

## CHINA GROWTH OPPORTUNITIES LIMITED

### UNAUDITED HALF-YEARLY RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

#### KEY POINTS

- Following the Extraordinary General Meeting held on 28 May 2012, £200,000 was raised through the issue of 20 million Ordinary Shares to the Scarborough Group, £250,000 was returned to shareholders and the Investing Policy was changed.
- Net assets at 30 September 2012 of £0.3 million (31 March 2012: £0.6 million).
- Net assets per share at 30 September 2012 of 0.48p (31 March 2012: 1.10p).
- Resignation of Mr Miller and Dr Zhang as Directors and appointment of Mr McCabe as a Director.

A copy of the half-yearly results will shortly be available for inspection on the Company's website. Copies can be obtained in hard copy form free of charge, from the Company Secretary (Elysium Fund Management Limited).

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 unaudited half-yearly results of China Growth Opportunities Limited (the "Company") for the six-month period ended 30 September 2012. With the restructuring process largely complete, the Board is now looking ahead to the next stage of life for the Company and I would like to take this opportunity to set out some of the plans we have, which the Board believes represent a positive outlook with significant value creation potential.

Primarily, the strategy going forward will entail a fundraising exercise over the coming months, as we seek to build a capital base, which will enable the Company to take advantage of a strong and continuing pipeline of opportunities in the Hong Kong and China region. Alongside new capital, the increased involvement of Scarborough means that the Company will benefit not only from Scarborough's extensive experience of operating in China, but also its highly skilled Hong Kong-based team, which has consistently demonstrated an ability to originate, execute and manage high quality investment opportunities. It is proposed that this team be formally engaged to undertake these key activities for the Company.

If these foundations can be successfully laid, the Board has every confidence that a robust portfolio of growth assets can be built, with the aim of providing strong levels of capital growth and income for all shareholders.

#### Results

The net asset value of the Company at 30 September 2012 was £0.3 million (30 September 2011: £0.7 million, 31 March 2012: £0.6 million), equal to 0.48p per Ordinary Share (30 September 2011: 1.39p per Ordinary Share, 31 March 2012: 1.10p per Ordinary Share). The 56% decrease in net asset value from 31 March 2012 was largely due to the net loss for the period of £169,000 (30 September 2011: loss of £1,000, 31 March 2011: loss of £145,000) and the return of capital to shareholders of £250,000.

#### Share Price

The share price dropped during the period by 58% from the 31 March 2012 price of 1.20p to 0.50p per Ordinary Share at 30 September 2012. We believe that this fall was largely attributable to the net loss for the period and the return of capital to shareholders. Despite the decrease in the share price, the Ordinary Shares continue to trade at a small premium to the net asset value.

## **Restructuring**

On 28 May 2012, the Company held an Extraordinary General Meeting at which shareholders approved the change of Investing Policy. Conditional on this was the issue of 20 million new Ordinary Shares and 20 million Warrants to Scarborough Holding Company Limited ("Scarborough") and the bonus issue of Warrants to existing shareholders. This is explained in more detail below.

As part of the restructuring, Mr Miller and Dr Zhang resigned from the Board of Directors and Mr McCabe was appointed as a Director.

## **Investing Policy**

The Company's Investing Policy was 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 2012. However, at the Extraordinary General Meeting held on 28 May 2012, a resolution was passed by shareholders to amend the Investing Policy to:

"The Company's objective is to provide shareholders with capital growth and income from investing in a portfolio of companies whose business operations are based in China. The Company will seek to invest as sole or lead investor in profitable, well-managed real estate and retail orientated businesses whose business operations are based in China.

Scarborough intends to utilise its resources and contacts in Hong Kong and China in order to generate deal flow and actively manage investments. Although there are no limits on the proportion of the Company's net assets which may be invested in any particular investment, the Directors will seek to ensure that the Company has a spread of investments. Investments are expected to be held for between approximately three to five years.

