gradually emerge and credit available to enterprises will start to tighten, which will offer more opportunities for the Group to make direct investments. As always, the Investment Manager will combat the challenges ahead and strive to identify new investment opportunities in a bid to increase shareholders' return.

Lastly, on behalf of the Board, I would like to offer my heartfelt gratitude to the members of the Audit Committee and Investment Committee, and to the entire staff of the Investment Manager, for their many contributions and dedicated effort, and to the shareholders for their support. 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, 30 March 2011

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

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

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

As of 31 December 2010, the Fund had a capital commitment of US$24.16 million (31 December 2009: US$35.17 million) for an investment that was approved, but not yet provided for in the financial statements, and for future scheduled installments related to the investment in China Media Investment.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Fund's investments are located in China where the official currency is the Renminbi ("**RMB**"). The conversion rate of RMB against U.S. dollar recorded an increase of approximately 3% in 2010, which had a positive impact on the Fund since it holds a considerable amount of assets denominated in RMB.

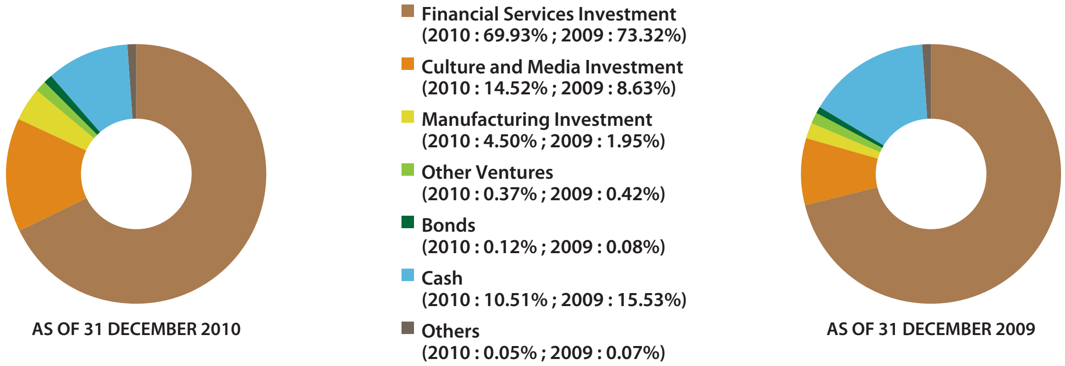
EMPLOYEES

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

THE PORTFOLIO

As of 31 December 2010, the Fund's total investments were US$538.45 million, which comprised US$537.73 million in direct investments and US$0.72 million in bonds. The sector distribution of direct investments was US$421.07 million in financial services (representing 69.93% of the Fund's total assets), US$87.43 million in culture and media (14.52%), US$27.03 million in manufacturing (4.50%), and US$2.20 million in other ventures which included energy and resources, real estate, etc. (0.37%). In addition, cash on hand was US$63.28 million, representing 10.51% of the Fund's total assets as of 31 December 2010.

TOTAL ASSETS DISTRIBUTION



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 of 31 December 2010:

Name of projects	Location of headquarters	Business nature	Listed (Stock Exchange)/ unlisted	Book value (US$ million)	Percentage of total assets
Financial Services:					
1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	128	21.15
2. Industrial Bank Co., Ltd.	Fuzhou, Fujian	Banking	Shanghai Stock Exchange	180	29.95
3. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	111	18.42
4. Morgan Stanley Huaxin Fund Management Co., Ltd.	Shenzhen, Guangdong	Fund management	Unlisted	2	0.28
5. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	1	0.13
		Sub-total:		**422**	**69.93**
Culture and Media:					
6. NBA China, L.P.	Beijing	Sports marketing	Unlisted	25	4.19
7. Inbank Media (China) Co., Ltd.	Beijing	Indoor media	Unlisted	2	0.36
8. Guangzhou Digital Media Group Ltd.	Guangzhou, Guangdong	Cable television & broadband access	Unlisted	36	5.99
9. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	6	0.97
10. China Business Network	Shanghai	Provision of financial information service	Unlisted	18	3.01
		Sub-total:		**87**	**14.52**
Manufacturing:					
11. Shandong Jinbao Electronics Co., Ltd.	Zhaoyuan, Shandong	Cooper foil & laminates	Unlisted	22	3.72
12. Shenzhen Geesun Automation Technology Co., Ltd	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	3	0.40
13. Yangzhou Huaer Optoelectronic Material Co., Ltd.	Yangzhou, Jiangsu	High purity silica crucibles	Unlisted	2	0.38
		Sub-total:		**27**	**4.50**
Others:					
(i) Energy & Resources:					
14. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	Unlisted	2	0.37
(ii) Real Estate:					
15. China Merchants Plaza (Shanghai) Property Co., Ltd.	Shanghai	Office & commercial	Unlisted	–	–
16. Shenzhen Mankam Square	Shenzhen, Guangdong	Retails shops	Unlisted	–	–
		Sub-total:		**2**	**0.37**
		Total:		**538**	**89.32**

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 770 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, and a representative office in London, the United Kingdom. CMB has become one of the top 100 banks worldwide. As of 31 December 2010, the Fund held 65.83 million A shares of CMB, representing an equity interest of 0.31%, and with a corresponding investment cost of RMB110.07 million (equivalent to US$12.53 million). The book value (net of taxes) of the Fund's holding in CMB was US$90.30 million. In July 2010, the Fund received a cash dividend from CMB of RMB26.29 million for 2009.

In early April 2010, CMB successfully completed its rights issue of A shares and H shares, and raised net proceeds of RMB21.6 billion in new capital. The Fund was approved by the shareholders to take part in CMB A Rights Issue and subscribed to 14.40 million new A shares of CMB for a consideration of RMB127.44 million (equivalent to US$18.67 million).

In accordance with the conditions set forth under the waiver granted by the Hong Kong Stock Exchange, which governs the Fund's subscription to CMB A rights shares, the Fund must reduce its holding in CMB by no later than 18 September 2010, such that its investment in CMB does not exceed 20% of the Fund's net asset value. On 17 September 2010, the Fund completed its sell-down and reduced its holding in CMB to 19.61% of the Fund's net asset value.

During 2010, the Fund disposed of a total of 59.34 million shares of CMB and the net proceeds amounted to RMB803 million (equivalent to US$118.85 million).

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 570 branches and offices across China and has become one of the top 100 banks worldwide. As of 31 December 2010, the Fund held 49.68 million A shares of IBC, representing an equity interest of 0.83%, and with a corresponding investment cost of RMB220.79 million (equivalent to US$28.61 million). The book value (net of taxes) of the Fund's holding in IBC was US$139.43 million. In April 2010, the Fund received a cash dividend from IBC of RMB21.68 million for 2009.

In early June 2010, IBC successfully completed its rights issue of A shares, and raised net proceeds of RMB17.7 billion in new capital. The Fund was approved by the shareholders to take part in IBC A Rights Issue and subscribed to 8.28 million new A shares of IBC for a consideration of RMB149.04 million (equivalent to US$21.83 million).

In accordance with the conditions set forth under the waiver granted by the Hong Kong Stock Exchange, which governs the Fund's subscription to IBC A rights shares, the Fund must reduce its holding in IBC by no later than end of June 2011, such that its investment in IBC does not exceed 20% of the Fund's net asset value.

During 2010, the Fund disposed of a total of 5.60 million shares of IBC and the net proceeds amounted to RMB153 million (equivalent to US$22.38 million).

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 2010, the Fund held a 6.94% equity interest in CCT and with a total investment cost of US$50.49 million. In August 2010, the Fund received a cash dividend from CCT of US$2.17 million for 2009.

For the year 2010, CCT recorded an unaudited net profit (including its share of the unaudited results of its associates under the equity method) of RMB800 million, representing an increase of 14% over the same period last year. The net interest income for 2010 amounted to RMB330 million, representing an increase of 39% over the same period last year, and net fees and commissions income (derived primarily from the trust business) amounted to RMB440 million, representing a decrease of 9% over the same period last year.

Since early 2010, the China Banking Regulatory Commission has increasingly imposed stricter regulatory control over trust products in co-operation with banks, real estate trusts, and structural trust businesses, which adversely impacted the growth of CCT's trust business. In view of this development, CCT has increased its focus on proprietary managed trust products, which have higher added-value, in order to enhance the profit margins from the trust business. Moreover, faced with greater competition in the industry, CCT has established regional headquarters in Shanghai, Shenzhen, etc. and has strengthened its sales channels (such as banks) so as to enhance its marketing capabilities.

The Fund initially invested US$15.31 million in CCT in 2005, and participated in a capital increase by CCT in 2010 to maintain its percentage interest by contributing RMB240 million (equivalent to US$35.18 million) through a subsidiary of the Fund in China. As a result of the capital increase, the Fund's interest in CCT increased slightly from 6.82% to 6.94%, as one of CCT's smaller shareholders did not participate in the capital increase. CCT's capital increase was approved by the relevant regulatory authorities near the end of October 2010, and the relevant changes in business registration have been completed. CCT's registered capital increased from the original RMB1.2 billion to RMB2.457 billion.

Morgan Stanley Huaxin Fund Management Co., Ltd. ("Morgan Stanley Fund") was established in 2003 with registered capital of RMB100 million. The Fund invested RMB10 million (equivalent to US$1.21 million) in 2003 and holds a 10% equity interest in Morgan Stanley Fund. For 2010, Morgan Stanley Fund recorded an audited net profit of RMB0.79 million, compared to a loss of RMB26.83 million for the same period last year. The annual results of Morgan Stanley Fund was better than what was expected in the middle of the year.

