

CHINA GROWTH OPPORTUNITIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

INVESTING POLICY

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

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KEY POINTS

- Total return to shareholders for the year ended 31 March 2010 of 184% (23.00p per Ordinary Share).
- Return of capital to Ordinary Shareholders of £10 million (20.00p per Ordinary Share).
- Net assets at 31 March 2010 of £6.3 million (2009: £25.5 million).
- Net assets per share at 31 March 2010 of 12.52p (2009: 51.04p).
- Sale of holdings in Asia Water Technology, United Envirotech and China New Energy during the year ended 31 March 2010 for £4.4 million.
- It has been agreed to sell Dalian Business Institute and Wan Wei Oil and Gas Technology post year end for a total of \$760,000.
- Termination of the Asset Divestment Support Agreement with London Asia Capital (S) Pte Limited.
- Resignation of Executive Director Mr Simon Littlewood.
- Appointment of Dr Weiming Zhang as a Non-Executive Director.
- Proposed amendment to Investing Policy extending the period over which the investments will be sold.

www.chinagrowthopportunities.com

An authorised 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 financial statements of China Growth Opportunities Limited (the "Company") for the year ended 31 March 2010.

Results

The net asset value of the Company at 31 March 2010 was £6.3 million (2009: £25.5 million), equal to 12.52p per Ordinary Share (2009: 51.04p per Ordinary Share). The 75% decrease in net asset value from 31 March 2009 was due to the £10.0 million return of capital to shareholders, and the £9.3 million net loss for the period under review (2009: loss £46.1 million), representing a loss per Ordinary Share of 18.52p (2009: loss of 92.28p), which arose primarily from the downwards revaluation of the Company's investments in China Metal Packaging Group Company Limited and Wan Wei Oil & Gas Technology.

Investing Policy

As it is becoming unlikely that buyers for the remaining investments will be found before 30 September 2010 (as the Investing Policy currently states), it is proposed to amend the Investing Policy to be: "The Investing Policy of the Company is to manage the sale of the Company's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2011".

Return of Capital

At an Extraordinary General Meeting 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 made an initial return of capital to shareholders of 18.00p per Ordinary Share (equivalent to £9.0 million) on 15 July 2009 and a further return of capital of 2.00p per Ordinary Share (equivalent of £1.0 million) was made on 5 October 2009.

Total Return (Share Price and Capital Return)

The total return to shareholders for the year ended 31 March 2010 (including the 20.00p per Ordinary Share return of capital) was +184%.

Investments

During the year ended 31 March 2010, the Company sold its entire holding in Asia Water Technology, United Envirotech and China New Energy for a total of £4.4 million. While this was £0.1 million above the 31 March 2009 "fair value" of these investments, a loss of £11.3 million was realised on their disposal.

At 31 March 2010, the Company's main investment was a 14.64% holding, valued at £4.0 million (2009: £9.4 million), in China Metal Packaging Group Company Limited ("China Metal Packaging"). China Metal Packaging manufactures aluminium easy-to-open can lids, pull-tab ends, closures and other metal packaging products, primarily for the beverages market. The underlying drivers of China Metal Packaging's growth are the trends of rising urbanisation and domestic consumption growth in China. Brett Miller was appointed to the board of China Metal Packaging as a non-executive director during the year.

The valuation of China CDM Exchange Centre fell by 8.2% in the year under review. We value it on a net asset value basis, using a 50% discount to its AIM listed peer group of environmental investment companies. Therefore, while the peer group traded at a 49% discount to NAV on 31 March 2010, we valued China CDM Exchange Centre at a 75% discount to its stated net asset value (excluding its intangible asset value) at 31 December 2009. In December 2009, and in April 2010 to June 2010, the Company sold a minimal share of its holding (252,600 shares) in China CDM Exchange Centre for £67,550.

On 9 July 2010, the Company agreed to sell its entire holding in Wan Wei Oil and Gas Technology for a total of US\$750,000, which is due in three equal instalments in September 2010, December 2010 and March 2011.

On 13 July 2010, the Company sold its entire investment in Dalian Business Institute for a total of US\$10,000. We have written off the value of China Real Estate Services (2009: was valued at £10,000) as this was liquidated post year end. China Solar Energy Company has no value, which is largely unchanged from the position at 31 March 2009.

Our approach to the valuation of all of the Company's investments reflects our view of fair value being the value at which your investments could have been exchanged between knowledgeable, willing parties in an arm's length transaction at the reporting date.

CHAIRMAN'S STATEMENT (continued)

Directorate Changes

Dr Weiming Zhang was appointed to the Board on 9 April 2009. On 29 September 2009, following notice of the termination of the Asset Divestment Support Agreement with London Asia Capital (S) Pte Limited (see below), Brett Miller and I ceased to be Non-Executive Directors and became Executive Directors of the Company with specific responsibility for the divestment of the remaining assets of the Company.

On 19 October 2009, Simon Littlewood resigned as an Executive Director.

Other Matters

On 29 September 2009 the Company gave notice to terminate the Asset Divestment Support Agreement with London Asia Capital (S) Pte Limited on 31 October 2009. There was no cost to the Company of the termination of the Asset Divestment Support Agreement. Following the termination of the Asset Divestment Support Agreement, the Board has continued to manage the sale of the Company's investments and the Company's investment activities are now fully self-managed, with all services previously provided under the Asset Divestment Support Agreement now being undertaken by the Executive Directors. This change has reduced the investment consultancy costs to the Company significantly.

Outlook

As a Board we are further reducing operating costs through service provider contract re-negotiations and other overhead reductions, and in this spirit the Executive Directors reduced their own remuneration by 50% after the year end. Our objective is to realise assets at the appropriate time and value, and to return the proceeds less expenses to our shareholders. I am hopeful that there will be further progress to report when we release our interim results for the period ending 30 September 2010.

Respectfully yours

R Davies
6 August 2010

INVESTMENT PORTFOLIO
as at 31 March 2010

| <i>Company</i> | <i>Activity/Sector</i> | <i>Listing</i> | <i>Country of incorporation</i> | <i>Fair value</i> | |
|--|-------------------------|----------------|---------------------------------|-------------------|--------------|
| | | | | <i>2010</i> | <i>2009</i> |
| | | | | <i>£'000</i> | <i>£'000</i> |
| China Metal Packaging Group Company | Consumer | Not quoted | BVI | 4,021 | 9,440 |
| China CDM Exchange Centre | Carbon credit brokerage | PLUS | Jersey | 812 | 884 |
| Wan Wei Oil & Gas Technology Group | Energy | Not quoted | BVI | 313 | 2,770 |
| China Real Estate Services | Property services | Not quoted | China | - | 10 |
| | | | | ----- | ----- |
| | | | | 5,146 | 13,104 |
| | | | | ----- | ----- |
| Investments sold in the year ended 31 March 2010 | | | | | 4,308 |
| | | | | | ----- |
| | | | | | 17,412 |
| | | | | | ----- |

Details of the above investments are available at www.chinagrowthopportunities.com.

In addition to the above investments, the Company owns shares in China Solar Energy Company Limited and Dalian Business Institute Limited, both of which are incorporated in Jersey, and had fair values of nil at 31 March 2009 and 31 March 2010.

China Metal Packaging Group Company Limited (“CMPG”)

CMPG is a manufacturer of aluminium easy-to-open can-lids, pull-tab ends, caps, closures and other metal packaging products and is the largest “easy open end” manufacturer in China, with a market share of over 50%. Mr Miller was appointed to the board of CMPG on 21 July 2009.

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 March 2010, CCEC announced annual profits of RMB 64.0 million (£6.2 million) for the year ended 31 December 2009, an increase of 14% from the previous year.

