

VINCO  域高

VINCO FINANCIAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8340



## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors of Vinco Financial Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to Vinco Financial Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Chung Ho Yan (*Chairman*)  
Mr. Miu Ka Keung, Kevin

### Independent Non-executive Directors

Mr. Yip Tai Him  
Mr. William Wu  
Mr. Lee Wing Lun

## COMPANY SECRETARY

Mr. Tang Wai Shun, Leon, HKICPA, CPA

## AUTHORISED REPRESENTATIVES

Mr. Chung Ho Yan  
Mr. Miu Ka Keung, Kevin

## AUDIT COMMITTEE

Mr. Yip Tai Him (*Chairman*)  
Mr. Lee Wing Lun  
Mr. William Wu

## NOMINATION COMMITTEE

Mr. Chung Ho Yan (*Chairman*)  
Mr. William Wu  
Mr. Lee Wing Lun

## REMUNERATION COMMITTEE

Mr. Lee Wing Lun (*Chairman*)  
Mr. William Wu  
Mr. Chung Ho Yan

## COMPLIANCE OFFICER

Mr. Miu Ka Keung, Kevin

## REGISTERED OFFICE

Clifton House  
75 Fort Street  
PO Box 1350  
Grand Cayman  
KY1-1108  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 4909–10, 49/F  
The Center  
99 Queen's Road Central  
Hong Kong

## As to Cayman Islands Law

Appleby  
2206–19  
Jardine House  
1 Connaught Place  
Central, Hong Kong

## AUDITORS

CCIF CPA Limited  
34/F, The Lee Gardens  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

## PRINCIPAL BANKER

The Hong Kong and Shanghai Banking  
Corporation Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Ltd.  
Clifton House  
75 Fort Street  
PO Box 1350  
Grand Cayman  
KY1-1108  
Cayman limited

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## WEBSITE

[www.vinco.com.hk](http://www.vinco.com.hk)

## STOCK CODE

8340

## CHAIRMAN'S STATEMENT

### BUSINESS REVIEW

This year is a remarkable year for our Group. Despite the downturn of the local capital market in general, we, acting as the role of joint sponsor, were able to successfully completed two initial public offering projects as well as completed over thirty corporate finance advisory related projects. In November 2011, SFC has approved our Group to act as the sole sponsor for all IPO related projects in Hong Kong.

### FINANCIAL REVIEW

#### *Results of the Group*

The turnover of the Group was approximately HK\$9.94 million during the year (2010: approximately HK\$8.86 million), representing an increase of approximately 12.19%. The increase in turnover was mainly attributable to the success of secured of two IPO joint sponsor mandates for companies seeking to be listed on the Stock Exchange. The net loss attributable to shareholders of the Group for the year ended 31 December 2011 was approximately HK\$1.27 million (2010: loss of approximately HK\$1.28 million).

As at 31 December 2011, the Group had total assets of approximately HK\$25.52 million (2010: approximately HK\$26.43 million). The net assets value of the Group was approximately HK\$24.99 million as at 31 December 2011 (2010: approximately HK\$26.26 million).

The Group stayed in a healthy and sound liquidity position. The cash and cash equivalents of the Group amounted to approximately HK\$23.76 million as at 31 December 2011. It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity to meet operation requirements and acquisition opportunities.

#### *Capital structure*

The capital of the Group comprises only ordinary shares. As at 31 December 2011, the total number of the ordinary shares of the Group in issue was 640,000,000 shares.

#### *Charge on Group's assets*

As at 31 December 2011, the Group did not have any charge on its assets (2010: nil).

## CHAIRMAN'S STATEMENT

### *Hedging*

Since all of the transactions of the Group are denominated in Hong Kong dollars, no hedging or other arrangements to reduce the currency risk had been implemented during the year under review.

### *Information on employees*

As at 31 December 2011, the Group had a workforce of 15 employees (2010: 14). The total staff costs, including the directors' emoluments, amounted to HK\$6.7 million for the year under review (2010: approximately HK\$5.8 million).

The Group's remuneration policies were determined by reference to market terms as well as the performance, qualification and experience of each individual employee.

The details of retirement benefit schemes of the Group are set out in note 8 to the financial statements.

### *Contingent liabilities*

As at 31 December 2011, the Group did not have any significant contingent liabilities (2010: nil).

### *Significant investment*

The Group did not hold any significant investment for the year ended 31 December 2011 and has never been engaged in any investment of structured securities and/or products.

## CHAIRMAN'S STATEMENT

### OUTLOOK

Looking forward, the operation environments of the Group continue to be challenging, the Group will continue to implement strategic development plans and better allocation of resources to provide a comprehensive one-stop advisory service for customers. In cope with the uncertainties in the global market, the Group will continue to focus on the general corporate finance advisory services as well as IPO-related projects. The Group will devote more resources in exploring new revenue sources with leveraging on the extensive experience and expertise of the management and the Group's networks.

On behalf of the board of directors, I would like to express my deepest gratitude to our shareholders. I would also like to thank my fellow board members and colleagues for their dedication and contribution in the past year.

**Chung Ho Yan**  
*Chairman*

Hong Kong, 5 March 2012

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

Mr. Chung Ho Yan, aged 39, is the founder, an executive Director and chairman of the Group. He is responsible for formulating corporate strategy, business development as well as overseeing the operations of the Group. Mr. Chung holds a bachelor's degree in commerce and a master's degree in business administration. Mr. Chung entered the financial industry in mid-1990s and has become a responsible officer as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") since 2003.

