CHINA GROWTH OPPORTUNITIES LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009

Investment Objective

The Investment Objective of the Group is to manage the sale of the Group's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2010.

Contents

Key Points

- Extraordinary General Meeting held on 23 January 2009, at which:
  - the Investment Objective was changed;
  - three of the previous Directors were removed from office; and
  - Rhys Davies and Brett Miller were appointed as Non-Executive Directors.
- Richard Battey resigned as a Non-Executive Director on 23 January 2009 and Weiming Zhang was appointed after the year end as a Non-Executive Director.
- Change of name of the Company from London Asia Chinese Private Equity Fund Limited to China Growth Opportunities Limited.
- Termination of Investment Support agreement with London Asia Capital (S) Pte Limited ("LACS") and new Asset Divestment Support Agreement entered into with LACS.
- Net assets at 31 March 2009 of £25.5 million (2008: £71.7 million).
- Net assets per share at 31 March 2009 of 51.04 pence (2008: 143.32 pence).
- Sale of holdings in Asia Clean Energy, Asia Wind, China Biofoods, Hainan Zhengye Zhongnong during the year ended 31 March 2009 for £5.4 million.
- Post year end sales of the Group's entire holdings in United Envirotech and Asia Water Technology for £3.5 million.
- Extraordinary General Meeting held on 6 July 2009 at which shareholders approved the Return of Capital Scheme and amended the Articles to permit future returns of capital. The Board intends to make an initial return of capital of 18 pence per Ordinary Share (equivalent to £9.0 million) on 15 July 2009.

www.chinagrowthopportunities.com

A closed-ended investment company, incorporated under
The Companies (Guernsey) Law, 2008 as amended

REGISTERED IN GUERNSEY No. 44403

Chairman's Statement

I am pleased to have the opportunity to present the annual report and consolidated financial statements of China Growth Opportunities Limited (the "Company") and its subsidiary (together the "Group") for the year ended 31 March 2009.

Results

The year ended 31 March 2009 proved to be difficult for the Group. It was not possible to achieve profits on the sale of certain of the Group's investments and the fair values of the remaining investments held have significantly reduced. Thus, the Group showed a net loss for the year ended 31 March 2009 of £46.1 million (2008: profit £5.1 million), representing a loss per Ordinary Share of 92.28 pence (2008: earnings of 10.28 pence). The net asset value at 31 March 2009 was £25.5 million (2008: £71.7 million), equal to 51.04 pence per Ordinary Share (2008: 143.32 pence per Ordinary Share).

Directorate Changes

On 23 January 2009, ordinary resolutions were passed at an Extraordinary General Meeting removing Mr Leighton, Mr Huntley and Mr Ng from office. Mr Battey resigned as a Director on 23 January 2009 at the conclusion of the Extraordinary General Meeting.

I was appointed to the Board at the Extraordinary General Meeting, together with Mr Miller (both as Non-Executive Directors), and on 9 April 2009 Dr Zhang was appointed as a Non-Executive Director. Dr Zhang has over fifteen years of investment banking experience in Asia, with a focus on China, and we feel that her appointment will greatly enhance our ability to deliver value for shareholders and that she will be an outstanding addition to the Board.

The immediate tasks which Mr Miller and I undertook upon appointment were to ensure that all of the Group's bank accounts were under the control of the Administrator and to appoint a new custodian to look after the Group's investments. I am pleased to report, that despite initial difficulties, these matters have now been dealt with to our satisfaction.

Investment Objective

At the Extraordinary General Meeting an ordinary resolution was passed changing the Investment Objective of the Group from being "to provide shareholders with capital growth from investing in a portfolio of companies whose business operations are based in China" to "to manage the sale of the Group's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2010."

Accordingly, we are no longer investing funds to provide shareholders with capital growth, but are seeking to divest all investments held and maximise the return of funds to shareholders by 30 September 2010.

Investment Support Agreement

The other task which Mr Miller and I accorded urgent priority to was to renegotiate the investment support arrangements with London Asia Capital plc ("London Asia") so as to re-align their interests with shareholders in the implementation of the Group's new Investment Objective. On 25 March 2009, the Company entered into an agreement (the "Termination Agreement") with London Asia and London Asia Capital (S) Pte Limited ("LACS") to terminate the Investment Support Agreement dated 7 March 2006 (the "Investment Support Agreement") and also entered into a new Asset Divestment Support Agreement with LACS.

Under the Termination Agreement, the Company agreed to pay £350,000 to London Asia by 31 March 2009. In addition, a further sum of £100,000 is payable upon the publication of these financial statements. These payments were in full and final settlement of all sums owing or due to either party and any duties owed by any party to the other. At 31 December 2008, £5,073,000 was due to LACS in respect of management fees, performance fees, introductory fees and other creditors. This liability was settled in full by the payments made under the Termination Agreement, effectively adding back £4,573,000 (9.15 pence per Ordinary Share) to the net asset value of the Company.

Under the Asset Divestment Support Agreement, LACS provides the same investment support services to the Group as were provided under the Investment Support Agreement, for a fixed fee of £20,000 per month. The new Asset Divestment Support Agreement is terminable on a month's notice by either party, such notice to expire after 30 September 2009.

Change of Company Name

On 27 October 2008, at the Annual General Meeting, the name of the Company was changed from London Asia Chinese Private Equity Fund Limited to "China Growth Opportunities Limited".

Investments

Since our appointment, we have carefully reviewed all aspects of the Group, including the fair values of the investments. Due to the significant fall in world equity markets during the year, the lack of access to further financing and the difficult trading conditions faced by the Group's investee companies, many of the Group's investments suffered losses or significantly reduced profits. A number of Western investors previously active in the Chinese private equity market have withdrawn or altered strategy, increasing assets available for sale and reducing the investor pool. There has been an increase in the level of funding available from onshore Chinese investors, but this is harder to attract to a portfolio such as the Group's which is largely structured offshore, and these investors are demanding considerably lower valuations than were previously being achieved from non Chinese investors. Therefore, the fair values of the Group's investments have decreased significantly.

At 31 March 2009, the Group held nine investments, which cost £32.8 million and had a fair value of £17.4 million (2008: £72.3 million), an unrealised loss of 47% on cost (2008: an unrealised gain of 63% on cost). Two of the investments held at the year end (22% of the investments by fair value) have been determined using market price; being traded on an active and liquid market. The values of the Group's other investments have been determined according to the most appropriate valuation methodology.

During the year, the Group realised its holdings in four investments (Asia Clean Energy, Asia Wind, China Biofoods and Hainan Zhengye Zhongnong) for an aggregate cash consideration of £5.4 million and at a book-loss of £6.2 million. Since the year end, the Group realised a loss from

Chairman's Statement

the sale of its entire holdings in United Envirotech and Asia Water Technology for a total of £3.5 million (net of dealing costs).

Since our appointment on 23 January 2009, Mr Miller and I have visited a number of investee companies and we plan further portfolio visits later in the year, in the interests of maximising the return of funds to shareholders.

Return of Capital

Following the recent sales of investments and discussions with shareholders, the Board proposed the return of capital to shareholders. At an Extraordinary General Meeting held on 6 July 2009, shareholders approved the Return of Capital Scheme and amended the Articles to permit future returns of capital. The Board intends to make an initial return of capital of 18 pence per Ordinary Share (equivalent to £9.0 million) on 15 July 2009. Any further returns of capital will be at the sole discretion of the Board and will be subject to the rate at which the Group's investments are realised and the Group's financial position at the time.

The Group's cash balances amounted to £10.3 million as at 30 June 2009.

Share Price

The price of the Company's Ordinary Shares, which had fallen 87% in the year from 96.0 pence at 31 March 2008 to 12.5 pence at 31 March 2009, has since risen by 184% to 35.5 pence at 30 June 2009. On 8 December 2008, being the date that Damille Partners II (representing the interests of Mr Miller and myself) requisitioned the Extraordinary General Meeting, the Company's share price was 12.5 pence.

On 6 July 2009, being the date of the Extraordinary General Meeting which approved the Return of Capital Scheme, the Company's shares began trading ex the entitlement to the initial return of capital of 18 pence per share.

Outlook

The Board is optimistic that we will achieve the new Investment Objective within the time frame outlined. We will strive to obtain the best possible value for the investments that we currently hold, in order to maximise the return of funds to shareholders.

R Davies
8 July 2009

Investment Portfolio as at 31 March 2009

Company	*Activity/Sector*	*Listing*	*Country of incorporation*	*Fair value 2009 £'000*	*Fair value 2008 £'000*
Asia Water Technology	Water	Catalist Singapore	Singapore	1,675	6,325
China CDM Exchange Centre	Carbon credit brokerage	PLUS	Jersey	884	9,885
China Metal Packaging Group Company	Consumer	Not quoted	BVI	9,440	7,058
China New Energy	Clean technology	PLUS – delisted	Jersey	698	12,603
China Real Estate Services	Property services	Not quoted	China	10	4,866
China Solar Energy Company	Clean technology	Not quoted	Jersey	–	3,011
Dalian Business Institute	Education	PLUS – suspended	Jersey	–	3,193
United Envirotech	Water	Mainboard Singapore	Singapore	1,935	3,366
Wan Wei Oil & Gas Technology Group	Energy	Not quoted	BVI	2,770	9,498
				17,412	59,805
Investments sold in the year ended 31 March 2009					12,514
					72,319

Details of the above investments are available at wwwchinagrowthopportunities.com.

Asia Water Technology Limited ("AWT")
AWT is listed on Singapore's Catalist Stock Market. AWT is a water treatment specialist, providing water purification and wastewater treatment systems and other auxiliary and consultancy services.

The Company sold all of its investment in AWT in May, June and July 2009 for S$3.3 million (£1.4 million).

