中國農業生態有限公司
China Eco-Farming Limited

(Continued into Bermuda with limited liability)
(Stock Code: 8166)

ANNUAL REPORT
2011

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 Stock 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 of the Stock Exchange 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 China Eco-Farming Limited (the "Company") (the "Director(s)") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will remain on the Company's website at http://www.aplushk.com/clients/8166chinaeco-farming/index.html and the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tsang Chi Hin *(Chief Executive Officer)*
Mr. Chu Yu Man, Philip

Independent Non-executive Directors

Mr. Chau Chi Ming
Mr. Cheung Tak Shum
Mr. Lau Tin Cheung

AUTHORISED REPRESENTATIVES

Mr. Tsang Chi Hin
Mr. Chu Yu Man, Philip

AUDIT COMMITTEE

Mr. Chau Chi Ming *(Chairman)*
Mr. Cheung Tak Shum
Mr. Lau Tin Cheung

NOMINATION COMMITTEE

Mr. Tsang Chi Hin *(Chairman)*
Mr. Chau Chi Ming
Mr. Cheung Tak Shum
Mr. Lau Tin Cheung

REMUNERATION COMMITTEE

Mr. Cheung Tak Shum *(Chairman)*
Mr. Chau Chi Ming
Mr. Lau Tin Cheung

COMPLIANCE OFFICER

Mr. Tsang Chi Hin

COMPANY SECRETARY

Ms. Ho Wing Yan *ACIS, ACS(PE)*

AUDITORS

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens,
33 Hysan Avenue,
Causeway Bay,
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1301, 13/F., The Centre Mark,
287-299 Queen's Road Central,
Hong Kong

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road,
Pembroke HM08, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre,
Town Place, 33 Lockhart Road,
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

GEM STOCK CODE

8166

WEBSITE ADDRESS

www.aplushk.com/clients/8166chinaeco-farming/index.html

Profile of the Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Tsang Chi Hin ("Mr. Tsang")（曾志謙先生）, aged 53, was appointed as an executive Director on 30 September 2008 and the chief executive officer of the Company on 13 October 2008. Mr. Tsang is also the chairman of the nomination committee of the Company and a director of the subsidiaries of the Company. Mr. Tsang holds a bachelor degree in economics and a higher certificate in electronic engineering with over 25 years of experience in telecommunications and electronic industries. Mr. Tsang started his marketing career in 1984. He then joined Hongkong Telecom as a consultant in marketing data communication services in 1987 and his last position in Hongkong Telecom was account director.

Save as disclosed above, Mr. Tsang is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Tsang does not hold any other position in the Company or its subsidiaries and does not hold any directorships in other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Tsang is not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the Securities and Futures Ordinance ("SFO").

Mr. Chu Yu Man, Philip ("Mr. Chu")（朱裕民先生）, aged 54, was appointed as an executive Director on 30 September 2008. He is also a director of the subsidiaries of the Company. Mr. Chu has over 28 years of extensive experience in the sales and development of electronic and telecommunication products. Mr. Chu previously served as the sales and marketing director for a United States of America based company which was then engaged in businesses in United States of America, Europe and the People's Republic of China.

Save as disclosed above, Mr. Chu is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Chu does not hold any other position in the Company or any of its subsidiaries and does not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Chu is not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Profile of the Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chau Chi Ming ("Mr. Chau") **(鄒志明先生)**, aged 48, was appointed as an independent non-executive Director on 12 May 2010. Mr. Chau is also the chairman of audit committee, members of remuneration committee and nomination committee of the Company. Mr. Chau holds a bachelor degree in business administration, majoring in finance. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Chau is currently a director, finance and treasury of Yue Yuen Industrial (Holdings) Limited ("Yue Yuen"), responsible for daily financial management and treasury functions. Mr. Chau had 10 years of corporate banking experience before joining Yue Yuen in 1993.

Save as disclosed above, Mr. Chau is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Chau does not hold any other positions in the Company or any of its subsidiaries and does not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Chau is not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Mr. Cheung Tak Shum ("Mr. Cheung") **(張德深先生)**, aged 54, was appointed as an independent non-executive Director on 30 September 2008. Mr. Cheung is also the chairman of the remuneration committee, members of the audit committee and the nomination committee of the Company. Mr. Cheung holds a diploma in sociology and has over 23 years of experience in trading of engineering and related chemical products in the People's Republic of China (the "PRC").

Save as disclosed above, Mr. Cheung is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Cheung does not hold any other positions in the Company or any of its subsidiaries and does not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Cheung is not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Mr. Lau Tin Cheung ("Mr. Lau") **(劉天祥先生)**, aged 48, was appointed as an independent non-executive Director on 30 December 2008. Mr. Lau is also the member of the audit committee, the nomination committee and the remuneration committee of the Company. He has been educated and worked in Hong Kong and United Kingdom. He holds a bachelor of engineering degree at the University of Nottingham and a master of science degree in structural engineering at the University of Manchester Institutional of Science and Technology. Mr. Lau has over 22 years of experience in investment and project management of public and private companies in Hong Kong and the PRC. He was the investment director of Tianjin Development Holdings Limited (a company listed on the main board of the Stock Exchange).

Save as disclosed above, Mr. Lau is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Lau does not hold any other positions in the Company or any of its subsidiaries and does not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange during the three years preceding the date of this report. As at the date of this report, Mr. Lau is not interested or deemed to be interested in any shares or underlying shares of the Company pursuant to Part XV of the SFO.

Profile of the Directors and Senior Management

SENIOR MANAGEMENT

Mr. Lam Raymond Shiu Cheung ("Mr. Lam")（林兆昌先生）, the deputy chief executive officer of the Company, aged 46, graduated from the Victoria University of Melbourne, Australia, with a bachelor of business degree majoring in banking and finance. He also earned a master degree in applied finance from the Macquarie University of Australia. Mr. Lam has 20 years extensive experience in business development and corporate finance. He started his career in corporate banking, he then joined one of the biggest oil companies in the United States of America specializing in the area of business development. Mr. Lam is currently an independent non-executive director of Chinese Food and Beverage Group Limited (Stock code: 8272) and China Assurance Finance Group Limited (Stock code: 8090), both of the companies are listed on GEM of the Stock Exchange. He is also an independent non-executive director of the HongKong Building and Loan Agency Limited (Stock code: 145), a company listed on the main board of the Stock Exchange. He was an independent non-executive director of China Oriental Culture Group Limited (Stock code: 2371) for the period from January 2008 to September 2010, a company listed on the main board of the Stock Exchange. He also was an independent non-executive director of China Railway Logistics Limited (Stock code: 8089) for the period from December 2008 to June 2009 and China Bio-Med Regeneration Technology Limited (Stock code: 8158) for the period from June 2008 to June 2009, both of the companies are listed on GEM of the Stock Exchange.

Management Discussion and Analysis

BUSINESS OVERVIEW

The Company and its subsidiaries (collectively, the "Group") is principally engaged in the provision of one-stop value chain services to telecommunications, information technology and advanced manufacturing industries; real property investment, health care business and trading of ceramic products.

2011 was a challenging year for the Group. Amid the global economic uncertainties including the deepening sovereign debt crisis in the eurozone and the continuing fragility of the US economic recovery, as well as keen competition in the markets in Hong Kong and the People's Republic of China ("PRC"), the Group recorded a revenue of approximately HK$27,223,000 (2010: HK$23,271,000) for the year ended 31 December 2011, representing an increase of approximately 16.98% as compared to that of last year. For the year ended 31 December 2011, loss for the year and total comprehensive expense for the year amounted to approximately HK$12,658,000 (2010: HK$15,201,000), representing a decrease of approximately 16.73% as compared to that of last year; and the basic loss per share of the Company was approximately HK0.5 cent (2010: HK0.7 cent). The Group had adopted a positive, but prudent approach in evaluating business opportunities in Hong Kong and the PRC which, as transpired, has been important in preserving the competitiveness of the Group and in alleviating adverse impact brought by market volatility and economic uncertainty.

IT and Telecommunications Business

The IT and telecommunications business of the Group recorded a revenue of approximately HK$2,401,000 for this year (2010: HK$19,376,000), representing a decrease of approximately 87.61% as compared to that of last year. The segment loss of approximately HK$1,323,000 (2010: HK$5,685,000) for this year, representing a decrease of approximately 76.73% compared to that of last year. The decrease in revenue was mainly due to uncertainties in the global external environment and keen competition in the telecommunication markets in Hong Kong and the PRC.

Real Property Investment

At 31 December 2011, the Group held properties in Hong Kong for investment purpose amounted to approximately HK$11,500,000 (2010: HK$10,770,000).

During the year, this business segment reported a rental income of approximately HK$402,000 (2010: HK$37,000) and a net increase in fair value of investment properties of approximately HK$730,000 (2010: HK$2,666,000) as a result of the property revaluation conducted by an independent professional valuer at the end of the year of 2011. A segment profit of approximately HK$1,058,000 (2010: HK$2,702,000) was recorded for this year.

Health Care Business

The Group commenced its management of health care services in the fourth quarter of 2010. For the year ended 31 December 2011, this business segment reported a revenue of approximately HK$18,644,000 (2010: HK$3,858,000) and a segment profit of approximately HK$3,309,000 (2010: HK$1,659,000).

Trading of Ceramic Products

In the fourth quarter of the year, the Group started its trading of ceramic products in Macau. This new business segment reported a revenue of approximately HK$5,776,000 and a segment profit of approximately HK$722,000 for this year.

FINANCIAL REVIEW

For the year ended 31 December 2011, the Group recorded a revenue of approximately HK$27,223,000 (2010: HK$23,271,000), representing an increase of approximately 16.98% as compared to that of last year. This increase was mainly due to the commencement of the trading of ceramic products since the fourth quarter of 2011.

Cost of sales for the year under review was approximately HK$22,112,000 (2010: HK$21,328,000), representing an increase of approximately 3.68% as compared to that of last year. This increase was in line with the increase in revenue for the year.

Administrative expenses for the year under review was approximately HK$16,749,000 (2010: HK$19,204,000), representing a decrease of approximately 12.78% as compared to that of last year. This decrease was mainly due to decrease in professional fee expenses.

Finance costs for the year under review was approximately HK$1,739,000 (2010: HK$911,000), representing an increase of approximately 90.89% as compared to that of last year. This increase was mainly due to the additional interest expense arising from new borrowings from a shareholder of the Company.

The Group recorded a loss attributable to owners of the Company in the amount of approximately HK$12,658,000 (2010: HK$15,201,000), representing a decrease of approximately 16.73% as compared with last year. As a result, basis loss per share of the Company decreased from HK0.7 cent for the year ended 31 December 2010 to HK0.5 cent for the year ended 31 December 2011.

Liquidity and Financial Resources

The Group financed its business operations mainly with internally generated resources, borrowings and loans from a shareholder and a former fellow subsidiary of the Group during the year under review. At 31 December 2011, the bank balances and cash of the Group was approximately HK$662,000 (2010: HK$3,404,000).

At 31 December 2011, the net liabilities of the Group was approximately HK$17,427,000 (2010: HK$4,769,000) and the net current liabilities was approximately HK$28,174,000 (2010: net current assets of approximately HK$2,105,000).

