PUBLIC HEALTHCARE

中國公共醫療

Annual Report 2011

CHINA PUBLIC HEALTHCARE (HOLDING) LIMITED
(Incorporated in the Cayman Islands with Limited Liability)
(Stock code: 8116)

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

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

CONTENTS

CORPORATE PROFILE

DIRECTORS

Executive Directors

Mr. Stephen William Frostick *(Chairman)*
Mr. Lu Chunming *(Chief Executive Officer)*
Mr. Cheng Chun Tak (Appointed on 6 January 2012)
Mr. Shao Heng (Resigned on 29 December 2011)

Independent Non-executive Directors

Mr. Lee Chi Hwa, Joshua
Mr. Tso Hon Sai, Bosco
Mr. Chang Jun

AUTHORISED REPRESENTATIVES

Mr. Stephen William Frostick
Mr. Ang Wing Fung *CPA (Aust), CPA, ACS, ACIS, EMBA*

AUDIT COMMITTEE MEMBERS

Mr. Lee Chi Hwa, Joshua *(Chairman)*
Mr. Tso Hon Sai, Bosco
Mr. Chang Jun

NOMINATION COMMITTEE MEMBERS

Mr. Chang Jun *(Chairman)*
Mr. Tso Hon Sai, Bosco
Mr. Lee Chi Hwa, Joshua

REMUNERATION COMMITTEE MEMBERS

Mr. Lee Chi Hwa, Joshua *(Chairman)*
Mr. Chang Jun
Mr. Tso Hon Sai, Bosco

COMPLIANCE OFFICER

Mr. Stephen William Frostick

COMPANY SECRETARY

Mr. Ang Wing Fung *CPA (Aust), CPA, ACS, ACIS, EMBA*

AUDITORS

HLM & Co.
Certified Public Accountants
Room 305,
3rd Floor,
Arion Commercial Centre
2-12 Queen's Road West
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
Shanghai Commercial Bank Limited

LEGAL ADVISORS

On Hong Kong Law:

Tang Tso & Lau Solicitors

On Cayman Islands Law:

Conyers Dill & Pearman, Cayman

REGISTERED OFFICE

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Cayman Islands

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Wan Chai, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE

Cayman Islands

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(Cayman) Limited
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P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong

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Wan Chai
Hong Kong

Stock Code

8116

Website of the Company

www.chpublic-healthcare.com

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to report the Group's results for the year ended 31 December 2011.

The Group's decision to enter the Healthcare Information Technology ("HIT") market in 2009 with the acquisition of China Chief Medical Standards Database Co. Ltd. ("CCMSD") and Beijing Upway Science & Technology Development Co. Ltd. ("Upway") has proved to be very successful in 2010 and that initial success had carried forward throughout 2011. As chairman of the Board of Directors, I am pleased to report that for 2011, we have posted a year ended loss of approximately HK$261 million. The entry into the HIT market in China was and continues to be a sound strategic move that positions our Group for continued growth in this industry. We are currently the one of industry leaders in the PRC and that position should be maintained into the foreseeable future.

The Company's main product platforms in HIT are the industry's gold standard. Our focus now is to maintain that standard continue to grow consistent with our strategic plan and revenue productions.

Our Group has emerged from 2011's performance with a profound sense of accomplishment and the satisfaction of being one of the industry leaders in HIT. We continued to improve upon our service delivery and platform applications and that is reflected in our client satisfaction levels and our increased efficiency of operations. The opportunities to expand our industry presence remains as our driving force for continued profitability. The future is always a challenging endeavor and we have a proven team and the core capabilities to continue and improve our performance. I look forward to working with our team of professionals, business partners, clients, and our base of shareholders as we continue to grow our business in 2012.

Stephen William Frostick
Chairman

BUSINESS REVIEW AND OUTLOOK

Healthcare Information Technology ("HIT") in the PRC

The Group has begun to step into the HIT market since October 2009. The National Institute of Hospital Administration ("NIHA") of the PRC, the China National Institute of Standardization and the China Health Promotion Foundation are partners in the development of the Group's services.

The Group recorded a total revenue of approximately HK$242 million from the HIT in the PRC in 2011. Through the sale of products and provision of services, the Group has blossomed into an important provider of the HIT that is in line with the requirements of the China hospital systems. The Group will continue to endeavour to expand its market share in 2012. Our main products and services are set out as follows:

I) Electronic Medical Records (EMR) system

The Group has applied its proprietary software and technology to develop and complete the professional Electronic Medical Records (EMR) software for Mainland China. The software is granted with a certification by the Chinese Ministry of Health, and accounts for the one of largest share in the PRC high-grade hospital market.

The Group's EMR system is compatible with various types of hospital information systems ("HIS") in Mainland China. All medical records information could be used for multiple search applications.

In the opinion of the Board, the technology employed in the Group's products is in leading positions and absolutely ahead of the competitors.

The Group will continue to expand its cooperation with traditional Chinese medical specialist hospitals in Mainland China through the association with the China Academy of Chinese Medical Sciences, with an aim to encourage the application of our EMR systems among traditional Chinese medical specialist hospitals.

In addition, in order to increase its sales and enhance its market shares, the Group has been adjusting its marketing strategies and actively employing intermediate agents. Among the sales of the Group this year, the sales through intermediate agents in cities such as Tianjin and Hangzhou achieved good results.

As the government supporting funds for EMR in hospitals in Mainland China are not yet fully provided, there is further delay of the original schedule for public hospitals in various regions in adopting EMR. During the year, there was a decrease in the amount of sales recorded for the Group's EMR systems. It is expected that the entering into of sales contracts will be resumed in the first half of 2012.

II) ***Medical Imaging Database System***

After the research and development during this phase, the Medical Imaging Database System continues to integrate with the latest research achievements across engineering and modern medical fields and has entered into an important phase of online testing. Under the policy guidance of the Ministry of Health in China and its subunits and the incitement within the industry, the testing of the Medical Imaging Database System Platform is progressing at a speed and effectiveness exceeding expectations.

With the commencement of the online testing, the first professional Medical Imaging Database System Platform in Mainland China has begun to take shape. The launch of the internet platform will complete the top and bottom cycles of the Medical Imaging Database System which enables it to become really capable of serving the PRC health institutions at all levels as well as achieving long term medical target with an overwhelming pioneer advantage in this field.

Leveraging on its proprietary medical imaging software, the Company establishes the “Cloud Services” system on the internet in the long run, enabling the Medical Imaging Database System to cover medical imaging service contents, which will be widely used for a long period of time in the future in Mainland China.

The medical imaging database is enriching continuously to provide support for the smooth operation of the network platform. Through in-depth, flexible and diversified cooperation with health departments in various areas, medical imaging data in various areas of Mainland China was continuously added into the database adopting ACR international standards.

At the beginning stage of data collection, we adopted the internationally accepted ACR international standards, which allowed the Company’s own Medical Imaging Database System to become an international leading database provider immediately upon its establishment and realise the customisable medical imaging data service. In addition, it had the following functions:

a. Medical imaging application and development: Trial run was commenced in various fields.

b. Expert level science and research training platform: It already created certain influence among the Ministry of Health in China and its institutions.

c. Patient self enquiry: The establishment of network platform made it become feasible.

d. Medical appliances and instruments logistics platform: With in-depth development of various applications, the platform has begun to take shape.