China CDM Exchange Centre Limited ("CCEC")
CCEC, a Jersey incorporated company listed on PLUS, is a broker and advisor in China's carbon credits market.

In April 2009, CCEC announced annual profits of RMB56 million (£5.6 million) for the year ended 31 December 2008.

China Metal Packaging Group Company Limited ("CMPG")
CMPG is a leading manufacturer of aluminium easy-to-open can-lids, pull-tab ends, caps, closures and other metal packaging products. In 2008, CMPG successfully acquired one of its major competitors, Lam Soon packaging division, and became the largest "easy open end" manufacturer in China, with a market share of over 50%.

China New Energy Limited ("CNE")
CNE, a Jersey incorporated holding company, is an investment company focusing on the bio-fuels sector. It supplies turnkey bio-fuel production solutions in the Chinese market.

The company listed on PLUS in December 2006, and raised follow on financing in July 2007. In June 2008, its shares were suspended from trading on PLUS following its failure to file its accounts for the year ended 31 December 2007 within the timescale required by PLUS. The company announced details of a refinancing agreement in October 2008. On 2 January 2009 the company announced its intention to withdraw from PLUS. CNE has still not filed its accounts for 2007 and the Company has defaulted on the repayment of its bondholders after reaching a new financing agreement with them in October 2008.

China Real Estate Services Limited ("CRES")
CRES, established in 1997, is a real estate consultancy and leasing company in Beijing Following a very difficult 2008 and start to 2009, there is considerable uncertainty as to the continuing survival of CRES.

China Solar Energy Company Limited ("China Solar")
China Solar, a Jersey incorporated company, is involved in the design and construction of solar energy and energy efficient buildings in China using its own patented solar thermal technology. China Solar's core product is a patented heat-collecting all glass vacuum tube.

China Solar has entered into a legal dispute with one of its customers for a £3 million unpaid trade debt. At the year end this dispute had not been resolved. This has impacted severely on the operations of the company.

Dalian Business Institute Limited ("DBI")
DBI is a Chinese education business based in Dalian, Liaoning Province, China.

In February 2009 the shares of DBI were suspended from trading on PLUS following its failure to file its accounts to 31 July 2008. DBI attempted to de-list from PLUS in February 2009 however, following an objection from the Company, DBI has been prevented from de-listing.

As the shares remain suspended on PLUS and DBI has still not filed its 31 July 2008 accounts, as well as the issues detailed above, DBI has been valued at nil as at 31 March 2009.

United Envirotech Limited ("UE")
UE is listed on the main board of the Singapore Stock Exchange. UE is an environmental solution provider focusing on industrial water and wastewater treatment.

At 31 March 2009, the Company had a 12.51% holding in UE, however in May and June 2009, the Group sold its entire shareholding in UE for £2.0 million (net of dealing costs).

Investment Portfolio as at 31 March 2009

Wan Wei Oil and Gas Technology Group ("Wan Wei")

Wan Wei is a Chinese provider of oil drilling technology. With more than seven years of experience, the company delivers high quality products and services with tooling facilities for producing and assembling specialized ultra short radius ("USR") horizontal well drilling tools and devices. It is led by an experienced and highly skilled management team and holds five patents in the fields of USR horizontal well drilling and oil well rejuvenation technology as well as related special tools.

In accordance with the decline in the world oil markets, the demand for the drilling service provided by Wan Wei decreased during the year ended 28 February 2009.

Directors

Rhys Davies *(Non-Executive Chairman)*
Mr Davies is a General Partner of Damille Partners and is the Managing Director of Glendower Partners Limited. Mr Davies also presently serves as, inter alia, the Investment Director of Osprey Smaller Companies Income Fund Limited, a Guernsey registered closed-end investment company which, until recently, was listed on the main list of the London Stock Exchange.

Mr Davies is a CFA charterholder and holds degrees from the University of Wales and Imperial College of Science, Technology and Medicine.

Brett Miller *(Non-Executive Director)*
Mr Miller is a General Partner of Damille Partners and is the Managing Director and key shareholder of Ruegg & Co Limited, a London-based corporate finance boutique. Mr Miller also serves as, inter alia, a Non-Executive Director of West China Cement Limited, an AIM listed Chinese cement producer, as well as a Non-Executive Director of Pactolus Hungarian Property PLC, an AIM listed property investment fund.

Mr Miller graduated from the University of the Witwatersrand (South Africa) and additionally holds a law degree from the London School of Economics.

Dr Weiming Zhang *(Non-Executive Director)*
Dr Zhang has over fifteen years of experience in the investment banking business in Asia with a focus on China. From 1994 to 1999, Dr Zhang worked in the corporate finance division of Merrill Lynch (Hong Kong) and later in the corporate finance division at Deutsche Morgan Grenfell (Hong Kong) as the Director responsible for coverage and execution of overseas IPOs. Dr Zhang returned to Shanghai in 2000 and became Managing Director of First Alliance Capital, whose clients include leading consumer goods, auto and manufacturing companies, power and energy companies.

Dr Zhang received her Ph.D. degree from Columbia Business School in New York, a Master of Science degree from the University of Kentucky and a Bachelor degree in Computer Science from Southwest University of China.

Simon Littlewood *(Executive Director)*
After qualifying as a Chartered Accountant with Coopers & Lybrand, London (now PricewaterhouseCoopers) where he specialised in high growth companies, he joined the structured and corporate finance division of the HSBC Group in London. In 1995, he moved to BDO Stoy Hayward's corporate finance team, where he advised on AIM flotations, mergers and acquisitions and fund raisings. In 1996 he founded the London Asia Group. He has experience of working on transactions in the UK, Europe, North America, the Middle East, Greater China and South East Asia.

Mr Littlewood graduated in Law from Oxford University.

Report of the Directors

The Directors are pleased to present their annual report and consolidated financial statements for the year ended 31 March 2009.

Status and Activities

The Company is a closed-ended investment company domiciled and incorporated as a limited liability company in Guernsey.

Following recent changes to the Guernsey regulatory fund regime, the Company has elected to be an "authorised" closed-ended investment scheme under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended. This has no impact on the operation of the Company.

The Group's Investment Objective is to manage the sale of the Group's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2010.

Change of Investment Objective

At the Extraordinary General Meeting held on 23 January 2009, an ordinary resolution was passed changing the Investment Objective of the Group from being "to provide shareholders with capital growth from investing in a portfolio of companies whose business operations are based in China" to "to manage the sale of the Group's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2010".

Change of Name

On 27 October 2008 at the Annual General Meeting the name of the Company was changed from London Asia Chinese Private Equity Fund Limited to "China Growth Opportunities Limited".

Revenue

The results attributable to shareholders for the year and the transfer to reserves are shown on page 11. The Group made a consolidated loss for the year of £46.1 million (2008: profit £5.1 million), a loss per Ordinary Share of 92.28 pence (2008: earnings of 10.28 pence).

Dividends and Return of Capital

The Company did not pay any dividends during the year (2008: nil) and the Directors do not propose a final dividend for the year (2008: nil).

Following the recent sales of investments and discussions with shareholders, the Board proposed the return of capital to shareholders. At an Extraordinary General Meeting held on 6 July 2009, shareholders approved the Return of Capital Scheme and amended the Articles to permit future returns of capital. The Board intends to make an initial return of capital of 18 pence per Ordinary Share (equivalent to £9.0 million) on 15 July 2009. Any further returns of capital will be at the sole discretion of the Board and will be subject to the rate at which the Group's investments are realised and the Group's financial position at the time.

Investments

During the year the Group sold four of its investments for a total of £5.4 million. At the year end £3.4 million was accounted for in debtors. At 31 March 2009 the Group held nine investments, which cost £32.8 million (31 March 2008: thirteen investments cost £44.4 million). At 31 March 2009 these investments had a fair value of £17.4 million (2008: £72.3 million).

Post year end, the Group has sold its entire holdings in United Envirotech and Asia Water Technology for a total of £3.5 million (net of dealing costs).

Subsidiary

World Water Private Limited is an investment holding company, is registered in Singapore and is a wholly-owned subsidiary of the Company.

Taxation

The Company has been granted exemption from Guernsey taxation under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that the Company is exempt from Guernsey taxation on income arising outside Guernsey and bank interest receivable in Guernsey. The Company's Guernsey tax liability is therefore limited to a fixed fee of £600 per annum.

Share Capital

The Company has authority to buy back up to 14.99% of the Ordinary Shares issued for cancellation. No Shares were purchased for cancellation during the year (2008: nil). The Company intends to seek to renew the necessary authorities to buy back Ordinary Shares at the forthcoming Annual General Meeting.

Material Contracts

The Company's material contracts are with London Asia Capital (S) Pte Limited ("LACS"), which acts as Investment Consultant and is a subsidiary of London Asia Capital plc ("London Asia"), Elysium Fund Management Limited ("Elysium") which acts as Administrator and Secretary, Butterfield Bank (Guernsey) Limited, which acts as Custodian, Capita Registrars (Guernsey) Limited, which acts as Registrar and Collins Stewart Europe Limited, which acts as Nominated Adviser and Broker.

Custodian

Following the resignation of Collins Stewart (CI) Limited, on 27 February 2009, Butterfield Bank (Guernsey) Limited was appointed as Custodian to the Company.

Investment Consultant

On 25 March 2009, the Company entered into an agreement (the "Termination Agreement") with London Asia and LACS to terminate the Investment Support Agreement dated 7 March 2006 (the "Investment Support Agreement") and also entered into a new Asset Divestment Support Agreement with LACS.

Under the Termination Agreement, the Company paid £350,000 to London Asia on 31 March 2009. In addition, a further sum of £100,000 is payable upon the publication of these financial statements. These payments were in full and final settlement of all sums owing or due to either party and any duties owed by any party to the other. At 31 December 2008, £5,073,000 was due to LACS in respect of management fees, performance fees, introductory fees and other creditors. This liability was settled in full by the payments made under the Termination Agreement, effectively adding back £4,573,000 (9.15 pence per Ordinary Share) to the net asset value.