Mr. Miu Ka Keung, Kevin, aged 45, is an executive Director. Mr. Miu joined the Group in January 2003 and is mainly responsible for overseeing compliance matters and corporate development of the Group. Mr. Miu possesses a bachelor's degree in accounting and a master's degree in business administration. Mr. Miu entered the financial industry in early 1990s and has become a responsible officer as defined under SFO since 2003. Before joining the Group in 2003, Mr. Miu worked for various banks and financial institutions and has gained extensive experience and knowledge in corporate finance, equity capital market, private equity and debt financing. He is currently a non-executive director of LED International Holdings Limited (since October 2006) which is listed on the Alternative Investment Market of the London Stock Exchange.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. William Wu, aged 59, holds a bachelor's degree in business and a master's degree in business administration. He has over 20 years of experience in internal audit. He is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Australian Society of Certified Practising Accountants. Mr. Wu joined The Hong Kong Polytechnic University in November 1994 and is currently the Head of Internal Audit Unit of The Hong Kong Polytechnic University. Mr. Wu joined the Group in May 2008.

Mr. Yip Tai Him, aged 41, has over 15 years of experience in auditing, accounting and corporate finance. He is a member of the Institute of Chartered Accountants in England and Wales and Hong Kong Institute of Certified Public Accountants. Mr. Yip is currently an independent non-executive director of Wing Lee Holdings Limited (stock code: 876) (since February 2001) listed on the Main Board; an independent non-executive director of China Communication Telecom Services Company Limited (stock code: 8206) (since October 2002) listed on the GEM; an independent non-executive director of KH Investment Holdings Limited (stock code: 8172) listed on the GEM (since December 2008); an independent non-executive director of GCL-Poly Energy Holdings Limited (stock code: 3800) (since March 2009) listed on the Main Board and an independent non-executive director of iOne Holdings Limited (stock code: 982) (since April 2009) listed on the Main Board. Mr. Yip joined the Group in May 2008.

Mr. Lee Wing Lun, aged 52, holds a bachelor's degree in commerce. He is a member of the Hong Kong Institute of Certified Public Accountants, the Australian Society of Certified Practising Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He has over 15 years of working experience in auditing and accounting. Mr. Lee joined the Group in May 2008.

### SENIOR MANAGEMENT

Mr. Tang Wai Shun, Leon, aged 40, is the qualified accountant and company secretary of the Company. He holds a bachelor's degree in commerce. He has over 15 years of experience in auditing and accounting. He is a member of the Hong Kong Institute of Certified Public Accountants and the Australian Society of Certified Practising Accountants. Mr. Tang joined the Group in December 2007.



## **DIRECTORS' REPORT**

The directors have pleasure in submitting their report together with the audited financial statements of Vinco Financial Group Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2011.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activity of the Group is the provision of financial services in Hong Kong. There was no significant change in its activities during the year.

### **RESULTS AND DIVIDENDS**

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 23 to 55.

The directors do not recommend the payment of any dividend for the year ended 31 December 2011 (no final dividend for the year ended 31 December 2010).

### **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 11 April 2012 to 12 April 2012, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending the forthcoming annual general meeting, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 10 April 2012.

### **SUBSIDIARIES**

Particulars of the Company's subsidiaries are set out in note 12 to the financial statements.

### **PLANT AND EQUIPMENT**

Movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

## **DIRECTORS' REPORT**

### **SHARE CAPITAL AND SHARE OPTIONS**

Details of changes in the Company's share capital and share options during the year, together with the reasons thereof, are set out in note 16 to the financial statements respectively. The Group has no outstanding share options issued as at 31 December 2011.

### **PUBLIC FLOAT**

Based on the information publicly available to the Company and within the knowledge of the directors of the Company, as at the latest practicable date prior to the issue of this report, there is sufficient public float in the issued share capital of the Company pursuant to the GEM Listing Rules.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

### **GROUP FINANCIAL SUMMARY**

A summary of the results of the Group for year ended 31 December 2011 is set out on pages 56 of the annual report.

### **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 16 to the financial statements and in the consolidated statement of changes in equity on page 26 respectively.

### **DISTRIBUTABLE RESERVES**

At 31 December 2011, the Company's reserves available for distribution to shareholders comprising share premium account less accumulated losses, amounted to approximately HK\$11.15 million.

## DIRECTORS' REPORT

### MAJOR CUSTOMERS

In the year under review, the Group's five largest customers accounted for approximately 48.5% of the Group's turnover and the largest customer included therein accounted for approximately 15.1% of the Group's turnover.

### DIRECTORS

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

*Executive directors:*

Mr. Chung Ho Yan (*Chairman*)  
Mr. Miu Ka Keung, Kevin

*Independent non-executive directors:*

Mr. William Wu  
Mr. Yip Tai Him  
Mr. Lee Wing Lun

The terms of office of each director are subject to retirement by rotation in accordance with the Company's Articles of Association.

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 7 to 8 of the annual report.

### DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## DIRECTORS' REPORT

### DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 31 December 2011, the interests or short positions of the Directors and the chief executives of the Company in the shares ("Shares"), underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### *Interest in the Company*

Name of director	Nature of interest	Number of shares directly and beneficially owned	Percentage of the Company's issued share capital
Mr. Chung Ho Yan ( <i>Note 1</i> )	Interest of controlled corporation	326,400,000	51%

*Note:*

1. Mr. Chung Ho Yan ("Mr. Chung") is the beneficial owner of 100% of the issued share capital of Vinco Asia Limited. Mr. Chung is deemed to be interested in 326,400,000 Shares held by Vinco Asia Limited under the SFO.