Gearing Ratio

At 31 December 2011, the total liabilities of the Group amounted to approximately HK$38,019,000 (2010: HK$25,872,000), which mainly comprised other payables and accruals, amounts due to a shareholder and a former fellow subsidiary, loans from a shareholder and a former fellow subsidiary, borrowings and the liability component of convertible preference shares of the Company. All of these borrowings are denominated in Hong Kong dollars. The Group's banking facilities were secured by investment properties held by the Group with a carrying value of approximately HK$11,500,000 (2010: HK$10,770,000) at 31 December 2011.

At 31 December 2011, the Group had total assets of approximately HK$20,592,000 (2010: HK$21,103,000). The gearing ratio of the Group, expressed as the ratio of total liabilities to total assets, increased to 1.85 as at 31 December 2011 (2010: 1.2).

Segmental Information

An analysis of the Group's performance for the year by business segment is set out in Note 8 to the consolidated financial statements.

Employees and Remuneration Policies

As at 31 December 2011, the Group had 13 (2010:16) full-time employees in Hong Kong. Staff costs, including Directors' emoluments of the Company for the year ended 31 December 2011 were approximately HK$5,738,000 in total (2010: HK$5,710,000). The Group decides the remuneration and compensation payable to its staff based on individual performance and expertise. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution. Other benefits include retirement schemes.

Capital Structure

As at 31 December 2011, the Company's issued ordinary share capital was HK$24,245,996.90 divided into 2,424,599,690 shares of HK$0.01 each ("Shares") (2010: HK$24,245,996.90 divided into 2,424,599,690 Shares). The issued convertible preference share capital was HK$2,612,000 divided into 26,120,000 convertible preference shares of HK$0.10 each ("CP Shares") (2010: HK$2,612,000 divided into 26,120,000 CP Shares).

Fund Raising Activities

The Company entered into a placing agreement with Fortune (HK) Securities Limited (as the placing agent) on 10 December 2010 (as amended and supplemented by a supplemental placing agreement on 21 December 2010, a second supplemental placing agreement on 7 March 2011 and a third supplemental placing agreement on 7 June 2011) in relation to the placing on a fully-underwritten basis of 300,000,000 new Shares at the placing price of HK$0.09 per share during the period commencing from execution of the placing agreement on 10 December 2010 to 12 August 2011. On 12 August 2011, a deed of settlement was entered into between the Company and a placing agent to terminate the placing agreement with immediate effect. For further details, please refer to the Company's announcements dated 13 December 2010, 21 December 2010, 7 March 2011, 7 June 2011 and 12 August 2011, respectively.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year under review, there was no material acquisitions and disposals of subsidiaries and affiliated companies.

Significant Investments

Save as disclosed above, as at 31 December 2011, the Group did not possess any significant investment in properties, listed securities and financial instruments (2010: Nil).

Charges on Group's Assets

Investment properties with a carrying value of approximately HK$11,500,000 (2010: HK$10,770,000) were pledged as security for the banking facilities granted to the Group.

Contingent Liabilities

At 31 December 2011, the Group did not have any significant contingent liabilities (2010: Nil).

Capital Commitments

At 31 December 2011, the Group did not have any significant capital commitments (2010: Nil).

Exposure to Fluctuation in Exchange Rates

All of the Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollars or Renminbi. The Directors do not consider that the Group is exposed to any material foreign currency exchange risk. Therefore, no hedging devices or other alternative have been implemented.

OUTLOOK AND PROSPECTS

It is the Group's strategy to seek investment opportunities and to explore the feasibility of expansion into other business segments with a view to diversify the Group's business portfolio. During the year, the Group started its new business segment of trading of ceramic products. In January 2012, the Group entered into the Subscription Agreement with respect to, among others, the equity interest in KBI whose principal asset is its 67.11% interest in Siu Fung. Details of this transaction are reported under "Events after the Reporting Period" below.

Siu Fung is a company incorporated in the PRC with limited liability and is principally engaged in the manufacturing and trading of ceramic sanitary ware and accessories mainly in the PRC. The Directors are of the view that demand for the products of Siu Fung will continue to be strong on the back of the increased urbanization and improving living standards in the PRC, the continued growth in the tourism industry which will in turn spur demand for luxury sanitary ware in hotels, and the efforts directed by the government to renovate older buildings and construct public utilities. The Subscription (as defined in the section "Events after the Reporting Period") represents an opportunity for the Company to opt to participate in the China ceramic sanitary ware and accessories industry. The completion of the Subscription is subject to fulfillment or satisfaction (or, where appropriate, the waiver) of the conditions precedent set out in the Subscription Agreement. Furthermore, the Subscription constitutes a major transaction for the Company and is subject to the approval of the shareholders of the Company. It is expected that the circular and notice of the special general meeting with respect to the Subscription will be dispatched to the shareholders of the Company on or before 3 April 2012.

Directors' Report

The Directors present the annual report and audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 36 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 26 in this report.

The Directors do not recommend the payment of final dividend for the year ended 31 December 2011 (2010: Nil).

ANNUAL GENERAL MEETING

The 2011 annual general meeting of the Company (the "AGM") will be held on Friday, 18 May 2012. Shareholders should refer to details regarding the AGM in the circular of the Company dated 30 March 2012 and the notice of the AGM and form of proxy accompanying thereto.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on pages 77 to 78 in this report.

PLANT AND EQUIPMENT

Details of movements in plant and equipment of the Group during the year are set out in Note 16 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The largest and the only two largest customers accounted for approximately 21% (the largest in 2010: 56%) and 30% (the only four largest in 2010: 83%) of the Group's turnover, respectively, and the largest and the only two largest suppliers accounted for approximately 23% (the largest in 2010: 61%) and 33% (the only three largest in 2010: 90%) of the Group's cost of sales, respectively, for the year ended 31 December 2011. To the best knowledge of the Directors, at no time during the year, any Director or his associates or any shareholder (who owned more than 5% of the Company's issued share capital) has any interest in the above-mentioned customers or suppliers.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in Note 27 to the consolidated financial statements.

REDEEMABLE CONVERTIBLE PREFERENCE SHARES

Details of the redeemable convertible preference shares issued by the Company are set out in Note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group are presented in the consolidated statement of changes in equity on page 28 in this report.

DISTRIBUTABLE RESERVES

As at the end of the reporting period, the Company did not have any reserves available for cash/in specie dividend distribution to shareholders of the Company.

SHARE OPTION SCHEME

As at 31 December 2011, the Company maintained one share option scheme which was adopted at the annual general meeting held on 6 May 2011 (the "AGM") (collectively, the "Share Option Scheme"). During the year ended 31 December 2011 (the "Year"), no options were granted, exercised, cancelled or lapsed under the Share Option Scheme and there were no option outstanding at the beginning and at the end of the Year under the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years from 6 May 2011 to 5 May 2021, unless terminated otherwise as in accordance with the provisions of the Share Option Scheme. The purpose of the Share Option Scheme is to enable the Group to grant options to eligible participants the Directors may at its absolute discretion select as incentives or rewards for their contribution to the Group. Eligible participants include any employee (whether full-time or part-time, including executive directors, non-executive directors and independent non-executive directors), shareholder, customer, supplier of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest; any person or entity that provides research, development or other technological support, any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the Shareholders' approval in general meeting of the Company. Where any grant of options to a substantial Shareholder or an independent non-executive director of the Company or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the shares in issue; and (ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million; such further grant of options must be approved by the Shareholders in general meeting.

SHARE OPTION SCHEME (continued)

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination as set out in the Share Option Scheme. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The subscription price for shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the higher of (i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

At the AGM, the Company was also authorized to issue up to 242,459,969 shares upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group, being 10% of the shares in issue on 6 May 2011 (the "General Mandate"). The Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Mandate to participants specifically identified by the Company before such approval is sought. Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

As at the date of this report, no option has been granted under the General Mandate, as such, a maximum of 242,459,969 shares is available for issuance under the Share Option Scheme.

At the AGM, the Company also resolved to terminate the share option scheme adopted by the Company on 24 January 2002 (the "2002 Share Option Scheme") with effect from the close of business of 6 May 2011. There was no option outstanding at the beginning and at the end of the Year under the 2002 Share Option Scheme and no option was granted, exercised, cancelled or lapsed under the 2002 Share Option Scheme during the Year.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year were:

Executive Directors

Mr. Tsang Chi Hin *(Chief Executive Officer)*
Mr. Chu Yu Man, Philip

Independent Non-executive Directors

Mr. Chau Chi Ming
Mr. Cheung Tak Shum
Mr. Lau Tin Cheung

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

Each independent non-executive Director has signed an appointment letter with the Company for a fixed term of two years and may be terminated by not less than three months prior notice in writing served by either party to the other in accordance with the provisions set out in the respective appointment letter.

Each of the executive Directors has entered into a service agreement dated 6 October 2008 with the Company for an initial fixed term of two years commencing from 30 September 2008 and will continue thereafter until terminated by not less than six months' notice in writing served by either party to the other in accordance with the provisions set out in the respective service agreement. Each of the executive Directors may receive a discretionary bonus, the amount of which will be determined by the Board at its absolute discretion having regard to the operation results of the Company and performance of the Directors.

None of the Directors who are proposed for re-election at the AGM 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.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors; namely, Mr. Chau Chi Ming, Mr. Cheung Tak Shum and Mr. Lau Tin Cheung, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all of the independent non-executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2011.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 12 and 13 to the consolidated financial statements, respectively.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2011, none of the Directors or the chief executive of the Company had any interests or short positions in the 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 (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 they have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the sections "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" and "SHARE OPTION SCHEME" above, at no time during the year ended 31 December 2011 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement whose objects are, or whose object is, to enable the Directors or chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

So far as was known to the Directors were aware of and having made due enquiries, as at 31 December 2011, the following substantial shareholders of the Company, other than a Director or chief executive of the Company, had an interest or short position in the Shares and underlying Shares of the Company, which are recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company:

		Shares		Underlying Shares	
Name	**Capacity**	**Number of Shares**	**Approximate percentage of the issued share capital** *(Note 1)*	**Number of underlying Shares**	**Approximate percentage of the issued share capital** *(Note 1)*
China Railway Logistics Limited	Interest of controlled corporation	510,776,000 (L) *(Note 2)*	21.07%	227,130,430 (L) *(Note 3)*	9.37%
Top Status International Limited	Beneficial owner	510,776,000 (L) *(Note 2)*	21.07%	227,130,430 (L) *(Note 3)*	9.37%
Yiu Yat Hung	Interest of controlled corporation	537,276,000 (L) *(Note 4)*	22.16%	–	–
China Coalfields International Group Limited	Beneficial owner	537,276,000 (L) *(Note 4)*	22.16%	–	–

* *The Letter "L" denotes a long position in the Shares or the underlying Shares.*

Notes:

1. As at 31 December 2011, the Company's issued ordinary share capital was HK$24,245,996.90 divided into 2,424,599,690 Shares of HK$0.01 each.

2. These shares are held by Top Status International Limited ("Top Status"), a company incorporated in the British Virgin Islands with limited liability. Top Status is in turn wholly-owned by China Railway Logistics Limited (Stock code: 8089) ("China Railway"), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM of the Stock Exchange. As such, China Railway is deemed to be interested in these shares.

3. These underlying shares represent a maximum of 227,130,430 new Shares that may be issued to satisfy the conversion rights attached to the convertible preference shares of the Company held by Top Status. Top Status is in turn wholly-owned by China Railway. As such, China Railway is deemed to be interested in these shares.