Given that there is no definite timetable for listing of Morgan Stanley Fund, and that the investment has been held since 2003, the Fund decided it was an appropriate time to exit the investment, to realise reasonable returns, and to free up capital for other projects with greater potential returns. On 4 March 2011, the Fund entered into a share transfer agreement by which its entire 10% interest in Morgan Stanley Fund was sold to a connected party for a consideration of RMB33 million (equivalent to US$5.03 million). The pre-tax internal rate of return of the Fund's investment in Morgan Stanley Fund amounts to 20%.

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, China Media Management is responsible for defining and executing the investment strategy for China Media Investment, as well as for managing their operations.

At present, China Media Management is actively identifying investment opportunities for China Media Investment and expects to make two to three investments by the end of 2011.

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. Other strategic investors hold the remaining 10% of the preferred equity 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$0.16 million in March 2010 and received another cash distribution from NBA China of US$54,000 in February 2011.

NBA China recorded faster growth in both its digital media and merchandising businesses in 2010. In October 2010 and January 2011, NBA China announced new partnerships with China's two major Internet companies – Sina and Tencent, respectively – aiming to develop the digital media business, making it as an important driver of growth for NBA China. Thus, Sina becomes the official operator of NBA's internet site in China (NBA.com/china) and have online broadcasting, VOD and marketing rights for three NBA seasons over the next four years, beginning in October 2010. At the same time, Tencent becomes the official online community partner of NBA China, and for the first time, establishes an integrated online community across its six major platforms – QQ, QQlive, QQ Microblog, QQ Zone, QQ Show and Paipai.com.

The partnership between NBA China and AEG has also achieved new success. In early 2011, MasterCard Worldwide announced that it has won the naming rights to the Beijing Wukesong Sports Center, which was the Beijing Olympics Basketball Gymnasium in 2008. The Wukesong Sports Center will be renamed the "MasterCard Center" for a term of five years. NBA China and AEG will continue to provide comprehensive consultancy support services on the management and sponsorship of the MasterCard Center.

Inbank Media (China) Co., Ltd. ("Inbank Media") was established in Beijing in 2007 to engage in commercial advertising through its video display network, located in banking service outlets in China. The Fund invested a total of RMB45 million (equivalent to US$6.59 million) in June 2009 and invested another RMB30 million (equivalent to US$4.39 million) in February 2010, for a cumulative investment of RMB75 million (equivalent to US$10.98 million). In February 2010, the Fund also exercised its conversion right on the convertible bonds that it already held in its portfolio and, as a result, the Fund currently holds a 14.51% equity interest in Inbank Media.

By end of 2010, Inbank Media had installed approximately 4,500 devices in its video display network in over 2,000 banking service outlets that are covered by contracts with banks in three major cities, namely Beijing, Shanghai and Guangzhou, as well as in ten other large cities such as Shenzhen. Inbank Media continues to aggressively explore opportunities to expand its network in important commercial cities in China, so as to strengthen its leading position in the industry, and to increase its influence over customers.

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 June 2010, the Fund received a cash dividend from Guangzhou Digital of RMB16.38 million for 2009.

In 2010, Guangzhou Digital recorded growth in unaudited operating income and net profit, primarily due to lower financing costs, growth in broadband users and an increase in transmission fees received from satellite television stations.

Guangzhou Digital plans to develop an innovative business model in 2011, and to make interactive television a driving force behind its future growth by vigorously promoting HDTV, with a goal to broadcast 100 SDTV programmes and 20 HDTV programmes by end of 2011.

Guangzhou Digital plans to complete its conversion into a company limited by shares in 2011.

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, of which the initial capitalisation amounts to RMB2 billion. Major promoters of and contributors to China Media Investment include Shanghai Dongfang Huijin Culture Industry Investment Co., Ltd., China Development Bank Capital Corporation Ltd., Shanghai Dazhong Capital Investment Co., Ltd. and Wenhui Xinmin United Press Group, and all are dominant players in the financial investment and/or culture and media sectors. 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, and direct investments in the culture and media sector both in China and overseas. China Media Management 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 (equivalent to US$30.02 million) by installment in China Media Investment, representing a 10% interest in its initial capitalisation. The first installment of RMB40 million (equivalent to US$5.86 million) was made by the Fund in June 2010 and the second installment of RMB6.26 million (equivalent to US$0.95 million) was made in March 2011.

In August 2010, China Media Investment and News Corporation signed an agreement, pursuant to which China Media Investment would acquire a controlling stake in News Corporation's Xing Kong, Xing Kong International, Channel [V] Mainland China along with its Fortune Star Chinese movie library. The transaction was completed near end of 2010.

It is expected that two to three investment projects will be completed by China Media Investment during 2011.

China Business Network ("CBN") was established in Shanghai in 2003 and is currently the financial information provider with the most types 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.

It is expected that with the rapid development of China's financial markets, an increasing number of individual investors, the rapid development of the funds industry, and the constant introduction of innovative financial products, demand for professional financial information will continue growing and present many new business opportunities to CBN.

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

During 2010, Jinbao reported higher growth in both sales and net profit compared to the same period last year, due primarily to the sharp reduction in sales precipitated by the global economic crisis in early 2009, followed by a rebound in late 2009 that continued to gain strength in 2010.

In June 2010, the 2009 profit distribution proposal was approved at the shareholders meeting of Jinbao and the Fund will receive a cash dividend of RMB1.67 million.

In December 2010, Jinbao completed a private placement of 44 million new shares to investors at RMB3.25 per share, and raised RMB143 million. RMB44 million of the proceeds was accounted for as paid-in capital and RMB99 million as a capital reserve. Following this equity offering, the Fund's stake in Jinbao decreased from 30% to 25.91%.

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 super capacitors in China. The Fund invested RMB20 million (equivalent to US$2.93 million) in May 2010 for a 15.38% equity interest in Geesun Technology.

For 2010, Geesun Technology reported substantial growth in both sales and net profit compared to the same period last year. The company benefited from a sharp increase in investment in the domestic power battery industry, driven in part by vigorous governmental support for a new energy policy in China. Geesun Technology grew its market share during 2010, however more focus is needed to improve its internal management control and products' profit margins.

Yangzhou Huaer Optoelectronic Material Co., Ltd. ("Huaer Optoelectronic") was established in Yangzhou, Jiangsu, and is principally engaged in the R&D and production of high purity silica crucibles. Huaer Optoelectronic is a manufacturer producing silica crucibles with rather comprehensive specifications, and has the production capability to produce 28-inch silica crucibles in large scale in China. The silica crucible products manufactured by Huaer Optoelectronic are expendable raw materials required to produce single crystalline silicon ingots, which are used in turn to produce single crystalline silicon solar cells and semiconductor chips. The production of each single crystalline silicon ingot requires one silica crucible. The Fund invested RMB15 million (equivalent to US$2.23 million) in September 2010 for a 7.50% equity interest in Huaer Optoelectronic.

Ten new silica crucible production lines were deployed near end of 2010, and they will be important to the future growth and profitability of Huaer Optoelectronic.

Huaer Optoelectronic completed the process of its conversion into a company limited by shares and changed its name to "Jiangsu Huaer Optoelectronic Material Co., Ltd." in December 2010. In addition, the company has appointed sponsors in relation to its initial public offering and it is expected to make an application to list its shares on the A share market in 2013.

Wuhan Rixin Technology Co., Ltd. ("Wuhan Rixin") was incorporated in Wuhan, Hubei in 2001, and is a government-sponsored technology company 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.

With the support provided under the finalised subsidy policies promulgated by the Ministry of Finance and the Ministry of Housing and Urban-Rural Development of the PRC in April 2009, Wuhan Rixin sees favourable developments across all business segments and reported satisfactory growth in both operating income and net profit for 2010. Progress has been made in the successful operation of the solar-powered electric systems at Wuhan Rixin Industrial Park Demonstration Power Plant (identified by the Ministry of Science and Technology). Following the completion of the PV power station project for Wuhan-Guangzhou Speed Railway at the new Wuhan Railway Station, Wuhan Rixin has further secured a number of new PV power station projects, including the Wuhan International Convention & Exhibition Centre, Liangzi Lake Scenic Area, etc. that can provide a solid foundation for sustainable growth.

In December 2010, the Ministry of Finance, Ministry of Science and Technology and National Energy Administration jointly issued the "Circular on Effectively Implementing Intensive Applications and Demonstrations of the Golden Sun Project in 2010" (Cai Jian [2010] No. 923). Under the circular, another project (a 10.585MW project) in the Huangjinshan Industrial New Zone project in Huangshi undertaken and operated by Wuhan Rixin has been approved by the State as one of the first batch of 13 model areas of intensive application of PV. Meanwhile, the construction and operation of a 15MW PV intensive application model project in the Shandong Dezhou Economic Development Zone that is approved under the same circular has been granted to Wuhan Rixin, making it the only enterprise that is undertaking two projects among the 13 model projects across China under the Golden Sun Project. This fully demonstrates the recognition by the State ministries and bureaux of Wuhan Rixin's strength and signifies a milestone for Wuhan Rixin's expansion into cross-province operations.

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

For 2010, China Merchants Plaza recorded an unaudited net profit of RMB6.50 million, representing a decrease of 30% over the same period last year, due mainly to the significant increase in selling expenses.

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

REVIEW OF LISTED INVESTMENTS

During 2010, two of the indices of China's A share market demonstrated contrasting results: the SSE Composite Index, tracking large-cap stocks, tumbled and remained volatile due to tightening money supply, inflationary pressures and an expectation of higher interest rates. On 31 December 2010, the SSE Composite Index closed at 2808, down by 14.3% from 3277 at end of 2009, and placing it among the worst performing stock markets worldwide. At the same time, due to expected benefits from the national industry planning, economic restructuring and domestic consumption growth, the Small and Medium Enterprises Composite Index, tracking small-and medium-cap stocks, ended 31 December 2010 at 7465, up 28.4% year-over-year.