Wan Wei Oil and Gas Technology Group (“Wan Wei”)

On 9 July 2010, the Company agreed to sell its entire holding in Wan Wei Oil and Gas Technology for a total of US\$750,000, which is due in three equal instalments in September 2010, December 2010 and March 2011.

China Real Estate Services Limited (“CRES”)

There is considerable uncertainty as to the continuing survival of CRES as it has filed for bankruptcy. Post year end CRES was put into liquidation. It is not anticipated that the Company will receive any funds as a result of the liquidation.

Dalian Business Institute Limited (“DBI”)

DBI was sold on 13 July 2010 for US\$10,000.

DIRECTORS

Rhys Davies (*Executive Chairman*)

Rhys is a General Partner of Damille Partners, which he established in October 2008 with Brett Miller (with each holding a 50% partnership interest).

Rhys is also an Executive Director of Damille Investments Limited and Damille Partners Limited. Rhys also presently serves as the Non-Executive Chairman of Rapid Realisations Limited, an AIM quoted Guernsey registered investment company, and EIH plc, an AIM quoted Isle of Man registered investment company.

Rhys holds degrees from the University of Wales, Cardiff, and Imperial College, London, as well as the CFA designation.

Brett Miller (*Executive Director*)

Brett is a General Partner of Damille Partners, which he established in October 2008 with Rhys Davies (with each holding a 50% partnership interest).

Brett is also an Executive Director of Damille Investments Limited and Damille Partners Limited. Brett also presently serves as Non-Executive Director of Rapid Realisations Limited, an AIM quoted Guernsey registered investment company, and EIH plc, an AIM quoted Isle of Man registered investment company.

Brett also serves as a Non-Executive Director of Pactolus Hungarian Property PLC, an AIM quoted property fund, as well as serving as the Non-Executive Chairman of Globo PLC, an AIM quoted IT services provider.

Brett graduated from the University of the Witwatersrand (South Africa) with a bachelors degree majoring in law and economics and additionally holds a law degree from the London School of Economics (after having relocated to the United Kingdom in 1988).

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 companies, auto and manufacturing companies, and 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.

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report and financial statements for the year ended 31 March 2010.

Status and Activities

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

The registered office of the Company is No 1. Le Truchot, St Peter Port, Guernsey, GY1 3JX.

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

Proposed Change of Investing Policy

It is proposed to amend the Investing Policy to be: "The Investing Policy of the Company is to manage the sale of the Company's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2011" as it is becoming unlikely that buyers for the remaining investments will be found before the 30 September 2010 as the Investing Policy currently states.

Revenue

The results attributable to shareholders for the year and the transfer to reserves are shown on page 11. The Company made a loss for the year of £9.3 million (2009: loss of £46.1 million), a loss per Ordinary Share of 18.52p (2009: loss of 92.28p).

Dividends and Return of Capital

The Company did not pay any dividends during the year (2009: nil) and the Directors do not propose a final dividend for the year (2009: nil).

At the Extraordinary General Meeting held on 6 July 2009, shareholders approved a Return of Capital Scheme and amended the Articles to permit future returns of capital. During the year ended 31 March 2010, the Company returned a total of £10.0 million to shareholders, being 18.00p per Ordinary Share on 15 July 2009 and 2.00p per Ordinary Share on 5 October 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.

Investments

During the year ended 31 March 2010 the Company sold its entire holding in three of its investments for a total of £4.4 million. It also sold 12,500 shares in China CDM Exchange Centre Limited for £7,100. At 31 March 2010 the Company held six investments, which cost £17.1million (31 March 2009: nine investments which cost £32.8 million). At 31 March 2010, these investments had a fair value of £5.1 million (2009: £17.4 million).

The Company continues to progress the disposal of its investments and, post year end, the Company sold a further 240,100 shares in China CDM Exchange Centre Limited for a total of £60,450, and its entire holding in Dalian Business Institute for US\$10,000. On 9 July 2010 the Company agreed to sell its entire holding in Wan Wei Oil and Gas Technology for a total of US\$750,000, which is due in three equal instalments in September 2010, December 2010 and March 2011.

Subsidiary

World Water Private Limited was an investment holding company, which was registered in Singapore and was a wholly-owned subsidiary of the Company. Following the disposal of the Singaporean investments and, in order to reduce costs, the Board decided to dispose of World Water Private Limited and on 31 August 2009, World Water Private Limited was struck from the register of companies in Singapore.

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 the authority to buy back up to 14.99% of the Ordinary Shares in issue for cancellation. No Shares were purchased for cancellation during the year (2009: nil). The Company intends to seek to renew the necessary authorities to buy back Ordinary Shares at the forthcoming Annual General Meeting.

REPORT OF THE DIRECTORS (continued)

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

Material Contracts

The Company's material contracts are with 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 Singer Capital Markets Limited, which acts as Nominated Adviser and Broker.

Details of the fees payable to Elysium are disclosed in note 7.

Nominated Adviser and Nominated Broker

On 6 November 2009, Collins Stewart Europe Limited was replaced by Singer Capital Markets Limited as Nominated Adviser and Nominated Broker.

Investment Consultant

London Asia Capital (S) Pte Limited ("LACS") was the Investment Consultant to the Company from 7 March 2006 to 25 March 2009, when the Company entered into a Termination Agreement with London Asia Capital plc and LACS.

During the year, £220,000 was paid to the London Asia Group, £120,000 of which was paid under terms of the Asset Divestment Support Agreement with LACS, which was terminated on 31 October 2009. There was no cost to the Company of the termination of the Asset Divestment Support Agreement. The remaining £100,000 was paid to the London Asia Group under the Termination Agreement upon publication of the 31 March 2009 financial statements.

Chief Operating Officer

In June 2008 the Company appointed Ms Diana Chen as Chief Operating Officer. Ms Chen is based in Beijing and works directly for the Company. Ms Chen's fees were paid by LACS until 31 October 2009 but, following the termination of the Asset Divestment Support Agreement, Ms Chen's fees have been paid by the Company from 1 November 2009.

Directors

The present members of the Board are listed on the inside back cover of this report. Mr Davies and Mr Miller served as Directors throughout the year under review and Dr Zhang was appointed to the Board as a Non-Executive Director on 9 April 2009. In addition, Mr Littlewood resigned as Executive Director from the Company on 19 October 2009.

On 29 September 2009, following notice of the termination of the Asset Divestment Support Agreement with LACS, Mr Davies and Mr Miller ceased to be Non-Executive Directors and became Executive Directors of the Company.

There are no service contracts in place between the Non-Executive Director or the 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 2010 and the date of signing this report. Mr Davies and Mr Miller had no interest in the Warrants of the Company at 31 March 2010 and at the date of signing this report. Dr Zhang had no interest in the Ordinary Shares or Warrants of the Company at 31 March 2010 and the date of signing this report.

Substantial Interests

On 5 August 2010 the following interests in 3% or more of the issued Ordinary Shares had been notified to the Company:

| <i>Funds managed by:</i> | <i>Number of Ordinary Shares</i> | <i>Percentage of Share Capital</i> |
|---------------------------------|--------------------------------------|--|
| QVT Financial | 9,369,796 | 18.74% |
| Weiss Asset Management LP | 8,759,336 | 17.52% |
| Newton Investment Management | 7,058,156 | 14.12% |
| Damille Partners II | 5,100,000 | 10.20% |
| Insight Investment Management | 5,032,472 | 10.06% |
| BlackRock Investment Management | 3,025,000 | 6.05% |
| Schroder Investment Management | 2,437,272 | 4.87% |
| SVM Asset Management | 2,000,000 | 4.00% |

REPORT OF THE DIRECTORS (continued)

Future Prospects

The Board continues to focus on realising the investment portfolio. It is proposed to amend the Investing Policy to be: “The Investing Policy of the Company is to manage the sale of the Company’s investment portfolio and to maximise the return of invested capital to shareholders during the period ending 30 September 2011”. The Board believe this to be an achievable objective and look forward to returning additional capital to shareholders on the realisation of the portfolio. 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 Combined Code published by the Financial Reporting Council (the “2008 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 2008 FRC Code have been adopted and these are summarised below, together with the areas of non-compliance.