The Company will hold its investments through special purpose vehicles ("SPVs"). Borrowing may be undertaken at the SPV level and investments may initially be highly geared."

## **Additional Subscription**

On 29 May 2012 the Company issued 20 million Ordinary Shares to Scarborough, with Warrants attached on a one-for-one basis, at a price of 1.0 pence per Ordinary Share. The subscription proceeds are being used to fund the working capital requirements of the Company and to enable the Company to implement the new Investing Policy. Included in the terms of the subscription were:

- A return of capital of 0.5 pence per Ordinary Share paid to shareholders on 8 June 2012.
- A bonus issue of Warrants to shareholders on the register at the record date on the basis that shareholders received one Warrant for every two Ordinary Shares held.
- £200,000 raised (before expenses) by way of an issue of 20 million new Ordinary Shares to Scarborough at a price of 1.0 pence per Ordinary Share with Warrants attached so that Scarborough, at admission, held 20 million Ordinary Shares and 20 million Warrants. The subscription was conditional, inter alia, upon the Company obtaining approval from its shareholders to disapply statutory pre-emption rights and to grant the Board authority to allot the subscription shares as well as approval by shareholders of the new Investing Policy.
- The resignation of Mr Miller and Dr Zhang as Directors and the appointment of Mr McCabe as a Director.

## **Return of Capital**

As part of the restructuring, on 8 June 2012, £250,000 (0.5 pence per Ordinary Share) was paid to shareholders on the register at 4 May 2012. Scarborough did not benefit from the return of capital, as it was not a shareholder at the record date.

## **Investments**

The Wan Wei convertible loan note matured in May 2012, Wan Wei was not 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. On the basis of the lack of interested buyers for the Company's investment in Wan Wei and the inability of Wan Wei to even partially redeem the convertible loan note given its financial position, the Company wrote off its interest in Wan Wei and reclassified the £2.7 million unrealised loss as a £2.7 million realised loss.

At 30 September 2012, the Company's only investment was an equity stake in Starlight Viewpoint Limited, which is part of Wan Wei and has been valued at nil (30 September 2011 and 31 March 2012: 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 looking forward to the challenges ahead and we are enthused by the potential we continue to see in growth sectors in China. The next key step will be to build a capital base through a targeted fundraising exercise and we look forward to sharing more information about this with you in the coming weeks. After a period of hiatus, the Company is now set on a sound footing to move forward with the aim of creating value for all stakeholders.

Respectfully yours

R Davies  
21 November 2012

## CONDENSED HALF-YEARLY STATEMENT OF COMPREHENSIVE INCOME for the six months ended 30 September 2012

	<i>1 April 2012 to Note 30 September 2012 (unaudited) £'000</i>	<i>1 April 2011 to 30 September 2011 (unaudited) £'000</i>	<i>1 April 2011 to 31 March 2012 (audited) £'000</i>	
<b>Investment gains and losses</b>				
Net unrealised change in fair value of investments	2,700	3,499	3,500	
Loss from realisation of investments	(2,700)	(3,358)	(3,359)	
	-----	-----	-----	
<b>Total investment gains and losses</b>	<b>-</b>	<b>141</b>	<b>141</b>	
<b>Income</b>				
Other income	1	1	2	
	-----	-----	-----	
<b>Total income</b>	<b>1</b>	<b>1</b>	<b>2</b>	
<b>Expenses</b>				
Administration fees	(50)	(50)	(96)	
Directors' remuneration	(40)	(48)	(100)	
Nominated adviser and broker's fees	(33)	(13)	(25)	
Other expenses	(47)	(32)	(67)	
	-----	-----	-----	
<b>Total expenses</b>	<b>(170)</b>	<b>(143)</b>	<b>(288)</b>	
	-----	-----	-----	
<b>Total comprehensive loss for the period/year</b>	<b>(169)</b>	<b>(1)</b>	<b>(145)</b>	
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<b>Loss per share – basic and diluted</b>	<b>6</b>	<b>(0.27)p</b>	<b>0.00p</b>	<b>(0.29)p</b>