During the year ended 31 December 2011, there were no debt securities issued by the Group at any time.

Save as disclosed herein, as at 31 December 2011, none of the Directors or chief executive of the Company or their associates had any interests and short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein; or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## DIRECTORS' REPORT

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

For the year ended 31 December 2011, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

#### *Interest in the Company*

Name	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Vinco Asia Limited ( <i>Note 1</i> )	Beneficial interest	326,400,000	51%
Chiu Lai Yee	Beneficial interest	153,600,000	24%

*Note:*

1. Vinco Asia Limited, an investment holding company incorporated under the laws of the BVI with limited liability, is wholly and beneficially owned by Mr. Chung.

During the year ended 31 December 2011, there were no debt securities issued by the Group at any time.

Save as disclosed above, as at 31 December 2011, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

## **DIRECTORS' REPORT**

### **GROUP'S EMOLUMENT POLICY**

The emolument policy of the employees of the Group is set up by the board of directors on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are approved by the board of directors, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme (the "Scheme") as an incentive to directors and eligible employees, details of the scheme are set out as below:

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted. The Scheme became effective on 20 May 2008 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at the date of approval of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

No share option was granted, exercised, expired or lapsed under scheme under the year.

### **RELATED PARTY TRANSACTIONS**

Details of the related party transactions of the Group are set out in note 19 to the financial statements.

## **DIRECTORS' REPORT**

### **CORPORATE GOVERNANCE**

A report on the principal corporate governance practice adopted by the Company is set out in pages 16 to 20 of the annual report.

### **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

For the year ended 31 December 2011, the directors are not aware of any business or interest of the directors, the management shareholders and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

### **AUDITOR**

The financial statements for the year ended 31 December 2011 have been audited by CCIF CPA Limited ("CCIF"). CCIF will retire as the auditor of the Company at the conclusion of the forthcoming Annual General Meeting and will not offer themselves for re-appointment because of its merger of business with PCP CPA Limited resulting in Crowe Horwath (HK) CPA Limited operating as the merged firm. Crowe Horwath (HK) CPA Limited is a member firm in Hong Kong for Crowe Horwath International.

As a result of these changes, a resolution for the appointment of Crowe Horwath (HK) CPA Limited as the new auditor of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

**Chung Ho Yan**  
*Chairman*

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

Throughout the financial year ended 31 December 2011, the Group had complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the “CG Code”), except for the deviations to Code Provisions A.2.1 and A.4.1 as explained in this report.

The board of Directors (the “Board”) has continued to monitor and review the Group’s progress in respect of corporate governance practices to ensure compliance.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER:

The code provision A.2.1 of the CG Code states that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Chung Ho Yan is the Chairman and the Chief Executive Officer of the Company. As the Company’s size is still relatively small and thus is not justified in separating the role of chairman and chief executive officer of the Company. The Group has in place internal control system to perform the check and balance function.

## NON-EXECUTIVE DIRECTORS:

The code provision A.4.1 of the CG Code states that Non-executive Directors should be appointed for specific terms, subject to re-election.

The Company has deviated from this provision in that all Independent Non-executive Directors are not appointed for specific terms. They are, however, subject to retirement by rotation at least once every three years as all Directors are subject to retirement by rotation in accordance with the Company’s Articles of Association.

## BOARD OF DIRECTORS

The Company is governed by the Board, which has the responsibility for leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group’s affairs. The Board set strategies and directions for the Group’s affairs and activities with a view to develop its business and to enhance shareholders value.

The Board currently comprises two executive Directors and three independent non-executive Directors. The composition of the Board and biographies of the Directors are set out on pages 7 to 8 of this report. The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules.



## CORPORATE GOVERNANCE REPORT

The Board met 4 times during the year ended 31 December 2011. Its composition and the attendance of individual directors at these board meetings were as follows:

Name	Number of attendance	
<i>Executive Directors</i>		
Chung Ho Yan	4/4	100%
Miu Ka Keung, Kevin	3/4	75%
<i>Independent Non-executive Directors</i>		
William Wu	4/4	100%
Yip Tai Him	4/4	100%
Lee Wing Lun	4/4	100%
Average attendance rate		95%

In compliance with Rules 5.01 and 5.02 of the GEM Listing Rules, the Company has three independent non-executive Directors (the “INED(s)”) who, together with the executive Directors, are responsible for formulating the Group’s development strategies. They ensure that the Board prepares its financial and other mandatory reports in strict compliance with required standards, and ensure that the Company maintains appropriate system to protect the interests of the Company and its shareholders. The Board has received an annual confirmation of independence from each of the INEDs. The Group considered the INEDs to be independent in accordance with each and every guideline set out in Rule 5.09 of the GEM Listing Rules as at the date of this report.

The Board has established three committees: Nomination Committee, Remuneration Committee and Audit Committee. All of the committees have terms of reference which accord with the principles set out in the CG Code. More details of these committees are set out in separate sections in this report.

### SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the rules set out in Rules 5.48 to 5.67 (where applicable) of the GEM Listing Rules as the code for dealing in securities of the Company by the Directors (the “Code”).

The Company has made specific enquiry of all Directors of the Company, and the Directors have confirmed compliance with the Code during the year ended 31 December 2011.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code. No incident of non-compliance was noted by the Company for the year ended 31 December 2011.

# CORPORATE GOVERNANCE REPORT

## NOMINATION COMMITTEE

The Company established a Nomination Committee on 22 April 2008 with written terms of reference. The Nomination Committee has 3 members, comprising Mr. Chung Ho Yan (Executive Director), Mr. William Wu (Independent Non-executive Director) and Mr. Lee Wing Lun (Independent Non-executive Director). The Committee is chaired by Mr. Chung Ho Yan.