Hong Kong's stock market was also volatile in 2010. The Hang Seng Index opened 2010 at 21860, fell to a low at 18971 in May, and rebounded to a year-high at 24989 in November. The index closed on 31 December 2010 at 23035, up 5.3% year-over-year.

The Fund primarily invests directly in high quality investment projects in China, mostly private enterprises. Given the large quantity of A shares of listed banks that the Fund still holds, the Fund intends to not increase its exposure to stock markets. Therefore, the Fund did not trade any equities in the secondary market during 2010, except for participating in the rights issues of CMB and IBC and disposing of certain shares in CMB and IBC.

As of 31 December 2010, the Fund had a corporate bond investment that amounted to US$0.72 million (31 December 2009: US$0.70 million). Details are listed below:

Issuer	Business nature	Investment amount (US$ million)	Book value (US$ million)	Coupon	Date of maturity
China Insurance International Holdings (BVI) Limited	Insurance	0.695	0.72	5.800%	12 November 2013
		0.695	**0.72**		

PROSPECTS

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

The Fund will continue to make every effort to identify new investment projects, while maintaining an emphasis on investment opportunities in consumer goods (with particular focus on consumption projects in the second-and third-tier cities), financial services, culture and media, pharmaceuticals, energy and environmental protection. The Fund will also seek to optimise its mix of investments in order to create greater shareholder value.

CO-INVESTMENT SCHEME (THE "SCHEME")

In order to strengthen the investment management process, and to align the interests of management and 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 Fund's 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 the investment manager of the Fund. In the former case, the Participants shall receive a pro rata portion of the proceeds from disposal of the Fund's interest in the 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.

According to the Scheme, the aggregate amount contributed by the Participants in each of the Fund's new investment projects shall not exceed 2% of the Fund's investment in each project.

As of 31 December 2010, details of aggregate co-investment amounts by the Participants and their relative proportion to the investment amounts by the Fund were as follows:

Name of projects	Original investment amount of the Fund *US$**	Original co-investment amounts by the Participants *US$**	Relative proportion
Inbank 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%
Inbank 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%
Huaer Optoelectronic	2,226,200	43,800	1.966%
CBN	18,098,200	235,700	1.302%

* *Calculated with prevalent exchange rates at the time of payment of co-investment amounts*

In addition, as of 31 December 2010, details of the Directors of the Fund as well as a Director of the Investment Manager participated in 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$*	**Mr. WU Huifeng** (Note 4) *US$*
Inbank 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
Inbank 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
Huaer Optoelectronic	3,500	4,380	1,290	3,500
CBN	12,850	25,700	1,290	25,700

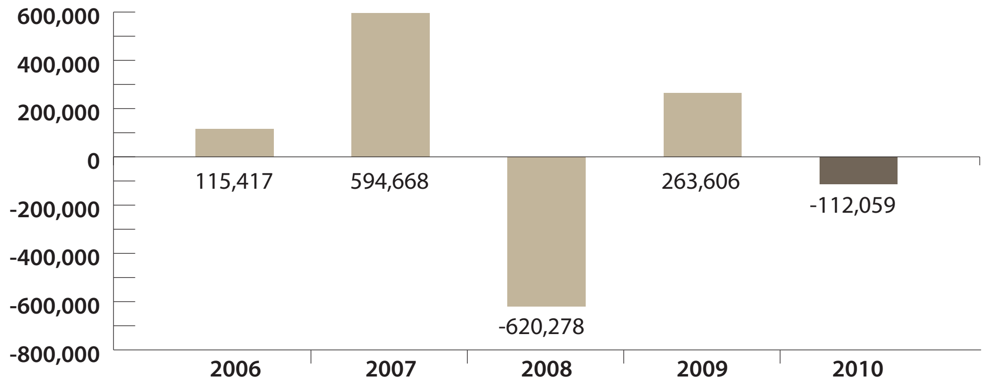
Note 1: Director of the Fund and Chairman of the Investment Manager
Note 2: Director of the Fund and Managing Director of the Investment Manager
Note 3: Director of the Fund and Director of the Investment Manager
Note 4: Director of the Investment Manager

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

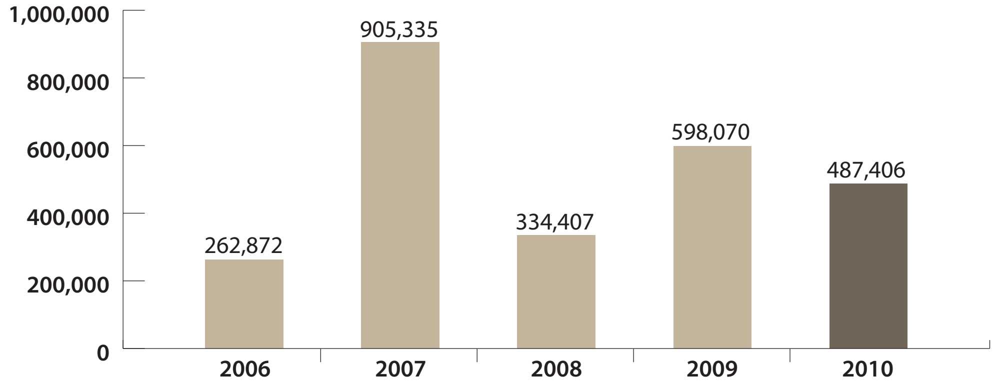
Hong Kong, 30 March 2011

YEAR	NET PROFIT (LOSS) (US$'000)	NET ASSETS (US$'000)
2010	**(112,059)**	**487,406**
2009	263,606	598,070
2008	(620,278)	334,407
2007	594,668	905,335
2006	115,417	262,872

NET PROFIT (LOSS) (US$'000)



NET ASSETS (US$'000)



The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2010.

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 2010 are set out in the consolidated statement of comprehensive income on page 44.

The Directors recommend the payment of a final dividend of US$0.04 per share (2009: US$0.04) and a special dividend of US$0.07 per share (2009: US$0.06), totalling US$0.11 per share (2009: US$0.10) for 2010 to the shareholders on the register of members on 19 May 2011 amounting to US$16,406,016 (2009: US$14,914,560).

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company has an amount of US$98,378,816 (31 December 2009: US$15,996,553) available for distribution as at 31 December 2010.

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 of the shareholders meeting.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

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

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. KE Shifeng
Mr. WANG Qi (resigned on 6 July 2010)

Independent Non-executive Directors

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

* *members of Investment Committee*

In accordance with Article 105 of the Company's Articles of Association, Mr. LI Yinquan, Mr. TSE Yue Kit, Mr. WANG Jincheng and Mr. LI Kai Cheong, Samson 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 56, has been the Chairman and an Executive Director of the Company since July 2008. He is currently the Vice President and Chief Financial Officer of China Merchants Group Limited, which is a substantial shareholder of the Company. He is also a Director of China Merchants 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 joined China Merchants Group Limited in January 2000 and has served respectively as the General Manager of Finance Department, Deputy Chief Financial Officer and Chief Financial Officer and has held the present post since March 2004. Mr. LI previously worked with the Agricultural Bank of China for 14 years, where he held senior posts in various divisions and was the Deputy General Manager of Hong Kong Branch just before leaving for China Merchants Group Limited. Mr. LI obtained a master degree in Economics from the Graduate School of the People's Bank of China in 1986 and a master degree in Banking & Finance from the Finafrica Institute in Milan, Italy in 1988. He is also a qualified senior economist in China. Mr. LI was once honoured as "China CFO of the Year for 2005" and "China Best CIO for the Year 2006".

Mr. HONG Xiaoyuan, aged 48, has been an Executive Director of the Company since June 2007. He is currently the Managing Director of China Merchants Finance Holdings Company Limited, which is a substantial shareholder of the Company. He is the Chairman of the Investment Manager. He is also a Director of China Merchants Bank Co., Ltd. (its shares are listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange), China Merchants Securities Co., Ltd. (its shares are listed on the Shanghai Stock Exchange), Great Wall Securities Co., Ltd., China Credit Trust Co., Ltd. and Morgan Stanley Huaxin Fund Management Co., Ltd.; and the Chairman of China Merchants Finance Investment Holdings Co., Ltd., China Merchants Holdings (UK) Limited, China Merchants Industry Development (Shenzhen) Limited, China Merchants Insurance Company Limited, Houlder Insurance Brokers Far East Limited and Houlder China Insurance Brokers Ltd.. Mr. HONG had previously served as an Officer of Department of Overall Planning of the State Commission for Restructuring Economic System of China, the General Manager of Shenzhen Longbo Enterprise Co., Ltd., the Assistant General Manager of China Merchants Shekou Industrial Zone Co., Ltd., the General Manager of China Merchants Property Development Co., Ltd. and China Merchants Technology Holdings Co., Ltd., and the Deputy General Manager of China Merchants Shekou Industrial Zone Co., Ltd.. Mr. HONG obtained a master degree in Economics from Peking University in 1988 and a master of science degree from The Australian National University in 1992.