Report of the Directors

Under the Termination Agreement, the Company has also agreed a new arrangement with London Asia with effect from 31 March 2009 whereby it pays London Asia a commission of 5% of the net proceeds of any investments realised as a result of an introduction of a buyer by London Asia or LACS effected after 31 March 2009, subject to the Company agreeing the sale.

Under the Asset Divestment Support Agreement, LACS provides the same investment support services to the Company as were provided under the Investment Support Agreement, for a fixed fee of £20,000 per month. The new Asset Divestment Support Agreement is terminable on one month's notice by either party, such notice to expire after 30 September 2009.

The Board believes that these new arrangements more closely align the interests of the Group and London Asia in the implementation of the Group's new Investment Objective.

Administration and Chief Operating Officer

Elysium is entitled to an administration fee from the Group (see note 5).

In June 2008 the Group appointed Diana Chen as Chief Operating Officer. Ms Chen is based in Beijing and works directly for the Group, although her fees are paid for by LACS.

Directors

The present members of the Board are listed on the inside back cover of this report.

At the Extraordinary General Meeting on 23 January 2009, ordinary resolutions were passed removing Mr Leighton, Mr Huntley and Mr Ng from office.

Mr Davies and Mr Miller were appointed to the Board as Non-Executive Directors at the Extraordinary General Meeting on 23 January 2009.

Mr Battey was appointed to the Board as a Non-Executive Director on 17 September 2008 and resigned as Director at the conclusion of the Extraordinary General Meeting on 23 January 2009.

Dr Zhang was appointed to the Board as a Non-Executive Director on 9 April 2009.

There are no service contracts in place between the Non-Executive Directors and the Company.

Mr Davies and Mr Miller each hold 50% of Damille Partners II, which held 5,100,000 Ordinary Shares (10.20%) at 31 March 2009 and the date of signing this report. Neither Dr Zhang nor Mr Littlewood had any interest in the Ordinary Shares or Warrants of the Company at 31 March 2009 and the date of signing this report.

Substantial Interests

On 18 June 2009 the following interests in 3% or more of the issued Ordinary Shares had been notified to the Company:

	Number of Ordinary Shares	*Percentage of Share Capital*
Funds managed by:		
QVT Financial	9,369,796	18.74%
Newton Investment Management	7,058,156	14.12%
Insight Investment Management	6,032,472	12.06%
Damille Partners II	5,100,000	10.20%
BlackRock Investment Management	3,025,000	6.05%
Weiss Capital LLC	2,508,308	5.02%
Schroder Investment Management	2,437,272	4.87%

Future Prospects

Following the change of the Investment Objective of the Group, the Board has become significantly more focused on realising the investment portfolio. The Board is aware that the difficult economic climate may make the realisation of the investments significantly harder than in previous years but is committed to realising the portfolio by 30 September 2010 and returning capital to shareholders. Further details are given in the Chairman's Statement.

Corporate Governance and Directors' Remuneration

As a Guernsey incorporated company and under the AIM Rules for Companies, the Company is not required to comply with the new Combined Code published by the Financial Reporting Council (the "2006 FRC Code"). However, the Directors place a high degree of importance on ensuring that high standards of Corporate Governance are maintained. As a result, many of the principles set out in the 2006 FRC Code have been adopted and these are summarised below, together with the areas of non-compliance.

The Group complied throughout the year with the provisions of the 2006 FRC Code, except in the following aspects:

A.1.3 The Non-Executive Directors have not met separately, without the Chairman present, to appraise the Chairman's performance. The Board decided that this was not appropriate given the size of the Board and the nature of the Company.

A.3.3 The Chairman, Mr Davies, is the senior non-executive Director. This is not in accordance with provision A.3.3 of the 2006 FRC Code but is felt to be appropriate for the size and nature of the Company.

A.4.4 The terms and conditions of appointment of the Directors are not available for inspection as the Board did not deem it necessary to formalise the terms and conditions of appointment or to sign letters of appointment.

Report of the Directors

Since the Directors did not formalise letters of appointment and as the schedule of Board and committee meetings is subject to change according to the exigencies of the business, the Directors do not have fixed time commitments. All Directors are expected to demonstrate their commitment to the work of the Board on an ongoing basis.

A.6.1 The Board did not undertake a formal performance review of the Board, its committees or the individual Directors during the period. The Board decided that this was not appropriate given the nature of the Company.

A.7.2 The Directors are not appointed for specific terms as this was not felt to be appropriate for the size and nature of the Company.

B.2.1 The Board has not established a remuneration committee. The Board does have Executive Directors, however as detailed in the Admission Document, the Company has no obligation to remunerate them. It is therefore not considered to be appropriate for the size and composition of the Board.

Board Responsibilities

The Board currently comprises three Non-Executive Directors, Mr Davies, Mr Miller and Dr Zhang, all of whom are independent, and one Executive Director, Mr Littlewood.

The Board has engaged external companies to undertake the administrative and custodial activities of the Company.

Clearly documented contractual arrangements are in place with these firms which define the areas where the Board has delegated responsibility to them. The Company holds at least four Board meetings per year, at which the Directors review the Group's investments and all other important issues to ensure control is maintained over the Group's affairs.

The Group is self-managed in that day-to-day investment management recommendations are made by the Executive Director (Mr Littlewood), in consultation with the Non-Executive Directors. Support is provided to the Directors and the Group through the Investment Consultant, a subsidiary of London Asia Capital plc, under the terms of the Termination Agreement and the Asset Divestment Support Agreement (details are given above).

The Board has not stated how it has applied B.1 to B.3 of the 2006 FRC Code on directors' remuneration. However, the fee that was paid to each Director during the year is shown in note 6.

Board Committees

The Company uses a number of committees to control its operations. Each committee has formal written terms of reference which clearly define their responsibilities.

Audit Committee

On 14 November 2008, Mr Leighton stepped down as Chairman of the Audit Committee, and Mr Battey was appointed as Chairman of the Audit Committee. On 23 January 2009, at the Extraordinary General Meeting, Mr Leighton was removed from his position of Chairman of the Audit Committee. Mr Miller was appointed as Chairman of the Audit Committee on 27 January 2009. Mr Davies, Mr Miller and Dr. Zhang are the members of the Audit Committee.

The Committee meets at least twice a year and provides a forum through which the Group's auditors report to the Board. The Audit Committee examines the effectiveness of the Group's internal controls, the Annual Report and Consolidated Financial Statements and Half Yearly Report, the auditors' remuneration and engagement as well as the auditors' independence and any non-audit services provided by them. The Audit Committee receives information from the Investment Consultant, the Administrator, the Secretary and the auditors. The Audit Committee has formal written terms of reference, which are available upon request from the Secretary.

Nomination Committee

On 23 January 2009, at the Extraordinary General Meeting, Mr Leighton was removed from his position of Chairman of the Nomination Committee. Mr Davies was appointed as Chairman of the Nomination Committee on 27 January 2009. The Nomination Committee has formal written terms of reference. Mr Davies, Mr Miller and Dr Zhang are members of the Nomination Committee. The Committee meets at least once a year. The function of the Nomination Committee is to consider the appointment and reappointment of Directors.

Board Meetings

All members of the Board are expected to attend each Board meeting and to arrange their schedules accordingly, although non-attendance is unavoidable in certain circumstances. The Board holds one Board meeting per annum in China (including Hong Kong). Directors' attendance at Board and Committee meetings during the financial year is set out below.

	Board Meetings	*Committee Meetings*
Rhys Davies *(Chairman)*	4/4	1/1
Brett Miller	4/4	1/1
Simon Littlewood	9/15	0/0
Robert Leighton	10/10	7/7
Mark Huntley	10/10	7/7
Richard Battey	8/8	1/1
Victor Ng	7/11	0/0

Dialogue with Shareholders

The Directors are always available to enter into dialogue with shareholders. All ordinary shareholders will have the opportunity, and indeed are encouraged, to attend and vote at future Annual General Meetings during which the Board will be available to discuss issues affecting the Group. The Board stays abreast of shareholders' views via regular updates from the Executive Director and the Nominated Adviser as to meetings they may have held with shareholders.

Litigation

The Group is not engaged in any litigation or claim of material importance, nor, so far as the Directors are aware, is any litigation or claim of material importance pending or threatened against the Group.

Report of the Directors

Going Concern

After making reasonable enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Group. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Internal Control and Financing

The Board is responsible for establishing and maintaining the Group's system of internal control. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedures which have been established to provide effective internal controls are as follows:

- Elysium is responsible for the provision of administration and company secretarial duties.
- The duties of investment management, accounting and the custody of assets are segregated. The procedures are designed to complement one another.
- The Non-Executive Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts.
- The Board reviews financial information produced by the Investment Consultant and the Administrator on a regular basis.

The Group does not have an internal audit department. All of the Group's management functions are delegated to independent third parties and it is therefore felt that there is no need for the Group to have an internal audit facility.

Since their appointment on 23 January 2009, Mr Davies and Mr Miller have reviewed the internal controls adopted by the Group and have taken steps to improve the controls, where considered necessary. The Board feels that the procedures employed by the service providers adequately mitigate the risks to which the Group is exposed.

Financial Risk Profile

The Group's financial instruments comprise investments, cash and various items such as receivables and payables that arise directly from the Group's operations.

The main risks arising from holding these financial instruments are market risk (including price risk, currency risk and interest rate risk), credit rate risk and liquidity risk. Further details are given in note 20 to the consolidated financial statements.

Auditors

PricewaterhouseCoopers CI LLP has expressed its willingness to continue to act as Auditors to the Group and a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting.

