

# CHINA GROWTH OPPORTUNITIES LIMITED

## RESULTS FOR THE YEAR ENDED 31 MARCH 2011

### KEY POINTS

- Return of capital to Ordinary Shareholders of £3million for the year (6p per Ordinary Share).
- In specie distribution to Ordinary Shareholders of the majority of the Company's holding in China CDM Exchange Centre at the start of August 2011.
- Net assets at 31 March 2011 of £1.8 million (2010: £6.3 million).
- Net assets per share at 31 March 2011 of 3.55p (2010: 12.52p).
- Sale of holdings in China Metal Packaging and Dalian Business Institute and partial sale of the holding in China CDM Exchange Centre during the year ended 31 March 2011 for £3.8 million.

The 2011 Annual Financial Report & Accounts are being sent to Shareholders and will be available shortly on the Company's website: [www.chinagrowthopportunities.com](http://www.chinagrowthopportunities.com). Copies can be obtained in hard copy form free of charge, from the Company Secretary, Elysium Fund Management Limited, PO Box 650, 2<sup>nd</sup> Floor, No. 1 Le Truchot, St Peter Port, Guernsey, GY1 3JX.

For further information please visit [www.chinagrowthopportunities.com](http://www.chinagrowthopportunities.com) or contact:

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### CHAIRMAN'S STATEMENT

I am pleased to have the opportunity to present the results of China Growth Opportunities Limited (the "Company") for the year ended 31 March 2011.

#### Results

The net asset value of the Company at 31 March 2011 was £1.8 million (2010: £6.3 million), equal to 3.55p per Ordinary Share (2010: 12.52p per Ordinary Share). The 72% decrease in net asset value from 31 March 2010 was due to the £3.0 million return of capital to shareholders and the £1.5 million net loss for the year under review (2010: loss £9.3 million), representing a loss per Ordinary Share of 2.97p (2010: loss of 18.52p), which arose primarily from the downwards revaluation of the Company's investments in China CDM Exchange Centre Limited ("CCEC") and Wan Wei Oil & Gas Technology ("Wan Wei").

#### 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 2011. It is proposed to extend this policy for a further 12 months to allow the Directors time to attempt to realise value from CCEC and Wan Wei.

#### Return of Capital

On 31 January 2011 the Company made a return of capital to shareholders of 6.00p per Ordinary Share (equivalent to £3.0 million). On 8 June 2011, the Board announced that the Company would pay a further return of capital of 1.50p per Ordinary Share to shareholders on 6 July 2011.

We have actively sought to dispose of the Company's holding in China CDM Exchange Centre Limited ("CCEC"). Since November 2010, all efforts to seek trade, corporate or investment buyers have been unsuccessful. Therefore, the Board attempted to distribute the majority of the Company's holding in CCEC to the Company's shareholders. However, the

management of CCEC refused to sanction the transfer of shares, which was in breach of PLUS Rule 3, and as a result, on 24 March 2011, CCEC was suspended from trading on PLUS. This transfer was recently resolved, and, on 28 July 2010, the Company announced that it was to distribute 9,364,963 shares in CCEC by way of a distribution in specie to shareholders in the Company. Accordingly, 9,364,963 shares in CCEC, being the bulk of the Company's holding, have been transferred to shareholders in the Company who were on the register as at 5 p.m. on 4 July 2011. Shareholders will have received 0.1873 CCEC shares for every 1 China Growth Opportunities Limited Ordinary Share held. Based on the mid-market price per CCEC share of 3.5p as at close of business on 27 July 2011, this return of capital is equal to approximately 0.65 pence per China Growth Opportunities Limited Ordinary Share. Given that the transfer has now taken place, we expect CCEC's suspension from trading on PLUS to be lifted shortly.

Fractional entitlements were not issued to the Company's shareholders and all fractional entitlements to which holders of the Company's shareholders would have become entitled were rounded down and retained by the Company. The Company has retained 4,937 shares in CCEC as a result of these fractional entitlements.

We will continue to try to dispose of the remaining investments and return funds to shareholders. Any further returns of capital will be at the 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 2011, the Company sold its entire holding in China Metal Packaging Group Company Limited ("CMP") back to CMP for US\$6 million (£3.8 million) and, as a result of the sale, Brett Miller stepped down from CMP's board of directors. In addition, during the year, the Company sold its entire holding in Dalian Business Institute Limited for US\$10,000 and 502,600 shares in CCEC for £77,000. The investment in China Real Estate Services Limited was liquidated but, as the liquidation costs were greater than the proceeds, no distribution was received.

The proceeds from the sale of these investments were £0.2 million below the 31 March 2010 "fair value" of these investments and a loss of £5.6 million compared to cost was realised on their disposal.

At 31 March 2011 the Company held three investments, which cost £7.7 million (31 March 2010: six investments which cost £17.1 million). At 31 March 2011, these investments had a fair value of £0.2 million (2010: £5.1 million).

The valuation of CCEC fell by 77% in the year under review. On 31 December 2010, a co-operation agreement expired between CCEC and a Chinese emissions broker. This Chinese emissions broker accounted for more than 60% of CCEC's revenue in 2010 and had previously subcontracted all services relating to all of its existing and future CDM projects to CCEC. A new co-operation agreement has not been signed and on 24 March 2011, CCEC was suspended from trading on PLUS, following a breach of PLUS Rule 3, but, as mentioned above, we expect CCEC's suspension from trading on PLUS to be lifted shortly.