The Company complied throughout the year with the provisions of the 2008 FRC Code, except in the following aspects:

A.3.3 The Board does not consider it necessary to appoint a senior independent Director, given the structure of the Board.

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.

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 as it is not considered to be appropriate for the size of the Board.

Board Responsibilities

The Board currently comprises one Non-Executive Director, Dr Zhang, who is independent and two Executive Directors Mr Davies and Mr Miller.

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 service providers 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 Company's investments and all other important issues to ensure control is maintained over the Company's affairs.

The Company is self-managed, in that day-to-day investment management recommendations are made by the Executive Directors (Mr Davies and Mr Miller), in consultation with the Non-Executive Director.

The Board has not stated how it has applied B.1 to B.3 of the 2008 FRC Code on directors’ remuneration. However, the fee that was paid to each Director during the year is shown in note 8.

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

Mr Miller is Chairman of the Audit Committee. Mr Davies and Dr Zhang are members of the Audit Committee.

REPORT OF THE DIRECTORS (continued)

The Committee meets at least twice a year and provides a forum through which the Company's Auditors report to the Board. The Audit Committee examines the effectiveness of the Company's internal controls, the Annual Report and Financial Statements, the Half-Yearly Report and Financial Statements, 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 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

Mr Davies is Chairman of the Nomination Committee. The Nomination Committee has formal written terms of reference. Mr Miller and Dr Zhang are also 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.

| | <i>Board Meetings</i> | <i>Committee Meetings</i> |
|--|-----------------------|---------------------------|
| Rhys Davies (<i>Chairman</i>) | 9/9 | 5/5 |
| Brett Miller | 9/9 | 4/5 |
| Weiming Zhang (<i>appointed 9 April 2009</i>) | 3/8 | 0/4 |
| Simon Littlewood (<i>resigned 19 October 2009</i>) | 4/7 | 0/1 |

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 Company. The Board stays abreast of shareholders' views via regular updates from the Executive Directors and the Nominated Adviser as to meetings they may have held with shareholders.

The Board monitors the trading activity and shareholder profile on a regular basis and maintains contact with the Company's Broker to ascertain the views of shareholders. Shareholder sentiment is also ascertained by the careful monitoring of the premium/discount that the Ordinary Shares are traded in the market when compared to those experienced by similar companies.

The Company reports formally to shareholders twice a year and a proxy voting card is sent to shareholders with the Annual Report and Financial Statements. Additionally, current information is provided to shareholders on an ongoing basis through the Company website. The Secretary monitors the voting of the shareholders and proxy voting is taken into consideration when votes are cast at the Annual General Meeting.

Litigation

The Company 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 Company.

Going Concern

After making reasonable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Although the Directors intend to manage the sale of the Company's portfolio and maximise the return of invested capital to shareholders during the period ending on 30 September 2010, they do not consider there to be any threat to the going concern status of the Company. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal Control and Financing

The Board is responsible for establishing and maintaining the Company's system of internal control. Internal control systems are designed to meet the particular needs of the Company 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 accounting and the custody of assets are segregated. The procedures are designed to complement one another

REPORT OF THE DIRECTORS (continued)

- The Board clearly defines the duties and responsibilities of the agents and advisers in the terms of their contracts.
- The Board reviews financial information produced by the Administrator on a regular basis.

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

The Board feels that the procedures employed by the service providers adequately mitigate the risks to which the Company is exposed.

Financial Risk Profile

The Company's financial instruments comprise investments, cash and cash equivalents, and various items such as receivables and payables that arise directly from the Company'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 23 to the financial statements.

Independent Auditors

PricewaterhouseCoopers CI LLP has expressed its willingness to continue to act as Auditors to the Company 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 Company and of the profit or loss of the Company 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 International Financial Reporting 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 Company 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 Company 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 Company 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 are published.

Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Report confirm that, so far as they are aware, there is no relevant audit information of which the Company'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 Company's Auditors are aware of that information.

On behalf of the Board.

R Davies

B Miller

6 August 2010

6 August 2010

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHINA GROWTH OPPORTUNITIES LIMITED**

We have audited the Financial Statements of China Growth Opportunities Limited for the year ended 31 March 2010 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the 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 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 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 Financial Statements.

In addition we report to you if, in our opinion, the Company 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 Financial Statements. The other information comprises only the Investing Policy, 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 Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Company'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 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 Financial Statements.

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Company's affairs as at 31 March 2010 and of its financial performance and cash flows for the year then ended;
- the 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 Financial Statements.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
6 August 2010

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2010

| | <i>Note</i> | <i>Year ended</i> <i>31 March 2010</i> <i>£'000</i> | <i>Year ended</i> <i>31 March 2009</i> <i>£'000</i> |
|---|-------------|---|---|
| Investment gains and losses | | | |
| Net unrealised change in fair value of investments | <i>13</i> | 3,412 | (43,339) |
| Realised loss from sale of investments | <i>13</i> | (11,303) | (6,197) |
| | | ----- | ----- |
| Total investment losses | | (7,891) | (49,536) |
| Income | | | |
| Other income | <i>6</i> | 7 | 109 |
| | | ----- | ----- |
| Total income | | 7 | 109 |
| Expenses | | | |
| Directors' remuneration | <i>8</i> | (179) | (95) |
| Administration fees | <i>7</i> | (170) | (145) |
| Other expenses | <i>9</i> | (395) | (231) |
| Investment Consultant's fee | <i>21</i> | (140) | 653 |
| Performance fee | | - | 3,024 |
| EGM expenses | | - | (104) |
| | | ----- | ----- |
| Total expenses | | (884) | 3,102 |
| (Loss)/gain on foreign currency exchange | | (491) | 183 |
| | | ----- | ----- |
| Loss for the year | | (9,259) | (46,142) |
| Other comprehensive income | | | |
| Exchange differences arising from translation of foreign operations | | (2) | 2 |
| | | ----- | ----- |
| Total other comprehensive (loss)/income | | (2) | 2 |
| | | ----- | ----- |
| Total comprehensive loss for the year attributable to the shareholders | | (9,261) | (46,140) |
| | | ----- | ----- |
| Loss per Ordinary Share – basic and diluted | <i>11</i> | (18.52)p | (92.28)p |

*All the items in the above statement are derived from continuing operations.
The accompanying notes on pages 15 to 31 form an integral part of these financial statements.*

STATEMENT OF FINANCIAL POSITION
as at 31 March 2010

| | <i>Note</i> | <i>31 March 2010</i> £'000 | <i>31 March 2009</i> £'000 |
|---|-------------|-------------------------------|-------------------------------|
| Non-current assets | | | |
| Investments designated at fair value through profit or loss | 13 | 5,146 | 17,412 |
| | | ----- | ----- |
| Current assets | | | |
| Other receivables | 15 | 13 | 3,393 |
| Cash and cash equivalents | | 1,212 | 4,930 |
| | | ----- | ----- |
| | | 1,225 | 8,323 |
| | | ----- | ----- |
| Total assets | | 6,371 | 25,735 |
| | | ----- | ----- |
| Current liabilities | | | |
| Payables and accruals | 16 | (110) | (213) |
| | | ----- | ----- |
| Net assets | | 6,261 | 25,522 |
| | | ----- | ----- |
| Capital and reserves attributable to equity holders of the Company | | | |
| Share capital | 17 | 500 | 500 |
| Other reserve | | 2,293 | 2,293 |
| Foreign exchange translation reserve | | - | 2 |
| Distributable reserves | | 3,468 | 22,727 |
| | | ----- | ----- |
| Total equity shareholders' funds | | 6,261 | 25,522 |
| | | ----- | ----- |
| Net Asset Value per Ordinary Share - basic and diluted | 20 | 12.52p | 51.04p |