Statement of Directors' Responsibilities

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards, of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of The Companies (Guernsey) Law, 2008, as amended. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the website on which these financial statements can be published. The work carried out by the Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Guernsey governing the preparation and the dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Annual Report and Consolidated Financial Statements confirm that, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the Board.

R Davies	**B Miller**
8 July 2009	8 July 2009

Independent Auditors' Report

TO THE MEMBERS OF CHINA GROWTH OPPORTUNITIES LIMITED

We have audited the Consolidated Financial Statements of China Growth Opportunities Limited for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes. These Consolidated Financial Statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Consolidated Financial Statements in accordance with applicable Guernsey law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Consolidated Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008, as amended, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Consolidated Financial Statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 2008, as amended. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the Consolidated Financial Statements.

In addition we report to you if, in our opinion, the Group has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Consolidated Financial Statements. The other information comprises only the Investment Objective, the Key Points, the Chairman's Statement, the Investment Portfolio, the Directors page, the Report of the Directors, the Notice of the Annual General Meeting, the Form of Proxy and the Directors and Advisers page.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Consolidated Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Consolidated Financial Statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Consolidated Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Consolidated Financial Statements.

Opinion

In our opinion:

- the Consolidated Financial Statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's affairs as at 31 March 2009 and of its financial performance and cash flows for the year then ended;
- the Consolidated Financial Statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008, as amended; and
- the information given in the Report of the Directors is consistent with the Consolidated Financial Statements.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
8 July 2009

Consolidated Income Statement for the year ended 31 March 2009

	Note	*Year ended 31 March 2009 £'000*	*Year ended 31 March 2008 £'000*
Investment gains and losses			
Net unrealised change in fair value of investments	10	(43,339)	5,521
Realised (loss)/gain from sale of investments	10	(6,197)	1,701
Total investment (loss)/gain		(49,536)	7,222
Income			
Other income	4	292	1,098
Total income		292	1,098
Expenses			
Investment Consultant's fee	5	653	(1,376)
Performance fee	5	3,024	(1,285)
Introductory fees	5	–	(86)
Administration fees	5	(145)	(150)
Directors' remuneration	6	(95)	(51)
Audit fees		(85)	(87)
EGM expenses		(104)	–
Other expenses	7	(146)	(146)
Total expenses		3,102	(3,181)
(Loss)/profit for the year		(46,142)	5,139
(Loss)/earnings per Ordinary Share – basic and fully-diluted	8	(92.28)p	10.28p

All the items in the above statement are derived from continuing operations.

The accompanying notes on pages 15 to 30 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet as at 31 March 2009

	Note	31 March 2009 £'000	31 March 2008 £'000
Non-current assets			
Investments at fair value through profit or loss	10	17,412	72,319
Current assets			
Other receivables	11	3,393	513
Cash and cash equivalents		4,930	3,402
		8,323	3,915
Total assets		25,735	76,234
Current liabilities			
Payables and accruals	12	(213)	(4,572)
Net assets		25,522	71,662
Capital and reserves attributable to equity holders of the Company			
Share capital	13	500	500
Other reserve		2,293	2,293
Foreign exchange translation reserve		2	–
Distributable reserves		22,727	68,869
Total equity shareholders' funds		25,522	71,662
Net Asset Value per Ordinary Share – basic and fully diluted	16	51.04p	143.32p

The consolidated financial statements on pages 11 to 30 were approved by the Board of Directors on 8 July 2009 and were signed on its behalf by:

R Davies
Director
8 July 2009

B Miller
Director
8 July 2009

The accompanying notes on pages 15 to 30 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2009

	Share capital £'000	*Other reserve £'000*	*Distributable reserves £'000*	*Foreign exchange translation reserve £'000*	*Total £'000*
Balance at 31 March 2008	500	2,293	68,869	–	71,662
Loss for the year	–	–	(46,142)	–	(46,142)
Foreign exchange movement	–	–	–	2	2
Balance at 31 March 2009	500	2,293	22,727	2	25,522

for the year ended 31 March 2008

	Share capital £'000	*Other reserve £'000*	*Distributable reserves £'000*	*Foreign exchange translation reserve £'000*	*Total £'000*
Balance at 31 March 2007	500	2,293	63,730	–	66,523
Profit for the year	–	–	5,139	–	5,139
Balance at 31 March 2008	500	2,293	68,869	–	71,662

The accompanying notes on pages 15 to 30 form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2009

	Year ended 31 March 2009 £'000	*Year ended 31 March 2008 £'000*
Cash flows from operating activities		
Other income received	602	626
Performance fee paid	–	(1,606)
Investment Consultant's fees paid	(350)	(557)
Introductory fees paid	–	(141)
Administration fees paid	(170)	(125)
Directors' remuneration paid	(95)	(70)
Audit fees paid	(74)	(65)
EGM expenses paid	(104)	–
Other expenses paid	(134)	(133)
Net cash outflow from operating activities	(325)	(2,071)
Cash flows from investing activities		
Purchase of fair value through profit or loss investments	(334)	(10,466)
Sale of fair value through profit or loss investments	2,000	3,276
Repayment of loan to investee company	–	333
Net cash inflow/(outflow) from investing activities	1,666	(6,857)
Increase/(decrease) in cash and cash equivalents	1,341	(8,928)
Cash and cash equivalents brought forward	3,402	12,321
Increase/(decrease) in cash and cash equivalents	1,341	(8,928)
Foreign exchange movement	187	9
Cash and cash equivalents carried forward	4,930	3,402

The accompanying notes on pages 15 to 30 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

1. General Information

The Company is a closed-ended investment company domiciled and incorporated as a limited liability company in Guernsey.

Following recent changes to the Guernsey regulatory fund regime, the Company has elected to be an "authorised" closed-ended investment scheme under The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended. This has no impact on the operation of the Company.

The Group's Investment Objective is to manage the sale of the Group's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2010.

The Group's investment activities are self-managed, with the administration delegated to Elysium Fund Management Limited.

The Company's Ordinary Shares and Warrants are traded on AIM, a market operated by the London Stock Exchange.

2. Significant Accounting Policies

a) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"); they give a true and fair view and are in compliance with The Companies (Guernsey) Law, 2008, as amended.

The consolidated financial statements were authorised for issuance by the Board of Directors on 8 July 2009.

b) *Basis of preparation*

The consolidated financial statements are presented in Sterling, which is the Company's functional currency. All amounts are rounded to the nearest thousand. The consolidated financial statements have been prepared on a historic cost basis, as modified by the revaluation to fair value of certain financial assets and financial liabilities (including derivative financial instruments).

The preparation of consolidated financial statements in conformity with IFRSs requires the Directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in notes 3 and 10. Actual results may differ from these estimates.

c) *Basis of consolidation*

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertaking (World Water Private Limited) drawn up to 31 March 2009. The results of the subsidiary undertaking are accounted for in the Consolidated Income Statement.

Acquired companies are included in the consolidated financial statements using the purchase method of accounting when, and only when, the transaction can be identified as a business combination. When determining if an acquisition qualifies as a business combination or not, management consider if the transaction includes the acquisition of supporting infrastructure, employees, service provider agreements and major input and output processes, as well as active lease agreements. To date, management have determined that these criteria have not been met and so no business combinations have been recorded.

When the transaction has not been identified as being a business combination, the transaction has been accounted for as an acquisition of individual assets and liabilities at their relative fair values where the initial purchase consideration is allocated to the separable assets and liabilities acquired.

The cost of investment in a subsidiary is eliminated against the Group's share in net assets at the date of acquisition. All intercompany receivables, payables, income and expenses are eliminated. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases.

The consolidated financial statements incorporate the net assets and liabilities of the Company and its subsidiary at the balance sheet date and their results for the year then ended. All intercompany balances and transactions are eliminated.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

d) *Segmental reporting*

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Directors are of the opinion that the Group is engaged in a single economic and geographical segment of business being investment in businesses focused on China.

e) *Income recognition*

Interest income is recognised on an accruals basis using the effective interest method and includes bank interest and interest from debt securities.

Dividend income is recognised when the right to receive payment is established.

f) *Expenses*

All expenses are accounted for on an accruals basis. The Group's investment consultancy fees, administration fees, finance costs and all other expenses (with the exception of share issue costs) are charged through the Consolidated Income Statement in the period in which they are incurred.

g) *Taxation*

The Company has been granted exemption from Guernsey taxation under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that the Company is exempt from Guernsey taxation on income arising outside Guernsey and bank interest receivable in Guernsey. The Company's Guernsey tax liability is therefore limited to a fixed fee of £600 per annum.

h) *Cash and cash equivalents*

Cash and cash equivalents, comprising cash balances and call deposits which are held to maturity, are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits, bank overdrafts and short-term highly liquid investments with original maturities of three months or less.

i) *Investments at fair value through profit or loss*

Classification

The Group classifies its investments in debt and equity securities, and related derivatives, as financial assets at fair value through profit or loss. These financial assets are designated by the Board of Directors as at fair value through profit or loss at inception.

Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Group's documented Investment Strategy. The Group's policy is for the Investment Consultant and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Recognition/derecognition

Regular-way purchases and sales of investments are recognised on the trade date – the date on which the Group commits to purchase or sell the investment.

A fair value through profit or loss asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when rights are realised, expire or are surrendered and the rights to receive cash flows from the investments have expired or the Group has transferred substantially all risks and rewards of ownership. Realised gains and losses on fair value through profit or loss assets sold are calculated as the difference between the sales proceeds and cost. Fair value through profit or loss assets that are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Group has transacted an unconditional disposal of the assets.

Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed through the Consolidated Income Statement. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented through the Consolidated Income Statement in the period in which they arise.