The terms of reference of the Nomination Committee have been determined with reference to the CG Code.

The Nomination Committee is responsible for identifying potential new directors and recommends to the Board for decision. A director appointed by the Board is subject to election by shareholders at the first annual general meeting after his appointment. Under the Articles, all directors are subject to retirement by rotation and re-election by shareholders every 3 years.

Potential new directors are selected on the basis of their qualifications, skill and experience which the Nomination Committee considers will make a positive contribution to the performance of the Board.

## REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 22 April 2008 with written terms of reference. The Remuneration Committee has 3 members, comprising Mr. Lee Wing Lun (Independent Non-executive Director and chairman of the Remuneration Committee), Mr. William Wu (Independent Non-executive Director ) and Mr. Chung Ho Yan (Executive Director). The remuneration committee is responsible for formulating and making recommendations to the Board the remunerations policy, determining the specific remuneration packages of all executive Directors and senior management and making recommendations to the Board of the remuneration of non-executive Directors.

The Remuneration Committee met once during the year ended 31 December 2011 and all the members attended the meeting.

## AUDIT COMMITTEE

The Company's Audit Committee was formed on 22 April 2008 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's internal control procedures and annual report, financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the board of Directors. The Audit Committee currently comprises three Independent Non-executive Directors, Mr. Yip Tai Him, Mr. Lee Wing Lun and Mr. William Wu. The Audit Committee members have reviewed this Annual Report and have provided advice and comments thereon.

## CORPORATE GOVERNANCE REPORT

The Audit Committee held 4 meetings for the year ended 31 December 2011. Its composition and attendance of individual members at these Audit Committee meetings are as follows:

<b>Members of the Audit Committee</b>	<b>Number of attendance</b>	
Mr. Yip Tai Him	4/4	100%
Mr. Lee Wing Lun	4/4	100%
Mr. William Wu	4/4	100%

### ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company. The Directors have prepared the financial statements on the assumption that the Group will continue as a going concern by taking into consideration that the holding company has agreed to provide adequate financial support to the Group to enable it to meet all its financial obligations as they fall due. The Directors are not aware of any other material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditor about their financial reporting are set out in the Independent Auditor's Report on pages 21 to 22 of this report.

### AUDITOR'S REMUNERATION

During the year, remuneration paid/payable to auditors for audit services of the Group were approximately HK\$150,000.

### INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective internal control system of the Group and has established the Group's internal control policies and procedures for monitoring the internal control system. The internal control system of the Group is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure maintenance of proper books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures. Besides, the Board reviews at least annually the overall effectiveness of the Group's internal control system.

The Board is of the view that the Group's internal control system is effective to achieve the Group's internal control objectives and will continue to assess the effectiveness of internal controls by considering reviews performed by the Audit Committee, executive management and auditor.

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS RELATIONS

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders.

The Board strives to encourage and maintain constant dialogue with its shareholders through various means. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The Company also updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company has provided an effective communication platform to the public and the shareholders.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

# INDEPENDENT AUDITOR'S REPORT

**CCIF****CCIF CPA LIMITED**34/F The Lee Gardens  
33 Hysan Avenue  
Causeway Bay Hong Kong

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VINCO FINANCIAL GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Vinco Financial Group Limited (“the Company”) and its subsidiaries (together “the Group”) set out on pages 23 to 55, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Directors' responsibility for the consolidated financial statements*

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

## INDEPENDENT AUDITOR'S REPORT

entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**CCIF CPA Limited**

*Certified Public Accountants*

Hong Kong, 5 March 2012

**Yau Hok Hung**

Practising Certificate Number P04911

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	<i>Note</i>	2011 HK\$'000	2010 HK\$'000
<b>Turnover</b>	3	9,938	8,856
Operating expenses		(11,206)	(10,131)
<b>Loss from operations and before taxation</b>	4	(1,268)	(1,275)
Income tax	5(a)	—	—
<b>Loss for the year and attributable to equity shareholders of the Company</b>	9	(1,268)	(1,275)
<b>Other comprehensive income for the year</b>		—	—
<b>Total comprehensive loss for the year and attributable to equity shareholders of the Company</b>		(1,268)	(1,275)
<b>Loss per share</b>	10		
— Basic and diluted		(0.20) cents	(0.20) cents

The notes on pages 28 to 55 form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	<i>Note</i>	2011 HK\$'000	2010 HK\$'000
<b>Non-current assets</b>			
Plant and equipment	<i>11</i>	96	206
<b>Current assets</b>			
Trade and other receivables	<i>13</i>	1,663	748
Tax recoverable	<i>15(a)</i>	—	9
Cash and cash equivalents	<i>14</i>	23,756	25,462
		25,419	26,219
<b>Current liabilities</b>			
Accrued expenses		291	169
Income received in advance		90	—
Bank overdraft	<i>14</i>	146	—
		527	169
<b>Net current assets</b>		24,892	26,050
<b>NET ASSETS</b>		24,988	26,256
<b>Capital and reserves</b>			
Share capital	<i>16</i>	6,400	6,400
Reserves		18,588	19,856
<b>TOTAL EQUITY</b>		24,988	26,256

Approved and authorised for issue by the board of directors on 5 March 2012.

Mr. Chung Ho Yan  
Director

Mr. Miu Ka Keung, Kevin  
Director

The notes on pages 28 to 55 form part of these financial statements.



## STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	<i>Note</i>	2011 HK\$'000	2010 HK\$'000
<b>Non-current assets</b>			
Investments in subsidiaries	<i>12</i>	100	100
<b>Current assets</b>			
Due from a subsidiary	<i>12</i>	11,900	11,900
Cash and cash equivalents	<i>14</i>	5,694	5,957
		17,594	17,857
<b>Current liabilities</b>			
Due to a subsidiary	<i>12</i>	—	150
Bank overdraft	<i>14</i>	146	—
		146	150
<b>Net current assets</b>		17,448	17,707
<b>NET ASSETS</b>		17,548	17,807
<b>Capital and reserves</b>			
Share capital	<i>16</i>	6,400	6,400
Reserves		11,148	11,407
<b>TOTAL EQUITY</b>		17,548	17,807

Approved and authorised for issue by the board of directors on 5 March 2012.

**Mr. Chung Ho Yan**  
*Director*

**Mr. Miu Ka Keung, Kevin**  
*Director*

The notes on pages 28 to 55 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	<i>Attributable to equity shareholders of the Company</i>				
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2010</b>	6,400	11,887	9,900	(656)	27,531
<b>Changes in equity for 2010:</b>					
Loss for the year	—	—	—	(1,275)	(1,275)
Other comprehensive income	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	(1,275)	(1,275)
<b>Balance at 31 December 2010 and 1 January 2011</b>	6,400	11,887	9,900	(1,931)	26,256
<b>Changes in equity for 2011:</b>					
Loss for the year	—	—	—	(1,268)	(1,268)
Other comprehensive income	—	—	—	—	—
Total comprehensive loss for the year	—	—	—	(1,268)	(1,268)
<b>Balance at 31 December 2011</b>	6,400	11,887	9,900	(3,199)	24,988

The notes on pages 28 to 55 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	<i>Note</i>	2011 HK\$'000	2010 HK\$'000
<b>Operating activities</b>			
Cash used in operations	<i>14(b)</i>	(1,841)	(984)
Tax paid:			
Hong Kong Profits Tax refunded		9	292
<b>Net cash used in operating activities</b>		<b>(1,832)</b>	<b>(692)</b>
<b>Investing activities</b>			
Payment for purchase of plant and equipment		(20)	(19)
<b>Net cash used in investing activities</b>		<b>(20)</b>	<b>(19)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,852)</b>	<b>(711)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>25,462</b>	<b>26,173</b>
<b>Cash and cash equivalents at 31 December</b>	<i>14(a)</i>	<b>23,610</b>	<b>25,462</b>

The notes on pages 28 to 55 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. SIGNIFICANT ACCOUNTING POLICIES

### *a) Statement of compliance*

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### *b) Basis of preparation of the financial statements*

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as “the Group”).

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of the financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, 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. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 21.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### *c) Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(g)), unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

#### *d) Plant and equipment*

Plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(g)).

Gains or losses arising from the retirement or disposal of items of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Furniture and fixtures	10 years
Office equipment	5 years
Leasehold improvements	Over the estimated lease term

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### *d) Plant and equipment (Continued)*

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

#### *e) Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

##### *i) Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operation leases.

##### *ii) Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

#### *f) Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### *g) Impairment of assets*

##### *i) Impairment of trade and other receivables*

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### *g) Impairment of assets (Continued)*

##### *ii) Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- plant and equipment; and
- investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.



## NOTES TO THE FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### *h) Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

#### *i) Trade and other payables*

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

#### *j) Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

#### *k) Employee benefits*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

#### *l) Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### *1) Income tax (Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### *l) Income tax (Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

#### *m) Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### *n) Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

##### *i) Income from provision of financial services*

Income from provision of financial services is recognised at the time when the services are rendered by reference to the stage of completion.

##### *ii) Interest income*

Interest income is recognised as it accrues using the effective interest method.

#### *o) Related parties*

- a) A person, or a close member of that person's family, is related to the Group if that person:
- i) has control or joint control over the Group;
  - ii) has significant influence over the Group; or
  - iii) is a member of the key management personnel of the Group or the Group's parent.
- b) An entity is related to the Group if any of the following conditions applies:
- i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii) Both entities are joint ventures of the same third party.
  - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### *o) Related parties (Continued)*

- vi) The entity is controlled or jointly controlled by a person identified in (a).
- vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

#### *p) Segment reporting*

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the executive directors of the Company, being the chief operating decision maker, for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

The Group operates in single operating segment, i.e. the provision of financial services in Hong Kong. Accordingly, no segment analysis is presented.

### 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (revised 2009), Related Party Disclosures

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The impacts of the development is discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. TURNOVER

The principal activity of the Group is the provision of financial services in Hong Kong. Turnover represents revenue from the provision of financial services for the years ended 31 December 2011 and 2010.

For the year ended 31 December 2011, revenues of approximately HK\$1,503,000 and HK\$1,140,000 were derived from two single external customers, each of them contributed over 10% of the total revenue of the Group.

For the year ended 31 December 2010, revenues of approximately HK\$1,141,000 and HK\$1,000,000 were derived from two single external customers, each of them contributed over 10% of the total revenue of the Group.