III) Regional Public Health Medical System

A) Urban Regional Healthcare Platform

The Group will use its proprietary software and technology to work with government healthcare management institutions in Mainland China to establish health archives information system for urban area residents according to the requirements and standards of Ministry of Health in China ("MOHC").

The project generally lasts for 3 years. The revenue for the year was mainly derived from the projects of governments of Jiangsu Province, Tianjin City, Guangdong Province, Beijing City, Tibet Autonomous Region and Xinjiang Autonomous Region. The projects are progressing slowly due to factors such as geographical conditions and national policies.

B) Rural Regional Health Platform

The Group has applied its proprietary systems and products to establish the Rural Regional Health Platform. These projects are developed in close cooperation with city health bureaus by using tele-medical technology to provide medical and healthcare services to rural residents. The Group is licensed and entitled to collect all the fees from the patients and 50% to 80% of all the medical expenses subsidised by government health institutions. The Group is still adjusting its business model and therefore, only a small amount of revenue was recorded for the year.

IV) Hospital Pre-evaluation Service

As the hospital pre-evaluation services did not obtain any results and the recent economic environment tended to be uncertain, the Group plans and decides to cease the work plans relating to the hospital pre-evaluation services. Hence, the Group has not recorded any services income from the related projects.

Mining Business

The Directors are of the view that the long-term prospect of mineral resource prices will remain optimistic due to the continued demand from developing countries such as the PRC, India and Russia. The Group still needed to adjust the production plan of the mining operations. The mining operations have not yet begun to bring revenue contribution during the year.

Radio Trunking System Integration

The radio trunking business did not record any turnover in 2010 and 2011. No turnover generated from the business was mainly due to the fact that the requirement of the customers for radio trunking system is moving towards digitalized products in line with the advancement of technology. As such, a new around of restructuring of the radio trunking system market in the Mainland China was triggered. The Group's self-developed software technology, namely Frequency-division multiple access ("FDMA") system, could not be launched to the market as affected by these changes of the overall trend of the industry.

Group Future Development

Acquisition of diamonds and precious stone retail business in China

The Company and Ample Rich Capital Limited (a subsidiary of the Company) entered into an agreement dated 20 January 2012 with the Vendors, pursuant to which the Group has conditionally agreed to acquire all of the issued share capital of the Million Zone Holdings Limited and its subsidiaries ("Target Group") from the Vendors at the consideration of HK$600,000,000 (subject to adjustment), which will be settled by cash payment as to HK$ 80,000,000 and the issue of convertible bonds by the Company to the Vendors as to HK$520,000,000. The Target Group is mainly engaged in the retail business of diamonds, jades as well as other precious stones and related jewelry through 北京全城熱戀商場有限公司 (Beijing City-In-Love Market Limited) (being a principal operating company of the Target Group in Beijing, China). The prospects of diamonds will remain positive in the next few years. Accordingly, the Directors believe that there will be rising consumer demand in Mainland China for quality goods and increasing consumption desire for luxury goods.

The Group has always adhered to a business strategy which steps up resources integration, business restructuring and exploration of business with more certain prospects. Efforts will be dedicated to foster the rapid development and healthy growth of the Group's business. The Acquisition represents a unique and good opportunity for the Group to acquire profitable and speedily growing business and to diversify into the promising retail market in Mainland China. The Board believes that in addition to the Group's existing business in the HIT industry, the Target Group will provide the Group with another major source of revenue and profit from the retail business in Mainland China.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2011, the Group's turnover was approximately HK$242 million, representing a decrease of approximately 38% as compared to 2010. All the revenue for the current year was contributed by the HIT business.

The decrease in turnover was due to the increase in market competition of HIT business during the year. Also, some customers still not yet to finalise the terms of sale contracts and the business during the year.

Gross profit

For the year ended 31 December 2011, the Group recorded a gross profit of approximately HK$112 million, representing a decrease of approximately 58%. The gross profit margin decreased from approximately 70% in 2011 to approximately 46% in 2010. The decrease in gross profit margin was due to increase in sales of products related to EMR system with a comparatively lower margin.

Other revenue

The other revenue is contributed by refund of value-added tax ("VAT") of HK$381 thousand, interest income of HK$537 thousand, government grants of HK$247 thousand and other operating income of HK$459 thousand. There was an increase of 17% as compare to 2010, which due to there is government grant in 2011.

Distribution expenses

The distribution costs in 2011 amounted to HK$14.3 million (2010: HK$12.7 million), representing an increase of 12% compared to 2010. The increase was primarily attributable to the increase in staff costs and sales commission in 2011.

Administrative expenses

The administrative expenses in 2011 amounted to approximately HK$53 million (2010: approximately HK$74 million), representing a decrease of 29% compared to 2010. The administrative expenses include staff costs, office expenses, travelling, depreciation and amortisation. The dramatically decrease was due to the absence of the share-based payment of approximately HK$27 million from granted 270 million new share options to certain consultants and employees for services rendered with fair value equivalent in 2010.

Finance costs

The finance costs amounted to HK$6.7 million (2010: HK$6.7 million). The finance costs were mainly contributed by the imputed interest on convertible bonds.

Loss for the year

The Group's loss attributable to shareholders of the Company for the year ended 31 December 2011 was approximately HK$257 million, while profit attributable to shareholders of the Company for year ended 2010 was approximately HK$140 million, representing a turn from profit to loss.

During the year, goodwill related to HIT business recognised impairment losses of approximately HK$95 million. Moreover, reported an impairment losses on mining rights of HK$190 million. Taking into consideration of market value of the mining rights was HK$10 million as at 31 December 2011 and the mine is situated in Jiangxi, PRC. Also, the Group had reported an impairment loss of HK$9 million on the available-for-sale investments, which the Group holds 10% registered capital of Norwell Limited, an investment holding company, and its subsidiaries mainly involved in production and sales of ferro-silicon and ferro alloys in the PRC.

Liquidity and financial resources

As at 31 December 2011, the cash and cash equivalent of the Group amounted to HK$80 million, as compared to HK$152 million as at 31 December 2010, decreased by 47%.

For the year ended 31 December 2011, the Group's net cash outflow of investing activities and net cash inflow from operating activities amounted to approximately HK$126 million and approximately HK$40 million respectively.

Capital structure

Convertible bonds with original principal amount of HK$465 million was issued by the Company and of which HK$241 million were converted in 2009. The further HK$22 million was substantially converted into 534 million shares of the Company during 2010. As at 31 December 2011, a principal amount of HK$202 million of convertible bonds were still outstanding with conversion price of HK$0.04.

As at 31 December 2011, net assets was approximately HK$700 million, representing a decrease of 23% of the financial position as compared with 2010. The decrease was mainly due to the impairment losses on non-current assets throughout the year.

As at 31 December 2011, the Group's gearing ratio were 31.1% (calculated on the basis of the Group's total liabilities over total assets) which was at similar level as previous year. The Board believes that the Group has stable and strong financial position and will have sufficient liquidity to meet the needs of its operations and future business development.

Charge on group assets

As at 31 December 2011, The Group's investments in financial assets held for trading with carrying value amounting to HK$3.3 million were pledged to brokers to secure margin financing provided to the Group. Saving as disclosed above, no other group assets were charged or pledged to secure any loans or borrowings.