The financial statements on pages 11 to 31 were approved by the Board of Directors on 6 August 2010 and were signed on its behalf by

R Davies
Director

B Miller
Director

6 August 2010

6 August 2010

The accompanying notes on pages 15 to 31 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2010

| | <i>Share capital</i> | <i>Other reserve</i> | <i>Distributable reserves</i> | <i>Foreign exchange translation reserve</i> | <i>Total</i> |
|--|----------------------|----------------------|-----------------------------------|---|--------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Balance at 31 March 2009 | 500 | 2,293 | 22,727 | 2 | 25,522 |
| Return of Capital | - | - | (10,000) | - | (10,000) |
| <i>Total comprehensive loss for the year</i> | | | | | |
| Loss for the year | - | - | (9,259) | - | (9,259) |
| Other comprehensive loss | - | - | - | (2) | (2) |
| Balance at 31 March 2010 | 500 | 2,293 | 3,468 | - | 6,261 |

for the year ended 31 March 2009

| | <i>Share capital</i> | <i>Other reserve</i> | <i>Distributable reserves</i> | <i>Foreign exchange translation reserve</i> | <i>Total</i> |
|---|----------------------|----------------------|-----------------------------------|---|--------------|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Balance at 31 March 2008 | 500 | 2,293 | 68,869 | - | 71,662 |
| <i>Total comprehensive (loss)/income for the year</i> | | | | | |
| Loss for the year | - | - | (46,142) | - | (46,142) |
| Other comprehensive income | - | - | - | 2 | 2 |
| Balance at 31 March 2009 | 500 | 2,293 | 22,727 | 2 | 25,522 |

The accompanying notes on pages 15 to 31 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 March 2010

| | <i>Year ended</i> <i>31 March 2010</i> <i>£'000</i> | <i>Year ended</i> <i>31 March 2009</i> <i>£'000</i> |
|---|---|---|
| Cash flows from operating activities | | |
| Other income received | 8 | 602 |
| Investment Consultant's fees paid | (220) | (350) |
| Administration fees paid | (170) | (170) |
| Directors' remuneration paid | (164) | (95) |
| Audit fees paid | (66) | (74) |
| EGM expenses paid | - | (104) |
| Other expenses paid | (359) | (134) |
| | ----- | ----- |
| Net cash outflow from operating activities | (971) | (325) |
| Cash flows from investing activities | | |
| Purchase of fair value through profit or loss investments | - | (334) |
| Sale of fair value through profit or loss investments | 7,569 | 2,000 |
| | ----- | ----- |
| Net cash inflow from investing activities | 7,569 | 1,666 |
| Cash flows from financing activities | | |
| Return of capital | (10,000) | - |
| | ----- | ----- |
| Net cash outflow from investing activities | (10,000) | - |
| | ----- | ----- |
| (Decrease)/increase in cash and cash equivalents | (3,402) | 1,341 |
| | ----- | ----- |
| Cash and cash equivalents brought forward | 4,930 | 3,402 |
| (Decrease)/increase in cash and cash equivalents | (3,402) | 1,341 |
| Foreign exchange movement | (316) | 187 |
| | ----- | ----- |
| Cash and cash equivalents carried forward | 1,212 | 4,930 |
| | ----- | ----- |

The accompanying notes on pages 15 to 31 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

1. General Information

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

The registered office of the Company is No 1. Le Truchot, St Peter Port, Guernsey, GY1 3JX.

The Company's Investing Policy is to manage the sale of the Company's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2010. The Company's investment activities are self-managed.

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

2. Basis of Preparation

(a) Statement of compliance

These 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 financial statements were authorised for issuance by the Board of Directors on 6 August 2010.

b) Basis of measurement

The financial statements are presented in Sterling, which is the Company's functional currency. All amounts are rounded to the nearest thousand. The 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.

c) Use of judgements and estimates

The preparation of 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 financial statements, are disclosed in notes 4 and 13. Actual results may differ from these estimates.

d) Basis of consolidation

The consolidated financial statements at 31 March 2009 incorporated the net assets and liabilities of the Company and its subsidiary, World Water Private Limited ("World Water"), at the financial reporting date and their results for the year then ended. The cost of the investment in the subsidiary was eliminated against the Company's share in net assets at the date of acquisition. All intercompany receivables, payables, income and expenses were eliminated. The subsidiary was fully consolidated from the date of acquisition, being the date on which the Company obtained control, and continued to be consolidated until 31 March 2009.

On 31 August 2009, the Company ceased to control World Water, as it was struck from the Register of Companies in Singapore. The Financial Statements of the Company for the year ended 31 March 2010 are not required to be consolidated as the Company does not own a subsidiary at the year end. The comparatives presented should therefore also be those of the stand-alone Company and not the consolidated balances.

The 31 March 2009 comparatives have not been restated as the results of World Water are immaterial.

The Directors believe that the financial statements for 2009 and 2010 fairly represent the results of the Company.

e) Changes and amendments to existing standards effective 1 January 2009

i) Presentation of Financial Statements

The Company applies revised IAS 1: *Presentation of Financial Statements*, which became effective as of 1 January 2009. As a result, the Company presents in the Statement of Changes in Equity all owner changes in equity, whereas all non-owner changes in equity are presented in the Statement of Comprehensive Income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

e) Changes and amendments to existing standards effective 1 January 2009 (continued)

ii) Operating Segments

IFRS 8: Operating segments was effective from 1 January 2009. IFRS 8 replaces IAS 14: Segment reporting. The new standard requires a management approach under which segment information is presented in the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-maker has been identified as the Board of Directors.

iii) Amendments to IFRS 7 Financial Instruments: Disclosure

The amendments to IFRS 7 were issued in March 2009 and these became effective for annual periods beginning on or after 1 January 2009, with early application permitted. The Company has adopted these amendments with effect from 1 January 2009. The amendment to IFRS 7 requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

Adoption of the revised standard did not have an effect on the Company's financial position or performance.

f) Standards, amendments and interpretations effective on 1 January 2009 but not relevant

| | |
|----------|---|
| IAS 23 | Borrowing costs (<i>amendment</i>) |
| IAS 27 | Consolidated and separate financial statements (<i>amendments</i>) |
| IAS 39 | Embedded derivatives (<i>amendments</i>) (<i>effective for all periods ending on or after 30 June 2009</i>) |
| IAS 39 | Reclassification of financial assets (<i>amendments</i>) |
| IFRS 1 | First time adoption of IFRS (<i>amendment</i>) |
| IFRS 2 | Share-based payment (<i>amendment</i>) |
| IFRS 7 | Reclassification of financial assets (<i>amendments</i>) |
| IFRS 8 | Operating Segments |
| IFRIC 9 | Embedded derivatives (<i>amendments</i>) (<i>effective for all periods ending on or after 30 June 2009</i>) |
| IFRIC 15 | Agreements for the construction of real estates |

g) Standards, amendments and interpretations that are not yet effective and not relevant for the Company's operations

| | |
|----------|---|
| IAS 27 | Consolidated and separate financial statements (effective from 1 July 2009) (<i>revised</i>) |
| IAS 39 | Financial Instruments: Recognition and measurement (effective from 1 July 2009) (<i>amendment</i>) |
| IFRS 1 | Additional exemptions for first-time adopters (effective from 1 January 2010) (<i>amendments</i>) |
| IFRS 2 | Group cash-settled share-based payment transactions (effective from 1 January 2010) (<i>amendments</i>) |
| IFRS 3 | Business combinations (effective 1 July 2009) (<i>revised</i>) |
| IFRIC 17 | Distributions of non-cash assets to owners (effective 1 July 2009) |
| IFRIC 18 | Transfers of assets from customers (effective from 1 July 2009) |

Improvements to IFRS were issued in May 2008 and April 2009 and contain numerous amendments to IFRS, which the IASB consider non-urgent but necessary. Improvements to IFRS comprise amendments that result in accounting changes for presentation, recognition and measurement purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

3. Significant Accounting Policies

a) 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.

b) Expenses

All expenses are accounted for on an accruals basis and, with the exception of share issue costs, are charged through the Statement of Comprehensive Income in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010**3. Significant Accounting Policies (continued)****c) 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.

d) Investments designated at fair value through profit or loss**Classification**

The Company 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 at fair value through profit or loss on acquisition.