### 4. LOSS FROM OPERATIONS AND BEFORE TAXATION

Loss from operations and before taxation is arrived at after charging:

	2011 HK\$'000	2010 HK\$'000
<b>a) Staff costs (including directors' remuneration):</b>		
Contributions to defined contribution retirement plan (note 8)	97	82
Salaries and other benefits	6,598	5,698
	<b>6,695</b>	<b>5,780</b>
	2011 HK\$'000	2010 HK\$'000
<b>b) Other items:</b>		
Auditors' remuneration		
— audit services	150	150
Depreciation	130	149
Operating lease charges in respect of office premises	1,809	1,708

## NOTES TO THE FINANCIAL STATEMENTS

### 5. INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*a) Income tax charged / (credited) to profit or loss:*

No provision for Hong Kong Profits Tax for the years ended 31 December 2011 and 2010 has been made in the consolidated financial statements as the Group has no estimated assessable profits for the years.

Pursuant to the rules and regulations of Cayman Islands, the Company is not subject to income tax in the Cayman Islands.

*b) Reconciliation between tax expense charged / (credited) to profit or loss and accounting loss at applicable tax rate:*

	2011 HK\$'000	2010 HK\$'000
Loss before taxation	(1,268)	(1,275)
Notional tax on loss before taxation, calculated at a rate of 16.5% (2010: 16.5%)	(209)	(210)
Tax effect of non-deductible expenses	77	25
Tax effect of unused tax losses not recognised	138	192
Others	(6)	(7)
Actual tax expense	—	—

## NOTES TO THE FINANCIAL STATEMENTS

### 6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

#### *Year ended 31 December 2011*

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	2011 Total HK\$'000
<b>Executive Directors</b>				
Mr. Chung Ho Yan	—	1,589	12	1,601
Mr. Miu Ka Keung, Kevin	—	728	5	733
<b>Independent Non-executive Directors</b>				
Mr. Yip Tai Him	36	—	—	36
Mr. William Wu	36	—	—	36
Mr. Lee Wing Lun	36	—	—	36
	<b>108</b>	<b>2,317</b>	<b>17</b>	<b>2,442</b>

#### *Year ended 31 December 2010*

	Directors' fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement scheme contributions HK\$'000	2010 Total HK\$'000
<b>Executive Directors</b>				
Mr. Chung Ho Yan	—	1,581	12	1,593
Mr. Miu Ka Keung, Kevin	—	201	1	202
<b>Independent Non-executive Directors</b>				
Mr. Yip Tai Him	36	—	—	36
Mr. William Wu	36	—	—	36
Mr. Lee Wing Lun	36	—	—	36
	<b>108</b>	<b>1,782</b>	<b>13</b>	<b>1,903</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 6. DIRECTORS' REMUNERATION *(Continued)*

#### *Year ended 31 December 2010 (Continued)*

During the years ended 31 December 2011 and 2010, no emoluments were paid by the Group to any directors of the Company as an inducement to join or upon joining the Company or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2011 and 2010.

### 7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2010: two) are directors whose emoluments are disclosed in note 6 above. The aggregate of the emoluments in respect of other three (2010: three) individuals are as follows:

	2011 HK\$'000	2010 HK\$'000
Salaries and other emoluments	2,870	2,807
Retirement scheme contributions	36	33
	<b>2,906</b>	<b>2,840</b>

The emoluments of the three (2010: three) individuals with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
HK\$Nil–HK\$1,000,000	2	2
HK\$1,500,001–HK\$2,000,000	1	1

There was no amount paid during the years ended 31 December 2011 and 2010 to the five highest paid employees as inducement to join on upon joining the Group or as compensation for loss of office.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. DEFINED CONTRIBUTION RETIREMENT PLAN

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the plan vest immediately.

### 9. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of approximately HK\$259,000 (2010: HK\$260,000) which has been dealt with in the financial statements of the Company.

### 10. LOSS PER SHARE

#### *a) Basic loss per share*

The calculation of basis loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK\$1,268,000 (2010: loss of approximately HK\$1,275,000) and the weighted average of 640,000,000 (2010: 640,000,000) ordinary shares in issue during the year.

#### *b) Diluted loss per share*

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2011 and 2010, and diluted loss per share is the same as basic loss per share.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. PLANT AND EQUIPMENT

#### *The Group*

	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
<b>Cost:</b>				
At 1 January 2010	221	150	389	760
Additions	—	19	—	19
At 31 December 2010	221	169	389	779
At 1 January 2011	221	169	389	779
Additions	3	17	—	20
At 31 December 2011	224	186	389	799
<b>Accumulated depreciation:</b>				
At 1 January 2010	128	117	179	424
Charge for the year	22	12	115	149
At 31 December 2010	150	129	294	573
At 1 January 2011	150	129	294	573
Charge for the year	22	13	95	130
At 31 December 2011	172	142	389	703
<b>Net book value:</b>				
At 31 December 2011	52	44	—	96
At 31 December 2010	71	40	95	206

## NOTES TO THE FINANCIAL STATEMENTS

### 12. INVESTMENTS IN SUBSIDIARIES AND DUE FROM/(TO) SUBSIDIARIES

	<i>The Company</i>	
	2011 HK\$'000	2010 HK\$'000
Investments in subsidiaries		
Unlisted shares, at cost	100	100
Amount due from a subsidiary	11,900	11,900
Amount due to a subsidiary	—	(150)

- a) The balances with subsidiaries are unsecured, non-interest bearing and repayable on demand. No provisions for bad or doubtful debts have been made in respect of the amount due from a subsidiary.
- b) The following list contains the particulars of the subsidiaries at 31 December 2011.