Foreign exchange exposure

Since the Group's sales, purchases and loans were substantially denominated in either Renminbi or Hong Kong Dollar, the Directors of the Company consider that the potential foreign exchange exposure of the Group is limited.

Contingent liabilities

As at 31 December 2011, the Board was not aware of any material contingent liabilities.

Staff and remuneration policies

As at 31 December 2011, the Group employed a workforce with head count of approximately 170, the majority of whom were employed in the PRC. Staff costs, including directors' emoluments, amounted to approximately HK$18 million. The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to retirement scheme and medical insurance.

Acquisitions of subsidiaries and affiliated companies

Save as the above, the Group had no other plans for acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2011.

Future plans for material investments or capital assets

On 20 January 2012, the Company and the wholly owned subsidiary Ample Rich Capital Limited entered into the Agreement with Value Vibrant Investments Limited, Twin Wins Capital Limited and Radiance Glory International Limited (Collectively referred as "Vendors") to acquire the entire issued share capital of the Million Zone Holdings Limited at the consideration of HK$600 million (subject to adjustment), which is to be satisfied as to HK$80 million in cash, and HK$520 million by the issue of convertible bonds by the Company to the Vendors.

Save as disclosed herein, the Group did not have any details of future plan for material investments or capital assets as at 31 December 2011.

Significant Investment

For the year ended 31 December 2011, the Group have acquired other intangible assets with the carrying value amounting to approximately HK$175 million.

Saving as disclosed herein, the Group did not have any details of significant investment as at 31 December 2011.

INTRODUCTION

The Code on Corporate Governance Practices (the "CG") contained in Appendix 15 of the GEM Listing Rules was introduced on 1 January 2005. It sets out the principles of good corporate governance and the Company is required to comply with the code provisions of the CG. The Company is fully admitted that good corporate governance, as part of the Company's culture, can create values to the Group and our shareholders. The Board is committed to continue to enhance the standards of corporate governance within the Group and to ensure that the Group conducts its businesses in an honest and responsible manner. Except for disclosed in this report, the Group has adopted practices which meets the code provisions of the CG.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of the Directors of the Company, all Directors have complied with the required standard of dealings and code of conduct regarding securities transactions by Directors as set out in the code of conduct for the year 2011.

BOARD COMPOSITION

The Board of Directors ("Board") of the Company is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the Chairman and Chief Executive and the management.

The Board comprises a total of 6 Directors, with 3 Executive Directors, namely, Mr. Stephen William Frostick *(Chairman)*, Mr. Lu Chunming *(Chief Executive Officer)*, Mr. Shao Heng (Resigned on 29 December 2011), and 3 Independent Non-executive Directors, namely, Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua. One Independent Non-executive Director has appropriate professional qualifications, accounting and financial management expertise.

The posts of Chairman and Chief Executive Officer are separated to ensure a clear division between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The separation ensures a balance of power and authority so that power is not concentrated in any one individual. The Board considers that the current management structure ensures consistent leadership and optimal efficiency for operation of the Group. The Board comprises 6 directors, the balance of power and authority between the Board and management will not be compromised.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

BOARD OPERATION

The Board meets regularly over the Company's affairs and operations. In 2011, the Board held 13 meetings. The attendance record of each member of the Board is set out below:

Executive Directors	**Attendance**
Mr. Stephen William Frostick *(Chairman)*	13/13
Mr. Lu Chunming *(Chief Executive Officer)*	12/13
Mr. Shao Heng (Resigned on 29 December 2011)	8/13
Independent Non-executive Directors	
Mr. Chang Jun	10/13
Mr. Tso Hon Sai, Bosco	13/13
Mr. Lee Chi Hwa, Joshua	12/13

NON-EXECUTIVE DIRECTORS

The Non-executive Directors are subject to retirement by rotation in accordance with the articles of association of the Company.

All the existing Non-executive Directors are appointed for an initial term of three years and the term of office shall continue after the expiration of the initial term until at least 1 month's prior written notice is given by the Director. The remuneration packages for Non-executive directors are determined by the Board of Directors. They are reimbursed for reasonable expenses incurred during the performance of their duties to the Company and are eligible to be granted share options under the Share Option Scheme.

REMUNERATION OF DIRECTORS

As mentioned above, a remuneration committee was formed on 30 October 2005 for, inter alia, the following purposes:–

(a) to make recommendations to the Board on policies and structure for remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(b) to determine the remuneration packages for Executive Directors and senior management and to make recommendations to the Board on the remuneration of Non-executive Directors.

The Remuneration Committee is made up of all of the Company's Independent Non-executive Directors, namely, Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua. Mr. Lee Chi Hwa, Joshua is the Chairman of the remuneration committee.

Meeting has been held in 2011 to review the remuneration packages of Executive Directors, which are nominal by market standards. The Directors' fees of the Company's Independent Non-executive Directors have not been changed during the year according to market levels. The Remuneration Committee held a meeting on 29 March 2012 to consider and approve (a) bonus payments to employees of the Group, (b) salary increases of senior management of the Group and (c) range of salary increase for employees of the Group. Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua attended this meeting.

The Remuneration Committee will meet and determine the emolument policy and long-term incentive schemes as well as the basis of determining the emolument payable to the Company's Directors in 2011.

NOMINATION OF DIRECTORS

As mentioned above, a Nomination Committee was formed on 31 October 2007 for, inter alia, the following purposes:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board;

(b) to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorship; and

(c) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for Directors.

The Nomination Committee is made up of all of the Company's Independent Non-executive Directors, namely, Mr. Chang Jun *(Chairman)*, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua. The Nomination Committee held meeting on 29 March 2012 to review the structure, size and composition of the Company's Board of Directors. Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua attended this meeting. The Nomination Committee was satisfied with the existing composition of the Company's Board of Directors and recommended no change in the near term.

The Nomination Committee will meet and determine the nomination procedures and the process and criteria to select and recommend candidates for directorship in 2012.

AUDITORS' REMUNERATION

The remuneration in respect of audit provided by the auditors, HLM & Co., to the Company for the year 2011 amounted to HK$650 thousand. No non-audit services was provided by HLM & Co. during the year.

AUDIT COMMITTEE

The Company's Audit Committee was formed on 13 July 2000 and is currently composed of all three Independent Non-executive Directors of the Company, namely, Mr. Lee Chi Hwa, Joshua (Chairman), Mr. Tso Hon Sai, Bosco and Mr. Chang Jun. The primary duties of the Audit Committee are (a) to review the Group's annual reports, financial statements, interim reports and quarterly reports, (b) to provide advice and comments thereon to the Board and (c) to review and supervise the financial reporting process and internal control procedures of the Group.

In 2011, the Audit Committee held 4 meetings. The attendance record of each member of the Committee is set out below:

	Attendance
Mr. Chang Jun	2/4
Mr. Tso Hon Sai, Bosco	4/4
Mr. Lee Chi Hwa, Joshua	4/4

The Audit Committee has carefully reviewed the Company's quarterly, half-yearly and annual results and its system of internal control and has made suggestions to improve them. The Committee also carried out and discharged its duties set out in CG Code. In the course of doing so, the Committee has met the company's management, qualified accountant and external auditors in 2012.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of the financial statements, which give a true and fair view. The Auditors are responsible for forming an independent opinion, based on the audit, on the financial statements prepared by the Directors and reporting the opinion solely to the shareholders of the Company.