Financial assets designated at fair value through profit or loss on acquisition are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented Investing Policy. It is the Company's policy for 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 Company commits to purchase or sell the investment.

A fair value through profit or loss asset is derecognised when the Company 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 Company 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 Company has transacted an unconditional disposal of the assets.

Measurement

Financial assets designated at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed through the Statement of Comprehensive Income. 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 Statement of Comprehensive Income in the period in which they arise.

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

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 financial reporting date. The quoted market price used for these financial assets held by the Company 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 Company uses a variety of methods and makes assumptions that are based on market conditions existing at each financial reporting 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

3. Significant Accounting Policies (continued)**e) 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 and subject to insignificant risk of changes in value.

f) Trade and other receivables

Trade and other receivables are carried at the original invoice amount, less allowance for doubtful receivables. Provision is made when there is objective evidence that the Company will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

g) Trade and other payables

Trade and other payables are carried at payment or settlement amounts. Where the time value of money is material, payables are carried at amortised cost.

h) 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 Company is to invest in a portfolio of companies whose business operations are based in China. The performance of the Company is measured and reported to the investors in Sterling and the majority of the expenses incurred by the Company 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 financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using rates approximating to 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 Statement of Comprehensive Income. Translation differences on non-monetary financial assets and liabilities, such as investments designated at fair value through profit or loss, are recognised through the Statement of Comprehensive Income within the net unrealised change in fair value of investments.

Financial statements of foreign operations

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 through the Statement of Comprehensive Income in other comprehensive income.

In the 2009 consolidated financial statements, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, were translated into Sterling at the foreign exchange rates ruling at the financial reporting date. At 31 March 2010 the Company had no foreign operations.

i) Net asset value and loss per share

The net asset value per Ordinary Share disclosed on the face of the Statement of Financial Position is calculated by dividing the net assets by the number of Ordinary Shares in issue at the year end.

Loss per Ordinary Share is calculated by dividing net loss for the year by the weighted average number of Ordinary Shares in issue during the year. Any dilutive effect of outstanding Warrants is reflected as additional share dilution in the computation of the net asset value per Ordinary Share and loss per Ordinary Share.

4. Critical Accounting Estimates and Judgements

The Board of Directors 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:

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

4. Critical Accounting Estimates and Judgements (continued)***Fair Value of financial instruments***

The Company may, from time to time, hold financial investments that are not quoted in active markets. Fair values of such investments are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by the Board of Directors (see note 14).

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 3h).

5. Segmental Information

In accordance with International Financial Reporting Standard 8: *Operating Segments*, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board in order to assess each segment's performance and to allocate resources to them.

Management information for the Company as a whole is provided internally to the Directors for decision-making purposes. The Directors asset allocation decisions are based on a single, integrated investment strategy and the Company's performance is evaluated on an overall basis, being investment in a portfolio of companies whose business operations are focused in China.

The internal reporting provided to the Board for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS.

There were no changes in the reportable segments during the year ended 31 March 2010.

All of the Company's investment portfolio income is derived from its investments whose business focus is in China. The only other revenue generated by the Company during the year was interest of £7,000 (2009: £109,000), arising from cash and cash equivalents, which was generated in Guernsey. The Company is domiciled in Guernsey.

The Company has a diversified shareholder population. However as at 5 August 2010 there were a number of Ordinary Shareholders whose percentage interest in the Company exceeded 3%. These shareholders are detailed in The Report of the Directors.

6. Other Income

| | <i>Year ended</i> <i>31 March 2010</i> | <i>Year ended</i> <i>31 March 2009</i> |
|----------------------------------|---|---|
| | <i>£'000</i> | <i>£'000</i> |
| Bank interest receivable | 7 | 109 |
| Dividends receivable | - | 207 |
| Write-back of loan note interest | - | (207) |
| | ----- | ----- |
| | 7 | 109 |
| | ----- | ----- |

7. Administration Fees

Elysium Fund Management Limited is entitled to an administration fee from the Company at a rate of 0.1% per annum (subject to a minimum of £125,000 per annum) of the Net Asset Value of the Company together with an amount equal to the long term borrowings invested by the Company calculated at the close of business on each Calculation Day, payable quarterly in arrears. The charge for the year includes a fee of £45,000 (2009: £20,000) for additional work performed.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

8. Directors' Remuneration

| | <i>Year ended</i> <i>31 March 2010</i> | <i>Year ended</i> <i>31 March 2009</i> |
|---|---|---|
| | <i>£'000</i> | <i>£'000</i> |
| Rhys Davies (<i>appointed 23 January 2009</i>) | 72 | 13 |
| Brett Miller (<i>appointed 23 January 2009</i>) | 72 | 13 |
| Weiming Zhang (<i>appointed 9 April 2009</i>) | 35 | - |
| Simon Littlewood (<i>resigned 19 October 2009</i>) | - | - |
| Robert Leighton - <i>Chairman (removed 23 January 2009)</i> | - | 33 |
| Mark Huntley (<i>removed 23 January 2009</i>) | - | 24 |
| Richard Battey (<i>resigned 23 January 2009</i>) | - | 12 |
| Victor Ng (<i>removed 23 January 2009</i>) | - | - |
| | ----- | ----- |
| | 179 | 95 |
| | ----- | ----- |

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 2010, £27,000 (2009: £12,000) was due in respect of Directors' remuneration. This amount is included in payables and accruals.

9. Other Expenses

| | <i>Year ended</i> <i>31 March 2010</i> | <i>Year ended</i> <i>31 March 2009</i> |
|---|---|---|
| | <i>£'000</i> | <i>£'000</i> |
| Transaction costs | 102 | - |
| Travel | 82 | 12 |
| Consultancy fees | 26 | - |
| Audit fees | 36 | 85 |
| Nominated Adviser's and Nominated Broker's fees | 30 | 30 |
| Registrar fees | 25 | 13 |
| Listing fees | 11 | 11 |
| Directors' and Officers' liability insurance | 10 | 9 |
| Custodian fees | 9 | 13 |
| Public relations fees | 2 | 32 |
| Other expenses | 62 | 26 |
| | ----- | ----- |
| | 395 | 231 |
| | ----- | ----- |

10. Tax effects of other comprehensive income

There are no tax effects arising from the other comprehensive income disclosed in the Statement of Comprehensive Income (31 March 2009: nil).

11. Loss per Ordinary Share

The loss per Ordinary Share of 18.52p (2009: 92.28p) is based on the loss for the year of £9,259,000 (2009: loss of £46,142,000) and on a weighted average number of 50 million Ordinary Shares in issue during the year (2009: 50 million Ordinary Shares).