Interest income from financial assets at fair value through profit or loss is recognised through the Consolidated Income Statement within other income using the effective interest method. Dividend income from investments at fair value through profit or loss is recognised through the Consolidated Income Statement within other income when the Group's right to receive payments is established.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the balance sheet date. The quoted market price used for these financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, PLUS quoted securities and unquoted private companies) is determined by using valuation techniques in accordance with the International Private Equity and Venture Capital Valuation Guidelines. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Notwithstanding the above, the variety of valuation bases adopted and the quality of management information provided by the underlying investments, means that there are inherent difficulties in determining the value of the investments. The amount realised on the sale of those investments may differ from the values reflected in these financial statements and the difference may be significant.

j) *Foreign currency translation*

Functional and presentation currency

The Company's Ordinary Shares and Warrants are denominated in Sterling and are traded on AIM in Sterling. The primary activity of the Group is to invest in a portfolio of companies whose business operations are based in China. The performance of the Group is measured and reported to the investors in Sterling and the majority of the expenses incurred by the Group are in Sterling. The majority of the Group's investments are in Sterling. Consequently, the Board of Directors considers that Sterling is the currency that most faithfully represents the effects of the underlying transactions, events and conditions. The consolidated financial statements are presented in Sterling, which is the Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised through the Consolidated Income Statement. Translation differences on non-monetary financial assets and liabilities, such as investments at fair value through profit or loss, are recognised through the Consolidated Income Statement within the net unrealised change in fair value of investments.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Sterling at the foreign exchange rates ruling at the balance sheet date. The income and expenses of foreign operations are translated into Sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised as a separate component of equity.

k) *Net asset value and earnings per share*

The net asset value per share disclosed on the face of the Consolidated Balance Sheet is calculated by dividing the net assets by the number of Ordinary Shares in issue at the year end.

Earnings per share is calculated by dividing net profit for the period by the weighted average number of Ordinary Shares in issue during the year. The dilutive effect of outstanding Warrants is reflected as additional share dilution in the computation of the net asset value per share and earnings per share.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

l) *New standards and interpretations not applied*

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and interpretations with an effective date after the date of these consolidated financial statements:

International Accounting Standards (IAS/IFRS)		*Effective date*
IAS 1 (revised)	Presentation of Financial Statements (revised 2007, 2008 and 2009)	1 January 2009 and 1 January 2010
IAS 7	Statement of Cash Flows	1 January 2010
IAS 16	Property, Plant and Equipment (revised May 2008)	1 January 2009
IAS 17	Leases	1 January 2010
IAS 19	Employee Benefits (revised May 2008)	1 January 2009
IAS 20	Government Grants and Disclosure of Government Assistance (revised May 2008)	1 January 2009
IAS 23	Borrowing Costs (revised 2007 and May 2008)	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (revised 2008)	1 January 2009 and 1 July 2009
IAS 28	Investments in Associates (revised 2008)	1 January 2009 and 1 July 2009
IAS 29	Financial Reporting in Hyperinflationary Economies (revised May 2008)	1 January 2009
IAS 31	Interests in Joint Ventures (revised 2008)	1 January 2009 and 1 July 2009
IAS 32	Financial Instruments: Presentation (revised 2008)	1 January 2009
IAS 36	Impairment of Assets (revised May 2008 and April 2009)	1 January 2009 and 1 January 2010
IAS 38	Intangible Assets (revised May 2008 and April 2009)	1 January 2009 and 1 July 2009
IAS 39	Financial Instruments: Recognition and Measurement (revised May 2008, March 2009 and April 2009)	1 January 2009, 30 June 2009, 1 July 2009 and 1 January 2010
IAS 40	Investment Property (revised May 2008)	1 January 2009
IAS 41	Agriculture (revised May 2008)	1 January 2009
IFRS 1	First Time Adoption of International Financial Reporting Standards (revised May 2008)	1 January 2009
IFRS 2	Share-Based Payment (revised 2008, April 2009 and June 2009)	1 January 2009, 1 July 2009 and 1 January 2010
IFRS 3	Business Combinations (revised 2008)	1 July 2009
IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations (revised May 2008 and April 2009)	1 July 2009 and 1 January 2010
IFRS 7	Financial Instruments: Disclosures (revised March 2009)	1 January 2009
IFRS 8	Operating Segments (revised April 2009)	1 January 2009 and 1 January 2010

International Financial Interpretations Committee (IFRIC)

IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	Transfers on or after 1 July 2009

The Directors have chosen not to early adopt the above standards and interpretations. Therefore, the standards and interpretations will be adopted from the effective date, as stated. Upon adoption, the Directors do not anticipate that they would have a material impact on the Group's financial statements in the period of initial application.

Upon adoption of IFRS 8, the Group will have to disclose additional information about its operating segments, including how the Group identifies its operating segments, and the type of products and services from which each operating segment derives its revenue. There will be no effect on reported income or net assets.

Other interpretations, which are effective in this financial period, are not applicable to the Group.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

3. Critical Accounting Estimates and Judgements

The Board of Directors and the Investment Consultant make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Fair value of unquoted and PLUS quoted securities

The fair values of unquoted securities that are not quoted in active markets are determined by using valuation techniques in accordance with the International Private Equity and Venture Capital Valuation Guidelines. The valuations used to determine fair values are validated and periodically reviewed by experienced personnel. The valuations are based on a mixture of:

- third party financing (if available);
- PE ratios;
- cost, where the investment has been made during the year and no further information has been available to indicate that cost is not an appropriate valuation;
- proposed sale price;
- discount to NAV calculations;
- discounted cash flow, and
- bid prices of PLUS quoted investments to support any of the techniques mentioned above.

Functional currency

The Board of Directors considers Sterling to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions (see note 2j).

4. Other Income

	Year ended 31 March 2009 £'000	*Year ended 31 March 2008 £'000*
Bank interest receivable	109	168
Dividends receivable	207	134
Loan note interest	(207)	785
Profit on foreign currency exchange	183	6
Interest on loan receivable	–	5
	292	1,098

5. Investment Consultant, Performance, Introductory and Administration Fees

On 25 March 2009, the Company entered into an agreement (the "Termination Agreement") with London Asia Capital plc ("London Asia") and London Asia Capital (S) Pte Limited ("LACS") to terminate the Investment Support Agreement dated 7 March 2006 (the "Investment Support Agreement") and also entered into a new Asset Divestment Support Agreement with LACS.

Under the Termination Agreement, the Company agreed to pay £350,000 to London Asia by 31 March 2009. In addition, a further sum of £100,000 is payable upon the publication of these financial statements. These payments were in full and final settlement of all sums owing or due to either party and any duties owed by any party to the other. At 31 December 2008, £5,073,000 was due to LACS in respect of management fees, performance fees, introductory fees and other creditors. This liability was settled in full by the payments made under the Termination Agreement, effectively adding £4,573,000 (9.15 pence per Ordinary Share) to the net asset value.

Under the Termination Agreement, the Company has also agreed a new arrangement with London Asia with effect from 31 March 2009 whereby it pays London Asia a commission of 5% of the net proceeds of any investments realised as a result of an introduction of a buyer by London Asia or LACS effected after 31 March 2009, subject to the Company agreeing the sale.

Under the Asset Divestment Support Agreement, LACS provides the same investment support services to the Company as were provided under the Investment Support Agreement, for a fixed fee of £20,000 per month. The new Asset Divestment Support Agreement is terminable on one month's notice by either party, such notice to expire after 30 September 2009.

The Investment Consultant's fee credit in the Consolidated Income Statement includes the write-back of all amounts that were previously accrued (excluding the amount accrued in respect of performance fees) that were due to LACS, that were settled in full under the Termination Agreement.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

No performance fees (2008: £1,605,760) were paid in the year ended 31 March 2009. The performance fee credit of £3,024,000 (2008: cost of £1,285,000) that is disclosed in the Consolidated Income Statement represents the write-back of all unpaid performance fees that were accrued as at 31 March 2008. At 31 March 2009 there were no outstanding performance fees, as disclosed in note 12.

Before the Termination Agreement was entered into, LACS was due an Investment Consultant's fee and performance fee as follows:

Investment Consultant fee – prior to Termination Agreement

In consideration for the services rendered by the Investment Consultant the Group used to pay the Investment Consultant a fee of 2.0% per annum of the Net Asset Value, payable quarterly in advance.

Performance fee – prior to the Termination Agreement

The Investment Consultant was entitled to a performance fee, which was payable on realised profits in certain circumstances. If a 6.0% per annum performance hurdle was met, and the high watermark exceeded, the performance fee was equal to 20.0% of the increase in the Adjusted NAV per Ordinary Share multiplied by the time weighted average of the total number of Ordinary Shares in issue in each case since the performance period in respect of which a performance fee was last earned (or since Admission, if no performance fee has yet been earned).

Introductory fees

It is common practice in China to pay introductory fees to intermediaries who introduce investee companies to investors. Such fees, which typically equate to 3% to 5% of the value of the investment, are paid by the Group. Where the intermediary introducing the investment to the Group is a representative of the London Asia Group, such fees are payable to a member of the London Asia Group. Payment of any fees in respect of such services to a member of the London Asia Group (or any third party) are subject to the approval of the Non-Executive Directors. If an investment is sourced directly by the Executive Director, no introductory fees are payable to the Executive Director nor to the London Asia Group.

No introductory fees were incurred during the year ended 31 March 2009 (31 March 2008: £86,428).