EXECUTIVE DIRECTORS

Mr. Stephen William Frostick, aged 62, is the Chairman of the Company. Mr. Frostick obtained a Juris Doctorate at Old College School of Law, Nevada, United States in 1984, a Master of Public Administration and a Bachelor of Science in Business Administration at the University of Nevada, Las Vegas, United States in 1976 and 1974 respectively. Currently the president and chief executive officer of the Compeer Group (Macau) and Grey Eagle Group (Hong Kong), Mr. Frostick has over 35 years of experience in leading capacities in the State Government of Nevada, United States, large corporations and international consulting organizations. During his past employment with Kepner Tregoe Inc., Mr. Frostick was involved in the design, development and led the implementation of Team Concept in Chrysler Motors Inc. Mr. Frostick also participated in the negotiations with respect to the labour agreements between the United Auto Workers Union and Chrysler Motors Inc. Leverage on Mr. Frostick's automobile business experience, the Group will be in a better position to solicit the aforesaid automobile related investments opportunities and/or projects.

Mr. Frostick is well experienced in strategic planning, operational management and organisational development and has about 36 years of senior management experience. He joined the Group in 2007. He is currently the Executive Director of Code Agriculture (Holdings) Limited (formerly known as China Chief Cable TV Group Limited) which is listed on the Stock Exchange of Hong Kong Limited.

Mr. Lu Chunming, aged 54, is the Chief Executive Officer of the Company. Mr. Lu is also the general manager of Beijing Cheong Lee Gocom Information Technology Company Limited and is responsible for the management of business of the Group. Mr. Lu graduated from Beijing Normal University in the PRC and joined the Group in 1995. Prior to joining the Group, Mr. Lu had worked for the Post and Telecommunication Science Research Institute and Authorities Service Bureau of the former MPT. Mr. Lu has more than 20 years of experience in the communications industry.

Mr. Cheng Chun Tak, aged 49, is the executive director of the Company. Mr. Cheng was graduated from Xidian University (formerly known as Xi Bei Institute of Telecommunications Engineering（西北電訊工程學院）) in 1983 majored in Computer Engineering and obtained a Bachelor Degree in Computer Engineering. In 1986, he obtained a Master Degree in Engineering (Computer Science) from the Institute of Microelectronics of Shanxi（陝西微電子學研究所）.

Mr. Cheng has been worked as the general manager of Proxim Wireless Corporation (OTCQX: PRXM) from 2002 to 2004. Listed in United States, Proxim Wireless Corporation is a global leading provider for products and services in end-to-end broadband wireless system that provides integrated services in data transmission, acoustic frequency, audio frequency and mobile networks for all companies. Mr. Cheng is mainly responsible for the sales and after-sales services of that company in the Greater China region, being Hong Kong, Mainland China, Macau and Taiwan. Mr. Cheng has extensive experience in the sales and customer services of communication equipment in which he has over 20 years of experience in sales and customer services. He joined the Group in 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Chi Hwa, Joshua, aged 39, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee has extensive experience in the fields of auditing, accounting and finance. He joined the Group in 2007. He is currently the independent non-executive director of Code Agriculture (Holdings) Limited (formerly known as China Chief Cable TV Group Limited) and King Stone Energy Group Limited which are listed on the Stock Exchange of Hong Kong Limited.

Mr. Tso Hon Sai Bosco, aged 47, is currently a partner with Messrs. Tso Au Yim & Yeung, Solicitors and has been a Hong Kong practising solicitor since 1990. Mr. Tso received his Bachelor of Laws degree from King's College, London. He joined the Group in 2007. He is currently the independent non-executive director of Rising Development Holdings Limited and Goldin Financial Holdings Limited. Both companies are listed on the Stock Exchange of Hong Kong Limited.

Mr. Chang Jun, aged 43, is currently a partner of Messrs, Allbright Law Office-Shenzhen and has been a Chartered lawyer of Chinese Ministry of Law since 2000. Mr. Chang received his Bachelor of Laws degree from Southwest University of Polities & Law, Chongqing and master degree in Economic & Commercial Law in People's University of China, Beijing. Mr. Chang has more than 15 years experience in Chinese legal profession and extensive experience in legal advisory to public and multinational enterprise in PRC. He joined the Group in 2007.

SENIOR MANAGEMENT

Mr. Lv Bin's, aged 46, is the Chief Operating Officer of the Company. He is the Founder and Chief Executive Officer of Beijing Upway Science & Technology Development Co. Ltd（北京安博維科技發展有限公司）. He has over 20 years of management experience in I.T industry and expertise in healthcare information technology. He joined the group in 2009.

Mr. ANG Wing Fung, aged 39, is the Company Secretary and Chief Financial Officer of the Company, who holds a degree of Master of Business Administration (Executive) from the City University of Hong Kong and a Bachelor degree in Accounting and Finance from The University of New South Wales, Australia. He is an associate member of Hong Kong Institute of Certified Public Accountants, a qualified member in CPA Australia and an association member of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has over 10 years of experience in financial management, auditing and accounting in an international accounting firm and a listed company in Hong Kong. He is currently the executive director of Inno-Tech Holdings Limited which is listed on the Stock Exchange of Hong Kong Limited.

The Directors of the Company ("Directors") submit herewith their annual report together with the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Group is principally engaged in hospital data evaluation analytics, hospital information technology system for medical data acquisition, processing and application system, mining of mineral resources and accessories in PRC, radio trunking systems integration and provision of telemedia-related and other value-added telecommunication-related technical services.

There were no significant changes in the nature of the Company's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 and the state of the affairs of the Group at that date are set out in the consolidated financial statements on pages 26 to 28.

The Directors do not recommend the payment of a dividend for the year.

PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2011 are set out in note 18 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and of the Company are set out in note 16 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in statement of changes in equity on page 30 and page 85 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company has no reserves available for distribution to shareholders (2010: Nil) in accordance with the Companies Law of the Cayman Islands and the Company's Articles of Association.

CONVERTIBLE BONDS

Details of movements in the convertible bonds of the Company during the year are set out in note 29 to the consolidated financial statements.

DONATION

The Group's charitable and other donations during the year amounted to approximately HK$1 million (2010: approximately to HK$3 million). No donations were made to political parties.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set out in notes 30 and 32 respectively to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 91 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases

– the largest supplier	41%
– five largest suppliers combined	80%

Sales

– the largest customer	13%
– five largest customers combined	48%

To the best of the Directors' knowledge, none of the Directors, their associates or any shareholder who owns more than 5% of the Company's share capital had an interest in any of the major customers or suppliers above.