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
as at 30 September 2012

	Note	30 September 2012 (unaudited) £'000	30 September 2011 (unaudited) £'000	31 March 2012 (audited) £'000
<b>Non-current assets</b>				
Investments designated at fair value through profit or loss		-	-	-
		-----	-----	-----
<b>Current assets</b>				
Other receivables		5	5	7
Cash and cash equivalents		389	785	621
		-----	-----	-----
		394	790	628
		-----	-----	-----
<b>Total assets</b>		<b>394</b>	<b>790</b>	<b>628</b>
		-----	-----	-----
<b>Current liabilities</b>				
Payables and accruals		(61)	(94)	(76)
		-----	-----	-----
<b>Net assets</b>		<b>333</b>	<b>696</b>	<b>552</b>
		-----	-----	-----
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	10	700	500	500
Other reserve		2,293	2,293	2,293
Distributable reserves		(2,660)	(2,097)	(2,241)
		-----	-----	-----
<b>Total equity shareholders' funds</b>		<b>333</b>	<b>696</b>	<b>552</b>
		-----	-----	-----
<b>Net Asset Value per Ordinary Share – basic and diluted</b>	9	<b>0.48p</b>	<b>1.39p</b>	<b>1.10p</b>

## CONDENSED HALF-YEARLY STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2012 (*unaudited*)

	<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 2012</b>	500	2,293	(2,241)	552
Share Capital Issued ( <i>note 10</i> )	200	-	-	200
Return of Capital ( <i>note 7</i> )	-	-	(250)	(250)
<i>Total comprehensive loss for the period</i>				
Loss for the period	-	-	(169)	(169)
Other comprehensive loss for the period	-	-	-	-
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<b>Balance at 30 September 2012</b>	700	2,293	(2,660)	333
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for the six months ended 30 September 2011(*unaudited*)

	<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 2011</b>	500	2,293	(1,018)	1,775
Return of Capital ( <i>note 7</i> )			(1,078)	(1,078)
<i>Total comprehensive loss for the period</i>				
Loss for the period	-	-	(1)	(1)
Other comprehensive loss for the period	-	-	-	-
	-----	-----	-----	-----
<b>Balance at 30 September 2011</b>	500	2,293	(2,097)	696
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for the year ended 31 March 2012 (*audited*)

	<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 2011</b>	500	2,293	(1,018)	1,775
Return of Capital ( <i>note 7</i> )	-	-	(1,078)	(1,078)
<i>Total comprehensive loss for the year</i>				
Loss for the year	-	-	(145)	(145)
Other comprehensive loss for the year	-	-	-	-
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<b>Balance at 31 March 2012</b>	500	2,293	(2,241)	552
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**CONDENSED HALF-YEARLY STATEMENT OF CASH FLOWS**  
for the six months ended 30 September 2012

	<i>1 April 2011 to 30 September 2012 (unaudited) £'000</i>	<i>1 April 2011 to 30 September 2011 (unaudited) £'000</i>	<i>1 April 2011 to 31 March 2012 (audited) £'000</i>
<b>Cash flows from operating activities</b>			
Other income received	1	1	2
Administration fees paid	(50)	(25)	(100)
Directors' remuneration paid	(42)	(48)	(96)
Nominated adviser and broker's fee	(33)	(13)	(25)
Audit fees paid	(11)	(14)	(14)
Other expenses paid	(47)	(18)	(48)
	-----	-----	-----
<b>Net cash outflow from operating activities</b>	<b>(182)</b>	<b>(117)</b>	<b>(281)</b>
<b>Cash flow from financing activities</b>			
Issue of Ordinary Shares	200	-	-
Return of capital	(250)	(750)	(750)
	-----	-----	-----
<b>Net cash outflow from financing activities</b>	<b>(50)</b>	<b>(750)</b>	<b>(750)</b>
	-----	-----	-----
<b>Decrease in cash and cash equivalents</b>	<b>(232)</b>	<b>(867)</b>	<b>(1,031)</b>
	-----	-----	-----
Cash and cash equivalents brought forward	621	1,652	1,652
Decrease in cash and cash equivalents	(232)	(867)	(1,031)
	-----	-----	-----
Cash and cash equivalents carried forward	<b>389</b>	<b>785</b>	<b>621</b>
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## **NOTES TO THE UNAUDITED HALF-YEARLY RESULTS**