Name of company	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest		Principal activities
			Group's effective interest	Held by the Company	
Grand Vinco Capital Limited ("Vinco Capital")*	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100%	100%	Provision of financial services
Vinco Financial Limited*	Hong Kong	1 ordinary share of HK\$1 each	100%	100%	Provision of financial services

\* These companies were established in Hong Kong in the form of a limited liability company.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. TRADE AND OTHER RECEIVABLES

	<i>The Group</i>	
	2011 HK\$'000	2010 HK\$'000
Trade debtors	735	200
Less: allowance for doubtful debts	—	—
Loans and receivables	735	200
Deposits and prepayments	928	548
	<b>1,663</b>	<b>748</b>

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is approximately HK\$915,000 (2010: HK\$Nil). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

#### *a) Ageing analysis*

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period.

	<i>The Group</i>	
	2011 HK\$'000	2010 HK\$'000
Current	235	200
1 to 3 months past due	500	—
	<b>735</b>	<b>200</b>

Trade debtors are due within 60 days from the date of billing. Further details on the Group's credit policy are set out in note 17(a)(i).

#### *b) Impairment of trade debtors*

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(g)(i)).

During the years ended 31 December 2011 and 2010, there was no impairment loss made against trade debtors.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. TRADE AND OTHER RECEIVABLES (Continued)

#### c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	<i>The Group</i>	
	2011 HK\$'000	2010 HK\$'000
Neither past due nor impaired	235	200
1 to 3 months past due	500	—
	<b>735</b>	<b>200</b>

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivable that was past due but not impaired related to an independent customer that has no bad track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of this balance as there has not been a significant change in credit quantity and the balance is still considered fully recoverable.

### 14. CASH AND CASH EQUIVALENTS

#### a) Cash and cash equivalents comprise:

	<i>The Group</i>		<i>The Company</i>	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Cash and cash equivalents in the statements of financial position:				
Cash at bank	23,756	25,462	5,694	5,957
Bank overdraft (Note 14(c))	(146)	—	(146)	—
	<b>23,610</b>	<b>25,462</b>	<b>5,548</b>	<b>5,957</b>
Cash and cash equivalents in the consolidated statement of cash flows	<b>23,610</b>	25,462		

## NOTES TO THE FINANCIAL STATEMENTS

### 14. CASH AND CASH EQUIVALENTS *(Continued)*

*b) Reconciliation of loss before taxation to cash used in operations:*

	<i>The Group</i>	
	2011 HK\$'000	2010 HK\$'000
Loss before taxation	(1,268)	(1,275)
Adjustments for:		
Depreciation	130	149
Changes in working capital:		
(Increase)/decrease in trade and other receivables	(915)	205
Increase in accrued expenses	122	4
Increase/(decrease) in income received in advance	90	(67)
<b>Cash used in operations</b>	<b>(1,841)</b>	<b>(984)</b>

- c)* At 31 December 2011, the bank overdraft is unsecured, bears interest at 8% over the bank's best lending rate per annum and repayable on demand.

### 15. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*a) Current taxation in the consolidated statement of financial position represents:*

	<i>The Group</i>	
	2011 HK\$'000	2010 HK\$'000
Provision for Hong Kong Profits Tax for the year	—	—
Provisional Profits Tax paid	—	(9)
Tax recoverable	—	(9)

*b) Deferred tax assets and liabilities not recognised*

In accordance with the accounting policy set out in note 1(l), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK\$4,789,000 (2010: HK\$3,943,000) as it is not probable that future taxable profits against which the tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

There were no significant unrecognised deferred tax liabilities as at 31 December 2011 and 2010.

## NOTES TO THE FINANCIAL STATEMENTS

### 16. CAPITAL, RESERVES AND DIVIDENDS

#### a) *Movements in components of equity*

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

#### The Company

	Share capital HK\$'000	Share premium HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
<b>Balance at 1 January 2010</b>	6,400	11,887	(220)	18,067
<b>Changes in equity for 2010:</b>				
Loss for the year	—	—	(260)	(260)
Other comprehensive income	—	—	—	—
Total comprehensive loss for the year	—	—	(260)	(260)
<b>Balance at 31 December 2010 and 1 January 2011</b>	6,400	11,887	(480)	17,807
<b>Changes in equity for 2011:</b>				
Loss for the year	—	—	(259)	(259)
Other comprehensive income	—	—	—	—
Total comprehensive loss for the year	—	—	(259)	(259)
<b>Balance at 31 December 2011</b>	6,400	11,887	(739)	17,548

#### b) *Dividends*

The directors of the Company do not propose the payment of a dividend in respect of the years ended 31 December 2011 and 2010.



## NOTES TO THE FINANCIAL STATEMENTS

### 16. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

#### *c) Share capital*

	2011		2010	
	Number of share	HK\$'000	Number of share	HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	200,000,000,000	2,000,000	200,000,000,000	2,000,000
<b>Ordinary shares, issued and fully paid:</b>				
Ordinary shares of HK\$0.01 each	640,000,000	6,400	640,000,000	6,400

The holders of ordinary shares are entitled to received dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

#### *d) Nature and purpose of reserves*

##### *i) Share premium*

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

##### *ii) Merger reserve*

The merger reserve of the Group represents the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares used by the Company in exchange thereafter. This reserve is distributable.

## NOTES TO THE FINANCIAL STATEMENTS

### 16. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

#### *e) Distributability of reserves*

As at 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately HK\$11,148,000 (2010: HK\$11,407,000). Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the payment of distribution or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's articles of association, distributions shall be payable out of the profits or other reserves, including the share premium account, of the Company.

#### *f) Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of (i) cash and cash equivalents, (ii) bank overdraft and (iii) capital, which comprises all components of equity.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. In order to balance its overall capital structure, the Group may issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. The Group's overall strategy remains unchanged throughout the year.