Mr. CHU Lap Lik, Victor, aged 53, has been an Executive Director of the Company since June 1993 and holds directorship in the Investment Manager and a subsidiary of the Company. He is also Chairman of First Eastern Investment Group which is actively involved in direct investments in the PRC. Mr. CHU has served on the Central Policy Unit of the Hong Kong Government, the Council of the Hong Kong Stock Exchange, the Takeovers and Mergers Panel and the Advisory Committee of the Securities and Futures Commission. Outside of Hong Kong, Mr. CHU is a Foundation Board Member of the World Economic Forum in Geneva, Chairman of the Paris-based ICC Commission on Financial Services and Insurance, a Board Member of Zurich Financial Services AG and Siam Select Fund Limited. Mr. CHU took his law degree at University College London.

Ms. ZHOU Linda Lei, aged 42, 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. Before joining the Investment Manager in April 2001, Ms. ZHOU worked with ASI as a Director of Business Development – Asia Pacific Region for three years and thereafter acted as a senior financial analyst and an advisor of Board of Advisory in iLink Global. Just prior to rejoining the Investment Manager in February 2008, Ms. ZHOU worked with China International Marine Containers (Group) Co., Ltd. and was responsible for leading the South America project team. Ms. ZHOU is currently a Director of China Business Network, Guangzhou Digital Media Group Ltd. and Beijing Yin Guang Tong Advertising 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 in 1989 and Master of Business Administration degree from California State University at Sonoma in 1993.

Mr. TSE Yue Kit, aged 49, has been an Executive Director of the Company since November 2000. He is also a Director of the Investment Manager. Mr. TSE is the General Manager in Investment & Development Division of China Merchants Finance Holdings Company Limited, which is a substantial shareholder of the Company. Mr. TSE has a number of years extensive experience in accounting, auditing, corporate finance as well as investment. Mr. TSE is licensed with the Securities and Futures Commission in Hong Kong as responsible officer. Mr. TSE obtained his bachelor degree with honours in Accountancy from the University of Exeter, UK.

Ms. KAN Ka Yee, Elizabeth (alternate to Mr. CHU Lap Lik, Victor), aged 53, 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 and serves on boards of various companies which include Monitise Asia Pacific Limited, Evolution Securities China Limited and Siam Select Fund Limited as well as certain subsidiaries of the Company. 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 45, has been a Non-executive Director of the Company since December 2009. He was employed by Martin Currie Investment Management Limited between 1997 and 2006 to provide research and investment management services to certain of its clients investing in the Greater China and Taiwan markets. He also served as a Director of Martin Currie Investment Management Limited from February 2004 to June 2006. Since 2006, Heartland Capital Management Limited has seconded Mr. KE to Martin Currie Investment Management Limited and its affiliates, including Martin Currie Inc. (collectively "**Martin Currie**"). Through this arrangement, Mr. KE continues to provide research and investment management services to certain clients of Martin Currie, including the China Fund Inc. (a NYSE listed company), on a full time basis with the same roles and responsibilities as a full time employee. Currently, Mr. KE is also a Director of China Corn Oil Company Limited (a Hong Kong listed company). Mr. KE practiced law before moving to China's Ministry of Labour and Social Security where he had served from 1990 to 1996 and was responsible for the development of regulations and investment policies for pension funds. Mr. KE holds an MBA degree from The University of Edinburgh, UK.

Mr. KUT Ying Hay, aged 56, has been an Independent Non-executive Director of the Company since June 1993. He is also an Independent Non-executive Director of China Merchants Holdings (International) Company Limited whose shares are listed on the Hong Kong Stock Exchange and whose ultimate holding company is a substantial shareholder of the Company and China Merchants Insurance Company Limited. Mr. KUT is a practicing solicitor and notary public and the proprietor of Messrs. Kut & Co., a firm of solicitors. Mr. KUT is also a civil celebrant of marriages appointed by the Government of the Hong Kong SAR. He is an attesting officer appointed by the Ministry of Justice of the PRC since 1995. He is also a solicitor of the Supreme Courts of England, Victoria of Australia, and Singapore, and an Associate Member of the Institute of Chartered Arbitrators and the Institute of Arbitrators & Mediators, Australia. For the period from 1995 to 1998, he was a member of the Board of Review established by the Hong Kong Government pursuant to the Inland Revenue Ordinance.

Mr. WANG Jincheng, aged 54, has been an Independent Non-executive Director of the Company since March 2007. He is a Professor and is currently an Assistant to Dean of the School of Electronic and Information Engineering of Dalian University of Technology, a member of the Education Working Committee of Chinese Automation Association, the Automation Profession Committee of the Association for Teaching and Research of China's Higher Educational Institutions and the Advisory Committee on Teaching of Dalian University of Technology, the Officer-in-Charge of Automation Profession of Dalian University of Technology, and a Director of Zhonglian Computer Development Co., Ltd., a company established in Dalian Economy and Technology Development Zone. Mr. WANG has significant contribution to the research studies of automation in the PRC. He also has a wide connection in the field of automation of metallurgical industry and a rich experience in corporate management. Mr. WANG graduated from Dalian University of Technology with a Bachelor degree in Automatic Control and a Master degree in System Engineering. He was once selected by the State Education Commission of China as a visiting scholar to go to Denmark participating in teaching and research work in Institute of Electronic Systems of Aalborg University, Denmark.

Mr. LI Kai Cheong, Samson, aged 50, has been an Independent Non-executive Director of the Company since August 2008. He was the Alternate Director to Dr. The Hon. David LI Kwok-po during the period from May 1999 to August 2008. Mr. LI is the Deputy Chief Executive & Chief Investment Officer of The Bank of East Asia, Limited whose shares are listed on the Hong Kong Stock Exchange. Mr. LI has more than ten years of experience specializing in fund management and securities dealing. He is also the Managing Director of East Asia Securities Company Limited, a member of the Hong Kong Stock Exchange, as well as a Director in a number of asset management companies. Mr. LI was appointed as a member of the Listing Committee of the Hong Kong Stock Exchange with effect from 23 July 2010. Mr. LI is a Fellow of The Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries & Administrators, and The Association of Chartered Certified Accountants. In addition, he is an Associate of the Hong Kong Institute of Certified Public Accountants and a Member of the Hong Kong Securities Institute. Mr. LI received his Professional Diploma in Accountancy from The Hong Kong Polytechnic University.

Mr. LIU Baojie, aged 47, 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 Managing Director of DT Richland Investment Management Limited, and prior to this, was Senior Vice President – Investment with CitySpring Infrastructure Management Pte. Ltd., a Temasek subsidiary and Trustee-Manager of an infrastructure investment trust listed in Singapore. He also held various positions with financial institutions, including Managing Director with Bank of America and ICEA Capital Limited, and Vice President and Shanghai Chief Representative with J.P. Morgan. Mr. LIU holds an MBA degree from University of Utah, USA.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2010, the interests of the Directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "**SFO**") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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

Save as disclosed above, none of the Directors or chief executives, or their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO as at 31 December 2010, 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 2010.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' SERVICE CONTRACTS

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the following persons, other than a Director or chief executive of the Company, had interests in the shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Name	Long/ short position	Capacity	Number of ordinary shares interested	Percentage of total issued shares
China Merchants Group Limited (Note 3)	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Steam Navigation Company Limited (Note 3)	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Holdings (Hong Kong) Company Limited (Note 1)	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Finance Holdings Company Limited (Note 2)	Long position	Interest of controlled corporation	35,859,760	24.04%
China Merchants Financial Services Limited (Note 3)	Long position	Interest of controlled corporation	33,989,760	22.79%
Good Image Limited	Long position	Beneficial owner	33,989,760	22.79%
Lazard Asset Management LLC	Long position	Investment manager	31,233,100	20.94%
UBS AG	Long position	Beneficial owner	72,603	8.92%
		Security interest	13,236,192	
Kuchanny Christopher Philip Charles (Note 4)	Long position	Interest of controlled corporation	10,440,191	7.00%
Osmium Capital Management Limited	Long position	Investment manager	10,440,191	7.00%
Osmium Special Situations Fund Limited	Long position	Beneficial owner	10,440,191	7.00%
華夏全球精選股票型證券投資基金	Long position	Beneficial owner	9,682,000	6.49%

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

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

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

Note4: Kuchanny Christopher Philip Charles is deemed to have corporate interests in the shares by virtue of its interest in the company whose name is set out immediately under it.

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, throughout the year of 2010, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

1. Investment Management Agreement

China Merchants China Investment Management Limited, a company incorporated in Hong Kong, is the Investment Manager of the Company for both listed and unlisted investments. Mr. HONG Xiaoyuan, Mr. CHU Lap Lik, Victor, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit are Directors of both the Company and the Investment Manager. Mr. CHU Lap Lik, Victor has indirect beneficial interests in the Investment Manager. The Investment Manager is a subsidiary of a substantial shareholder of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

On 5 February 2010, the Company announced that it had on 5 February 2010 entered into an Investment Management Agreement (the "**Revised Management Agreement**") with the Investment Manager in relation to the proposed re-appointment of the Investment Manager as the investment manager of the Company immediately following the expiry date of the existing Investment Management Agreement on 14 July 2010 (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 10 March 2010 containing, among others, further details of the Revised Management Agreement, the recommendation of the independent board committee, the advice of the independent financial adviser to the independent board committee and the independent shareholders and a notice convening the extraordinary general meeting to approve the Revised Management Agreement and the proposed annual caps had been despatched to the shareholders of the Company. The independent shareholders of the Company approved the Revised Management Agreement and the proposed annual caps at the extraordinary general meeting held on 25 March 2010.

For the year ended 31 December 2010, 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 and Revised Management Agreement totalling US$11,519,577 (2009: US$11,821,942) were paid or payable to the Investment Manager.