4. These shares are held by China Coalfields International Group Limited ("China Coalfields"), a company incorporated in Hong Kong with limited liability. China Coalfields is in turn wholly-owned by Yiu Yat Hung. As such, Yiu Yat Hung is deemed to be interested in these shares.

SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, as at 31 December 2011, the Company was not notified of any other person who had an interest or short position in the Shares or underlying Shares of the Company and was required to be recorded in the register required to be kept under section 336 of the SFO.

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2011, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

RELATED PARTY TRANSACTIONS

Details of the related party transactions during the year ended 31 December 2011 are set out in Note 34 and 38 to the consolidated financial statements, certain of which constituted connected transactions that are exempt from the reporting, announcement and independent shareholders' approval requirements of Chapter 20 of the GEM Listing Rules.

COMPETING INTERESTS

None of the Directors or controlling shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that compete with the business of the Group or has or may have any other conflict of interest with the Group during the year ended 31 December 2011.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there is no restriction against such under the laws in Bermuda.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this report.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the remuneration committee of the Company on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to market competitiveness, individual performance and achievement.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out under the section headed "Share Option Scheme" above and also in Note 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the GEM Listing Rules during the year and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Major Transaction in relation to the Subscription of Exchangeable Bond in principal amount of HK$18 million

On 20 January 2012, the Company, Prima Target Limited (the "Subscriber", a wholly-owned subsidiary of the Company) and Lion Legend Holdings Limited (the "Issuer") entered into the subscription agreement (as amended and supplemented by a supplement agreement dated 20 March 2012, collectively, the "Subscription Agreement") pursuant to which the Subscriber conditionally agreed to subscribe and the Issuer conditionally agreed to issue the exchangeable bond (the "Exchangable Bond") in the principal amount of HK$18,000,000 exchangeable for one share in Kingbridge Investment Limited ("KBI"), representing 10% of the existing issued share capital of KBI (collectively, the "Subscription"). The principal asset of KBI is its 67.11% interest in 兆峰陶瓷（北京）潔具有限公司 (Siu Fung Ceramics (Beijing) Sanitary Ware Company Limited*) ("Siu Fung"), a company incorporated in the PRC with limited liability, which is principally engaged in the manufacturing and trading of ceramic sanitary ware and accessories mainly in the PRC. Upon completion of the Subscription (the "Completion"), the Issuer shall issue the Exchangeable Bond to the Subscriber and the subscription price of the Exchangable Bond shall be satisfied by the Company by way of issuance of the convertible bonds ("Convertible Bonds") in the principal amount of HK$18,000,000 convertible into 480,000,000 new Shares ("Conversion Shares") at the conversion price of HK$0.0375 per Conversion Share. Furthermore, the Issuer shall grant to the Subscriber, at a nominal consideration of HK$1.00, an option (the "Option") to acquire from the Issuer all (but not part of) the remaining 90% equity interest in KBI and the entire issued share capital of Hillmond International Holdings Limited ("HMC") and shall appoint one director nominated by the Subscriber to the board of directors of KBI; and the Company shall appoint one director nominated by the Issuer to the board of directors of the Company. Upon exercise of the Option, the exercise price of the Option shall be satisfied by the Company by issuance of convertible bonds (the "Further Convertible Bonds") that convertible into not more than 9,000,000,000 new Shares but not less than 71% of the entire issued share capital of the Company on the basis assuming the issued capital of the Company is enlarged following the issuance of (i) the Shares convertible from the convertible preference shares of the Company, (ii) any Shares, (iii) any Conversion Shares, and (iv) any Shares fall to be issued under the Further Convertible Bonds Instrument (that is, the instrument creating the Further Convertible Bonds) and/or any other instrument including but not limit to option, bond warrants, debentures, convertible bond issued by the Company after the date of the Subscription Agreement. The Issuer is a company incorporated in the Cayman Islands. KBI is wholly-owned by the Issuer. HMC and KBI are investment holding companies incorporated in the British Virgin Islands with limited liability and are the legal and beneficial owners of 10.89% and 67.11% respectively of the entire issued share capital in Siu Fung.

The Completion is subject to fulfillment or satisfaction (or, where appropriate, the waiver) of the conditions precedent set out in the Subscription Agreement. Furthermore, the Subscription constitutes a major transaction for the Company and is subject to the approval of the shareholders of the Company. It is expected that the circular and notice of the special general meeting with respect to the Subscription will be dispatched to the shareholders of the Company on or before 3 April 2012.

* *For identification purpose only*

EVENTS AFTER THE REPORTING PERIOD (continued)

Placing of existing shares and Subscription of new Shares under General Mandate and Placing of Convertible Bonds under General Mandate

On 12 March 2012, Top Status International Limited (as the vendor, the "Vendor"), the Company and FT Securities Limited (the "Placing Agent") entered into a conditional placing agreement (the "Placing Agreement") pursuant to which the Vendor has agreed to place, and the Placing Agent has agreed to procure not less than six placees, on a best-effort basis, for the purchase of up to 280,000,000 existing Shares owned by the Vendor (the "Placing Shares") at the placing price of HK$0.068 per Placing Share (collectively, the "Placing"). On 12 March 2012, the Vendor (as the subscriber) and the Company entered into a conditional subscription agreement pursuant to which the Vendor has agreed to subscribe for such number of new Shares ("Subscription Share(s)") which is equivalent to the number of the Placing Shares actually placed by the Vendor under the Placing Agreement, at the subscription price of HK$0.068 per Subscription Share (collectively, the "Subscription"). The placing price is the same as the subscription price, which represents a discount of approximately 18.07% to the closing price of HK$0.083 per Share as quoted on the Stock Exchange on 9 March 2012, being the last trading day immediately before the entering into of the Placing Agreement. The Placing was completed on 19 March 2012 with all the 280,000,000 Placing Shares placed to not less than six placees. The Subscription was completed on 19 March 2012 whereby 280,000,000 new Shares with the aggregate nominal value of HK$2,800,000 were issued to the Vendor. The net proceeds from the Subscription are approximately HK$18.4 million. The net proceeds being raised per Share upon completion of the Placing and the Subscription are approximately HK$0.0659 per Share. The Company intends to use the net proceeds from the Subscription for the repayment of loan in the amount of HK$5 million and the remaining net proceeds of approximately HK$13.4 million will be used towards the general working capital of the Group.

On 12 March 2012, the Company also entered into a conditional placing agreement with FT Securities Limited (the "CB Placing Agent", as the placing agent) pursuant to which the CB Placing Agent agreed to procure, on a best-effort basis, placee(s) to subscribe in cash for the convertible bonds ("Convertible Bonds") up to a principal amount of HK$20,000,000 due on 31 December 2015 to be issued by the Company (collectively, the "CB Placing"). Assuming all the Convertible Bonds are placed and their conversion rights are exercised in full, a maximum number of 200,000,000 Shares (the "Conversion Shares") will be issued at the initial conversion price of HK$0.10 per Conversion Share. Assuming all the Convertible Bonds are placed, the maximum gross proceeds will be approximately HK$20 million. The net proceeds (after deducting related expenses) will be approximately HK$19.4 million. The Company intends to use the funds raised from the CB Placing for the Company's general working capital. As at the date of this report, the CB Placing is not completed.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 31 July 2001 with written terms of reference in compliance with GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee currently comprises three independent non-executive Directors; namely, Mr. Chau Chi Ming (Chairman of the Audit Committee), Mr. Cheung Tak Shum and Mr. Lau Tin Cheung.

The audited financial results of the Group for the year ended 31 December 2011 have been reviewed by the Audit Committee.

AUDITORS

Shu Lun Pan Horwath Hong Kong CPA Limited, the previous auditors of the Company, resigned as auditors of the Company on 8 December 2008.

SHINEWING (HK) CPA Limited ("SHINEWING") was appointed as auditors of the Company on 18 December 2008 and subsequently re-appointed as auditors of the Company at the last three annual general meetings of the Company held on 8 May 2009, 7 May 2010 and 6 May 2011. The consolidated financial statements for the year ended 31 December 2011 of the Company was audited by SHINEWING. A resolution for the re-appointment of SHINEWING as auditors of the Company will be proposed at the forthcoming AGM.

By Order of the Board
Tsang Chi Hin
Chief Executive Officer and Executive Director

Hong Kong, 21 March 2012

INTRODUCTION

The board of Directors (the "Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

The corporate governance principles of the Company emphasize a quality Board, sound internal controls, transparency and accountability to all shareholders of the Company.

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 to the GEM Listing Rules throughout the year under review except for the following deviation:

The code provision A.2.1 of the Code provides, among others, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Throughout the year, the Company did not appoint a chairman.

The Board will keep reviewing the structure of the Board from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the post of chairman as appropriate.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in such code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2011.

BOARD OF DIRECTORS

The Board currently comprises five Directors, two are executive Directors and three are independent non-executive Directors.

The Board members for the year ended 31 December 2011 and up to the date of this report are:

Executive Directors

Mr. Tsang Chi Hin *(Chief Executive Officer)*
Mr. Chu Yu Man, Philip

Independent Non-executive Directors

Mr. Chau Chi Ming
Mr. Cheung Tak Shum
Mr. Lau Tin Cheung

The Directors' biographical information are set out on pages 3 to 4 in this report. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. There is no relationship among the members of the Board.

The Company had appointed three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the shareholders of the Company. Each independent non-executive Director has signed an appointment letter with the Company for an initial fixed term of two years and may be terminated by not less than three months prior notice in writing served by either party to the other or in accordance with the provisions set out in the respective appointment letter.

The Board considers that all of the independent non-executive Directors are independent and has received from each of them the annual confirmation of independence required by Rule 5.09 of the GEM Listing Rules.

The Board is responsible for approving and monitoring of the Group's overall strategies and policies; approving of business plans; evaluating the performance of the Group and overseeing the management. The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to the executive Directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive Directors who have attended Board meetings.

BOARD MEETINGS AND BOARD PRACTICES

The Board meets regularly for at least four times a year to review the financial and operating performance of the Group.

Details of the attendance and the meetings of the Board are as follows:

	Number of Attendance
Executive Directors	
Mr. Tsang Chi Hin *(Chief Executive Officer)*	9/9
Mr. Chu Yu Man, Philip	9/9
Independent Non-executive Directors	
Mr. Chau Chi Ming	8/9
Mr. Cheung Tak Shum	9/9
Mr. Lau Tin Cheung	7/9

Apart from the above mentioned regular Board meetings of the year ended 31 December 2011, the Board will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting. The company secretary of the Company (the "Company Secretary") is responsible for distributing detailed documents to the Directors prior to the meetings of the Board to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings so that they may receive accurate, timely and clear information. All Directors have access to the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. The Company Secretary is also responsible for providing to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions and roles of chairman of the Board and chief executive officer of the Company should be held and performed separately by two individuals to ensure their respective independence, accountability and responsibility. The chief executive officer, being Mr. Tsang Chi Hin, is responsible for the day-to-day management of the Group's business. During the year, the Company did not appoint a chairman.

The Board will keep reviewing the current structure from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the post as appropriate.

REMUNERATION OF DIRECTORS

The remuneration committee of the Company (the"Remuneration Committee") had been formed in 2005 pursuant to a resolution passed by the Board. Following the re-domicile of the Company from the Cayman Islands into Bermuda in October 2007, it was re-established pursuant to a resolution passed by the Board on 15 February 2008 and specific terms of reference were adopted. As at the date of this report, the Remuneration Committee comprises three members, all are independent non-executive Directors, namely Mr. Chau Chi Ming, Mr. Cheung Tak Shum and Mr. Lau Tin Cheung. Mr. Cheung Tak Shum is the chairman of the Remuneration Committee.