DIRECTORS

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

Mr. Stephen William Frostick *(Chairman)*
Mr. Lu Chunming
Mr. Cheng Chun Tak (Appointed on 6 January 2012)
Mr. Shao Heng (Resigned on 29 December 2011)
Mr. Lee Chi Hwa, Joshua*
Mr. Tso Hon Sai, Bosco*
Mr. Chang Jun*

* *Independent Non-executive Director*

One-third of the Directors shall retire at the forthcoming annual general meeting in accordance with Article 87 of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

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

Long positions in the ordinary shares of HK$0.01 each of the Company

Name	Type of interest	Number of shares	Number of underlying shares	Approximate percentage of issued share capital
Mr. Stephen William Frostick *(Note 1)*	Beneficial	–	10,000,000	0.09%
Mr. Lu Chunming *(Note 2)*	Beneficial	830,000	–	0.01%

Notes:

1. Mr. Stephen William Frostick, an Executive Director of the Company has interest in the Company.

2. Mr. Lu Chunming, an Executive Director of the Company has interest in the Company directly.

Long positions in the underlying shares

On 31 March 2010, share options of 10,000,000 shares at exercise price of HK$0.186 were granted to a director of the Company, Mr. Stephen William Frostick, under the Share Option Scheme. These share options are exercisable for a period of 3 years from the date of granted unconditionally. Details are set out in note 32 to the consolidated financial statements.

Save as disclosed above, as at 31 December 2011, none of the Directors or Chief Executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years and will continue thereafter until the contract is terminated by either party giving to the other party not less than one calendar months' notice in writing.

As at 31 December 2011, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which any Directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company considers all of the Independent Non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees details of the scheme is set out in note 32 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures" above and the "Share option scheme" below, at no time during the year have rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION

The Company adopted a share option scheme on 30 July 2007 ("the Scheme"), which became effective for a period of 10 years commencing on 10 August 2007. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible person to subscribe for the shares of the Company ("Share") at the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 21 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of the Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the shares in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at the date of the passing of the relevant resolution adopting the Scheme.

Pursuant to the Scheme, as at 31 December 2011, the director, employees and consultants were granted share options to subscribe for shares of the Company, details of which were as follows:

Name or category of participant	As at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2011	Date of granted of share options	Exercise period of share options	Exercise price of share options
Director									
Stephen William Frostick	10,000,000	–	–	–	–	10,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
	10,000,000	–	–	–	–	10,000,000			
Employees	29,220,000	–	–	–	–	29,220,000	10 August 2007	10 August 2007 – 9 August 2012	HK$0.380
Employees	52,000,000	–	–	–	–	52,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
	81,220,000	–	–	–	–	81,220,000			
Consultants	58,439,900	–	–	–	–	58,439,900	10 August 2007	10 August 2007 – 9 August 2012	HK$0.380
Consultants	138,000,000	–	–	–	–	138,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
Consultants	50,000,000	–	–	–	–	50,000,000	3 May 2010	3 May 2010 – 2 May 2013	HK$0.186
Consultants	20,000,000	–	–	–	–	20,000,000	9 July 2010	9 July 2010 – 8 July 2013	HK$0.186
	266,439,900	–	–	–	–	266,439,900			
	357,659,900	–	–	–	–	357,659,900			

None of the director, employees and consultants of the Company had exercised their share options during the year ended 31 December 2011.

The total number of shares available for issue under the Scheme as at the 31 December 2011 thereof was 357,659,900 representing approximately 3.17% of the issued share capital of the Company.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 December 2011, the following persons (other than the director and the chief executive of the Company) had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in the ordinary shares of HK$0.01 each of the Company

Name of the Shareholders	Type of interest	Number of shares	Number of underlying shares *(note e)*	Total Number of shares and underlying shares	Approximate percentage of issued share capital
Way Capital Investments Limited ("Way Capital") *(note a)*	Beneficial	1,482,142,857	–	1,482,142,857	13.15%
Absolute Power International Limited ("Absolute Power") *(note b)*	Beneficial	–	1,463,263,267	1,463,263,267	12.98%
Ms. Ye Hong *(note c)*	Beneficial	–	1,263,736,733	1,263,736,733	11.21%
Wide Treasure Investment Limited ("Wide Treasure") *(note d)*	Beneficial	–	948,825,912	948,825,912	8.42%

Notes:

(a) Way Capital is wholly owned by Lau Wang Tai who is deemed to be interested in the shares.

(b) Absolute Power is wholly owned by Hu Chao who is deemed to be interested in the shares.

(c) Ms. Ye Hong is an independent third party not connected with the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates. She is not involved in the management of the Company and its subsidiaries.

(d) Wide Treasure is wholly owned by She Zhangshu who is deemed to be interested in the shares.

(e) The underlying shares of Absolute Power and Wide Treasure are in respect of the convertible bonds issued by the Company on 9 January 2009. The convertible bonds issued by the Company to Way Capital and on 23 October 2009 were converted to 1,482,142,857 shares on 4 December 2009.

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PENSION SCHEME ARRANGEMENT

Particulars of the pension scheme arrangements are set out in note 36 to the consolidated financial statements.

CONNECTED TRANSACTIONS

During the year ended 31 December 2011, the Company has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of GEM Listing Rules.

Significant related party transactions entered by the Group during the year, which do not constitute connected transactions under GEM Listing Rules, are disclosed in note 37 to the consolidated financial statements.

COMPETING INTERESTS

The Directors are not aware of, as at 31 December 2011, any business or interest of each Director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights under the laws of the Cayman Islands.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report, the Company has maintained the prescribed public float under the GEM Listing Rules.

AUDITORS

A resolution to reappoint Messrs. HLM & Co. as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Stephen William Frostick
Chairman

Hong Kong, 29 March 2012

恒健會計師行
HLM & Co.
Certified Public Accountants

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TO THE SHAREHOLDERS OF CHINA PUBLIC HEALTHCARE (HOLDING) LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Public Healthcare (Holding) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 90, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 controls as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 agreed term of engagement 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

HLM & Co.
Certified Public Accountants

Hong Kong, 29 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Continuing operations			
Turnover	6	242,448	388,378
Cost of sales and services		(129,811)	(118,304)
Gross profit		112,637	270,074
Other revenue	6	1,624	1,390
Distribution expenses		(14,260)	(12,738)
Administrative expenses		(53,052)	(74,234)
Impairment loss on mining rights	17	(190,000)	(36,364)
Impairment loss on goodwill	19	(94,616)	–
Impairment loss on available-for-sale investments		(9,468)	(9,000)
Realised loss on disposal of financial assets held for trading		(2,131)	(273)
Unrealised loss on financial assets held for trading		(5,194)	(2,074)
(Loss) profit from operations		(254,460)	136,781
Finance costs	8	(6,716)	(6,729)
(Loss) profit before tax		(261,176)	130,052
Income tax expense	9	–	–
(Loss) profit for the year from continuing operations	10	(261,176)	130,052
Discontinued operations			
Profit for the period from discontinued operations		–	6,678
(Loss) profit for the year		(261,176)	136,730
Other comprehensive income			
Net gain arising on revaluation of available-for-sale investments during the year		94	–
Exchange differences on translation of the financial statements of foreign operations		18,248	10,401
Other comprehensive income for the year, net of tax		18,342	10,401
Total comprehensive (expenses) income for the year		(242,834)	147,131
(Loss) profit attributable to:			
Shareholders of the Company		(256,611)	140,006
Non-controlling interests		(4,565)	(3,276)
		(261,176)	136,730
Total comprehensive (expenses) income attributable to:			
Shareholders of the Company		(238,579)	150,407
Non-controlling interests		(4,255)	(3,276)
		(242,834)	147,131
(Loss) earnings per share	14		
From continuing and discontinued operations			
Basic *(HK cents per share)*		(2.28)	1.27
Diluted *(HK cents per share)*		(2.28)	0.89
From continuing operations			
Basic *(HK cents per share)*		(2.28)	1.21
Diluted *(HK cents per share)*		(2.28)	0.85