CONTINUING CONNECTED TRANSACTIONS (continued)

2. Brokerage Agreements

On 13 December 2007, China Merchants Industry Development (Shenzhen) Limited ("**CMID**"), a wholly-owned subsidiary of the Company entered into the brokerage agreement and supplemental brokerage agreement (the "**2007 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. On 8 November 2010, CMID renewed the 2007 Brokerage Agreements by entering into the brokerage agreement and supplemental brokerage agreement with CMS on the same terms as those set out in the 2007 Brokerage Agreements save and except the term in relation to the amount of the commission rate, which was decreased to 0.04%. 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 2010, the securities brokerage commission fee totalling US$70,714 (2009: US$74,656) was paid or payable to CMS.

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

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

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

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

Save as disclosed above, details of significant related party transactions are disclosed in note 31 to the 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, 30 March 2011

The Company is committed to maintaining high standards of corporate governance. The Company has complied with all the code provisions set out in Appendix 14 Code on Corporate Governance Practices (the "**Code**") of the Listing Rules throughout the year under review, except for the deviations as stated below:

According to the existing Investment Management Agreement, the portfolio and day-to-day administration of the Company are handled by the Investment Manager. Meanwhile, except the qualified accountant whose remuneration packages are borne by the Investment Manager, the Company has no salaried employees. Thus, no Remuneration Committee has been established by the Company, and it is suitable for the Company to hold regular Board meeting twice a year at a minimum.

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

THE BOARD OF DIRECTORS

As at 31 December 2010, 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 26 to 31 of this Annual Report.

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

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

THE BOARD OF DIRECTORS (continued)

	Attendance/number of regular meetings during the Director's term of office in 2010 (Note)
Executive Directors:	
Mr. LI Yinquan *(Chairman)*	2/3
Mr. HONG Xiaoyuan	3/3
Mr. CHU Lap Lik, Victor	0/3
Ms. ZHOU Linda Lei	3/3
Mr. TSE Yue Kit	3/3
Non-executive Directors:	
Mr. KE Shifeng	3/3
Mr. WANG Qi *(resigned on 6 July 2010)*	1/1
Independent Non-executive Directors:	
Mr. KUT Ying Hay	3/3
Mr. WANG Jincheng	3/3
Mr. LI Kai Cheong, Samson	2/3
Mr. LIU Baojie	3/3
Alternate Director:	
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor)*	3/3

Note: In addition to the regular Board meetings, there was a Board meeting convened by short notice and held during the year under review and attended by the Directors as follows: Mr. LI Yinquan 0/1; Mr. HONG Xiaoyuan 0/1; Mr. CHU Lap Lik, Victor 0/1; Ms. ZHOU Linda Lei 1/1; Mr. TSE Yue Kit 1/1; Mr. KE Shifeng 1/1; Mr. WANG Qi 1/1; Mr. KUT Ying Hay 1/1; Mr. WANG Jincheng 1/1; Mr. LI Kai Cheong, Samson 1/1; Mr. LIU Baojie 0/1; and Ms. KAN Ka Yee, Elizabeth 0/1.

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

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

THE BOARD OF DIRECTORS (continued)

The Audit Committee

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

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

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

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

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

- reviewed and recommended the Board to approve the audit fee proposal for the year 2010;
- reviewed the interim report and the interim results announcement for the six months ended 30 June 2010;
- reviewed the audit plan for the year 2010 to assess the general scope of audit work;
- reviewed the audited financial statements and final results announcement for the year 2009; and
- considered the internal controls assessment report prepared by the Company's independent auditor.

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

THE BOARD OF DIRECTORS (continued)

The Investment Committee

The Board has established an Investment Committee, of which currently has four members, to approve transactions (investments or realisations) of over US$20 million each (effective from 5 February 2010) and to supervise the day-to-day management functions of the Investment Manager.

During the year under review, the Investment Committee has approved the proposals in relation to the further investment in Inbank Media, investment in China Media Investment, and the subscription for rights issue of A shares of IBC. In addition, it has approved the disposal of the Company's entire holding of A shares of both CMB and IBC.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SECURITIES TRANSACTIONS

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

REMUNERATION OF DIRECTORS

The Company does not have a Remuneration Committee since the Company has no salaried employees, except the qualified accountant whose remuneration packages are borne by the Investment Manager. The remuneration of the Directors is determined by the shareholders at the annual general meeting of the Company. At the annual general meeting of the Company held on 19 May 2010, it was resolved that the remuneration of the Directors for the year ending 31 December 2010 be fixed by the Board. The total remuneration payable to the Directors for the year ended 31 December 2010 is stated in note 9 to the financial statements.

NOMINATION OF DIRECTORS

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

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

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

AUDITOR'S REMUNERATION

The Company has appointed Deloitte Touche Tohmatsu as the Company's independent auditor. During the year under review, the fees paid or payable to the Company's independent auditor for audit services provided is US$85,753 and for non-audit services provided is US$42,489 which was mainly for the purpose of reviewing the internal control systems and continuing connected transactions of the Company, and the circular relating to renewal of the mandates for the proposed disposal of shares in CMB and IBC.

FINANCIAL REPORTING

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 42.

INTERNAL CONTROL

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

INVESTOR RELATIONSHIP AND COMMUNICATION

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

The general meetings, including annual general meetings, provide a useful forum for shareholders to exchange their views with the Board. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the re-appointment of investment manager, subscription of IBC A rights shares, re-election of retiring Directors, very substantial disposals, etc.

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

Deloitte.
德勤

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

We have audited the consolidated financial statements of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 44 to 91, which comprise the consolidated and Company statements of financial position as at 31 December 2010, 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 2010 and of the Group's loss 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
30 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 US$	2009 US$
Change in fair value of financial assets at fair value through profit or loss		(140,043,610)	388,682,366
Investment income	6	13,088,836	8,440,088
Other income		179,195	153,757
Administrative expenses		(26,733,102)	(31,252,692)
Share of results of associates	15	2,203,129	1,556,589
Gain on deemed disposal of associate	15	2,523,001	–
(Loss) profit before taxation	8	(148,782,551)	367,580,108
Taxation	11	36,723,056	(103,974,484)
(Loss) profit for the year		(112,059,495)	263,605,624
Other comprehensive income (loss)			
Exchange difference arising on translation		14,899,642	83,200
Share of change in translation reserve of associates		1,386,656	(26,905)
Change in fair value of available-for-sale financial assets		23,666	1,199
Other comprehensive income for the year		16,309,964	57,494
Total comprehensive (loss) income for the year		(95,749,531)	263,663,118
(Loss) profit for the year attributable to owners of the Company		(112,059,495)	263,605,624
Total comprehensive (loss) income attributable to owners of the Company		(95,749,531)	263,663,118
Basic (loss) earnings per share	13	(0.751)	1.767

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 US$	2009 US$
Non-current assets			
Interests in associates	15	**22,382,129**	17,651,708
Financial assets at fair value through profit or loss	16	**207,681,626**	117,078,997
Available-for-sale financial assets	17	**722,004**	698,338
		230,785,759	135,429,043
Current assets			
Financial assets at fair value through profit or loss	16	**307,667,689**	569,097,615
Other receivables	19	**299,032**	481,056
Bank balances and cash	20	**63,282,735**	129,600,520
		371,249,456	699,179,191
Current liabilities			
Other payables	21	**34,857,649**	71,724,364
Taxation payable	22	**5,015,328**	20,344,661
		39,872,977	92,069,025
Net current assets		**331,376,479**	607,110,166
Total assets less current liabilities		**562,162,238**	742,539,209
Non-current liabilities			
Financial liabilities at fair value through profit or loss	23	**661,699**	421,986
Deferred taxation	24	**74,094,298**	144,046,891
		74,755,997	144,468,877
Net assets		**487,406,241**	598,070,332

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 31 December 2010

	Notes	**2010** **US$**	2009 US$
Capital and reserves			
Share capital	25	**14,914,560**	14,914,560
Share premium and reserves		**202,149,946**	185,605,050
Retained profits		**270,341,735**	397,550,722
Equity attributable to owners of the Company		**487,406,241**	598,070,332
Net asset value per share	27	**3.268**	4.010

The consolidated financial statements on pages 44 to 91 were approved and authorised for issue by the Board of Directors on 30 March 2011 and are signed on its behalf by:

Mr. HONG Xiaoyuan
Director

Ms. ZHOU Linda Lei
Director

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 US$	2009 US$
Non-current assets			
Investments in subsidiaries	14	**21,160,007**	17,000,007
Financial assets at fair value through profit or loss	16	**53,223,154**	38,540,791
Amounts due from subsidiaries	18	**67,685,297**	61,218,272
		142,068,458	116,759,070
Current assets			
Amounts due from subsidiaries	18	**152,537,587**	118,060,000
Other receivables	19	**22,963**	111,653
Bank balances and cash	20	**3,766,226**	12,315,924
		156,326,776	130,487,577
Current liabilities			
Amounts due to subsidiaries	18	**4,786,428**	3,277,471
Other payables	21	**21,307,318**	71,641,331
Taxation payable	22	**5,746,904**	5,903,000
		31,840,650	80,821,802
Net current assets		**124,486,126**	49,665,775
Total assets less current liabilities		**266,554,584**	166,424,845
Non-current liabilities			
Financial liabilities at fair value through profit or loss	23	**661,699**	421,986
Deferred taxation	24	**3,792,442**	2,324,205
		4,454,141	2,746,191
Net assets		**262,100,443**	163,678,654
Capital and reserves			
Share capital	25	**14,914,560**	14,914,560
Share premium and reserves	26	**247,185,883**	148,764,094
Equity attributable to owners of the Company		**262,100,443**	163,678,654