The average price of the Ordinary Shares during the year, of 15.99p (2009: 52.45p), was less than the exercise price of the Warrants (120.00p). Therefore, there was no dilution in the return per Ordinary Share.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

12. Dividends and Return of Capital

During the year ended 31 March 2010 no dividend was paid to shareholders (2009: nil). The Directors do not propose a final dividend for the year ended 31 March 2010 (2009: nil).

At the Extraordinary General Meeting held on 6 July 2009, shareholders approved a Return of Capital Scheme and amended the Articles to permit future returns of capital. During the year ended 31 March 2010, the Board returned a total of £10 million (20.00p per Ordinary Share) to shareholders, 18.00p per Ordinary Share on 15 July 2009 and 2.00p per Ordinary Share on 5 October 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.

13. Investments Designated at Fair Value Through Profit or Loss

| | <i>Year ended</i> <i>31 March 2010</i> <i>£'000</i> | <i>Year ended</i> <i>31 March 2009</i> <i>£'000</i> |
|--|---|---|
| <i>Designated at fair value through profit or loss:</i> | | |
| Opening valuation | 17,412 | 72,319 |
| Sales proceeds | (4,375) | (5,371) |
| Realised loss from sale of investments | (11,303) | (6,197) |
| Net unrealised change in fair value of investments | 3,412 | (43,339) |
| | ----- | ----- |
| Closing valuation | 5,146 | 17,412 |
| | ----- | ----- |
| Closing book cost | 17,124 | 32,802 |
| Closing unrealised loss | (11,978) | (15,390) |
| | ----- | ----- |
| Closing valuation | 5,146 | 17,412 |
| | ----- | ----- |

See note 3d and note 4 regarding the classification, recognition, derecognition, measurement and fair value estimation of financial assets designated at fair value through profit or loss.

Associates

Included in investments are the following associates which are accounted for as designated at fair value through profit or loss in accordance with the accounting policy set out in note 3d:

| | <i>Country of incorporation</i> | <i>Currency of investment</i> | <i>Percentage Holding</i> | |
|--|-------------------------------------|-----------------------------------|-------------------------------|-----------------|
| China Real Estate Services Limited | China | Sterling | 25.0% | ordinary shares |
| Honest Mind Investments Limited (<i>which invests in the Wan Wei Oil and Gas Technology Group</i>) | BVI | Sterling | - | conv loan notes |
| Starlight Viewpoint Limited (<i>which invests in the Wan Wei Oil and Gas Technology Group</i>) | BVI | Sterling | 24.0% | ordinary shares |

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

| | <i>Country of incorporation</i> | <i>Currency of investment</i> | <i>Percentage Holding at 31 March 2009</i> | |
|-------------------------------|-------------------------------------|-------------------------------|--|-----------------|
| Asia Water Technology Limited | Singapore | Singapore Dollars | 21.0% | ordinary shares |
| China New Energy Limited | Jersey | Sterling | 25.0% | ordinary shares |

Subsidiary

Following the disposal of the Singaporean investments, and in order to reduce costs, the Board decided to dispose of World Water Private Limited. On 31 August 2009, World Water Private Limited, a wholly-owned subsidiary of the Company was struck from the Register of Companies in Singapore.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

14. Fair value of financial instruments

The Company adopted the amendment to IFRS 7, effective 1 January 2009. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on observable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

| <i>Financial assets designated at fair value through profit or loss</i> | <i>Level 1</i> £'000 | <i>Level 2</i> £'000 | <i>Level 3</i> £'000 | <i>Total</i> £'000 |
|---|-------------------------|-------------------------|-------------------------|-----------------------|
| 31 March 2010 Investments | - | - | 5,146 | 5,146 |
| 31 March 2009 Investments | 3,610 | - | 13,802 | 17,412 |

Fair value of unquoted and PLUS quoted securities

The fair values of unquoted securities that are not quoted in active markets (Level 3) 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.

All of the assets designated at fair value through profit or loss that had been classified as Level 1 at 31 March 2009 were disposed of during the year ended 31 March 2010.

A reconciliation of the opening and closing balances of assets designated at fair value through profit or loss classified as Level 3 is shown below:

| | <i>31 March 2010</i> £'000 | <i>31 March 2009</i> £'000 |
|--|-------------------------------|-------------------------------|
| Fair value of Level 3 financial instruments at 1 April | 13,802 | 62,628 |
| Proceeds from sale of financial instruments | (677) | (5,413) |
| Realised loss from sale of Level 3 financial instruments | (1,499) | (6,155) |
| Net unrealised change in fair value of Level 3 financial instruments | (6,480) | (37,258) |
| Fair value of Level 3 financial instruments at 31 March | 5,146 | 13,802 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

14. Fair value of financial instruments (continued)

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments consist of private equity investments. As observable prices are not available for these securities, the Company has used the valuation techniques detailed above to derive the fair value.

China CDM has been valued using a discount to NAV calculation, if the discount rate increased by 10%, this would result in an increase in value of the investment of £238,596 (2009: £400,596). A 10% decrease in the discount rate would have an equal but opposite effect.

China Metal Packaging Group Company Limited has been valued using a discounted cash flow model. If the weighted average cost of capital ("WACC") increased by 10%, the valuation of CMPG would decrease by £810,785 (2009: £1,516,905). A 10% decrease in the WACC would increase the valuation of CMPG by £998,127 (2009: £1,892,257).

The Company's equity investment in Wan Wei Oil & Gas Technology Limited has been valued using a discounted cash flow model. If the WACC increased by 10%, the value of the equity investment in Wan Wei would decrease by £12,965 (2009: £47,747). A 10% decrease in the WACC would increase the valuation of the equity holding in Wan Wei by £16,997 (2009: £65,117).

The convertible loan notes that the Company holds in Wan Wei Oil & Gas Technology Limited have been valued at a discount to the cost of the loan notes. If the discount increased by 10%, the value of the loan notes would decrease by £243,000 (2009: no discount was applied). A decrease in the discount rate of 10% would have an equal but opposite effect.

On 9 July 2010, the Company agreed to sell its entire holding in Wan Wei for a total of US\$750,000, which is due in three equal instalments in September 2010, December 2010 and March 2011.

10% represents the best estimate of a reasonable possible shift in the inputs to the calculations for the valuations of the investments.

15. Other Receivables

| | <i>31 March 2010</i> | <i>31 March 2009</i> |
|---------------------------------|----------------------|----------------------|
| | <i>£'000</i> | <i>£'000</i> |
| Other debtors and prepayments | 13 | 22 |
| Investments awaiting settlement | - | 3,371 |
| | ----- | ----- |
| | 13 | 3,393 |
| | ----- | ----- |

16. Payables and Accruals

| | <i>31 March 2010</i> | <i>31 March 2009</i> |
|-------------------------------------|----------------------|----------------------|
| | <i>£'000</i> | <i>£'000</i> |
| Other creditors and accruals | 90 | 113 |
| Investment Consultant's fee payable | 20 | 100 |
| | ----- | ----- |
| | 110 | 213 |
| | ----- | ----- |

17. Share Capital

| | <i>31 March 2010</i> | <i>31 March 2009</i> |
|--|----------------------|----------------------|
| | <i>£'000</i> | <i>£'000</i> |
| <i>Authorised:</i> | | |
| 200,000,000 Ordinary Shares of 1p | 2,000 | 2,000 |
| | ----- | ----- |
| <i>Allotted, called up and fully paid:</i> | | |
| 50,000,000 Ordinary Shares of 1p | 500 | 500 |
| | ----- | ----- |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

17. Share Capital (continued)

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 in issue for cancellation. No shares were purchased for cancellation during the year. The Company intends to seek to renew the necessary authority to buy back Ordinary Shares at the forthcoming Annual General Meeting, to be held on 14 September 2010.