As a result of the Termination Agreement during the year £3,677,000 (2008: expense of £2,747,000) was written back to the Consolidated Income Statement in respect of the previously accrued but unpaid Investment Consultant, performance and introductory fees as follows:

	Year ended 31 March 2009 £'000	*Year ended 31 March 2008 £'000*
Investment Consultant's fees	653	(1,376)
Performance fees	3,024	(1,285)
Introductory fees	–	(86)
	3,677	(2,747)

Administration fees

Elysium Fund Management Limited is entitled to an administration fee from the Group at a rate of 0.1% per annum (subject to a minimum of £125,000) of the Net Asset Value of the Group together with an amount equal to the long term borrowings invested by the Group calculated at the close of business on each Calculation Day, payable quarterly in arrears. The charge for the year includes a fee of £20,000 for additional work performed.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

6. Directors' Remuneration

	Year ended 31 March 2009 £'000	*Year ended 31 March 2008 £'000*
Rhys Davies *(appointed 23 January 2009)*	13	–
Brett Miller *(appointed 23 January 2009)*	13	–
Weiming Zhang *(appointed 9 April 2009)*	–	–
Simon Littlewood	–	–
Robert Leighton – *Chairman (appointed 24 July 2007) (removed 23 January 2009)*	33	17
Mark Huntley *(removed 23 January 2009)*	24	20
Richard Battey *(appointed 17 September 2008) (resigned 23 January 2009)*	12	–
Victor Ng *(removed 23 January 2009)*	–	–
Peter John Manser *(resigned 24 July 2007)*	–	8
Christopher Hill *(resigned 24 July 2007)*	–	6
	95	51

No bonuses or pension contributions were paid or were payable on behalf of the Directors.

Details of the Directors' interests in the share capital are set out in the Report of the Directors.

At 31 March 2009, £12,000 (2008: £11,250) was due in respect of Directors' remuneration. This amount is included in other creditors and accruals.

7. Other Expenses

	Year ended 31 March 2009 £'000	*Year ended 31 March 2008 £'000*
Public relations fees	32	32
Nominated Adviser's and Broker's fees	30	30
Custodian fees	13	19
Registrar fees	13	12
Listing fees	11	14
Directors' and Officers' liability insurance	9	11
Other expenses	38	28
	146	146

8. Loss per Ordinary Share

The loss per Ordinary Share of 92.28 pence is based on the loss for the year of £46,142,000 (2008: profit of £5,139,000) and on a weighted average number of 50 million Ordinary Shares in issue during the year (2008: 50 million Ordinary Shares).

The average price of the Ordinary Shares during the year, of 52.45 pence (2008: 114.26 pence), was less than the exercise price of the Warrants (120.00 pence). Therefore, there was no dilution in the return per Ordinary Share.

9. Dividends and Return of Capital

During the year ended 31 March 2009 no dividend was paid to shareholders (2008: nil). The Directors do not propose a final dividend for the year ended 31 March 2009 (2008: nil).

Following the recent sales of investments and discussions with shareholders, the Board proposed the return of capital to shareholders. At an Extraordinary General Meeting ("EGM") held on 6 July 2009, the shareholders approved a Return of Capital Scheme and amended the Articles to permit future returns of capital. The Board intends to make an initial return of capital of 18 pence per Ordinary Share (equivalent to £9.0 million) on 15 July 2009. Any further returns of capital will be at the sole discretion of the Board and will be subject to the rate at which the Group's investments are realised and the Group's financial position at the time.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

10. Investments at Fair Value Through Profit or Loss

	Year ended 31 March 2009 £'000	*Year ended 31 March 2008 £'000*
Designated at fair value through profit or loss:		
Opening valuation	72,319	65,905
Purchases at cost	–	2,469
Sales proceeds	(5,371)	(3,277)
Realised (loss)/gain from sale of investments	(6,197)	1,701
Net unrealised change in fair value of investments	(43,339)	5,521
Closing valuation	17,412	72,319
Closing book cost	32,802	44,370
Closing unrealised (loss)/gain	(15,390)	27,949
Closing valuation	17,412	72,319

See note 2i and note 3 regarding the classification, recognition, derecognition, measurement and fair value estimation of financial assets at fair value through profit or loss.

Associates

Included in investments are the following associates which are accounted for as at fair value through profit or loss in accordance with the accounting policy set out in note 2i:

	Country of incorporation	*Currency of investment*	*Percentage Holding*	
Asia Water Technology Limited	Singapore	Singapore Dollars	21.0%	ordinary shares
China New Energy Limited	Jersey	Sterling	25.0%	ordinary shares
China Real Estate Services Limited	China	Sterling	25.0%	ordinary shares
Honest Mind Investments Limited *(which invests in the Wan Wei Oil and Gas Technology Group)*	BVI	Sterling	–	conv loan notes
Starlight Viewpoint Limited *(which invests in the Wan Wei Oil and Gas Technology Group)*	BVI	Sterling	24.0%	ordinary shares

During the year the Group disposed of all of its holding in the following associates which were accounted for as at fair value through profit or loss:

	Country of incorporation	*Currency of investment*	*Percentage Holding at 31 March 2008*	
China Biofoods Limited	Jersey	Sterling	30.8%	ordinary shares
Hainan Zhengye Zhongnong High-tech Company Limited	China	Renminbi	23.0%	ordinary shares

Subsidiary

World Water Private Limited is registered in Singapore and is a wholly-owned subsidiary of the Company.

11. Other Receivables

	Year ended 31 March 2009 £'000	*Year ended 31 March 2008 £'000*
Other income accrued	–	495
Other debtors and prepayments	22	18
Investments awaiting settlement	3,371	–
	3,393	513

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

12. Payables and Accruals

	Year ended 31 March 2009 £'000	*Year ended 31 March 2008 £'000*
Investment Consultant's fee payable	100	719
Other creditors and accruals	113	127
Investments awaiting settlement	–	334
Performance fees payable	–	3,024
Introductory fees payable	–	243
Due to Investment Consultant in respect of an investment paid for on behalf of the Group	–	125
	213	4,572

13. Share Capital

	Year ended 31 March 2009 £'000	*Year ended 31 March 2008 £'000*
Authorised:		
200,000,000 Ordinary Shares of 1p	2,000	2,000
Allotted, called up and fully paid:		
50,000,000 Ordinary Shares of 1p	500	500

All the Ordinary Shares and Warrants were admitted to trading on AIM, a market operated by the London Stock Exchange, on 15 March 2006.

Pursuant to the authority renewed at the last Annual General Meeting, the Company has authority to utilise distributable reserves to buy back up to 14.99% of the Ordinary Shares issued at the Placing for cancellation. No shares were purchased for cancellation during the year. The Company intends to seek to renew the necessary authorities to buy back Ordinary Shares at the forthcoming Annual General Meeting, to be held on 16 September 2009.

The Company is able to purchase up to 10% of the Ordinary Shares in issue and hold them as Treasury Shares.

14. Warrants

	Exercise Price	*End of Subscription period*	*Alloted*
Warrants	120 pence	31 March 2011	10,000,000

Registered holders of Warrants shall have the right to subscribe for Ordinary Shares in the Company in cash from the date of Admission to 31 March 2011 for one Ordinary Share for each Warrant, for which they are the registered holders, at the exercise price of 120 pence per Ordinary Share.

No Warrants were exercised during the year (2008: nil).

15. Duration of the Company

Following the Extraordinary General Meeting held on 23 January 2009, the Investment Objective of the Group was changed to: "manage the sale of the Group's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2010."

There are no specific provisions for the life span of the Company. However, if the Company is still in existence, at the Annual General Meeting of the Company to be held following the seventh anniversary of the Company's incorporation on 23 February 2006 an ordinary resolution will be proposed that the Company ceases to continue as presently constituted. If the resolution is not passed, a similar resolution will be proposed at every fifth Annual General Meeting thereafter. If the resolution is passed, the Directors shall formulate proposals to be put to the shareholders to reorganise, unitise, reconstruct or wind up the Company.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

16. Net Asset Value per Ordinary Share

Basic

The basic net asset value per Ordinary Share is based on the net assets attributable to equity shareholders of £25,522,000 (2008: £71,662,000) and on 50 million Ordinary Shares (2008: 50 million Ordinary Shares) in issue at the end of the year.

Fully-diluted

The 31 March 2009 price (12.50 pence) of the Ordinary Shares was below the exercise price of the Warrants (exercise price of 120.00 pence). Therefore, as at 31 March 2009 the Warrants had no dilutive effect. The price of the Ordinary Shares on 31 March 2008 (being 96.00 pence) was also below the exercise price of the Warrants and had no dilutive effect.

17. Related Parties

The relationships between the Company and the London Asia Group and Elysium Fund Management Limited are disclosed in the Report of the Directors and note 5. Investment Consultant's fees, the performance fees and introductory fees payable at 31 March 2009 and 31 March 2008 are disclosed in note 12. In addition, at the year end, under the terms of the Termination Agreement the Company owed £100,000 to London Asia in respect of work undertaken by them for assisting in the preparation of the year end financial statements.

Details of the investments in associates and a subsidiary are disclosed in note 10.

The Directors' remuneration is disclosed in note 6.

At the year end, shares in United Envirotech Limited were held in trust by the Company's wholly-owned subsidiary World Water Private Limited. After the year end these shares were transferred to the Custodian and subsequently sold.

On 19 October 2008, the Company sold its entire shareholding in Asia Wind Group Limited for £2 million (at a loss of £1 million) to Pacific Wind Pte Limited. Mr Khor Jen Hock is a director of both World Water Private Limited and Pacific Wind Pte Limited.

The Directors consider that there is no immediate or ultimate controlling party.

18. Commitments and Contingencies

All contracted capital commitments have been provided for. At the year end, in accordance with the terms of the Termination Agreement, an additional £50,000 would have become payable to London Asia if the annual report and consolidated financial statements for the year ended 31 March 2009 were released before the end of June 2009. However, as the annual report and consolidated financial statements were not released until 8 July, this £50,000 did not become payable. At 31 March 2009, there were no other contingent liabilities (2008: nil).

19. Segmental Information

The Directors are of the opinion that the Group is engaged in a single segment of business, being investment in a portfolio of companies whose business operations are focused on China (see note 2d).