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	16	**18,685**	64,527
Mining rights	17	**10,000**	200,000
Goodwill	19	**393,079**	487,695
Other intangible assets	20	**192,726**	22,344
Available-for-sale investments	21	**16,860**	11,000
		631,350	785,566
Current assets			
Inventories	22	**17,251**	34,422
Trade receivables	23	**175,124**	189,947
Other receivables, deposits and prepayments	24	**107,026**	94,978
Financial assets held for trading	25	**5,801**	9,762
Tax recoverable		**3**	3
Cash and bank balances	26	**80,146**	152,027
		385,351	481,139
Current liabilities			
Trade payables	27	**65,310**	76,846
Accruals and other payables		**34,931**	33,202
Deposits received		**2,179**	35,371
Amounts due to a related company	28	**15,321**	14,010
Tax payable		**143**	143
		117,884	159,572
Net current assets		**267,467**	321,567
Total assets less current liabilities		**898,817**	1,107,133

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Capital and reserves			
Share capital	30	**112,725**	112,725
Reserves		**562,829**	801,408
Equity attributable to shareholders of the Company		**675,554**	914,133
Non-controlling interests		**24,881**	1,233
Total equity		**700,435**	915,366
Non-current liability			
Convertible bonds	29	**198,382**	191,767
		898,817	1,107,133

The consolidated financial statements on pages 26 to 90 were approved and authorised for issue by the board of directors on 29 March 2012 and are signed on its behalf by:

Mr. Stephen William Frostick
DIRECTOR

Mr. Lu Chunming
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	16	**60**	68
Investment in subsidiaries	18	**782,861**	974,216
		782,921	974,284
Current assets			
Other receivables, deposits and prepayments		**723**	690
Cash and bank balances		**2,017**	1,233
		2,740	1,923
Current liability			
Accruals and other payables		**650**	600
Net current assets		**2,090**	1,323
Total assets less current liabilities		**785,011**	975,607
Capital and reserve			
Share capital	30	**112,725**	112,725
Reserves	31	**473,904**	671,115
Total equity		**586,629**	783,840
Non-current liability			
Convertible bonds	29	**198,382**	191,767
		785,011	975,607

Mr. Stephen William Frostick
DIRECTOR

Mr. Lu Chunming
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital	Share premium	Merger reserve *(Note(ii))*	General reserve *(Note (i))*	Share-based compensation reserve	Convertible bonds equity reserve	Investments revaluation reserve	Foreign currency translation reserves	Accumulated losses	Attributable to shareholders of the Company	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	107,384	966,082	(46,815)	1,852	30,082	25,432	–	2,449	(363,538)	722,928	4,509	727,437
Profit for the year	–	–	–	–	–	–	–	–	140,006	140,006	(3,276)	136,730
Other comprehensive income	–	–	–	–	–	–	–	10,401	–	10,401	–	10,401
Total comprehensive income for the year	–	–	–	–	–	–	–	10,401	140,006	150,407	(3,276)	147,131
Exercise of convertible bonds	5,341	17,013	–	–	–	(2,433)	–	–	–	19,921	–	19,921
Recognition of equity-settled share-based payments	–	–	–	–	27,091	–	–	–	–	27,091	–	27,091
Eliminated upon disposal of a joint venture	–	–	–	–	–	–	–	(6,214)	–	(6,214)	–	(6,214)
Transfer to general reserve	–	–	–	9,660	–	–	–	–	(9,660)	–	–	–
At 31 December 2010 and 1 January 2011	112,725	983,095	(46,815)	11,512	57,173	22,999	–	6,636	(233,192)	914,133	1,233	915,366
Loss for the year	–	–	–	–	–	–	–	–	(256,611)	(256,611)	(4,565)	(261,176)
Other comprehensive income	–	–	–	–	–	–	94	17,938	–	18,032	310	18,342
Total comprehensive income (expenses) for the year	–	–	–	–	–	–	94	17,938	(256,611)	(238,579)	(4,255)	(242,834)
Additional non-controlling interests arising on the establishing a subsidiary	–	–	–	–	–	–	–	–	–	–	27,903	27,903
Transfer to general reserve	–	–	–	12,826	–	–	–	–	(12,826)	–	–	–
At 31 December 2011	**112,725**	**983,095**	**(46,815)**	**24,338**	**57,173**	**22,999**	**94**	**24,574**	**(502,629)**	**675,554**	**24,881**	**700,435**

Notes:

(i) The general reserve and enterprise expansion fund are set up by subsidiaries established and operated in the People's Republic of China ("PRC") by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. The rate of appropriation of the general reserve and enterprise expansion fund is subject to the decision of the board of directors of the PRC subsidiaries, but the minimum appropriation rate for the general reserve is 10% of the profit after taxation for each year, until when the accumulated balance reaches 50% of the total registered capital of the subsidiary. Pursuant to the relevant laws and regulations of the PRC, if approvals are obtained from the relevant government authorities, the general reserve can be used in setting off accumulated losses or to increase the capital, and the enterprise expansion fund can be used to increase the capital.

(ii) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Operating activities			
(Loss) profit for the year		**(261,176)**	136,730
Adjustments for:			
Interest income		**(537)**	(381)
Dividend income		**(267)**	–
Interest expenses		**101**	–
Imputed interest on convertible bonds		**6,615**	6,729
Impairment loss on mining rights	17	**190,000**	36,364
Impairment loss on goodwill	19	**94,616**	–
Impairment loss on available-for-sale investments		**9,468**	9,000
Depreciation of property, plant and equipment		**10,274**	5,401
Loss on disposal of property, plant and equipment		**59**	240
Loss on disposal of financial assets held for trading		**2,131**	273
Unrealised loss on financial assets held for trading		**5,194**	2,074
Gain on disposal of a joint venture		**–**	(14,182)
Impairment loss for inventories	22	**5,000**	–
Amortisation of other intangible assets	20	**6,176**	1,109
Equity-settled share-based payments		**–**	27,091
Operating cash flows before movements in working capital		**67,654**	210,448
Decrease in inventories		**12,171**	12,361
Decrease (increase) in trade receivables, other receivables, deposits and prepayment		**2,664**	(209,941)
(Decrease) increase in trade payables, accruals and other payables and deposits received		**(42,999)**	68,310
Increase (decrease) in amounts due to a related company		**1,311**	(20,812)
Cash generated from operations		**40,801**	60,366
Interest paid		**(101)**	–
PRC tax paid		**–**	(1,303)
Net cash generated from operating activities		**40,700**	59,063

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Investing activities		
Dividend received	**267**	–
Purchase of property, plant and equipment	**(591)**	(65,562)
Purchase of financial assets held for trading	**(16,629)**	(56,343)
Purchase of available-for-sale investments	**(44,037)**	–
Payments for other intangible assets	**(147,442)**	(23,453)
Proceeds from disposal of property, plant and equipment	**39,233**	–
Proceeds from disposal of available-for-sales investments	**28,914**	–
Proceeds from disposal of financial assets held for trading	**13,265**	58,891
Net cash outflow from disposal of a joint venture	**–**	(14,130)
Interest received	**537**	381
Net cash used in investing activities	**(126,483)**	(100,216)
Net decrease in cash and cash equivalents	**(85,783)**	(41,153)
Effect of foreign exchanges rate changes	**13,902**	11,304
Cash and cash equivalents at beginning of year	**152,027**	181,876
Cash and cash equivalents at end of year	**80,146**	152,027
Analysis of cash and cash equivalents		
Cash and bank balances	**80,146**	152,027

1. GENERAL

The Company was incorporated in the Cayman Islands on 13 October 1999 as an exempted Company with limited liability under the Companies Law of the Cayman Islands. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 July 2000. The address of its registered office is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, George Town, Grand Cayman, British West Indies and the principal place of business of the Company is Room 2204, 22/F., MassMutual Tower, 38 Gloucester Road, Wanchai, Hong Kong.