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

18. Warrants

| | <i>Exercise Price</i> | <i>End of Subscription period</i> | <i>Allotted</i> |
|----------|-----------------------|---|-----------------|
| Warrants | 120.00p | 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 120.00p per Ordinary Share.

No Warrants were exercised during the year (2009: nil).

19. Duration of the Company

Following the Extraordinary General Meeting held on 23 January 2009, the Investing Policy of the Company was changed to: "manage the sale of the Company's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2010." However, as it is unlikely that buyers for the remaining investments will be found before 30 September 2010, as the Investing Policy currently states, it is proposed that the Investing Policy is amended to be: "The Investing Policy of the Company is to manage the sale of the Company's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2011".

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.

20. 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 £6,261,000 (2009: £25,522,000) and on 50 million Ordinary Shares (2009: 50 million Ordinary Shares) in issue at the end of the year.

Diluted

The share price of the Ordinary Shares at 31 March 2010 of 15.50p (2009: 12.50p) was below the exercise price of the Warrants (exercise price of 120.00p). Therefore, as at 31 March 2010 and 31 March 2009 the Warrants had no dilutive effect.

21. Related Parties

London Asia Capital (S) Pte Limited was the Investment Consultant to the Company from 7 March 2006 to 25 March 2009, when the Company entered into a Termination Agreement with London Asia Capital plc and London Asia Capital (S) Pte Limited.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

21. Related Parties (continued)

During the year, £220,000 was paid to the London Asia Group, £120,000 of which was under terms of the Asset Divestment Support Agreement with London Asia Capital (S) Pte Limited, which was terminated on 31 October 2009. There was no cost to the Company of the termination of the Asset Divestment Support Agreement. The remaining £100,000 was paid to the London Asia Group under the Termination Agreement upon publication of the 31 March 2009 financial statements.

At 31 March 2010 £20,000, in respect of Investment Consultancy fees due under the Asset Divestment Support Agreement, was outstanding between the Company and the London Asia Group.

Details of the investments in associates are disclosed in note 13.

Damille Partners II, which holds 5,100,000 Ordinary Shares in the Company, received £1,020,000 from the Return of Capital Scheme implemented during the year. Mr Davies and Mr Miller each own 50% of Damille Partners II and have no other holdings in the Company. The Directors' remuneration is disclosed in note 8.

Details of the amounts paid to Elysium, the Company's Administrator and Company Secretary, are disclosed in note 7.

At 31 March 2009, shares in United Envirotech Limited were held in trust by the Company's wholly-owned subsidiary World Water Private Limited. During the year ended 31 March 2010 these shares were transferred to the Custodian and subsequently sold.

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

22. Commitments and Contingencies

There were no capital commitments as at 31 March 2010.

23. Financial Instruments**Treasury policies**

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

The Company 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 Company's operating activities. The Company does not trade in financial instruments. Derivative instruments may be used to change the economic characteristics of financial instruments in accordance with the Company's treasury policies, although no derivatives were in place during the year (2009: nil). The financial assets and liabilities of the Company were:

| | <i>Total</i> £'000 | <i>Loans and receivables</i> £'000 | <i>Assets at fair value through profit or loss</i> £'000 | <i>Other financial liabilities</i> £'000 | <i>Non-financial assets / (liabilities)</i> £'000 |
|---|-----------------------|---|---|---|--|
| 31 March 2010 | | | | | |
| Financial assets | | | | | |
| Investments designated at fair value through profit or loss | 5,146 | - | 5,146 | - | - |
| Other receivables | 13 | - | - | - | 13 |
| Cash and cash equivalents | 1,212 | 1,212 | - | - | - |
| | ----- | ----- | ----- | ----- | ----- |
| | 6,371 | 1,212 | 5,146 | - | 13 |
| Financial liabilities | | | | | |
| Payables and accruals | (110) | - | - | (110) | - |
| | ----- | ----- | ----- | ----- | ----- |
| | 6,261 | 1,212 | 5,146 | (110) | 13 |
| | ----- | ----- | ----- | ----- | ----- |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

23. Financial Instruments (continued)

| | 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 | | | | | |
| <i>Financial assets</i> | | | | | |
| Investments designated 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 |
| <i>Financial liabilities</i> | | | | | |
| Payables and accruals | (213) | - | - | (213) | - |
| | ----- | ----- | ----- | ----- | ----- |
| | 25,522 | 8,301 | 17,412 | (213) | 22 |
| | ----- | ----- | ----- | ----- | ----- |

The main risks arising from the Company's financial assets and liabilities are credit risk, liquidity risk and market 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.

Credit risk

The Company'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. As previously mentioned, following the change to the Investing Policy at the Extraordinary General Meeting held on 23 January 2009, the Board intended to sell all of the investments by 30 September 2010. As it is becoming unlikely that buyers for the remaining investments will be found before 30 September 2010, the Board have proposed that the 30 September 2010 date is extended to 30 September 2011. The Board does not intend to invest in any new investments.

The credit 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 (£1,206,000 (99.50%)) was placed with HSBC Bank plc (2009: the highest concentration of credit risk was £4,902,000 (99.90%) placed with HSBC Bank plc). Details of the Company's exposure to non-equity based investments are disclosed in the Investment Portfolio on page 3. The credit rating for HSBC Bank plc by Moody's was Aa2 as at 27 May 2010.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle its liabilities as and when they fall due. The Company has invested in private companies, which, by their very nature, are illiquid. However, in line with the Investing Policy, the Company has sold three of its investments during the year and returned capital of £10 million to shareholders. Surplus funds from the sale of investments are retained by the Company to ensure that the Company maintains sufficient cash balances to meet its working capital requirements.

The contractual undiscounted cash flows of the Company's financial liabilities, which are equal to the fair value of the Company's financial liabilities, are all payable within three months to the sum of £110,000 (2009: £213,000).

The Board monitors the Company's liquidity position on a quarterly basis, and more regularly if considered necessary. In addition, the Company's Administrator continually monitors the Company's liquidity position and reports to the Board when appropriate.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010**23. 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.

During the year under review, the Company 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 £515,000 (8.23%) (2009: £1,741,000 (6.82%)) increase/decrease in the net asset value.

Following the change to the Investing Policy at the Extraordinary General Meeting held on 23 January 2009, the Board intended to sell all of the investments by 30 September 2010. As it is becoming unlikely that buyers for the remaining investments will be found before 30 September 2010, the Board have proposed that the 30 September 2010 date is extended to 30 September 2011. The Board does not intend to invest in any new investments.

Generally, the Company'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 feasible at substantial discounts.

Certain investments represent a significant proportion of the Company's total assets (see the Investment Portfolio on page 3). As a result, the impact on the Company'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 Company's portfolio of investments were more diversified.

ii) Currency risk

The Company holds assets (both monetary and non-monetary) denominated in currencies other than the functional currency (Sterling). It is therefore exposed to currency risk, as the value of the financial instruments denominated in other currencies will fluctuate due to changes in exchange rates.

Foreign currency risk, as defined in IFRS 7, arises as the values of recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. The Company monitors the exposure on all foreign-currency-denominated assets and liabilities.

Because returns from the companies in which the Company invests may be received in Renminbi, the Sterling equivalent of the Company's net assets and distributions, if any, would be adversely affected by reductions in the value of 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 Company may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Company may not be able to successfully hedge its exposure at all. In addition, the Company'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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

23. Financial Instruments (continued)

The distribution of profits and dividends by companies in which the Company 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 Company or the companies in which the Company invests will be able to obtain sufficient foreign exchange to pay dividends or satisfy other foreign exchange requirements in the future.