Mr. HONG Xiaoyuan
Director

Ms. ZHOU Linda Lei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital US$	Share premium US$	Translation reserve US$	General reserve US$	Available-for-sale financial assets reserve US$	Retained profits US$	Equity attributable to owners of the Company US$
Balance at 1 January 2009	14,914,560	109,493,184	70,150,247	5,893,813	–	133,955,410	334,407,214
Profit for the year	–	–	–	–	–	263,605,624	263,605,624
Exchange difference on translation	–	–	83,200	–	–	–	83,200
Share of change in translation reserve of associates	–	–	(26,905)	–	–	–	(26,905)
Change in fair value of available-for-sale financial assets	–	–	–	–	1,199	–	1,199
Total comprehensive income for the year	–	–	56,295	–	1,199	263,605,624	263,663,118
Transfer to general reserve	–	–	–	10,312	–	(10,312)	–
Balance at 31 December 2009	14,914,560	109,493,184	70,206,542	5,904,125	1,199	397,550,722	598,070,332
Balance at 1 January 2010	**14,914,560**	**109,493,184**	**70,206,542**	**5,904,125**	**1,199**	**397,550,722**	**598,070,332**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(112,059,495)**	**(112,059,495)**
Exchange difference on translation	**–**	**–**	**14,899,642**	**–**	**–**	**–**	**14,899,642**
Share of change in translation reserve of associates	**–**	**–**	**1,386,656**	**–**	**–**	**–**	**1,386,656**
Change in fair value of available-for-sale financial assets	**–**	**–**	**–**	**–**	**23,666**	**–**	**23,666**
Total comprehensive income (loss) for the year	**–**	**–**	**16,286,298**	**–**	**23,666**	**(112,059,495)**	**(95,749,531)**
2009 final and special dividends paid	**–**	**–**	**–**	**–**	**–**	**(14,914,560)**	**(14,914,560)**
Transfer to general reserve	**–**	**–**	**–**	**234,932**	**–**	**(234,932)**	**–**
Balance at 31 December 2010	**14,914,560**	**109,493,184**	**86,492,840**	**6,139,057**	**24,865**	**270,341,735**	**487,406,241**

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 2010

	2010	2009
	US$	*US$*
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(148,782,551)**	367,580,108
Adjustments for:		
Share of results of associates	**(2,203,129)**	(1,556,589)
Gain on deemed disposal of associate	**(2,523,001)**	–
Interest income	**(935,355)**	(1,715,751)
Dividend income from equity investments	**(12,153,481)**	(6,724,337)
Change in fair value of financial assets designated at fair value through profit or loss	**111,835,936**	(337,503,010)
Operating cash flows before movements in working capital	**(54,761,581)**	20,080,421
Decrease in financial assets at fair value through profit or loss	**74,426,198**	58,428,934
Decrease (increase) in other receivables	**82,711**	(144,465)
Decrease in other payables	**(37,010,377)**	(35,013,126)
Increase in financial liabilities designated at fair value through profit or loss	**456,978**	421,986
Cash (used in) generated from operations	**(16,806,071)**	43,773,750
Interest received	**1,185,733**	1,509,299
Dividend received	**11,903,850**	6,906,620
Income taxes paid	**(52,078,166)**	(25,552,118)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(55,794,654)**	26,637,551
INVESTING ACTIVITIES		
Advance to associates	**(610)**	(2,073)
Repayment of capital from associate	**720,937**	763,730
Dividend received from associate	**662,037**	–
NET CASH GENERATED FROM INVESTING ACTIVITIES	**1,382,364**	761,657
CASH USED IN FINANCING ACTIVITY		
Dividend paid	**(14,914,560)**	–
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(69,326,850)**	27,399,208
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**129,600,520**	101,994,877
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**3,009,065**	206,435
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**63,282,735**	129,600,520

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

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

New and revised HKFRSs affecting presentation and disclosure only

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

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

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

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

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

New and revised HKFRSs in issue but not yet effective

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

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

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

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

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

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

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of change in fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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

Based on the Group's financial assets and financial liabilities as at 31 December 2010, the Group anticipates that the application of HKFRS 9 will have no material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

Investments in subsidiaries

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

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or 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 is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised 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) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

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

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

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

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

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities at FVTPL

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial 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.

Equity instruments

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

Derecognition

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

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

Revenue recognition

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

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

Foreign currencies

In preparing the financial statements of each individual entity of the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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. United States Dollars) 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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

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

4. CAPITAL RISK MANAGEMENT

The Group and the Company manage 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	
	2010	2009	**2010**	2009
	US$	*US$*	***US$***	*US$*
Financial assets				
Designated as at fair value through profit or loss	**515,349,315**	686,176,612	**53,223,154**	38,540,791
Available-for-sale	**722,004**	698,338	**–**	–
Loans and receivables (including cash and cash equivalents)	**63,559,435**	130,062,879	**223,989,741**	191,687,152
Financial liabilities				
Amortised cost	**34,857,649**	71,724,364	**26,093,746**	74,918,802
Designated as at fair value through profit or loss	**661,699**	421,986	**661,699**	421,986

Financial risk management objective and policies

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

Market risk

Currency risk

The Group and the Company undertake certain transactions 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 of the group entity, 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	
	2010	2009
	US$	*US$*
Monetary assets		
United States Dollar	**3,513,310**	12,147,726
Hong Kong Dollar	**295,057**	300,884
Monetary liabilities		
United States Dollar	**21,055,303**	71,336,043
Hong Kong Dollar	**252,014**	305,287

	THE COMPANY	
	2010	2009
	US$	*US$*
Monetary assets		
United States Dollar	**44,175,613**	38,077,828
Hong Kong Dollar	**276,093**	261,635
Monetary liabilities		
United States Dollar	**26,755,445**	75,340,788

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$879,000 (2009: increase/decrease by US$2,967,000).

For the currency risk of the Company, if the exchange rate of RMB against USD had been increased/decreased by 5%, the Company's result for the year would decrease/increase by US$873,000 (2009: increase/decrease by US$1,868,000).

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

Interest rate sensitivity

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

Price risk

The Group and the Company are exposed to price risk through its investments in note 16 and financial liabilities in note 23 which are designated as at fair value through profit or loss.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Price risk (continued)

Price sensitivity

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

If the market bid prices of the listed equity securities had been 20% (2009: 20%) higher/lower, the Group's result for the year would increase/decrease by US$61,534,000 (2009: US$113,820,000). This is mainly attributable to the changes in fair values of the listed investments held by the Group.

If the fair value of the investments other than listed equity securities had been 20% (2009: 20%) higher/lower, the Group's result for the year would increase/decrease by US$41,536,000 (2009: US$23,416,000). 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 Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated and the Company's statement of financial position, 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.

Besides the above, 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 and performance fee accruals and business tax accruals) and financial liabilities at fair value through profit or loss related to co-investment sub-participation agreements. The Company's financial liabilities represent other payables (management and performance fee accruals), financial liabilities at fair value through profit or loss and amounts due to subsidiaries. Apart from financial liabilities at fair value through profit or loss which is repayable upon 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 fair value through profit or loss 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**	**2010 Total**
	US$	***US$***	***US$***	***US$***
Financial assets at FVTPL				
Financial assets designated at fair value through profit or loss	**307,667,689**	**–**	**207,681,626**	**515,349,315**
Available-for-sale financial assets				
Bonds	**–**	**–**	**722,004**	**722,004**
Total	**307,667,689**	**–**	**208,403,630**	**516,071,319**
Financial liabilities at FVTPL				
Financial liabilities designated at fair value through profit or loss	**–**	**–**	**661,699**	**661,699**
Total	**–**	**–**	**661,699**	**661,699**

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

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Designated at fair value through profit or loss *US$*	**Available-for-sale** *US$*	**2010 Total** *US$*
Opening balance	**117,078,997**	**698,338**	**117,777,335**
Gains or losses recognised in:			
Profit or loss – realised	**10,726,208**	**–**	**10,726,208**
Profit or loss – unrealised	**19,926,893**	**–**	**19,926,893**
Other comprehensive income	**–**	**23,666**	**23,666**
Exchange differences arising on translation	**3,212,532**	**–**	**3,212,532**
Purchases	**70,797,739**	**–**	**70,797,739**
Disposals	**(14,060,743)**	**–**	**(14,060,743)**
Closing balance	**207,681,626**	**722,004**	**208,403,630**

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

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial liabilities:

	2010 US$	2009 US$
Designed at fair value through profit or loss		
Opening balance	**421,986**	–
Additions	**469,314**	348,383
Change in fair value	**(229,601)**	73,603
Closing balance	**661,699**	421,986

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 growth rate and market multiples) and a risk adjusted discount factor were used. The total amount of the change in fair value estimated using a valuation technique that was recognised in profit or loss during the year was US$19,926,893 (2009: US$16,083,461), which is related to financial assets held at the end of the reporting period. If these inputs to the valuation model were 10% (2009: 10%) higher/lower while all the other variables were held constant, the carrying amount of these unlisted equities would increase/decrease by US$8,700,000 (2009: US$5,900,000).

6. INVESTMENT INCOME

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

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

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

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

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, real estate and other types of investing activities are not significant, these investments are aggregated and reported as "Others"), are as follows:

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

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

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

(d) Others: investees engaged in investments related to energy and resources, real 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 segments for the year under review.