### **for the six months ended 30 September 2012**

#### **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 1<sup>st</sup> Floor, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey, GY1 3JX.

The Company's Investing Policy was 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 2012. However, at the Extraordinary General Meeting held on 28 May 2012, a resolution was passed by shareholders to amend the Investing Policy to:

"The Company's objective is to provide shareholders with capital growth and income from investing in a portfolio of companies whose business operations are based in China. The Company will seek to invest as sole or lead investor in profitable, well-managed real estate and retail orientated businesses whose business operations are based in China.

The Investor intends to utilise its resources and contacts in Hong Kong and China in order to generate deal flow and actively manage investments. Although there are no limits on the proportion of the Company's net assets which may be invested in any particular investment, the Directors will seek to ensure that the Company has a spread of investments. Investments are expected to be held for between approximately three to five years.

The Company will hold its investments through special purpose vehicles ("SPVs"). Borrowing may be undertaken at the SPV level and investments may initially be highly geared."

The Company's investment activities are self-managed.

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

#### **2. Statement of Compliance**

These unaudited half-yearly results, which have not been reviewed or audited, have been prepared in accordance with International Accounting Standard 34: *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements for the year ended 31 March 2012.

The unaudited half-yearly results were approved by the Board of Directors on 21 November 2012.

#### **3. Significant Accounting Policies**

These unaudited half-yearly results have adopted the same accounting policies as the last audited financial statements, which were prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board, interpretations issued by the IFRS Interpretations Committee and applicable legal and regulatory requirements of Guernsey Law and reflect the accounting policies as disclosed in the Company's last audited financial statements, which have been adopted and applied consistently.

#### **4. Critical Accounting Estimates and Judgements**

The preparation of these unaudited half-yearly results requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

##### ***Fair value of 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.

##### ***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.

## 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 period from 1 April 2012 to 30 September 2012.

The only revenue generated by the Company during the period was bank interest of £1,000 (30 September 2011: £1,000; 31 March 2012: £2,000), arising from cash and cash equivalents, which was generated in Guernsey. The Company is domiciled in Guernsey.

## 6. Loss per Ordinary Share - basic and diluted

The loss per Ordinary Share is based on the loss for the period of £169,000 (30 September 2011: loss of £1,000; 31 March 2012: loss of £145,000) and on a weighted average number of 63,552,084 Ordinary Shares in issue during the period (30 September 2011 and 31 March 2012: 50 million Ordinary Shares).

Following the Extraordinary General Meeting held on 28 May 2012, 44,999,992 Warrants were issued to qualifying shareholders on 29 May 2012. The average price, of the Ordinary Shares of 0.66 pence during the period was less than the exercise price of the Warrants (5.00 pence). Therefore, there was no dilution in the return per Ordinary Share.

## 7. Dividends and Return of Capital

The Directors do not propose an interim dividend for the period ended 30 September 2012 (30 September 2011 and 31 March 2012: nil).

During the period ended 30 September 2012, the Board returned a total of £250,000 (30 September 2011: 1,078,000, 31 March 2012: £1,078,000) to shareholders of the Company. The return of capital in the period was paid to shareholders on the register at 4 May 2012. At the 4 May 2012 the Company had 50 million Ordinary shares in issue and the return of capital was equal to 0.5p per Ordinary share

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.