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

20. Financial Instruments

Treasury policies

The objective of the Group's treasury policies is to manage the Group's financial risk, secure cost effective funding for the Group's operations and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities on reported profitability and on cash flows of the Group.

The Group finances its activities with cash and short-term deposits, with maturities of three months or less. Other financial assets and liabilities, such as receivables and payables, arise directly from the Group's operating activities. The Group does not trade in financial instruments. Derivative instruments may be used to change the economic characteristics of financial instruments in accordance with the Group's treasury policies, although no derivatives were in place during the year (2008: nil).

The financial assets and liabilities of the Group were:

	Total £'000	*Loans and receivables* £'000	*Assets at fair value through profit or loss* £'000	*Other financial liabilities* £'000	*Non-financial assets/ (liabilities)* £'000
31 March 2009					
Financial assets					
Investments at fair value through profit or loss	17,412	–	17,412	–	–
Other receivables	3,393	3,371	–	–	22
Cash and cash equivalents	4,930	4,930	–	–	–
	25,735	8,301	17,412	–	22
Financial liabilities					
Payables and accruals	(213)	–	–	(213)	–
	25,522	8,301	17,412	(213)	22
31 March 2008					
Financial assets					
Investments at fair value through profit or loss	72,319	–	72,319	–	–
Other receivables	513	495	–	–	18
Cash and cash equivalents	3,402	3,402	–	–	–
	76,234	3,897	72,319	–	18
Financial liabilities					
Payables and accruals	(4,572)	–	–	(4,572)	–
	71,662	3,897	72,319	(4,572)	18

The main risks arising from the Group's financial assets and liabilities are market risk, credit risk and liquidity risk and are set out below, together with the policies currently applied by the Board for their management. Market risk comprises three types of financial risk, being interest rate risk, currency risk and other price risk, being the risk that the fair value or future cash flows will fluctuate because of changes in market prices other than from interest rate and currency risks.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

20. Financial Instruments (continued)

Market risk

(i) Price risk

The Company's securities are susceptible to price risk arising from uncertainties about future values of the investment securities. This price risk is the risk that the fair value or future cash flows will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual investment or financial instrument or its holder or factors affecting all similar financial instruments or investments traded in the market. The Group's Investment Consultant provides the Board of Directors with investment recommendations that are consistent with the Group's objectives. The Investment Consultant's recommendations are carefully reviewed by the Board of Directors before the investment decisions are implemented.

During the year under review, the Group did not hedge against movements in the value of its investments. A 10% increase/decrease in the fair value of investments would result in a £1,741,200 (6.82%) (2008: £7,231,900 (10.1%)) increase/decrease in the net asset value.

While investments in companies whose business operations are based in China may offer the opportunity for significant capital gains, such investments also involve a high degree of business and financial risk, particularly for private companies. For example, even though the Group invests only in companies which the Directors reasonably expect to list on a stock exchange or to sell within 12 to 36 months from the date the Group makes an investment in such companies, such companies may require additional capital to support their business before trading on a stock exchange or a sale can be effected. There is no assurance that the Group will have the necessary capital to provide for such needs or that other sources of financing will be available to it. Further, there is no assurance that an admission to trading on a stock exchange or a sale can be effected at all.

Following the change to the Investment Objective at the Extraordinary General Meeting held on 23 January 2009, the Board now intends to sell all of the investments by 30 September 2010 and does not intend to invest in any new investments.

Generally, the Group's investments in companies are difficult to value and there may be little or no protection for such investments. If an admission to trading on a stock exchange is not possible, investments may have to be held for an appreciable time. Sales of securities in private companies that fail to obtain an admission to trading may not be possible and, if possible, may only be possible at substantial discounts.

Certain investments represent a significant proportion of the Group's total assets (see the Investment Portfolio on page 3). As a result, the impact on the Group's performance and the potential returns to investors will be more adversely affected if any one of those investments were to perform badly than would be the case if the Group's portfolio of investments were more diversified.

(ii) Currency risk

Because returns from the companies in which the Group invests may be received in Singapore Dollars, US Dollars or Renminbi, the Sterling equivalent of the Group's net assets and distributions, if any, would be adversely affected by reductions in the value of Singapore Dollars, US Dollars or Renminbi relative to Sterling.

The value of the Renminbi fluctuates and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies such as the US Dollar has been generally based on rates set by the People's Bank of China. In July 2005, China's government revalued the Renminbi and moved to a managed floating exchange rate with reference to a basket of currencies. Any future revaluation may materially and adversely affect an investee company's business.

Limited hedging transactions are currently available in China to reduce exposure to exchange rate fluctuations. While the Group may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Group may not be able to successfully hedge its exposure at all. In addition, the Group's currency exchange losses may be magnified by Chinese exchange control regulations that restrict its ability to convert Renminbi into other currencies.

Additionally, financial markets in many Asian countries have in the past experienced severe volatility. As a result, some Asian currencies have been subject to significant devaluation from time to time. The devaluation of some Asian currencies may have the effect of rendering exports from China more expensive and less competitive. An appreciation in the value of the Renminbi could have a similar effect.

The distribution of profits and dividends by companies in which the Group invests and the sale of these companies may be adversely affected if the Chinese government imposes greater control on the ability of the Renminbi to exchange into foreign currencies. There can be no assurance that the Group or the companies in which the Group invests will be able to obtain sufficient foreign exchange to pay dividends or satisfy other foreign exchange requirements in the future.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

20. Financial Instruments (continued)

The currency split of the Group's assets and liabilities was:

	Total £'000	*GBP £'000*	*US Dollars £'000*	*Singapore Dollars £'000*	*Renminbi £'000*
31 March 2009					
Financial assets					
Investments at fair value through profit or loss	17,412	3,664	698	3,610	9,440
Cash and cash equivalents	4,930	4,151	754	25	–
Other receivables	3,371	950	2,421	–	–
Total financial assets	25,713	8,765	3,873	3,635	9,440
Non-financial assets					
Other receivables	22	22	–	–	–
Total assets	25,735	8,787	3,873	3,635	9,440
Financial liabilities	(213)	(213)	–	–	–
Net assets	25,522	8,574	3,873	3,635	9,440
31 March 2008					
Financial assets					
Investments at fair value through profit or loss	72,319	46,058	9,513	9,690	7,058
Cash and cash equivalents	3,402	2,952	300	150	–
Other receivables	495	485	10	–	–
Total financial assets	76,216	49,495	9,823	9,840	7,058
Non-financial assets					
Other receivables	18	18	–	–	–
Total assets	76,234	49,513	9,823	9,840	7,058
Financial liabilities	(4,572)	(4,572)	–	–	–
Net assets	71,662	44,941	9,823	9,840	7,058

Sensitivity analysis

A 10% strengthening of Sterling against each currency as at 31 March 2009 would have decreased the net assets attributable to holders of Ordinary Shares and increased the loss for the year per the Consolidated Income Statement by the amounts shown below. This analysis assumes that all other variables remain constant.

	31 March 2009 £'000	*31 March 2008 £'000*
US Dollar	(387)	(893)
Singapore Dollar	(364)	(895)
Renminbi	(944)	(642)
Total	(1,695)	(2,430)

A weakening of Sterling against each currency would have an equal but opposite effect.

(iii) Interest rate risk

The Group currently funds its operations through the use of retained earnings and equity. Cash at bank, the majority of which was in Sterling at the year end, is held at variable rates. At the year end, the Group's financial liabilities did not suffer interest and thus were not subject to any interest rate risk. Ignoring any impact on foreign exchange rates or the prices of the investments, an increase of 1% in interest rates would have lessened the loss for the year ended 31 March 2009 by £42,000 (2008: £42,000).

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

20. Financial Instruments (continued)

The interest rate risk profile of the Group's assets and liabilities at the year end was:

	Total £'000	*Fixed rate £'000*	*Floating rate £'000*	*Assets on which no interest is received £'000*	*Weighted average interest rate %*	*Weighted average period until maturity years*
31 March 2009						
Financial assets						
Investments at fair value through profit or loss	17,412	–	–	17,412	–	n/a
Cash and cash equivalents	4,930	–	4,906	24	–	–
Other receivables	3,371	–	–	3,371	–	–
Total financial assets	25,713	–	4,906	20,807		
Non-financial assets						
Other receivables	22	–	–	22	–	–
Total assets	25,735	–	4,906	20,829		
Financial liabilities	(213)	–	–	(213)	–	–
Net assets	25,522	–	4,906	20,616		
31 March 2008						
Financial assets						
Investments at fair value through profit or loss	72,319	9,502	–	62,817	13.1%	n/a
Cash and cash equivalents	3,402	129	2,951	322	–	–
Other receivables	495	–	–	495	–	–
Total financial assets	76,216	9,631	2,951	63,634		
Non-financial assets						
Other receivables	18	–	–	18	–	–
Total assets	76,234	9,631	2,951	63,652		
Financial liabilities	(4,572)	–	–	(4,572)	–	–
Net assets	71,662	9,631	2,951	59,080		

Credit risk

The Group's credit risk is primarily attributable to its non-equity investments and cash and cash equivalents. Credit risks of new non-equity based investments are assessed before entering into such new contracts. However, as previously mentioned, following the change to the Investment Objective at the Extraordinary General Meeting held on 23 January 2009, the Board now intends to sell all of the investments by 30 September 2010 and does not intend to invest in any new investments.

The risk on cash and cash equivalents is limited by using banks with high credit ratings assigned by international credit-rating agencies.

At the year end the majority of cash and cash equivalents (£4,902,000) was placed with HSBC (2008: highest concentration of credit risk was £1,499,000 placed with Standard Chartered). Details of the Group's exposure to non-equity based investments is disclosed in the Investment Portfolio on page 3.

Liquidity risk

The Group has invested in private companies, which, by their very nature, are illiquid. However, the Group maintains sufficient cash balances to meet its working capital requirements.