For the year ended 31 December 2010

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

7. SEGMENTAL INFORMATION (CONTINUED)

For the year ended 31 December 2009

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

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

7. SEGMENTAL INFORMATION (CONTINUED)

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

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

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

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

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

8. (LOSS) PROFIT BEFORE TAXATION

	THE GROUP	
	2010	2009
	US$	*US$*
(Loss) profit before taxation has been arrived at after charging:		
Auditor's remuneration	**93,875**	129,305
Net foreign exchange losses	**556,553**	74,453
Investment Manager's management fee	**11,519,577**	11,821,942
Investment Manager's performance fee	**–**	18,269,512
Directors' fees	**103,080**	61,893
Share of tax of associates (included in share of results of associates)	**309,729**	515,016

9. DIRECTORS' EMOLUMENTS

The Directors' fees paid or payable to each of the 12 (2009: 12) Directors were as follows:

	THE GROUP	
	2010	2009
	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	
	2010	2009
	US$	*US$*
Non-executive Directors:		
Mr. KE Shifeng*	**20,616**	–
Mr. WANG Qi#	**–**	–
	20,616	–
Independent Non-executive Directors:		
Mr. KUT Ying Hay	**20,616**	20,631
Mr. WANG Jincheng	**20,616**	20,631
Mr. LI Kai Cheong, Samson	**20,616**	20,631
Mr. LIU Baojie*	**20,616**	–
	82,464	61,893
Total	**103,080**	61,893

* The Directors were appointed during the year 2009.

The Director was appointed during the year 2009 and resigned during the year 2010.

10. EMPLOYEES' EMOLUMENTS

The five (2009: three) 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 credit (charge) for the year comprises:

	THE GROUP	
	2010	2009
	US$	*US$*
The Company and its subsidiaries		
Current tax:		
Hong Kong	**–**	423
PRC Enterprise Income Tax	**(35,714,392)**	(34,384,870)
	(35,714,392)	(34,384,447)
Deferred taxation (Note 24)		
Current year	**72,437,448**	(65,164,579)
Attributable to the change in expected reversal date of temporary differences	**–**	(4,425,458)
Total	**36,723,056**	(103,974,484)

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the years. PRC Enterprise Income Tax in the PRC is calculated at the rates prevailing in the relevant regions.

The PRC promulgated the Law of the PRC on Enterprise Income Tax (the "**New Law**") by Order No. 63 of the President of the PRC on 16 March 2007. The State Council of the PRC issued Implementation Regulations of the New Law and the Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax (Guo Fa [2007] No. 39) on 6 December 2007 and 26 December 2007 respectively. Accordingly, the applicable Enterprise Income Tax rate for a PRC subsidiary of the Company in 2010 is 22% (2009: 20%) and such tax rate will be gradually increased to 25% in 2012. Other PRC incorporated entities which were incorporated after 15 March 2007, are subject to 25% tax rate for Enterprise Income Tax with effect from 1 January 2008. The applicable PRC tax rate for the Company as non-resident is 10%.

11. TAXATION (CONTINUED)

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

	2010	2009
	US$	*US$*
(Loss) profit before taxation	**(148,782,551)**	367,580,108
Share of results of associates	**(2,203,129)**	(1,556,589)
Gain on deemed disposal of associate	**(2,523,001)**	–
(Loss) profit before taxation attributable to the Company and its subsidiaries	**(153,508,681)**	366,023,519
Tax at the domestic income tax rate of 22% (2009: 20%) (Note 1)	**33,771,908**	(73,204,703)
Tax effect of expenses not deductible for tax purpose	**(5,464,025)**	(6,138,703)
Tax effect of income not taxable for tax purpose	**4,170,419**	1,385,099
Tax effect of tax losses/deductible temporary differences not recognised	**(1,891)**	(8,251)
Effect of different tax rates of the Company operating in other regions in the PRC	**1,691,239**	520,350
Adjustment on deferred tax on disposal of financial assets at fair value through profit or loss	**5,133,090**	2,783,454
Adjustment on deferred tax resulting from change in expected reversal date of temporary difference	**–**	(4,425,458)
Effect of different tax rate applied for deferred tax liability reversed (recognised) for the year	**3,403,700**	(18,800,773)
Others	**24,813**	(4,571)
Dividend withholding taxation in the PRC (Note 2)	**(6,006,197)**	(6,080,928)
Taxation	**36,723,056**	(103,974,484)

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

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

12. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of US$0.04 per share (2009: US$0.04) and a special dividend of US$0.07 per share (2009: US$0.06), totalling US$0.11 per share (2009: US$0.10) in respect of the year ended 31 December 2010 have been proposed by the Directors and are subject to approval by the shareholders at the forthcoming annual general meeting.

13. BASIC (LOSS) EARNINGS PER SHARE

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

	THE GROUP	
	2010	2009
(Loss) earnings for the purpose of basic (loss) earnings per share (US$)	**(112,059,495)**	263,605,624
Number of ordinary shares for the purpose of basic (loss) earnings per share	**149,145,600**	149,145,600
Basic (loss) earnings per share (US$)	**(0.751)**	1.767

14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2010	2009
	US$	*US$*
Unlisted shares, at cost	**10,000,007**	10,000,007
Deemed capital contribution through interest-free loans	**11,160,000**	7,000,000
Total	**21,160,007**	17,000,007

Particulars of the Company's principal subsidiaries at 31 December 2010 are set out in note 32.

15. INTERESTS IN ASSOCIATES

	THE GROUP	
	2010	2009
	US$	*US$*
Cost of unlisted investments in associates	**16,452,455**	17,173,392
Share of post-acquisition results, net of dividends received	**2,325,700**	(1,738,393)
Share of exchange reserve	**3,598,255**	2,211,599
	22,376,410	17,646,598
Amounts due from associates	**6,551,714**	6,551,105
Allowance on amounts due from associates	**(6,545,995)**	(6,545,995)
	5,719	5,110
Total	**22,382,129**	17,651,708

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

As at 31 December 2010 and 2009, the Group had investments in the following associates:

Name of company	**Place of incorporation/ registration and operation**	**Class of share held**	**Principal activities**	**2010 Proportion of nominal value of issued capital/ registered capital held by the Group**	**2009 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%**	30%
Langfang Oriental Education Facilities Development Co., Ltd.	PRC/PRC	Registered capital	Dormitories investment	**–**	25%

In December 2010, Shandong Jinbao Electronics Co., Ltd. completed a private placement to investors and raised RMB143 million. Following this equity offer, the equity interest held by the Group decreased from 30% to 25.91%, and the Group recognised the gain on deemed disposal of US$2,523,001.

In July 2010, an agreement was reached between the Group, Langfang Oriental Education Facilities Development Co., Ltd. ("**Oriental**") and another shareholder of Oriental on the conclusion of the Group's participation in Oriental, pursuant to which the Group received a concluded amount of US$1.86 million, as final payment of the capital contribution made by the Group and profit distribution, in late July 2010.

15. INTERESTS IN ASSOCIATES (CONTINUED)

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

	2010	2009
	US$	*US$*
Total assets	**463,642,252**	444,726,820
Total liabilities	**(370,867,048)**	(353,992,760)
Net assets	**92,775,204**	90,734,060
Group's share of net assets of associates	**22,376,410**	17,646,598
Turnover	**347,202,518**	222,252,388
Profit for the year	**12,334,469**	6,589,048
Group's share of results of associates for the year (excluding unrecognised share of profits of associates having accumulated losses in prior year)	**2,203,129**	1,556,589

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

	2010	2009
	US$	*US$*
Unrecognised share of profits for the year	**413,873**	284,608
Accumulated unrecognised share of losses of associates	**(2,247,637)**	(2,661,510)

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2010	2009
	US$	*US$*
Equity and debt securities:		
– listed equities in PRC (note a)	**307,667,689**	569,097,615
– unlisted equities (note b)	**182,491,626**	91,299,965
– unlisted preferred equity (note b)	**25,190,000**	23,051,300
– convertible bond (note b)	**–**	2,727,732
Total	**515,349,315**	686,176,612
Analysed to reporting purposes as		
Current assets	**307,667,689**	569,097,615
Non-current assets	**207,681,626**	117,078,997
Total	**515,349,315**	686,176,612

The Group's sales proceeds from disposals of investments in 2010 were US$158,763,721 (2009: US$149,150,191).

	THE COMPANY	
	2010	2009
	US$	*US$*
Equity securities:		
– unlisted (note b)	**53,223,154**	38,540,791

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 fair value is determined by reference to the appropriate valuation models (note 33).

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

THE GROUP

Particulars of the Group's investment portfolio which exceed 10% of the assets of the Group at 31 December 2010 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	2010 Percentage of equity held by the Group	2009 Percentage of equity held by the Group
China Merchants Bank Co., Ltd.	PRC	A shares	**0.31%**	0.58%
Industrial Bank Co., Ltd.	PRC	A shares	**0.83%**	0.94%
China Credit Trust Co., Ltd.	PRC	Paid up capital	**6.9369%**	6.8167%

THE COMPANY

Particulars of the Company's investment portfolio which exceeds 10% of the assets of the Company at 31 December 2010 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	2010 Percentage of equity held by the Company	2009 Percentage of equity held by the Company
China Credit Trust Co., Ltd.	PRC	Paid up capital	**3.3297%**	6.8167%

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP	
	2010	2009
	US$	*US$*
Quoted debt securities – available-for-sale (note)	**722,004**	698,338

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

18. AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2010	2009
	US$	*US$*
Amounts due from subsidiaries	**231,105,276**	190,160,664
Less: Allowance on amounts due from subsidiaries	**(10,882,392)**	(10,882,392)
Total	**220,222,884**	179,278,272
Analysis of amounts due from subsidiaries		
Current	**152,537,587**	118,060,000
Non-current	**67,685,297**	61,218,272
Total	**220,222,884**	179,278,272
Amounts due to subsidiaries	**4,786,428**	3,277,471

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

	THE COMPANY	
	2010	2009
	US$	*US$*
Allowance on amounts due from subsidiaries at 1 January and 31 December	**10,882,392**	10,882,392

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

19. OTHER RECEIVABLES

	THE GROUP	
	2010	2009
	US$	*US$*
Dividend receivable	**224,668**	–
Interest receivable	**45,434**	295,812
Other receivables	**28,930**	185,244
Total	**299,032**	481,056

	THE COMPANY	
	2010	2009
	US$	*US$*
Interest receivable	**631**	19,352
Other receivables	**22,332**	92,301
Total	**22,963**	111,653

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$59,461,778 (2009: US$117,183,112) which is denominated in RMB.