## 8. Tax effects of other comprehensive income

During the periods ended 30 September 2012, 30 September 2011 and 31 March 2012 there was no other comprehensive income disclosed in the statement of comprehensive income and as a result there were no tax effects arising thereon.

## 9. 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 £333,000 (30 September 2011: £696,000; 31 March 2012: £552,000) and on 70,000,709 Ordinary Shares in issue at the end of the period (30 September 2011 and 31 March 2012: 50 million Ordinary Shares).

### *Diluted*

The 30 September 2012 price of the Ordinary Shares of 0.5 pence was below the exercise price of the 44,999,992 Warrants (exercise price of 5.00 pence). Therefore, as at 30 September 2012 the Subscription Warrants had no dilutive effect.

There were no securities in issue at 30 September 2011 or 31 March 2012 which could or had a dilutive effect on the Company's Ordinary Shares.

## 10. Share Capital

	30 September 2012	30 September 2011	31 March 2012
	£'000	£'000	£'000
<i>Authorised:</i>			
200,000,000 Ordinary Shares of 1p	2,000	2,000	2,000
	-----	-----	-----
<i>Allotted, called up and fully paid:</i>			
70,000,000 Ordinary Shares of 1p	700	500	500
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Following an Extraordinary General Meeting held on 28 May 2012, a resolution was passed by the shareholders enabling the Company to raise £200,000 (before expenses) through the issue of 20,000,000 Ordinary Shares to Scarborough at 1.0 pence per Ordinary Share, which represents a discount of 9.1% to the estimated net asset value per Existing Ordinary Share at 31 March 2012. The New Ordinary Shares represented 28.57% of the Company's enlarged issued Ordinary Share capital immediately following admission to trading on AIM on 29 May 2012. The New Ordinary Shares rank *pari passu* with the Ordinary Shares.

On 29 May 2012, the Company issued Subscription Warrants to Scarborough on the basis of one Subscription Warrant for each New Ordinary Share. Accordingly, following admission Scarborough held 20,000,000 Ordinary Shares and 20,000,000 Subscription Warrants.

On 29 May 2012, the Company issued 24,999,992 Bonus Issue Warrants to shareholders on the basis of one Bonus Issue Warrant for every two Existing Ordinary Shares. The terms of the Subscription Warrants and Bonus Issue Warrants are the same.

Each Warrant entitles the warrant-holder to subscribe for one Ordinary Share in cash at any time from 29 May 2012 to 29 May 2015 at a price of 5.0 pence per Ordinary Share. The Warrants have not been admitted to listing or trading on any stock exchange.

On 16 August 2012, the Company received notice to exercise 709 Warrants at an exercise price of 5.0 pence each. Following the Warrant exercise (and at the date of this report), 70,000,709 Ordinary Shares and 44,999,283 Warrants were in issue.

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 period (30 September 2011 and 31 March 2012: nil).

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

## 11. Related Parties

Mr Davies holds 50% of Damille Partners II, which held 5,100,000 Ordinary Shares (7.29%) at 30 September 2012 and the date of signing this report. In addition, Mr Davies holds 50% of Damille Partners Limited which held 8,651,920 Ordinary Shares (12.36%) at 30 September 2012 and the date of signing this report. Damille Partners and Damille Partners II received £68,760 from the Return of Capital Scheme implemented during the period.

Mr McCabe holds 100% of Scarborough Holding Company Limited, which held 20,000,000 Ordinary Shares (28.57%) at 30 September 2012 and the date of signing this report. Scarborough Holding Company Limited did not benefit from the return of capital during the period as it was not a shareholder at the record date.

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

## 12. Events after the financial reporting date

There were no material events after the financial reporting date that required disclosure as at 21 November 2012.

## 13. 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, which is part of its new Investing Policy, is that borrowing may be undertaken at the SPV level and investments may initially be highly geared.

The Board monitors and reviews the structure of the Company's capital on an ad hoc basis. This review includes:

- The need to obtain funds for new investments, as and when they arise.
- 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.