On 9 July 2010, the Company agreed to sell its entire holding in Wan Wei for a total of US\$750,000, which was due in three equal instalments in September 2010, December 2010 and March 2011. The company did not receive any of the instalments and the sale did not proceed. Although the convertible loan note is due in May 2012, the Directors do not believe that Wan Wei will be in a position to redeem the loan note on even a partial basis. As the result of bad debt problems, Wan Wei lacks sufficient working capital to advance the business and at 28 February 2011, had less than US\$130,000 in gross cash balances. On the basis of the aborted sale and the likely inability of Wan Wei to even partially redeem the convertible loan note given its financial position, we have written-down the value of the Company's interest in Wan Wei to nil.

Our approach to the valuation 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.

### **Outlook**

As a Board we are further reducing operating costs through service provider contract re-negotiations and other overhead reductions. 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 in the near future.

Respectfully yours

R Davies  
2 August 2011

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 March 2011

	<i>Year ended</i> <i>31 March 2011</i> <i>£'000</i>	<i>Year ended</i> <i>31 March 2010</i> <i>£'000</i>
<b>Investment gains and losses</b>		
Net unrealised change in fair value of investments	4,453	3,412
Realised loss from sale of investments	(5,565)	(11,303)
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<b>Total investment losses</b>	<b>(1,112)</b>	<b>(7,891)</b>
<b>Income</b>		
Other income	3	7
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<b>Total income</b>	<b>3</b>	<b>7</b>
<b>Expenses</b>		
Directors' remuneration	(117)	(179)
Administration fees	(119)	(170)
Other expenses	(141)	(395)
Investment Consultant's fee	-	(140)
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<b>Total expenses</b>	<b>(377)</b>	<b>(884)</b>
Loss on foreign currency exchange	-	(491)
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<b>Loss for the year</b>	<b>(1,486)</b>	<b>(9,259)</b>
<b>Other comprehensive income</b>		
Exchange differences arising from translation of foreign operations	-	(2)
	-----	-----
<b>Total other comprehensive loss</b>	<b>-</b>	<b>(2)</b>
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<b>Total comprehensive loss for the year attributable to the shareholders</b>	<b>(1,486)</b>	<b>(9,261)</b>
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<b>Loss per Ordinary Share – basic and diluted</b>	<b>(2.97)p</b>	<b>(18.52)p</b>

**STATEMENT OF FINANCIAL POSITION**  
as at 31 March 2011

	<i>31 March 2011</i> £'000	<i>31 March 2010</i> £'000
<b>Non-current assets</b>		
Investments designated at fair value through profit or loss	187	5,146
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<b>Current assets</b>		
Other receivables	12	13
Cash and cash equivalents	1,652	1,212
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	1,664	1,225
	-----	-----
<b>Total assets</b>	<b>1,851</b>	<b>6,371</b>
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<b>Current liabilities</b>		
Payables and accruals	(76)	(110)
	-----	-----
<b>Net assets</b>	<b>1,775</b>	<b>6,261</b>
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<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	500	500
Other reserve	2,293	2,293
Distributable reserves	(1,018)	3,468
	-----	-----
<b>Total equity shareholders' funds</b>	<b>1,775</b>	<b>6,261</b>
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<b>Net Asset Value per Ordinary Share - basic and diluted</b>	<b>3.55p</b>	<b>12.52p</b>

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2011

	<i>Share capital</i>	<i>Other reserve</i>	<i>Distributable reserves</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Balance at 31 March 2010</b>	500	2,293	3,468	6,261
Return of Capital	-	-	(3,000)	(3,000)
<i>Total comprehensive loss for the year</i>				
Loss for the year	-	-	(1,486)	(1,486)
Other comprehensive loss	-	-	-	-
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<b>Balance at 31 March 2011</b>	500	2,293	(1,018)	1,775
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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>
<b>Balance at 31 March 2009</b>	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 income	-	-	-	(2)	(2)
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<b>Balance at 31 March 2010</b>	500	2,293	3,468	-	6,261
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**STATEMENT OF CASH FLOWS**  
for the year ended 31 March 2011

	<i>Year ended</i> <i>31 March 2011</i> £'000	<i>Year ended</i> <i>31 March 2010</i> £'000
<b>Cash flows from operating activities</b>		
Other income received	3	8
Investment Consultant's fees paid		(220)
	-	
Administration fees paid	(125)	(170)
Directors' remuneration paid	(136)	(164)
Audit fees paid	(23)	(66)
Other expenses paid	(126)	(359)
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<b>Net cash outflow from operating activities</b>	<b>(407)</b>	<b>(971)</b>
<b>Cash flows from investing activities</b>		
Sale of investments designated at fair value through profit or loss	3,847	7,569
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<b>Net cash inflow from investing activities</b>	<b>3,847</b>	<b>7,569</b>
<b>Cash flows from financing activities</b>		
Return of capital	(3,000)	(10,000)
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<b>Net cash outflow from investing activities</b>	<b>(3,000)</b>	<b>(10,000)</b>
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	-----	-----
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>440</b>	<b>(3,402)</b>
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Cash and cash equivalents brought forward	1,212	4,930
Increase/(decrease) in cash and cash equivalents	440	(3,402)
Foreign exchange movement		(316)
	-	
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Cash and cash equivalents carried forward	<b>1,652</b>	<b>1,212</b>
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