Vinco Capital, a wholly-owned subsidiary of the Company, provides financial services to its customers and is subject to capital requirements imposed by the Securities and Futures Commission ("SFC"). During the years ended 31 December 2011 and 2010, Vinco Capital complied with the capital requirements imposed by SFC.

Other than the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## NOTES TO THE FINANCIAL STATEMENTS

### 17. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

#### *a) Financial risk factors*

Exposure to credit and liquidity risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

#### *i) Credit risk*

The Group's and the Company's credit risk is primarily attributable to trade and other receivables, amount due from a subsidiary and cash at bank. Management has a credit policy in place and the exposures to this credit risk is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 60 days from the date of billing. Debtors with balances that are more than 1 month past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

In respect of the amount due from the subsidiary, the Company reviews the recoverable amount of the amount due from a subsidiary at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the management consider that the Company's credit risk is significantly reduced.

In respect of cash at bank, the Group and the Company limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating. Given these high credit standing, the management does not expect any counterparty to fail to meet its obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, there were no significant concentrations of credit risk.

Other than concentration of credit risk on the amount due from a subsidiary, the Company does not have any other significant concentration of credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 13.

## NOTES TO THE FINANCIAL STATEMENTS

### 17. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

#### *a) Financial risk factors (Continued)*

##### *ii) Liquidity risk*

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The total contractual undiscounted cash flows of the Group's and the Company's non-derivative financial liabilities are not materially different from their carrying amounts as their remaining contractual maturities were within one year.

#### *b) Fair value*

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010.

### 18. OPERATING LEASE COMMITMENTS

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases in respect of the office premises are payable as follows:

	<i>The Group</i>	
	2011 HK\$'000	2010 HK\$'000
Within 1 year	3,066	1,423
After 1 year but within 5 years	2,555	—
	<b>5,621</b>	1,423

The leases typically run for an initial period of two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

## NOTES TO THE FINANCIAL STATEMENTS

### 19. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year.

#### a) *Key management personnel remuneration*

All members of key management personnel are directors of the Company, and the remuneration for them is disclosed in note 6 and is as follows:

	2011 HK\$'000	2010 HK\$'000
Short-term employee benefits	2,425	1,890
Post-employment benefits	17	13
	<b>2,442</b>	<b>1,903</b>

#### b) *Other related party transactions*

The Group paid salaries and allowances of approximately HK\$1,662,000 (2010: HK\$1,983,000) and contributions to retirement benefits scheme of approximately HK\$12,000 (2010: HK\$12,000) to a close family member of a director of the Company during the year ended 31 December 2011.

The Directors confirmed that the above related party transactions were conducted in the ordinary and usual course of business and on normal commercial terms.

### 20. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2011, the directors of the Company consider the immediate parent and ultimate controlling party of the Group to be Vinco Asia Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. ACCOUNTING JUDGEMENTS AND ESTIMATES

The method, estimates and judgements the management used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain.

#### *a) Critical accounting judgements in applying the Group's accounting policies*

##### *i) Impairment of plant and equipment*

If circumstances indicate that the net book value of plant and equipment may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of assets". The carrying amounts of plant and equipment are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. It is difficult to precisely estimate fair values because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of revenue and the amount of operating costs. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and the amount of operating costs. Changes in these estimates and assumptions could have a significant impact on the carrying amounts of the assets and could result in impairment charge in the future periods.

##### *ii) Impairment of receivables*

Receivables that are measured at cost or amortised cost are reviewed at the end of each reporting date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is a change in the objective evidence of impairment in relation to the debtor, the impairment loss would be higher or lower than the allowance for doubtful debts recognised in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 21. ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

#### *a) Critical accounting judgements in applying the Group's accounting policies (Continued)*

##### *iii) Provision for deferred tax*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses and/or unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

#### *b) Key sources of estimation uncertainty*

##### *i) Depreciation of plant and equipment*

Plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The management reviews periodically the useful life of an asset and its residual value. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

## NOTES TO THE FINANCIAL STATEMENTS

### 22. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 7, Financial Instruments: Disclosures	
— Transfers of financial assets	1 July 2011
Amendments to HKFRS 7, Financial Instruments: Disclosures	
— Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to HKFRS 7, Financial Instruments: Disclosures	
— Mandatory Effective Date of HKFRS 9 and Transition Disclosures	1 January 2015
Amendments to HKAS 32, Financial Instruments: Presentation	
— Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to HKAS 12, Income Taxes	
— Deferred Tax: Recovery of Underlying Assets	1 January 2012
Amendments to HKAS 1, Presentation of Financial Statements	
— Presentation of Items of Other Comprehensive Income	1 July 2012
HKFRS 9, Financial Instruments	1 January 2015
HKFRS 10, Consolidated Financial Statements	1 January 2013
HKFRS 11, Joint Arrangements	1 January 2013
HKFRS 12, Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13, Fair Value Measurement	1 January 2013
HKAS 27 (2011), Separate Financial Statements	1 January 2013
HKAS 19 (2011), Employee Benefits	1 January 2013
HKAS 28 (2011), Investments in Associates and Joint Ventures	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.



## FINANCIAL SUMMARY

*Annual results for the three years ended 31 December 2011*

	For the year ended 31 December		
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Turnover	6,869	8,856	9,938
Net profit attributable to the equity holders of the Company	(3,379)	(1,275)	(1,268)
	As at 31 December		
	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000
Total assets	27,903	26,425	25,515
Total liabilities	372	169	527
Total equities	27,531	26,256	24,988