21. OTHER PAYABLES

THE GROUP AND THE COMPANY

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

22. TAXATION PAYABLE

THE GROUP AND THE COMPANY

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

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial liabilities designated as at fair value through profit or loss are related to the sub-participation agreements (the "**Sub-participation Agreements**") entered into between the Company and co-investment participants in respect of the investment by the Group in北京東方銀廣文化傳媒有限公司 (Inbank Media (China) Co., Ltd.), 武漢日新科技股份有限公司 (Wuhan Rixin Technology Co., Ltd.), 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)), 揚州華爾光電子材料有限公司 (Yangzhou Huaer Optoelectronic Material Co., Ltd.) and 上海第一財經傳媒有限公司 (China Business Network) (collectively referred to as the "**Project Company**"), which are classified as financial assets at fair value through profit or loss. 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 company 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 company. If the Group suffers a loss from its investment in the project company, 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 Co-investment Scheme.

24. DEFERRED TAXATION

THE GROUP

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

	THE GROUP	
	2010	2009
	US$	*US$*
Balance at 1 January	**144,046,891**	74,360,243
(Credit) charge to profit or loss for the year	**(72,437,448)**	65,164,579
Attributable to a change in expected reversal date of temporary differences	**–**	4,425,458
Exchange differences	**2,484,855**	96,611
Balance at 31 December	**74,094,298**	144,046,891

At the end of the reporting period, the Group had deductible temporary differences and estimated unused tax losses available for offsetting against future taxable profits of US$7,021,416 (2009: US$5,613,836) and US$2,459,931 (2009: US$2,451,333) respectively. The losses can be carried forward indefinitely for Hong Kong Profits Tax.

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

24. DEFERRED TAXATION (CONTINUED)

THE COMPANY

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

	THE COMPANY	
	2010	2009
	US$	*US$*
Balance at 1 January	**2,324,205**	1,899,699
Charge to profit or loss for the year	**1,468,237**	424,506
Balance at 31 December	**3,792,442**	2,324,205

At the end of the reporting period, the Company had nil deductible temporary differences (2009: Nil) and estimated unused tax losses of US$2,431,526 (2009: US$2,431,526) available for offsetting against future taxable profits. The losses can be carried forward indefinitely for Hong Kong Profits Tax.

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

25. SHARE CAPITAL

	Number of shares	**US$**
Ordinary shares of US$0.10 each		
Authorised:		
At 31 December 2009, 1 January and 31 December 2010	**300,000,000**	**30,000,000**
Issued and fully paid:		
At 31 December 2009, 1 January and 31 December 2010	**149,145,600**	**14,914,560**

26. SHARE PREMIUM AND RESERVES

THE COMPANY

	Share premium	Accumulated (losses)/profit	Total
	US$	*US$*	*US$*
Balance at 1 January 2009	109,493,184	(47,707,396)	61,785,788
Profit for the year	–	86,978,306	86,978,306
Balance at 1 January 2010	**109,493,184**	**39,270,910**	**148,764,094**
Profit for the year	**–**	**113,336,349**	**113,336,349**
2009 final and special dividends paid	**–**	**(14,914,560)**	**(14,914,560)**
Balance at 31 December 2010	**109,493,184**	**137,692,699**	**247,185,883**

27. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of US$487,406,241 (2009: US$598,070,332) and 149,145,600 ordinary shares (2009: 149,145,600 ordinary shares) of US$0.10 each in issue.

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:

	2010	2009
	US$	*US$*
Within one year	**3,176**	9,443
In the second to fifth years inclusive	**–**	3,148
	3,176	12,591

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

29. CAPITAL COMMITMENTS

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

On 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$30.02 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 the end of the reporting period, the Group has injected RMB40 million (equivalent to approximately US$5.86 million) into China Media Investment and classified the investment as a financial asset at fair value through profit or loss under non-current assets.

30. EVENTS AFTER THE REPORTING PERIOD

(a) On 28 January 2011, the Group made a cash injection of RMB20 million (equivalent to approximately US$3.03 million) into the project of Xi'an Jinpower Electrical Co., Ltd. ("**Jinpower Electrical**") for a 5.26% enlarged equity interest in Jinpower Electrical.

(b) On 4 March 2011, the Group entered into an agreement for the disposal of 10% equity interest in Morgan Stanley Huaxin Fund Management Co., Ltd. and the gain on disposal is approximately RMB21.8 million.

(c) On 28 March 2011, the Group made a further cash injection of RMB6.26 million (equivalent to approximately US$0.95 million) into China Media Investment.

31. RELATED PARTY TRANSACTIONS

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

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

(a) Management fees totalling US$11,519,577 (2009: US$11,821,942) were paid or accrued to the Investment Manager. The fee is calculated based on a fixed percentage on the value of the Group's assets as stipulated in the Existing Management Agreement and Revised 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 2010 was US$20,911,642 (2009: US$71,336,043). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

(b) No performance fee (2009: US$18,269,512) is provided for the year 2010. The fee is estimated based on a fixed percentage on the excess of an agreed increment of the Group's net asset value after certain adjustment as stipulated in the Existing Management Agreement and Revised Management Agreement (Note 1).

(c) Rental fees in respect of the office properties totalling US$9,527 (2009: US$9,443) were paid or payable to a wholly-owned subsidiary of a substantial shareholder of the Company.

(d) Securities brokerage commission fees totalling US$70,714 (2009: US$74,656) were paid or payable to a subsidiary of a substantial shareholder of the Company (Note 1).

(e) Pursuant to the Sub-participation Agreements, the financial liabilities of the Group with Mr. HONG Xiaoyuan, Ms. ZHOU Linda Lei and Mr. TSE Yue Kit, who are Directors of both the Company and the Investment Manager, were US$45,517, US$79,238 and US$7,163 respectively (2009: US$35,002, US$53,430 and US$4,439 respectively). Moreover, the financial liability of the Group with Mr. WU Huifeng, a Director of the Investment Manager, was US$58,402 (2009: US$35,002).

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

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

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of all principal subsidiaries at 31 December 2010 and 2009, which are all wholly-owned by the Company, are as follows:

Name	Place of incorporation/ registration and operation	Principal activities	Particulars of issued share capital
CMCDI Zhaoyuan Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
China Merchants Industry Development (Shenzhen) Limited	PRC/PRC	Investment holding	Paid up capital of US$10,000,000 (Wholly owned foreign enterprise)
Everich Dynamic Investments Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Goshing Investment Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Main Star Investment Limited	HK/HK	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) (Note)
Wheaton International Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)
Wisetech Limited	BVI/PRC	Investment holding	1 share of US$1 each (Limited liability company)

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

None of the subsidiaries had any debt securities subsisting at 31 December 2010 and 2009 or at any time during the year.

Note: The paid up capital of Shenzhen Tian Zheng Investment Co., Ltd. was increased to RMB700,000,000 as at 31 December 2010 (2009: RMB100,000,000).

33. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

As indicated in note 5 and 16, the Group selects appropriate valuation techniques for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair values of unlisted financial assets designated at fair value through profit or loss are determined in accordance with generally accepted pricing models. The values assigned to the financial assets are based upon available information and do not necessarily represent amounts which might ultimately be realised, since such amounts depend on future circumstance and cannot be reasonably determined until the individual position is realised.

Income taxes

As at 31 December 2010, deferred tax liabilities of US$74,094,298 (2009: US$144,046,891) were recognised in relation to the investments of the Group (including financial assets designated at FVTPL and interests in associates). As mentioned in note 11, the applicable tax rate for the PRC subsidiary of the Company will gradually increase from 22% in 2010 to 25% in 2012 and the deferred tax liabilities is being provided by estimating the applicable tax rate upon the disposal of the investments. The realisability of the deferred tax liabilities mainly depends on the timing of disposal of the corresponding investments and the applicable tax rate at the time of disposal. In cases where the estimated timing of disposal is subsequently revised or the actual timing of disposal is different from the estimated timing, a material reversal of deferred tax liabilities may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2006	2007	2008	2009	**2010**
	US$	*US$*	*US$*	*US$*	***US$***
Investment income	5,443,293	8,669,147	12,767,998	8,440,088	**13,088,836**
Profit (loss) from operations	136,552,868	806,236,284	(783,854,123)	366,023,519	**(153,508,681)**
Share of results of associates	1,203,233	3,422,469	(2,206,239)	1,556,589	**2,203,129**
Gain on deemed disposal of associate	–	–	–	–	**2,523,001**
Taxation	(22,338,826)	(214,990,720)	165,781,898	(103,974,484)	**36,723,056**
Profit (loss) attributable to equity holders of the Company	115,417,275	594,668,033	(620,278,464)	263,605,624	**(112,059,495)**

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2006	2007	2008	2009	**2010**
	US$	*US$*	*US$*	*US$*	***US$***
Total assets	313,622,217	1,261,982,987	526,998,638	834,608,234	**602,035,215**
Total liabilities	(50,750,107)	(356,648,044)	(192,591,424)	(236,537,902)	**(114,628,974)**
Shareholders' funds	262,872,110	905,334,943	334,407,214	598,070,332	**487,406,241**