The role and function of the Remuneration Committee are establishing and reviewing the policy and structure of the remuneration for the Directors and senior management of the Company.

Frequency of Meetings and Attendance

The Remuneration Committee convened a meeting during the year ended 31 December 2011 to review the existing remuneration packages of each of the Directors and senior management of the Company and to discuss the terms of the service contract and the letter of appointment for the existing Directors. Details of the attendance of these meetings are as follows:

Name of member	Number of attendance
Mr. Cheung Tak Shum *(Chairman)*	1/1
Mr. Chau Chi Ming	1/1
Mr. Lau Tin Cheung	1/1

NOMINATION OF DIRECTORS

The nomination committee of the Company (the "Nomination Committee") had been formed in 2005 pursuant to a resolution passed by the Board. Following the re-domicile of the Company from the Cayman Islands into Bermuda in October 2007, the Nomination Committee was re-established pursuant to a resolution passed by the Board on 15 February 2008 and specific terms of reference were adopted. As at the date of this report, the Nomination Committee comprises four members, of which majority are independent non-executive Directors, namely Mr. Tsang Chi Hin, Mr. Chau Chi Ming, Mr. Cheung Tak Shum and Mr. Lau Tin Cheung. Mr. Tsang Chi Hin is the chairman of the Nomination Committee.

The functions of the Nomination Committee are reviewing and supervising the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations.

Frequency of Meetings and Attendance

The Nomination Committee convened a meeting during the year ended 31 December 2011 and details of the attendance of the meetings are as follows:

Name of member	Number of attendance
Mr. Tsang Chi Hin *(Chairman)*	1/1
Mr. Chau Chi Ming	1/1
Mr. Cheung Tak Shum	1/1
Mr. Lau Tin Cheung	1/1

AUDIT COMMITTEE

The Company established the Audit Committee on 31 July 2001. It has written terms of reference in compliance with the code provisions of the Code. The Audit Committee currently comprises Mr. Chau Chi Ming, Mr. Cheung Tak Shum and Mr. Lau Tin Cheung, who are the independent non-executive Directors. The chairman of the Audit Committee is Mr. Chau Chi Ming.

The responsibilities of the Audit Committee include making recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the quarterly, interim and annual reports and accounts of the Group; and supervising the financial reporting process and effectiveness of internal control system of the Group. The Audit Committee had during the year performed such functions and reviewed the unaudited quarterly and interim results and audited annual results during the year ended 31 December 2011.

Frequency of Meetings and Attendance

The Audit Committee convened four meetings during the year ended 31 December 2011 and details of the attendance of the meetings are as follows:

Name of member	Number of attendance
Mr. Chau Chi Ming *(Chairman)*	4/4
Mr. Cheung Tak Shum	4/4
Mr. Lau Tin Cheung	4/4

AUDITORS' REMUNERATION

An amount of approximately HK$395,000 (2010: approximately HK$355,000) was charged to the Group's statement of comprehensive income for the year ended 31 December 2011. There was no significant non-audit service assignment undertaken by the auditors during the year.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's account for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the audited consolidated financial statements for the year ended 31 December 2011, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The auditors of the Company acknowledge their responsibilities in the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2011.

INTERNAL CONTROL

The Board and the Audit Committee have conducted a review of the effectiveness of the Group's internal control system. The internal control system is designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control system on an ongoing basis.

The Board considered that the internal control system of the Group is effective and the Audit Committee have found no material deficiencies on the internal control system.

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF CHINA ECO-FARMING LIMITED

(Incorporated in the Cayman Islands and continued into Bermuda with limited liability)

We have audited the consolidated financial statements of China Eco-Farming Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 76, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 presentation 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 and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 judgement, 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 the 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 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.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs 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.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei Anthony
Practising Certificate Number: P05591

Hong Kong, 21 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	NOTES	**2011 HK$'000**	2010 HK$'000
Revenue	6	**27,223**	23,271
Cost of sales		**(22,112)**	(21,328)
Gross profit		**5,111**	1,943
Other revenue	7	**11**	305
Administrative expenses		**(16,749)**	(19,204)
Finance costs	9	**(1,739)**	(911)
Net increase in fair value of investment properties	17	**730**	2,666
Loss before taxation		**(12,636)**	(15,201)
Taxation	10	**(22)**	–
Loss for the year and total comprehensive expense for the year	11	**(12,658)**	(15,201)
Loss per share	15		
Basic and diluted (HK cents)		**(0.5)**	(0.7)

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current Assets			
Plant and equipment	16	**1,946**	3,473
Investment properties	17	**11,500**	10,770
Investment in an associate	18	**1**	1
Available-for-sale investment	19	**500**	–
Deposit paid for operating right	31(b)	**–**	1,200
		13,947	15,444
Current Assets			
Trade and other receivables	20	**4,783**	2,255
Deposit paid for operating right	31(b)	**1,200**	–
Bank balances and cash	21	**662**	3,404
		6,645	5,659
Current Liabilities			
Other payables and accruals		**2,292**	1,154
Amount due to a former fellow subsidiary	22	**660**	–
Amount due to a shareholder	22	**518**	–
Income tax payable		**22**	–
Borrowings	23	**8,850**	2,400
Loan from a former fellow subsidiary	24	**12,000**	–
Loan from a shareholder	24	**8,000**	–
Convertible preference shares	25	**2,477**	–
		34,819	3,554
Net Current (Liabilities) Assets		**(28,174)**	2,105
Total Assets less Current Liabilities		**(14,227)**	17,549
Non-current Liabilities			
Borrowings	23	**3,200**	–
Loan from a former fellow subsidiary	24	**–**	12,000
Loan from a shareholder	24	**–**	8,000
Convertible preference shares	25	**–**	2,318
		3,200	22,318
		(17,427)	(4,769)
Capital and Reserves			
Share capital	27	**24,246**	24,246
Reserves		**(41,673)**	(29,015)
		(17,427)	(4,769)

The consolidated financial statements on pages 26 to 76 were approved and authorised for issue by the board of directors on 21 March 2012 and are signed on its behalf by:

Tsang Chi Hin
Director

Chu Yu Man, Philip
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital HK$'000	Share premium HK$'000	Equity component of convertible preference shares HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	9,126	8,156	4,121	6,026	(31,444)	(4,015)
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	(15,201)	(15,201)
Issue of shares upon conversion of convertible preference shares *(Note 27)*	15,120	2,910	(3,583)	–	–	14,447
At 31 December 2010	24,246	11,066	538	6,026	(46,645)	(4,769)
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	(12,658)	(12,658)
At 31 December 2011	**24,246**	**11,066**	**538**	**6,026**	**(59,303)**	**(17,427)**

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	NOTE	**2011** **HK$'000**	2010 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(12,636)**	(15,201)
Adjustments for:			
Depreciation for plant and equipment		**1,606**	478
Finance costs		**1,739**	911
Interest income		**–**	(3)
Loss on disposal of plant and equipment		**–**	128
Net increase in fair value of investment properties		**(730)**	(2,666)
Wavier of unsecured loans		**–**	(300)
Operating cash flows before movements in working capital		**(10,021)**	(16,653)
Increase in trade and other receivables		**(2,528)**	(115)
Increase in other payables and accruals		**1,138**	258
NET CASH USED IN OPERATING ACTIVITIES		**(11,411)**	(16,510)
INVESTING ACTIVITIES			
Purchase of an available-for-sale investment		**(500)**	–
Purchases of plant and equipment		**(79)**	(2,941)
Net cash outflow from acquisition of assets	30	**–**	(8,100)
Proceeds from disposal of plant and equipment		**–**	13
Interest received		**–**	3
NET CASH USED IN INVESTING ACTIVITIES		**(579)**	(11,025)
FINANCING ACTIVITIES			
New borrowings raised		**9,650**	2,400
Interest paid		**(402)**	(654)
Loans advance from former fellow subsidiaries		**–**	8,000
Repayment of borrowings		**–**	(2,700)
Dividend paid to convertible preference shares		**–**	(92)
NET CASH FROM FINANCING ACTIVITIES		**9,248**	6,954
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,742)**	(20,581)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**3,404**	23,985
CASH AND CASH EQUIVALENTS AT 31 DECEMBER , represented by bank balances and cash		**662**	3,404

1. GENERAL

China Eco-Farming Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Company Law of the Cayman Islands on 30 November 2000.

The shares of the Company have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 5 February 2002. The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section in the annual report. The directors of the Company do not consider any company to be the ultimate holding company and parent company of the Company during the year ended 31 December 2011.

During the year ended 31 December 2007, the Company re-domiciled from the Cayman Islands into Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The change of domicile was approved by the shareholders of the Company on 15 October 2007 and the Company was continued into Bermuda with limited liability with effect from 29 October 2007.

The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the business of one-stop value chain services, health care services, property investment and trading of ceramic products.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION

At 31 December 2011, the Group had net current liabilities and capital deficiency of approximately HK$28,174,000 and HK$17,427,000 respectively. The Group had incurred loss of approximately HK$12,658,000 for the year ended 31 December 2011. These conditions indicate the existence of material uncertainty which may cast doubt on the Group's ability to continue as a going concern. Nevertheless, these consolidated financial statements of the Group have been prepared on a going concern basis.

In the opinion of the directors of the Company, the Group is able to operate as a going concern in the coming year after taking into consideration the following:

(i) On 9 March 2012, the Company entered into an agreement with Luck Bloom International Limited ("Luck Bloom"), a wholly-owned subsidiary of China Railway Logistics Limited ("CRLL") and Top Status International Limited ("Top Status"), a shareholder of the Company and a wholly owned subsidiary of CRLL, for an extension of the loans payable to Luck Bloom and Top Status with maturity extended to 31 July 2013. Details are set out in Notes 24 and 38 respectively.

(ii) On 12 March 2012, the Company entered into a placing agreement with Top Status and FT Securities Limited (the "Placing Agent"), pursuant to which, Top Status has agreed to place, and the Placing Agent has agreed to procure not less than six placees, on a best-effort basis, for the purchase of up to 280,000,000 placing shares at the placing price of HK$0.068 per share. On the same day, Top Status and the Company entered into a subscription agreement pursuant to which Top Status has agreed to subscribe for a maximum number of 280,000,000 shares, at the price of HK$0.068 per share. The estimated net proceeds from the subscription is expected to be approximately HK$18,400,000 and part of the proceeds from the subscription amounting to approximately HK$5,000,000 will be used as the repayment of the total outstanding loans and interest payable to Luck Bloom and Top Status. The transaction had been completed on 19 March 2012.

2. BASIS OF PREPARATION (continued)

(iii) On 12 March 2012, the Company entered into a convertible bond placing agreement (the "CB Placing Agreement") with the Placing Agent pursuant to which the Placing Agent agreed to procure, on a best-effort basis, the convertible bond placee(s) to subscribe in cash for the convertible bonds ("CB") up to a principal amount of HK$20,000,000 and a conversion price of HK$0.10 per share. Assuming all CBs are placed, the maximum net proceeds will be approximately HK$19,400,000. The CBs do not bear any interest and shall mature on 31 December 2015. The CBs cannot be redeemed at the option of the Company before the maturity date.

The directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2011. Accordingly, the directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2011 on a going concern basis. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to obtain sufficient future funding. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendment to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
Hong Kong Accounting Standard ("HKAS") 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Interpretation ("Int") 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

In addition, the Group has early adopted the amendments to HKAS 12 Income Taxes, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 Investment Property.

The adoption of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKAS 12 Income Taxes

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets have been applied in advance of their effective date (annual periods beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances.

As a result, the Group's investment properties that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax liabilities and deferred tax assets in respect of such properties. The adoption of the amendments had no significant effect on the consolidated financial statements for prior accounting periods.

In the current year, no deferred tax has been provided for in respect of changes in fair value of such investment properties. The application of the amendments has no effect on the loss for the year.

The Group has not early applied the following new and revised HKFRSs that have been issued, but are not yet effective:

Amendment to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates For First-time Adopters[1]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] *Effective for annual periods beginning on or after 1 July 2011.*
[2] *Effective for annual periods beginning on or after 1 January 2013.*
[3] *Effective for annual periods beginning on or after 1 January 2015.*
[4] *Effective for annual periods beginning on or after 1 July 2012.*
[5] *Effective for annual periods beginning on or after 1 January 2014.*

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company anticipate that the application of these amendments to HKFRS 7 will have no significant effect on the Group's disclosures regarding transfers of financial assets in the future.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "current has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirement) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 – Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the reclassification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

***HKFRS 9 – Financial Instruments** (continued)*

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial information and HK (SIC) – Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joints arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors of the Company have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 – Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instruments for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments – Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principle accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investment in an associate

An associate in an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets

The Group's financial assets are classified into one of two categories, including loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposit paid for operating right and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

(ii) Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including other payables and accruals, amounts due to a former fellow subsidiary and a shareholder, borrowings and loan from a former fellow subsidiary and a shareholder, are subsequently measured at amortised cost, using the effective interest method.

Convertible preference shares

Convertible preference shares issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definition of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible preference shares and the fair value assigned to the liability component, representing the conversion option for the holder to convert the preference shares into equity, is included in equity (equity component of convertible preference shares).

In subsequent periods, the liability component of the convertible preference shares is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in equity component of convertible preference shares until the embedded option is exercised (in which case the balance stated in equity component of convertible preference shares will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in equity component of convertible preference shares will be released to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Financial liabilities and equity instruments (continued)

Convertible preference shares (continued)

Transaction costs that relate to the issue of the convertible preference shares are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible preference shares using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(iii) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue from the sales of goods is recognised when the goods are delivered and legal titles have passed.

Rental income from operating leases is recognised on a straight line basis over the terms of the relevant lease.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measure reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Retirement benefits scheme contributions

Payments to the Mandatory Provident Fund Scheme ("MPF") are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 the time value of money and the risks specific to the asses for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Critical judgement in applying the entity's accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Going concern and liquidity

As explained in Note 2, the consolidated financial position of the Group indicates the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has ability to continue as a going concern and the major condition that may cast significant doubt about the going concern assumptions are set out in Note 2.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for doubtful debts

Allowance for doubtful debts is made based on the assessment of the recoverability of trade receivables. The identification of doubtful debts requires the directors of the Company to make judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade receivables and doubtful debt expenses/written back in the period in which the estimate has been changed. As at 31 December 2011, the carrying amounts of trade receivables were approximately HK$3,279,000 (2010: HK$1,205,000). No impairment loss was recognised in both years.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Fair value of investment properties

Investment properties are carried in the consolidated statement of the financial position at 31 December 2011 at their fair value of approximately HK$11,500,000 (2010: HK$10,770,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

Estimated impairment loss on available-for-sale investment

The Group follows the guidance of HKAS 39 to determine whether an available-for-sale investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow.

6. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2011 HK$'000	2010 HK$'000
Revenue:		
One-stop value chain services	**2,401**	19,376
Health care services	**18,644**	3,858
Rental income *(Note)*	**402**	37
Trading of ceramic products	**5,776**	–
	27,223	23,271

Note:

	2011 HK$'000	2010 HK$'000
Gross rental income	**402**	37
Less: outgoings (included in cost of sales)	**(17)**	(1)
Net rental income	**385**	36

7. OTHER REVENUE

	2011 HK$'000	2010 HK$'000
Interest income	–	3
Wavier of unsecured loans	–	300
Other rental income	11	2
	11	305

8. SEGMENT INFORMATION

The Group's operation segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. One-stop value chain services – provision of total solution services including trading, packaging and logistic solutions
2. Health care services – provision of health care services
3. Property investment – generated rental income from operating leases of Group's investment properties
4. Trading of ceramic products – trading of ceramic sanitary ware products

Trading of ceramic products is a new reportable segment of the Group for the year ended 31 December 2011.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	One-stop value chain services		Health care services		Property investment		Trading of ceramic products		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
REVENUE										
External sales	2,401	19,376	18,644	3,858	402	37	5,776	–	27,223	23,271
Segment (loss) profit	(1,323)	(5,685)	3,309	1,659	1,058	2,702	722	–	3,766	(1,324)
Unallocated corporate revenue									11	305
Unallocated corporate expenses									(14,674)	(13,271)
Finance costs									(1,739)	(911)
Loss before taxation									(12,636)	(15,201)

8. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of central administration costs, directors' emoluments, other revenue and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2011 HK$'000	2010 HK$'000
Segment assets		
One-stop value chain services	279	1,826
Health care services	3,875	4,471
Property investment	11,696	10,796
Trading of ceramic products	3,034	–
Total segment assets	18,884	17,093
Unallocated corporate assets	1,708	4,010
Consolidated assets	20,592	21,103
Segment liabilities		
One-stop value chain services	108	86
Health care services	970	495
Property investment	55	55
Trading of ceramic products	–	–
Total segment liabilities	1,133	636
Unallocated corporate liabilities	36,886	25,236
Consolidated liabilities	38,019	25,872

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than investment in an associate, available-for-sale investment, bank balances and cash and certain other receivables; and
- all liabilities are allocated to operating segments other than certain other payables and accruals, amounts due to a former fellow subsidiary and a shareholder, income tax payable, loans from a former fellow subsidiary and a shareholder, borrowings and liability component of convertible preference shares.

8. SEGMENT INFORMATION (continued)

Other segment information

	One-stop value chain services		Health care services		Property investment		Trading of ceramic products		Unallocated		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:												
Additions to non-current assets *(Note)*	**–**	16	**79**	2,925	**–**	8,132	**–**	–	**–**	–	**79**	11,073
Net increase in fair value of investment properties	**–**	–	**–**	–	**730**	2,666	**–**	–	**–**	–	**730**	2,666
Loss on disposal of plant and equipment	**–**	128	**–**	–	**–**	–	**–**	–	**–**	–	**–**	128
Depreciation for plant and equipment	**120**	253	**1,355**	221	**131**	4	**–**	–	**–**	–	**1,606**	478
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:												
Investment in an associate	**1**	1	**–**	–	**–**	–	**–**	–	**–**	–	**1**	1
Interest income	**–**	2	**–**	–	**–**	–	**–**	–	**–**	1	**–**	3
Interest expense	**–**	3	**–**	–	**–**	–	**–**	–	**1,739**	908	**1,739**	911
Taxation	**–**	–	**–**	–	**–**	–	**22**	–	**–**	–	**22**	–

Note: Non-current assets excluded available-for-sale investment.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets other than investment in an associate and available-for-sale investment is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**21,447**	23,271	**13,446**	15,443
Macau	**5,776**	–	**–**	–
	27,223	23,271	**13,446**	15,443

8. SEGMENT INFORMATION (continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011 HK$'000	2010 HK$'000
Customer A[1]	**5,776**	N/A[3]
Customer B[2]	**N/A[3]**	13,102
Customer C[2]	**N/A[3]**	2,573

[1] *Revenue from trading of ceramic products*
[2] *Revenue from one-stop value chain services*
[3] *The corresponding revenue did not contribute over 10% of the total sales of the Group in the respective year*

9. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on bank loans, wholly repayable within five years	**210**	3
Interest on other loans	**92**	–
Effective interest expense on convertible preference shares	**237**	308
Interest on loan from a former fellow subsidiary	**720**	600
Interest on loan from a shareholder	**480**	–
	1,739	911

10. TAXATION

	2011 HK$'000	2010 HK$'000
Hong Kong Profits Tax – current	**22**	–

For the year ended 31 December 2011, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit.

For the year ended 31 December 2010, no provision for Hong Kong Profits Tax has been made as the Group does not have any assessable profit subject to Hong Kong Profits Tax.

10. TAXATION (continued)

The tax charge for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2011 HK$'000	2010 HK$'000
Loss before taxation	**(12,636)**	(15,201)
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	**(2,085)**	(2,508)
Tax effect of expenses not deductible for tax purpose	**806**	1,050
Tax effect of income not taxable for tax purpose	**(120)**	(490)
Tax effect of temporary differences not recognised	**–**	4
Utilisation of temporary differences previously not recognised	**(12)**	–
Tax effect of tax losses not recognised	**1,433**	1,944
Tax charge for the year	**22**	–

Details of deferred taxation are set out in Note 26.

11. LOSS FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Loss for the year has been arrived at after charging:		
Directors' emoluments *(Note 12)*	**2,574**	2,605
Other staff costs (excluding directors' emoluments)	**3,069**	3,012
Retirement benefits scheme contributions (excluding directors)	**95**	93
	5,738	5,710
Auditors' remuneration	**395**	355
Depreciation for plant and equipment	**1,606**	478
Minimum lease payments paid under operating leases in respect of office premises	**4,380**	1,244
Loss on disposal of plant and equipment	**–**	128

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 5 (2010:6) directors were as follows:

	2011			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Chu Yu Man, Philip	–	884	12	896
Tsang Chi Hin	–	1,066	12	1,078
Independent non-executive directors:				
Cheung Tak Shum	240	–	–	240
Lau Tin Cheung	180	–	–	180
Chau Chi Ming	180	–	–	180
Total	600	1,950	24	2,574

	2010			
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Chu Yu Man, Philip	–	884	12	896
Tsang Chi Hin	–	1,066	12	1,078
Independent non-executive directors:				
Cheung Tak Shum	240	–	–	240
Yeung Chi Tat (Resigned on 12 May 2010)	96	–	–	96
Lau Tin Cheung	180	–	–	180
Chau Chi Ming (Appointed on 12 May 2010)	115	–	–	115
Total	631	1,950	24	2,605

No director waived or agreed to waive any emoluments paid by the Group during the two years ended 31 December 2011 and 2010.

During the two years ended 2011 and 2010, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2010: two) were directors of the Company whose emoluments are included in the disclosure in Note 12 above. The emoluments of the remaining three (2010: three) individuals were as follows:

	2011 **HK$'000**	2010 HK$'000
Basic salaries and allowances	**1,755**	1,755
Retirement benefits scheme contributions	**36**	36
	1,791	1,791

The emoluments of each of the above employees were less than HK$1,000,000 during the two years ended 31 December 2011 and 2010.

During the two years ended 31 December 2011 and 2010, no emoluments were paid by the Group to the highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDEND

No dividend was paid or proposed during 2011, nor any dividend has been proposed since the end of the reporting period (2010: Nil).

15. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2011 **HK$'000**	2010 HK$'000
Loss		
Loss for the purpose of basic loss per share	**(12,658)**	(15,201)

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,424,599,690**	2,327,624,348

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the conversion of convertible preference shares during the year ended 31 December 2010 as detailed in Note 25.

Diluted loss per share for the year ended 31 December 2011 and 2010 are the same as the basic loss per share. The computation of diluted loss per share for the two years ended 31 December 2011 and 31 December 2010 does not assume the conversion of the Company's outstanding convertible preference shares since their exercise would result in a decrease in the loss per share.

16. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Computer, network and related equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
COST						
At 1 January 2010	59	598	96	249	352	1,354
Additions	2,534	–	384	23	–	2,941
Acquired on acquisition of subsidiaries *(Note 30)*	–	–	28	–	–	28
Disposals	–	–	–	(160)	–	(160)
At 31 December 2010	2,593	598	508	112	352	4,163
Additions	–	–	79	–	–	79
At 31 December 2011	**2,593**	**598**	**587**	**112**	**352**	**4,242**
DEPRECIATION						
At 1 January 2010	15	80	14	40	82	231
Provided for the year	234	119	33	22	70	478
Eliminated on disposals	–	–	–	(19)	–	(19)
At 31 December 2010	249	199	47	43	152	690
Provided for the year	1,275	120	115	26	70	1,606
At 31 December 2011	**1,524**	**319**	**162**	**69**	**222**	**2,296**
CARRYING VALUES						
At 31 December 2011	**1,069**	**279**	**425**	**43**	**130**	**1,946**
At 31 December 2010	2,344	399	461	69	200	3,473

The above items of plant and equipment are depreciated over their estimated useful lives using the straight-line basis at the following rates per annum:

Leasehold improvements	Over the term of lease
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Computer, network and related equipment	20%
Motor vehicle	20%

17. INVESTMENT PROPERTIES

	2011 HK$'000	2010 HK$'000
FAIR VALUE		
At 1 January	**10,770**	–
Acquired on acquisition of subsidiaries *(Note 30)*	**–**	8,104
Net increase in fair value recognised in consolidated statement of comprehensive income	**730**	2,666
At 31 December	**11,500**	10,770

(a) The fair value of the Group's investment properties at 31 December 2011 and 2010 have been arrived at on the basis of a valuation carried out on that date by Avista Valuation Advisory Limited ("Avista"), independent qualified professional valuer not connected with the Group. Avista is a member of the Institute of Valuers. The valuation was arrived at by taking into account the net rental income of the property derived from the existing lease and/or achievable in the existing market with due allowance for the reversionary income potential of the leases.

(b) All of the Group's properties interests are held under operating leases to earn rentals or for capital appreciation purposes and are measured using the fair value model and are classified and accounted for as investment properties.

(c) The above investment properties are located in Hong Kong and held under long-term leases.

(d) At 31 December 2011, the Group's investment properties with a carrying value of HK$11,500,000 (2010: HK$4,900,000) was pledged to secure the banking facilities granted to the Group *(Note 23)*.

18. INVESTMENT IN AN ASSOCIATE

	2011 HK$'000	2010 HK$'000
Cost of unlisted investment in an associate	**1**	1

18. INVESTMENT IN AN ASSOCIATE (continued)

At 31 December 2011 and 2010, the Group had interest in the following associate:

Name of entity	Form of entity	Place of incorporation and operation	Class of shares held	Proportion of nominal value of issued capital held by the Group 2011	2010	Principal activity
FDC Limited	Limited Liability	Samoa	Ordinary shares	**49%**	49%	Inactive

The summarised financial information in respect of the Group's associate is set out below:

	2011 HK$'000	2010 HK$'000
Current asset, representing net asset	**1**	1
Group's share of net asset of an associate	**1**	1

No result of the associate is presented for the year ended 31 December 2011 and 2010 as no income was earned and no expense was incurred. Accordingly, no share of profit or loss of associate for the year is accounted for.

19. AVAILABLE-FOR-SALE INVESTMENT

	2011 HK$'000	2010 HK$'000
Unlisted equity investment – cost	**500**	–

The above unlisted equity investment represents investment in unlisted equity securities issued by a private entity incorporated in Hong Kong. It is measured at cost less accumulated impairment loss at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

20. TRADE AND OTHER RECEIVABLES

	2011 **HK$'000**	2010 HK$'000
Trade receivables	**3,279**	1,205
Deposit and other receivables	**429**	660
Prepayments	**1,075**	390
	4,783	2,255

The credit period granted to the Group's trade customers generally ranges from 0 days to 90 days.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2011 **HK$'000**	2010 HK$'000
0 to 30 days	**3,136**	1,195
31 to 90 days	**125**	10
91 to 180 days	**18**	–
	3,279	1,205

The Group does not hold any collateral over these balances.

At 31 December 2011, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately HK$3,214,000 (2010: HK$10,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss.

The ageing analysis of trade receivables which are past due but not impaired is as follows:

	2011 **HK$'000**	2010 HK$'000
Past due but not impaired:		
0 to 30 days	**3,071**	10
31 to 90 days	**143**	–
	3,214	10

Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience and the financial standings of these customers, the directors of the Company believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable.

20. TRADE AND OTHER RECEIVABLES (continued)

5The Group's neither past due nor impaired trade receivables mainly represent sales made to creditworthy customers for whom there was no recent history of default.

The Group's trade and other receivables that are denominated in currency other than the functional currency of the relevant group entity is set out below:

	2011 **HK$'000**	2010 HK$'000
Renminbi ("RMB")	**3,034**	–

21. BANK BALANCES AND CASH

Bank balances carry interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2011, the Group had bank balances and cash originally denominated in RMB of approximately HK$10,000 (2010: HK$20,000).

22. AMOUNTS DUE TO A FORMER FELLOW SUBSIDIARY/A SHAREHOLDER

The amounts represent amounts due to Luck Bloom and Top Status. CRLL ceased to be the ultimate holding company of the Company on 29 January 2010.

The amounts are unsecured, non-interest bearing and repayable on demand.

23. BORROWINGS

	2011 **HK$'000**	2010 HK$'000
Bank loans	**5,850**	2,400
Other loans	**6,200**	–
	12,050	2,400
Analysed as:		
Secured bank loans	**5,850**	2,400
Secured other loans	**3,200**	–
Unsecured other loans	**3,000**	–
	12,050	2,400

23. BORROWINGS (continued)

	2011 HK$'000	2010 HK$'000
Carrying amount repayable *(note)*:		
On demand or within one year	**5,400**	–
More than one year, but not exceeding two years	**6,650**	2,400
	12,050	2,400
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**(3,450)**	(2,400)
Less: Amounts due within one year shown under current liabilities	**(5,400)**	–
Amounts shown under non-current liabilities	**3,200**	–

Note: These amounts due are based on the scheduled repayment dates set out in the loan agreements.

The exposure of the Group's loans is as follows:

	2011 HK$'000	2010 HK$'000
Fixed rate loans		
On demand or within one year	**3,000**	–
More than one year, but not exceeding two years	**3,200**	–
Variable rate loans		
On demand or within one year	**2,400**	2,400
More than one year, but not exceeding two years	**3,450**	–
	12,050	2,400

For the year ended 31 December 2011, the Group's secured bank loans carry interests at the Hong Kong Dollars Prime Rate plus or minus a margin (2010: Hong Kong Dollars Prime Rate minus a margin).

The ranges of effective interest rates (which are also equal to the contracted interest rates) on the Group's loans are as follows:

	2011	2010
Fixed rate loans	**8% to 9%**	N/A
Variable rate loans	**P-1.75% to P+1%**	P-1.75%

At 31 December 2011 and 2010, the Group's secured bank loans and other loans are secured by the Group's investment properties as set out in Note 17.

24. LOANS FROM A FORMER FELLOW SUBSIDIARY/A SHAREHOLDER

The loan from a former fellow subsidiary represents loan with principal amount of HK$12,000,000 (2010: HK$12,000,000) from Luck Bloom. The loan carries interest fixed at 6% per annum (2010: bear interest at HK$ best lending rate quoted by the Hong Kong and Shanghai Banking Corporation Limited, which is 5% per annum).

The loan from a shareholder represents loan with principal amount of HK$8,000,000 (2010: HK$8,000,000) from Top Status. The loan carries interest fixed at 6% per annum (2010: interest-free).

For the year ended 31 December 2010, both loans are unsecured and not repayable within the next twelve months from the end of the reporting period. At 31 December 2011, both of the loans are unsecured and repayable on 31 July 2012 and are classified under current liabilities in the consolidated statement of financial position. Subsequent to the end of the reporting period, the maturity for both loans and the interest accrued thereon were extended for one year with new maturity date of 31 July 2013. Details are set out in Note 38.

The loans from a former fellow subsidiary and a shareholder are denominated in HK$.

25. CONVERTIBLE PREFERENCE SHARES

	Number of shares	**Amount** HK$'000
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011, HK$0.10 each	173,913,043	17,391
Issued and fully paid:		
At 1 January 2010	173,913,043	17,391
Conversion of convertible preference shares	(151,200,000)	(15,120)
At 31 December 2010 and 31 December 2011, HK$0.1 each	**22,713,043**	**2,271**

25. CONVERTIBLE PREFERENCE SHARES (continued)

The principal terms of the Convertible Preference Shares ("CP Shares") on the date of issue include the following:

(i) Dividend

A dividend of HK$78,000 calculated at 3% of par value of CP Shares was paid for the year ended 31 December 2011 (2010: HK$92,000). No dividends accrued or paid upon the CP Shares until 31 December 2007. An accrued dividend at the rate of 3% of par value will be paid annually.

(ii) Capital

On a return of capital on liquidation or otherwise (but not on conversion), the holders of the CP Shares ("CP Shareholders") shall have the right to be paid, in priority to any return of assets in respect of any other class of shares in the capital of the Company up to an amount equal to the aggregate notional value of HK$20 million (equivalent to approximately HK$0.115 per CP Share *(Note)*).

(iii) Redemption

The Company shall redeem all of the CP Shares at par plus the accrued and unpaid dividends at the maturity date falling five years from the date of allotment and issue of CP Shares. The CP Shares will mature on 6 November 2012.

(iv) Conversion rights

Each CP Shareholder shall have the right to convert at any time any CP Share, which shall be deemed to have a value equal to the notional value thereof, into ordinary shares at the conversion price of HK$0.115 per share *(Note)*, subject to adjustment provisions which are standard terms for convertible securities of similar type.

Each CP Shareholder shall exercise the conversion right attaching to the CP Shares only if it has been confirmed by the Company in writing that the allotment and issue of the ordinary shares to such CP Shareholder and the Company will only issue the ordinary shares pursuant to an exercise of such conversion right if such issue will not cause the Company to be in breach of the minimum public float requirement of not less than 25% as stipulated under Rule 11.23 of the GEM Listing Rules.

(v) Transferability

The CP Shares may be freely transferable subject to the provision of the Company's Bye-laws relating to the transfer of shares and share certificates and provided that no transfer of a CP Share shall be effected within a period of six months commencing on the date of issue of such CP Share.

(vi) Voting

The CP Shareholders shall not have the right to receive notice of, or to attend and vote at, general meetings of the Company, unless a resolution is to be proposed at a general meeting of the Company for winding up the Company or which if passed would vary or abrogate the rights or privileges of the CP Shareholders.