The table below identifies the exposure on all foreign-currency-denominated assets and liabilities:

| | <i>Total</i> £'000 | <i>GBP</i> £'000 | <i>US Dollar</i> £'000 | <i>Singapore</i> <i>Dollar</i> £'000 | <i>Renminbi</i> £'000 |
|---|-----------------------|---------------------|---------------------------|--|--------------------------|
| 31 March 2010 | | | | | |
| Financial assets | | | | | |
| Investments designated at fair value through profit or loss | 5,146 | 1,125 | - | - | 4,021 |
| Cash and cash equivalents | 1,212 | 1,211 | 1 | - | - |
| Total financial assets | 6,358 | 2,336 | 1 | - | 4,021 |
| Non-financial assets | | | | | |
| Other receivables | 13 | 13 | - | - | - |
| Total assets | 6,371 | 2,349 | 1 | - | 4,021 |
| Financial liabilities | | | | | |
| | (110) | (110) | - | - | - |
| Net assets | 6,261 | 2,239 | 1 | - | 4,021 |
| 31 March 2009 | | | | | |
| Financial assets | | | | | |
| Investments designated 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 |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

23. Financial Instruments (continued)**Sensitivity analysis**

A 10% strengthening of Sterling against each currency as at 31 March 2010 would have decreased the net assets attributable to shareholders and increased the loss for the year per the Statement of Comprehensive Income by the amounts shown below. This analysis assumes that all other variables remain constant. 10% represents the best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

| | 31 March 2010 | 31 March 2009 |
|------------------|---------------|----------------|
| | £'000 | £'000 |
| US Dollar | - | (387) |
| Singapore Dollar | - | (364) |
| Renminbi | (402) | (944) |
| Total | (402) | (1,695) |

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

iii) Interest rate risk

The Company 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 Company'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 2010 by £31,000 (2009: £42,000). A reduction of 1% in interest would have an equal but opposite effect.

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

| | Total | Fixed | Floating | Assets on which no | Weighted | Weighted |
|--|--------------|----------|--------------|-----------------------|---------------|--------------|
| | £'000 | rate | rate | interest is | average | average |
| | | £'000 | £'000 | received | interest rate | period until |
| | | | | £'000 | % | maturity |
| | | | | | | years |
| 31 March 2010 | | | | | | |
| Financial assets | | | | | | |
| Investments at fair value through profit or loss | 5,146 | - | - | 5,146 | - | n/a |
| Cash and cash equivalents | 1,212 | - | 1,200 | 12 | - | n/a |
| Total financial assets | 6,358 | - | 1,200 | 5,158 | | |
| Non-financial assets | | | | | | |
| Other receivables | 13 | - | - | 13 | - | n/a |
| Total assets | 6,371 | - | 1,200 | 5,171 | | |
| Financial liabilities | (110) | - | - | (110) | - | n/a |
| Net assets | 6,261 | - | 1,200 | 5,061 | | |

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

23. Financial Instruments (continued)

| | <i>Total</i> | <i>Fixed</i> | <i>Floating</i> | <i>Assets on which no interest is received</i> | <i>Weighted average interest rate</i> | <i>Weighted average period until maturity</i> |
|--|---------------|--------------|-----------------|--|---|---|
| | <i>£'000</i> | <i>rate</i> | <i>rate</i> | <i>£'000</i> | <i>%</i> | <i>years</i> |
| 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 | - | n/a |
| Other receivables | 3,371 | - | - | 3,371 | - | n/a |
| Total financial assets | 25,713 | - | 4,906 | 20,807 | | |
| Non-financial assets | | | | | | |
| Other receivables | 22 | - | - | 22 | - | n/a |
| Total assets | 25,735 | - | 4,906 | 20,829 | | |
| Financial liabilities | (213) | - | - | (213) | - | n/a |
| Net assets | 25,522 | - | 4,906 | 20,616 | | |

As the Company's interest rate risk exposure is minimal, it has not entered into any derivative transactions to further reduce the interest rate risk.

24. Other Risks**Chinese Legal System and Enforcement**

Chinese law governs almost all of the Company'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 regulations 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 Company and the Company 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 Company, can invest in.

China's Economic, Political and Social Conditions

The Company'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 Company'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;

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

24. Other Risks (continued)

- 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 Company'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 Company'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 Company'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 Company'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 Company's investments would be adversely affected by any hostilities or armed conflicts in the region.

25. Capital Management Policy and Procedures

The Company's capital management objectives are to ensure that the Company 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 Company'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 monitors and reviews the structure of the Company'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;
- the current and future dividend policy; and
- the current and future return of capital policy.

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

26. Events After the Financial Reporting Date

Post year end the Company sold 2.40% of its holding in China CDM Exchange Centre for £60,450.

On 9 July 2010, the Company agreed to sell its entire holding in Wan Wei Oil and Gas Technology for a total of \$750,000, which is due in three equal instalments in September 2010, December 2010 and March 2011.

On 13 July 2010, the Company sold its entire investment in Dalian Business Institute for a total of US\$10,000.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fourth ANNUAL GENERAL MEETING of CHINA GROWTH OPPORTUNITIES LIMITED will be held at No. 1 Le Truchot, St Peter Port, Guernsey, GY1 3JX on 14 September 2010 at 9:00am 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 2010.

Ordinary Resolution 2

To reappoint PricewaterhouseCoopers CI LLP as Auditors and to authorise the Directors to agree their remuneration.

Ordinary Resolution 3

To re-elect Mr Miller, who offers himself for re-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 2011, 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.

Ordinary Resolution 5

To authorise the Company to utilise electronic communication methods to distribute information, including the annual report and audited financial statements and the half-yearly report and financial statements, to its shareholders.

Ordinary Resolution 6

That the Investing Policy of the Company be amended to be: "The Investing Policy of the Company is to manage the sale of the Company's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2011".

By order of the Board

Elysium Fund Management Limited, Secretary
6 August 2010

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

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.

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 14 September 2010 at 9:00am 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 2010. | | | |
| Ordinary Resolution 2 | To reappoint PricewaterhouseCoopers CI LLP as Auditors and to authorise the Directors to agree their remuneration. | | | |
| Ordinary Resolution 3 | To re-elect Mr Miller, who offers himself for re-election as a Director. | | | |
| Ordinary Resolution 4 | To authorise the Company to buy back its own shares for cancellation. | | | |
| Ordinary Resolution 5 | To authorise the Company to utilise electronic communication methods to distribute information, including the annual report and audited financial statements and the half-yearly report and financial statements, to its shareholders. | | | |
| Ordinary Resolution 6 | To amend the Investing Policy to be: "The Investing Policy of the Company is to manage the sale of the Company's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2011". | | | |

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.



Third fold and tuck in

Affix
stamp
here

Elysium Fund Management Limited
PO Box 650
No. 1 Le Truchot
St Peter Port
Guernsey, GY1 3JX

First Fold

Second fold

DIRECTORS

Rhys Davies (*Executive Chairman*)

Brett Miller (*Executive Director*)

Weiming Zhang (*Non-Executive Director*)

ADVISERS

Administrator, Secretary and Registered Office

Elysium Fund Management Limited
PO Box 650
No. 1 Le Truchot
St Peter Port
Guernsey
GY1 3JX

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 Company

Stephenson Harwood
One St Paul's Churchyard
London
EC4M 8SH

Nominated Adviser and Nominated Broker

Singer Capital Markets Limited
One Hanover Street
London
W1S 1YZ

Independent Auditors

PricewaterhouseCoopers CI LLP
National Westminster House
Le Truchot
St Peter Port
Guernsey
GY1 4ND

Guernsey Legal Adviser to the Company

Carey Olsen
Carey House
Les Banques
St Peter Port
Guernsey
GY1 4BZ