The liquidity risk is that the Group cannot meet its financial obligations when they fall due. The Group has ongoing expenses which it is required to settle under the terms of the various agreements detailed in the notes. Specifically, the performance fee accrues and is due to be settled out of investment disposal proceeds when investment gains are realised.

In accordance with Group policy, the Board monitors the liquidity position on a biannual basis.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

21. Other Risks

Chinese Legal System and Enforcement

Chinese law governs almost all of the Group's investments' material agreements. It cannot be guaranteed that the investee companies will be able to enforce any of their material agreements or that remedies will be available either inside or outside China. This potential inability of the investee companies to enforce or obtain a remedy under any of its agreements could result in a significant loss of business, business opportunities or capital. Intellectual property rights and confidentiality protections in particular may not be as effective as in the UK or other countries.

Despite significant improvement in its developing legal system, China does not yet have a comprehensive system of laws and those laws and regulations governing economic matters in general may also change frequently. In particular, the interpretation and enforcement of these laws and regulation involve uncertainties. The effect of future developments in the Chinese legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof or the pre-emption of local regulations by national laws cannot be predicted. These uncertainties limit the legal protections available to the Group and the Group could face significant difficulties enforcing its agreements and rights, or realising its assets.

The Chinese Government has brought in a number of measures to regulate investment by foreigners in Chinese assets and their listing outside China. The impact of these various rules is to restrict the ability of non-Chinese investors to acquire assets in China, and for Chinese businesses to list outside China. These regulations considerably restrict the range of assets that non-Chinese investors, such as the Group, can invest in.

China's Economic, Political and Social Conditions

The Group's return on its investments and prospects are subject, to a significant extent, to economic, political and social developments in China and the Asia-Pacific region. In particular, the Group's return on its investments may be adversely affected by:

- changes in China's political, economic and social conditions;
- changes in China's economic or social priorities;
- changes in policies of the government or changes in laws and regulations, or the interpretation of laws and regulations;
- regulations governing the sale or purchase of assets to or by foreign investors;
- regulations governing the listing or sale of Chinese assets outside China;
- changes in foreign exchange regulations;
- measures that may be introduced to control inflation, such as interest rate increases;
- changes in the rate or method of taxation;
- natural and man-made disasters within China;
- changes to, or enforcement of, environmental regulations; and
- changes to the environment within China.

The Chinese economy is dependent on the import of significant quantities of natural resources, particularly energy and those related to the construction of infrastructure. Increases in, or shortage of supplies of, these natural resources could have a significant negative impact on the performance of the Chinese economy, and of the Group's investments.

China has for the last few years received significant inflows of capital from overseas, which have contributed significantly to the growth of the Chinese economy and the build up of its foreign reserves. It is unclear how much of this capital is long term, and were the capital providers to decide to withdraw their capital, it could cause significant problems for the Chinese economy, its exchange rate, and impact on the value of the Group's investments and its ability to realise cash.

China is an amalgamation of a number of different races and cultures. The country has a history of instability and fragmentation, and there have recently been increasing moves towards independence and civil disturbance in a number of regions in China. Were these issues to escalate, it could have an impact on the value of the Group's investments.

China is a member of the World Trade Organisation and has seen a number of benefits from its membership and free trade agreements, particularly in relation to its manufacturing sector which makes significant sales overseas, employing large numbers of Chinese and boosting China's foreign currency reserves and the economy as a whole. The Chinese economy and the value of the Group's investments could be adversely affected by changes to the global trading environment and any restrictions placed on the export/import of Chinese goods.

China is situated in a region which is developing rapidly and experiencing shifts of power, causing security concerns and conflicts over scarce resources. The Group's investments would be adversely affected by any hostilities or armed conflicts in the region.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2009

22. Capital Management Policy and Procedures

The Group's capital management objectives are to ensure that the Group will be able to continue as a going concern in order to maximise total return for shareholders and to maintain an optimal capital structure to minimise the cost of capital.

The Group's borrowing policy, for investment or short-term funding purposes, is that it should borrow no more than 10% of net asset value, calculated at the time of borrowing.

The Board, with the assistance of the Investment Consultant, monitors and reviews the structure of the Group's capital on an ad hoc basis. This review includes:

- the current and future levels of gearing;
- the need to buy back Ordinary Shares for cancellation or to be held in treasury, which takes account of the difference between the net asset value per Ordinary Share and the Ordinary Share price; and
- the current and future dividend policy.

The Group is not subject to any externally imposed capital requirements.

23. Events After the Balance Sheet Date

Since the year end the Group sold its entire holdings in United Envirotech and Asia Water Technology for a total of £3.5 million (net of dealing costs).

At an Extraordinary General Meeting held on 6 July 2009, shareholders approved the Return of Capital Scheme and amended the Articles to permit future returns of capital. The Board intends to make an initial return of capital of 18 pence per Ordinary Share on 15 July 2009. Any further returns of capital will be at the sole discretion of the Board and will be subject to the rate at which the Company's investments are realised and the Company's financial position at the time.

There were no further material events after the balance sheet date that require disclosure as at 8 July 2009.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the third ANNUAL GENERAL MEETING of CHINA GROWTH OPPORTUNITIES LIMITED will be held at No. 1 Le Truchot, St Peter Port, Guernsey, GY1 3JX on 16 September 2009 at 10:00am for the following purposes:

Resolution on form of proxy

…………………………………………………………………………………………..

As ordinary business:

Ordinary Resolution 1

To receive and, if thought fit, to accept the reports of the Directors and Auditors and the audited financial statements for the year ended 31 March 2009.

Ordinary Resolution 2

To re-appoint PricewaterhouseCoopers CI LLP as Auditors and to authorise the Directors to agree their remuneration.

Ordinary Resolution 3

To elect Dr Zhang, who offers herself for election, as a Director.

As special business:

Ordinary Resolution 4

That the Company be and is hereby generally and unconditionally authorised in accordance with The Companies (Guernsey) Law, 2008, as amended, to make market purchases, as defined in that Law, of and cancel its Ordinary Shares of 1p each, provided that:

(i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 7,495,000;

(ii) the minimum price which may be paid for an Ordinary Share shall be 1p;

(iii) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 115% of the average of the middle market quotations for an Ordinary Share taken from and calculated by reference to the London Stock Exchange Alternative Investment Market Daily Official List for the five business days immediately preceding the date on which the Ordinary Share is purchased;

(iv) the price paid per Ordinary Share shall be less than the last publicly announced net asset value per Ordinary Share;

(v) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2010, unless the authority is renewed prior to such time; and

(vi) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

…………………………………………………………………………………………..

By order of the Board

Registered office:
No. 1 Le Truchot
St Peter Port
Guernsey
GY1 3JX

Elysium Fund Management Limited, Secretary
8 July 2009

…………………………………………………………………………………………..

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his or her stead. A proxy need not also be a member of the Company. To be effective, forms of proxy must be lodged with the Company's Secretary, Elysium Fund Management Limited, not less than 48 hours before the time appointed for holding the meeting. Lodgement of the form of proxy will not preclude a shareholder from attending the meeting and voting in person.

Note:

The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays, Sundays and public holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes prior to and during the meeting:

a) A statement of Directors' interests in the share capital of the Company; and

b) The Articles of Incorporation.

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Form of Proxy

For use at the ANNUAL GENERAL MEETING (Block capitals please)

I/We, the undersigned, ...

of ....
being a member/members of China Growth Opportunities Limited, hereby appoint the Chairman of the meeting/

....
as my/our proxy to vote for me/us on my/our behalf at No. 1 Le Truchot, St Peter Port, Guernsey, GY1 3JX on 16 September 2009 at 10:00 a.m. and at any adjournment thereof and at his discretion on any other matter arising at such meeting.

Signature ....

Dated..

Please indicate with an X in the spaces below how you wish your votes to be cast.

		For	**Against**	**Abstain**
Ordinary Resolution 1	To receive and, if thought fit, to adopt the reports of the Directors and Auditors and the audited financial statements for the year ended 31 March 2009.			
Ordinary Resolution 2	To re-appoint PricewaterhouseCoopers CI LLP as Auditors and to authorise the Directors to agree their remuneration.			
Ordinary Resolution 3	To elect Dr Zhang, who offers herself for election as a Director.			
Ordinary Resolution 4	To authorise the Company to buy back its own shares for cancellation.			

Notes

1. A member may appoint a proxy of his or her own choice. If such an appointment is made, delete the words 'the Chairman of the meeting' and insert the name of the person appointed proxy in the space provided.
2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all joint holders should be stated.
4. If this form is returned without any indication as to how the person appointed proxy shall vote, he or she will exercise his or her discretion as to how he or she votes or whether he or she abstains from voting.
5. To be valid, this form must be completed and deposited at the office of the Company's Secretary not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.

FOLD 3

Affix
stamp
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FOLD 1

FOLD 2

Elysium Fund Management Limited
No. 1 Le Truchot
St Peter Port
Guernsey
GY1 3JX

FOLD 4

Directors

Rhys Davies *(Non-Executive Chairman)*
Brett Miller *(Non-Executive Director)*
Weiming Zhang *(Non-Executive Director)*
Simon Littlewood *(Executive Director)*

Advisers

Investment Consultant
London Asia Capital (S) PTE Limited
141 Market Street
#8-00 International Factors Building
Singapore 048944

Registrar
Capita Registrars (Guernsey) Limited
Longue Hougue House
St Sampsons
Guernsey
GY2 4JN

Custodian and Settlement Agent
Butterfield Bank (Guernsey) Limited
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 3AP

English Legal Adviser to the Group
Stephenson Harwood
One St Paul's Churchyard
London
EC4M 8SH

Administrator, Secretary and Registered Office
Elysium Fund Management Limited
PO Box 650
No. 1 Le Truchot
St Peter Port
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