Note: Following the share subdivision took effect on 13 October 2009, the conversion price of the CP Shares was adjusted from HK$0.115 per share to HK$0.0115 per share.

25. CONVERTIBLE PREFERENCE SHARES (continued)

The net proceeds received from the issue of the CP Shares contain two components:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the effective interest rate of 10.27% per annum.

(ii) Equity component represents the difference between the proceeds of issue of the CP Shares and the fair value assigned to the liability component.

The movement of the CP Shares for the year is as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
At 1 January 2010	16,549	4,121	20,670
Conversion during the year	(14,447)	(3,583)	(18,030)
Interest charge *(Note 9)*	308	–	308
3% CP dividend	(92)	–	(92)
At 31 December 2010	2,318	538	2,856
Interest charge *(Note 9)*	237	–	237
3% CP dividend	(78)	–	(78)
At 31 December 2011	**2,477**	**538**	**3,015**

As at 31 December 2011, the total CP dividend paid as detailed above was HK$78,000 (2010: HK$92,000).

During the year ended 31 December 2010, 1,512,000,000 ordinary shares of HK$0.01 each were issued pursuant to the conversion of the convertible preference shares at a conversion price of HK$0.0115 per share.

26. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2010 and 31 December 2010	–	–	–
Charged (credited) to consolidated statement of comprehensive income for the year	133	(133)	–
At 31 December 2011	**133**	**(133)**	**–**

26. DEFERRED TAXATION (continued)

At the end of the reporting period, the Group has unused tax losses of approximately HK$32,299,000 (2010: HK$22,806,000) available for offset against future profits. A deferred tax has been recognised in respect of approximately HK$808,000 of such losses (2010: Nil). No deferred tax asset has been recognised in respect of the remaining tax loss of approximately HK$31,491,000 (2010: HK$22,806,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$741,000 (2010: HK$817,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

27. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares		
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011, HK$0.01 each	3,260,869,570	32,609
Issued and fully paid:		
At 1 January 2010, HK$0.01 each	912,599,690	9,126
Conversion of convertible preference shares *(Note)*	1,512,000,000	15,120
At 31 December 2010 and 31 December 2011, HK$0.01 each	**2,424,599,690**	**24,246**

Note: During the year ended 31 December 2010, 1,512,000,000 ordinary shares of HK$0.01 each were issued pursuant to the conversion of the convertible preference shares at a conversion price of HK$0.0115 per share and rank pari passu with other shares in issue in all respects. Details are set out in Note 25.

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes borrowings, loan from a former fellow subsidiary, loan from a shareholder and the liability component of convertible preference shares as disclosed in Notes 23 to 25 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt or the redemption of existing debt.

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**5,570**	6,469
Available-for-sale investment, at cost	**500**	–
Financial liabilities at amortised cost		
Other financial liabilities	**37,997**	25,872

29. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, deposits paid for operating rights, trade and other receivables, bank balances and cash, other payables and accruals, amounts due to a former fellow subsidiary and a shareholder, loans from a former fellow subsidiary and a shareholder and liability component of convertible preference shares. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

A subsidiary of the Company has foreign currency revenue, which expose the Group to foreign currency risk. During the year ended 31 December 2011, approximately 100% of the Group's sales revenue and approximately 100% of the Group's purchases arising from the trading of ceramic products segment are denominated in currencies other than the functional currency of the group entity. No sales or purchases were denominated in foreign currencies for the year ended 31 December 2010.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	Assets	
	2011	2010
	HK$'000	HK$'000
RMB	**3,044**	20

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

29. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) *Currency risk (continued)*

Sensitivity analysis

The Group is mainly exposed to RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax loss where HK$ strengthen 5% against the relevant currency. For a 5% weakening of HK$ against the relevant currency, there would be an equal and opposite impact on the loss, and the balances below would be negative. The analysis is performed on the same basis for the year ended 31 December 2010.

	RMB	
	2011	2010
	HK$'000	HK$'000
Impact on loss for the year	**127**	1

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings arising from other loans, loans from a former fellow subsidiary and a shareholder and the liability component of convertible preference shares as set out in Notes 23 to 25, respectively. The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances and bank loans as detailed in Notes 21 and 23 respectively. It's the Group's policy to keep its loan at floating rate of interest so as to minimise the fair value interest rate risk. The Group historically has not used any financial instrument to hedge potential fluctuations in interest rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the Hong Kong Dollars Prima Rate arising from the Group's HK$ denominated loans. The Group's exposure to cash flow interest rate risk is minimal.

The Group's bank balances are short-term in nature and the exposure of the interest rate is minimal.

29. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

At 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets, mainly deposit paid for operating right, trade and other receivables and bank balances, as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the directors of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31 December 2011, the Group's concentration of credit risk by geographical locations is mainly in Macau, which accounted for 93% of the total trade receivables.

At 31 December 2010, the Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% of the total trade receivables.

As at 31 December 2011, the Group has concentration of credit risk as 93% (2010: 89%) of the total trade receivables were due from the Group's largest customer within the trading of ceramic products segment (2010: one-stop value chain services segment).

However, the directors of the Company consider the credit risk is under control since the directors of the Company exercise due care in granting credit and check the financial background of these debtors on a regular basis.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors of the Company monitor the utilisation of bank borrowings.

The Group is exposed to liquidity risk as the Group had net current liabilities of approximately HK$28,174,000 (2010: Nil) and capital deficiency of approximately HK$17,427,000 (2010: HK$4,769,000) as at 31 December 2011. The liquidity of the Group primarily depends on the future funding being available and the ability of the Group to meet its financial obligations as they fall due. Details are set out in Note 2.

29. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Total undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Carrying amounts HK$'000
2011				
Non-derivative financial liabilities				
Other payables and accruals	**2,292**	**2,292**	**–**	**2,292**
Amount due to a former fellow subsidiary	**660**	**660**	**–**	**660**
Amount due to a shareholder	**518**	**518**	**–**	**518**
Borrowings	**13,126**	**9,766**	**3,360**	**12,050**
Loan from a former fellow subsidiary	**12,420**	**12,420**	**–**	**12,000**
Loan from a shareholder	**8,280**	**8,280**	**–**	**8,000**
Convertible preference shares	**2,677**	**2,677**	**–**	**2,477**
	39,973	**36,613**	**3,360**	**37,997**
2010				
Non-derivative financial liabilities				
Other payables and accruals	1,154	1,154	–	1,154
Borrowings	2,484	2,484	–	2,400
Loan from a former fellow subsidiary	12,670	600	12,070	12,000
Loan from a shareholder	8,760	480	8,280	8,000
Convertible preference shares	2,777	83	2,694	2,318
	27,845	4,801	23,044	25,872

29. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Bank loans with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2011, the aggregate undiscounted principal amounts of these bank loans amounted to HK$3,450,000 (2010: HK$2,400,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans in amounts of HK$3,450,000 (2010: HK$2,400,000) will be repaid within one to two years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$3,756,000 (2010: HK$2,484,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to their short-term maturities.

The directors of the Company consider that the fair value of the long-term portion of other loans, loan from a former fellow subsidiary, loan from a shareholder and convertible preference shares approximates to their carrying amounts as the impact of discounting is not significant.

30. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 12 October 2010 and 25 November 2010, the Group acquired investment properties located in Hong Kong through the acquisition of the entire equity interest in Watson China Limited ("Watson") and Alpaco Company Limited ("Alpaco") from First Perfect Worldwide Limited and Master Access Holdings Limited, both are independent third parties to the Group, for a consideration of approximately HK$4,000,000 and HK$4,100,000 respectively. The principal activities of Watson and Alpaco are property holding investment and major assets are investment properties. Accordingly, the transaction was accounted for as the acquisition of their assets through acquisition of subsidiaries.

30. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (continued)

The relevant information about the acquisition was as follows:

	Watson HK$'000	Alpaco HK$'000	Total HK$'000
Net assets acquired:			
Plant and equipment	28	–	28
Investment properties	4,008	4,096	8,104
Deposits and other receivables	1	4	5
Other payables and accruals	(37)	–	(37)
Loan from a shareholder	(3,889)	(5,074)	(8,963)
	111	(974)	(863)
Assignment of debt	3,889	5,074	8,963
Total consideration satisfied by:			
Cash	4,000	4,100	8,100
Net cash outflow on acquisition:			
Cash consideration paid	4,000	4,100	8,100

31. OPERATING LEASES

(a) Commitments under operating lease

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2011 HK$'000	2010 HK$'000
Within one year	**1,404**	4,118
In the second to fifth year inclusive	**58**	723
	1,462	4,841

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for terms of one to two years and rentals are fixed over the terms of the leases.

The Group as lessor

Property rental income earned during the year was approximately HK$402,000 (2010: HK$37,000). The properties are expected to generate rental yields of 3.5% (2010: 0.3%) on an on-going basis. All of the properties held have committed tenants for the next two years.

31. OPERATING LEASES (continued)

(a) Commitments under operating lease (continued)

The Group as lessor (continued)

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2011 HK$'000	2010 HK$'000
Within one year	**364**	222
In the second to fifth year inclusive	**36**	148
	400	370

(b) Other commitments

On 5 October 2010, an operating right of health care services is contracted for a term up to 14 April 2012. Pursuant to the operating right, a refundable deposit of HK$1,200,000 had been paid during the year ended 31 December 2010 and the Group has to pay the owner, a monthly refreshment fee in sum of HK$100,000, payable at the end of each calendar month during the term.

32. SHARE OPTIONS

The Company has adopted a share option scheme on 24 January 2002 (the "Scheme 2002"). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 6 May 2011, the Scheme 2002 was terminated and a new share option scheme (the "Scheme 2011") was adopted.

Under the Scheme 2002, the Company may only grant share options to the directors or any person who is an employee of members of the Group or any entity in which the Group holds any equity interests. However, the Scheme 2011 provides a broadened basis of and scope of eligible participation and enables the Group to reward the employees, the directors and other selected participants for their contributions to the Group. The Scheme 2002 will be expired on 23 January 2012 and the directors of the Company consider that it is appropriate to adopt the new scheme.

The purpose of the Scheme 2002 and Scheme 2011 is to enable the Company to grant options to selected employees to subscribe for shares of the Company as incentives or rewards for their contributions to the Group. The board of directors of the Company may, at its discretion, invite any full-time or part-time employees of the Company or any member of the Group, including any executive and non-executive directors, advisors, consultants of the Company or any subsidiary of the Company to take up options to subscribe for shares of the Company. The total number of shares of the Company available for issue under the Scheme 2002 and Scheme 2011 was initially 10% of the issued share capital as at the date of adoption of the Share Option Scheme.

32. SHARE OPTIONS (continued)

The total number of shares of the Company available for issue under the Scheme 2002 and Scheme 2011 (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue from time to time. An option may be exercised at any time during a period to be determined and notified by the Board to each participant. Upon acceptance of the option, the employee should pay HK$1.00 to the Company by way of consideration for the grant. The subscription price for the shares of the Company will be a price to be determined by the Board and will be the highest of (i) the closing price of the shares on the GEM as stated on the Stock Exchange's daily quotations sheet on the date of granting of the options; (ii) the average closing price of the shares on the GEM as stated on the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of granting of the options; and (iii) the nominal value of a share.

No share option has been granted or outstanding under the Scheme 2002 or Scheme 2011 by the Company during the year ended 31 December 2011 and 2010.

33. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to MPF, which contribution is matched by employees.

The total cost charged to income of approximately HK$119,000 (2010: HK$117,000) represents contribution payable to MPF by the Group in respect of the current accounting period.

34. RELATED PARTY TRANSACTIONS

(a) In addition to related party balances detailed in the consolidated financial statements and Notes 22 and 24, respectively, the Group entered into the following significant transactions with related parties during the year:

Name of company	Nature of transaction	2011 HK$'000	2010 HK$'000
Top Status	Dividend on convertible preference shares	78	92
	Loan interest expense	480	–
Luck Bloom	Loan interest expense	720	600

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2011 HK$'000	2010 HK$'000
Short-term benefits	3,705	3,295
Post-employment benefits	60	36
	3,765	3,331

The remuneration of directors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2011 HK$'000	2010 HK$'000
Non-current Asset			
Interests in subsidiaries	(a)	**1**	144
Current Assets			
Trade and other receivables		**140**	292
Bank balances and cash		**146**	65
		286	357
Current Liabilities			
Other payables and accruals		**474**	437
Amount due to a subsidiary	(b)	**6,548**	694
Amount due to a former fellow subsidiary	(c)	**660**	–
Amount due to a shareholder	(c)	**518**	
Borrowings		**3,000**	–
Loan from a former fellow subsidiary	(c)	**12,000**	–
Loan from a shareholder	(c)	**8,000**	–
Convertible preference shares		**2,477**	–
		33,677	1,131
Net Current Liabilities		**(33,391)**	(774)
Total Assets less Current Liabilities		**(33,390)**	(630)
Non-current Liabilities			
Loan from a former fellow subsidiary	(c)	**–**	12,000
Loan from a shareholder		**–**	8,000
Convertible preference shares		**–**	2,318
		–	22,318
		(33,390)	(22,948)
Capital and reserves			
Share capital		**24,246**	24,246
Reserves	(d)	**(57,636)**	(47,194)
		(33,390)	(22,948)

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

(a) Interests in subsidiaries

	2011 HK$'000	2010 HK$'000
Investments in subsidiaries	**1**	1
Amounts due from subsidiaries	**–**	143
	–	144

The amounts due from subsidiaries are unsecured, non-interest bearing and not repayable within the next twelve months from the end of the reporting date.

(b) The amount due to a subsidiary is unsecured, non-interest bearing and repayable on demand.

(c) Amounts due to a former fellow subsidiary/a shareholder and loans from a former fellow subsidiary/a shareholder are included in the consolidated statement of financial position. The terms are set out in Notes 22 and 24 respectively.

(d) Reserves

	Share premium HK$'000	**Equity component of convertible preference shares** HK$'000 *(Note 25)*	**Contributed surplus** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2010	8,156	4,121	28,769	(73,806)	(32,760)
Loss for the year, representing total comprehensive expense for the year	–	–	–	(13,761)	(13,761)
Issue of shares upon conversion of convertible preference shares *(Note 27)*	2,910	(3,583)	–	–	(673)
At 31 December 2010	11,066	538	28,769	(87,567)	(47,194)
Loss for the year, representing total comprehensive expense for the year	–	–	–	(10,442)	(10,442)
At 31 December 2011	**11,066**	**538**	**28,769**	**(98,009)**	**(57,636)**

The Company has no distribution reserves as at 31 December 2011 and 2010.

36. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Legal form of entity	Place of incorporation/ operations	Issued and fully paid share capital	Proportion ownership interest held by the Company				Principal Activities
				Directly		Indirectly		
				2011	2010	2011	2010	
Kama Business Holdings Limited	Limited liability	BVI	Ordinary shares of US$1	100%	100%	–	–	One-stop value chain services
Anson Development Limited	Limited liability	Hong Kong	Ordinary shares of HK$100	100%	100%	–	–	Group administration
Hoi Fan Investment Limited	Limited liability	BVI	Ordinary shares of US$1	–	–	100%	–	Investment holding
Goodlink Corporation Limited	Limited liability	Hong Kong	Ordinary shares of HK$1	–	–	100%	100%	Inactive
Golden Jack Development Limited	Limited liability	BVI	Ordinary shares of US$1	100%	100%	–	–	Investment holding
Grand Protection Holdings Limited	Limited liability	BVI	Ordinary share of US$1	100%	100%	–	–	Investment holding
Watson China Limited	Limited liability	Hong Kong	Ordinary share of HK$1	–	–	100%	100%	Property holding
Alapco Company Limited	Limited liability	BVI	Ordinary share of US$1	–	–	100%	100%	Property holding
Kaley Development Limited	Limited liability	BVI	Ordinary share of US$1	–	–	100%	100%	Health care business
Cyberpress Limited	Limited liability	Hong Kong	Ordinary shares of HK$100	100%	–	–	–	Trading of ceramic products
Elite Rising Holding Limited	Limited liability	BVI	Ordinary share of US$1	100%	–	–	–	Inactive
Prima Target Limited	Limited liability	BVI	Ordinary share of US$1	–	–	100%	–	Inactive

None of the subsidiaries has issued any debt securities at the end of both years.

37. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2011, the dividend on convertible preference shares amounted to approximately HK$78,000 remained unpaid as at 31 December 2011 and included in amount due to a shareholder.

(b) During the year ended 31 December 2011, loan interest charged by a former fellow subsidiary and a shareholder amounted to approximately HK$660,000 and HK$440,000 respectively, remained unpaid as at 31 December 2011 and included in amounts due to a former fellow subsidiary and a shareholder respectively.

38. EVENTS AFTER THE REPORTING PERIOD

(a) On 20 January 2012, Prima Target Limited ("Prima Target"), a wholly-owned subsidiary of the Company as the subscriber, Lion Legend Holding Limited ("Lion Legend"), an independent third party as the issuer and the Company, as issuer of the convertible bonds enter into the subscription agreement in relation to Prima Target conditionally agreed to subscribe and Lion Legend conditionally agree to issue an exchangeable bond in the principal amount of HK$18,000,000, exchangeable into 1 share of Kingbridge Investment Limited ("KBI"), a wholly-owned subsidiary of Lion Legend, representing 10% of the existing issued share capital.

The subscription price shall be satisfied by the Company by way of issuance of the convertible bonds, in the principal amount of HK$18,000,000 convertible into 480,000,000 new shares at the conversion price of HK$0.0375 per conversion share, upon completion.

Lion Legend shall create and grant to Prima Target the option to acquire from Lion Legend all the remaining asset which is the remaining 90% of the KBI shares and the entire issued share capital of Hillmond International Holdings Limited ("HMC"), an independent third party and the non-controlling shareholder of a non-wholly owned subsidiary of KBI subject to completion of acquisition of HMC by Lion Legend, at a nominal consideration of HK$1 for the option at completion.

The option exercise price shall be satisfied by the issue of further convertible bonds, convertible into not more than 9,000,000,000 further conversion shares but not less than 71% of the entire issued share capital of the Company.

Details of this transaction are set out in the Company's announcement dated 31 January 2012.

(b) On 9 March 2012, the Company entered into an agreement with Luck Bloom and Top Status for the extension of the loans payable and any interest accrued thereon to Luck Bloom and Top Status for one year with new maturity extended to 31 July 2013.

38. EVENT AFTER THE REPORTING PERIOD (continued)

(c) On 12 March 2012, the Company entered into a placing agreement with Top Status and the Placing Agent, pursuant to which, Top Status has agreed to place, and the Placing Agent has agreed to procure not less than six placees, on a best effort basis, for the purchase of up to 280,000,000 placing shares at the placing price of HK$0.068 per share. On the same day, Top Status and the Company entered into a subscription agreement pursuant to which Top Status has agreed to subscribe for a maximum number of 280,000,000 shares, at the price of HK$0.068 per share. The estimated net proceeds from the subscription is expected to be approximately HK$18,400,000 and part of the proceeds from the subscription amounting to approximately HK$5,000,000 will be used as the repayment of total outstanding loans and interest payable to Luck Bloom and Top Status. The transaction had been completed on 19 March 2012.

On the same date, the Company entered into the CB Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to procure, on a best effort basis, the convertible bond placee(s) to subscribe in cash for the convertible bonds ("CB") up to a principal amount of HK$20,000,000 and a conversion price of HK$0.10 per share. Assuming all CBs are placed, the maximum net proceeds will be approximately HK$19,400,000. The CBs do not bear any interest and shall mature on 31 December 2015. The CBs cannot be redeemed at the option of the Company before the maturity date. The transaction had not yet been completed as at the date of this report.

Details are set out in the Company's announcements dated 13 March 2012 and 19 March 2012.

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of loan from a shareholder of approximately HK$8,000,000 previously classified as loans from former fellow subsidiaries. The new classification has no impact on the comparative figures as at 1 January 2010. Accordingly, no consolidated statement of financial position as at 1 January 2010 has been presented.

Financial Summary

The following is a summary of the consolidated results and of the assets and liabilities of the Group:

For the year ended 31 December

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000 *(Note 1)*	HK$'000	HK$'000
Revenue	**27,223**	23,271	35,844	10,832	1,460
Cost of sales	**(22,112)**	(21,328)	(34,940)	(8,896)	(929)
Gross profit	**5,111**	1,943	904	1,936	531
Other revenue	**11**	305	3	310	187
Gain on disposal of subsidiaries	**–**	–	4,812	–	–
Distribution costs	**–**	–	–	(6)	(22)
Administrative expenses	**(16,749)**	(19,204)	(12,474)	(8,062)	(7,113)
Impairment loss recognised in respect of goodwill on subsidiaries	**–**	–	–	(9,827)	(15,931)
Impairment loss recognised in respect of available-for-sale investment	**–**	–	–	(2,784)	–
Finance costs	**(1,739)**	(911)	(2,083)	(1,505)	(219)
Net increase in fair value of investment properties	**730**	2,666	–	–	–
Loss before taxation	**(12,636)**	(15,201)	(8,838)	(19,938)	(22,567)
Taxation	**(22)**	–	–	(83)	–
Loss for the year	**(12,658)**	(15,201)	(8,838)	(20,021)	(22,567)
Loss for the year attributable to:					
Owners of the Company	**(12,658)**	(15,201)	(8,838)	(20,021)	(22,567)
Non-controlling Interests	**–**	–	–	–	–
	(12,658)	(15,201)	(8,838)	(20,021)	(22,567)

Note 1: The consolidated results for the year ended 31 December 2009 included the results from continuing and discontinued operations.

Financial Summary

ASSETS AND LIABILITIES

As at 31 December

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**13,947**	15,444	1,124	1,251	15,288
Current assets	**6,645**	5,659	27,320	19,968	24,785
Current liabilities	**34,819**	3,554	3,910	6,738	6,876
Net current (liabilities) assets	**(28,174)**	2,105	23,410	13,230	17,909
Non-current liabilities	**3,200**	22,318	28,549	15,550	14,745
(Net liabilities) net assets	**(17,427)**	(4,769)	(4,015)	(1,069)	18,452

Major Investment Properties

At 31 December 2011

Location	Type	Lease Term	Effective held
Flat A, 7th Floor, Springfield Court, Nos. 50-56 Flower Market Road, Mongkok, Kowloon, Hong Kong	Residential	long-term lease	100%
Flat C, 29/F, Tower 3, Sky Tower, No. 38 Sung Wong Toi Road, To Kwa Wan, Kowloon, Hong Kong, together with a car-parking space No. R206 on the second floor of the same building	Residential	long-term lease	100%