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 18 to the consolidated financial statements.

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

The following new and revised HKFRSs issued by the Hong Kong Institutes of Certified Public Accountants (the "HKICPA") have been applied by the Group in the current year and have affected the presentation and disclosures set out in these consolidated financial statements. The application of these new and revised HKFRSs had had no impact on the Group's financial performance and positions for the current and prior years, except as described below.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 and HKAS 1
HKFRS 1(Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The disclosures exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related party. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the standard.

Amendments to HKAS 32 Classification of Rights Issues

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to HKAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

HK (IFRIC) – Int 19 Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under HK (IFRIC) – Int 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[6]
HKFRS 9 (Revised)	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosures of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

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

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 anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

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

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

New and revised HKFRSs in issue but not yet effective (continued)

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 reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting 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.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the 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 presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors 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. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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).

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

New and revised HKFRSs in issue but not yet effective (continued)

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 statements 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) the 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 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 anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning on or after 1 January 2013. The application of these five standards may have impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. However, the directors 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 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 instrument items 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.

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

New and revised HKFRSs in issue but not yet effective (continued)

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on or after 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.

HK(IFRIC) – Int 20 *Stripping Costs in the Production Phase of a Surface Mine*, this Interpretation applies to all types of natural resources that are extracted using the surfacing mining activity process. It considers when and how to account separately for the two benefits arising from the stripping activity, which are (1) the usable ore that can be used to produce inventory; and (2) improved access to further quantities of materials that will be mined in future periods, as well as how to measure these benefits both initially and subsequently. The directors are currently evaluating the impact of the adoption this new interpretation to the financial position of result of the Group.

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.

The directors of the Company anticipate that the application of other new or revised standards, amendments and interpretations will have no material impact on results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the 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 certain properties and financial instruments that are measured at revalued amounts or fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal 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 disposal 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less that its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in subsidiaries

Investment in subsidiaries are included in the Company's statement of financial position at cost less any identified accumulated impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment other than land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold buildings are stated in the consolidated statement of financial position at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Any revaluation increase arising on revaluation of buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated statement of comprehensive income to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold buildings	5%
Leasehold improvements	33% to 50%
Plant and machinery	3% to 20%
Furniture, fixtures and equipment	20%
Computer equipment	33%
Motor vehicles	10% to 33%

An item of property, 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 derecognition of the asset (calculated as the difference between the sales proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year in which the item is derecognised.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mining rights

Mining rights acquired separately are initially measured at cost. Mining rights are reclassified from exploration and evaluation assets at carrying amount when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortisation and any identified impairment loss. Amortisation for mining rights with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proved and probable reserves of the ores mines.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets under development are not amortised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the assets is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment losses on tangible and intangible assets (other than goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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. When 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.

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 asset 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 the cash-generating unit) is reducted to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity are recorded in the respective functional currency at the rates of exchanges prevailing on the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risk; and

- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified form equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. disposal of the Group's entire interest in a foreign operation or a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation), all of the exchange difference accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposal (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influences or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency (continued)

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of foreign currency translation reserve.

Financial instruments

Financial assets and financial liabilities are recognised 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale ("AFS") financial assets. 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 debt instrument 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 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 debt instrument, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, other receivables, deposits and prepayments, cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve when the financial asset is disposed of or determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are 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 AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets *(continued)*

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Object evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as 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 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 assets 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 receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS 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.

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

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect to of AFS debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt 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.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue cost.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is a part of a portfolio of an identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designed as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Other financial liabilities

Other financial liabilities (including trade payables, accruals and other payables) are subsequently measured at amortised cost, using the effective interest rate method.

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 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 than financial liabilities classified as at FVTPL.

Convertible bonds

Convertible bonds issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions 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 an equity instruments.

At the date of issue, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the investment's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. The conversion option classified as equity will remain in the convertible bonds equity reserve until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of convertible bonds, the balance recognised in equity will be transferred to accumulated profits/losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds 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 recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they 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. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when goods are delivered to customers and the title has passed.

Revenue from the sales of products/services relating to Healthcare Information Technology is recognised when the goods are delivered to customers and the title has passed and the services are provided and determined based on the stage of completion.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Refund of value added tax is recognised on receipt of government approval of refund.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grant

Government grants are recognised as other income over the periods necessary to match them with the costs for which they are intended to compensate, on a systemic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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 of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of 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 base 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 differences to the extent that it is probable that taxable profits will be available against which 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 associates, and interests in joint ventures, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 realised, based on tax rates (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 or deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Share-based payment transactions

Share options granted to employees in equity-settled share-based payment transaction

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profit or loss.

Leases

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 lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated statement of cash flows, bank overdrafts and bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following 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.

(A) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill as at 31 December 2011 was HK$393 million (2010: HK$488 million).

(B) Depreciation and amortisation

The Group depreciates the property, plant and equipment and intangible assets over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

(C) Impairment on inventories

The management of the Group reviews an aging analysis at the end of reporting period, and identified obsolete and slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions. The Group carries out an impairment review on a product-by-product basis at the end of reporting period and provides impairment loss on obsolete items.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(D) Impairment on trade receivables

The policy for impairment on trade receivables of the Group is based on the evaluation of collectability and aging analysis of accounts on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group had deteriorated, resulting in an impairment of their ability to make payments, additional impairment may be required.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, other receivables, deposits and prepayments, cash and bank balances, trade payables, accruals and other payables, deposits received and amounts due to a related company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk management

The Group has foreign currency income/expenses which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	Assets 2011 *HK$'000*	**Liabilities 2011 *HK$'000***	Assets 2010 *HK$'000*	Liabilities 2010 *HK$'000*
Renminbi ("RMB")	**369,212**	**115,114**	418,063	133,803

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB. For the foreign currency risk of the Group's financial assets, the exposure is mainly in RMB against HKD.

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB against HKD, the effect in the (loss) profit for the year is as follows:

	Impact of RMB	
	2011 *HK$'000*	2010 *HK$'000*
Decrease/increase in (loss) profit for the year	**12,705**	14,213

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk management

The Group's variable interest bearing bank deposits are exposed to interest rate risk which is considered to be minimal.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for of non-derivative instrument at the end of reporting period. For non-bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 100 basis point increase or decrease is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2011 would decrease/increase by HK$800,000 (2010: profit for the year would increase/decrease by HK$1,518,000).

Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group 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 regularly the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The credit quality of the customers is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure that sales of products and provision of services are made to customers with appropriate credit histories.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, carrying out fund raising activities and matching the maturity profiles of financial assets and liabilities. The maturity profile of the Group's financial liabilities at the end of reporting period is based on contractual undiscounted payments are summarised below:

		2011	
	On demand	**2-5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Trade payables	**65,310**	**–**	**65,310**
Accruals and other payables	**34,931**	**–**	**34,931**
Deposits received	**2,179**	**–**	**2,179**
Amounts due to a related company	**15,321**	**–**	**15,321**
Convertible bonds	**–**	**198,382**	**198,382**
	117,741	**198,382**	**316,123**

		2010	
	On demand	2-5 years	Total
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	76,846	–	76,846
Accruals and other payables	33,202	–	33,202
Deposits received	35,371	–	35,371
Amounts due to a related company	14,010	–	14,010
Convertible bonds	–	191,767	191,767
	159,429	191,767	351,196

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market price risk management

The Group's investment in equity securities are listed in Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments in terms of industry distribution such as investment holding and mineral industry sectors.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is increased to 15% in the current year as a result of the volatile financial market.

If listed equity prices had been 15% higher/lower (2010: 15% higher/lower), loss for the year ended 31 December 2011 would decrease/increase by HK$870,000 (2010: profit for the year would increase/decrease by HK$1,464,000). This is mainly due to the changes in fair value of financial assets held for trading.

Fair values

As at 31 December 2011, the carrying amount of cash and cash equivalents, deposits and prepayments, other receivables, accruals and other payables approximated their fair values due to the short-term maturities of these assets and liabilities. The Group considers that financial assets held for trading are included in the consolidated statement of financial position at amounts approximating to their fair values.

Fair values on financial instruments

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2011 across the three levels of the fair value hierarchy defined in HKFRS 7 *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:–

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

– Level 3 (lowest level): fair value measured using valuation techniques in which any significant input is not based on observable market data.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values on financial instruments (continued)

(i) Financial instruments carried at fair value *(continued)*

As at 31 December 2011, the Group had following financial instruments carried at fair value all of which are based on the Level 1 and Level 2 of the fair value hierarchy:–

	2011	2010
	HK$'000	*HK$'000*
Assets		
Level 1: Financial assets held for trading		
– listed equity securities	**5,501**	9,762
Level 2: Available-for-sale investments		
– unlisted equity investment	**15,328**	–
– unlisted debt securities	**300**	–

As at 31 December 2011, financial assets held for trading are carried at fair value. During the year, there were no significant transfers between financial instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's AFS investments are carried at cost less accumulated impairments were not materially different from their fair values as at 31 December 2011.

(iii) The fair values of financial assets and financial liabilities are determined as follows:–

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

During the year, the Group's strategy was unchanged from Year 2010. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debts divided by total assets.

The management considers the gearing ratio at the year end was as follows:

	2011	2010
	HK$'000	*HK$'000*
Convertible bonds *(note 29)*	**198,382**	191,767
Total debts	**198,382**	191,767
Total assets	**1,016,701**	1,266,705
Total debts to total assets ratio	**0.20**	0.15

The increase in the gearing ratio during the year resulted primarily from the impairment losses on mining rights and goodwill were incurred during the year.

6. TURNOVER AND OTHER REVENUE

The Group is principally engaged in sales of products/services relating to Healthcare Information Technology ("HIT"). Revenue recognised is as follows:

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Sales of products/services relating to HIT:		
Electronic Medical Records ("EMR") System	**139,621**	263,598
Regional Public Health Medical System	**102,827**	109,527
Hospital Pre-evaluation Service	**–**	15,253
	242,448	388,378
Mining	**–**	–
Sales of radio trunking systems integration	**–**	–
	242,448	388,378
Other revenue		
Interest income	**537**	381
Dividend income	**267**	–
Government grants	**247**	–
Refund of value added tax	**381**	588
Others	**192**	421
	1,624	1,390
Total revenue	**244,072**	389,768

7. SEGMENT INFORMATION

Segment revenues and results

The following is analysis of the Group's revenues and resulted by reportable segments:

	Segment revenue		Segment (loss)/profit	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of products/services relating to HIT	**255,165**	390,578	**(36,221)**	228,983
Mining of mineral resources	**–**	–	**(191,605)**	(39,722)
Sales of radio trunking systems integration	**–**	–	**(88)**	(120)
	255,165	390,578	**(227,914)**	189,141
Less: Intra-group sales	**(12,717)**	(2,200)		
Total for continuing operations	**242,448**	388,378		
Investment and other income			**454**	1,014
Impairment loss on AFS investments			**(9,468)**	(9,000)
Impairment loss on inventories			**(5,000)**	–
Equity-settled share-based payments			**–**	(27,091)
Central administration costs			**(12,532)**	(17,283)
Finance costs			**(6,716)**	(6,729)
(Loss) profit before tax from continuing operation			**(261,176)**	130,052

7. SEGMENT INFORMATION (continued)

Revenue reported above represents generated from external customers. The inter-segment sales for the year are HK$12,717,000 (2010: HK$2,200,000).

Segments (loss)/profit represents loss incurred or profit earned by each segment without allocation of central administration costs including directors' salaries, investment and other income, and finance costs.

Segment assets and liabilities

	2011	2010
	HK$'000	*HK$'000*
Segment assets		
Sales of products/services relating to HIT	**472,491**	536,937
Mining of mineral resources	**14,442**	204,437
Radio trunking systems integration	**6,296**	24,599
Total segment assets	**493,229**	765,973
Unallocated assets	**523,472**	500,732
Consolidated assets	**1,016,701**	1,266,705
Segment liabilities		
Sales of products/services relating to HIT	**78,313**	121,609
Mining of mineral resources	**9,232**	9,603
Radio trunking systems integration	**3,338**	4,071
Total segment liabilities	**90,883**	135,283
Unallocated liabilities	**225,383**	216,056
Consolidated liabilities	**316,266**	351,339

7. SEGMENT INFORMATION (continued)

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

- all assets are allocated to reportable segments other than available-for-sale investments, financial assets held for trading; and

- liabilities for which segments are jointly liable are allocated in proportion to segment assets.

No geographical segment information is presented as secondary segment information as substantially all the Group's turnover and contribution to operating results were carried out in the PRC.

Information about major customers

Included in revenues arising from sales of products/services relating to HIT of HK$242.4 million (2010: HK$388.4 million) are revenues of approximately HK$31.1 million (2010: HK$178.7 million) which arose from sales to the Group's largest customer (sales of products/services relating to HIT segment). No other single customers contributed 10% or more to the Group's revenue for both years.

8. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Interest on borrowings wholly repayable within five years:		
Interest expenses on margin financing	**101**	–
Imputed interest on convertible bonds	**6,615**	6,729
	6,716	6,729

9. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2011 (2010: HK$Nil).

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the year.

9. INCOME TAX EXPENSE (continued)

PRC corporate income tax represents the tax charged on the estimated assessable profits arising in Mainland China. In general, the PRC subsidiaries of the Group are subject to PRC corporate income tax rate of 25% except for certain PRC subsidiaries which are entitled to tax holidays and preferential tax rates.

Pursuant to relevant laws and regulations in PRC, certain subsidiaries designated as a newly established software enterprise which entitled to two years' exemption from corporate income tax and three to five years are entitled to 50% tax reduction.

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

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
(Loss) profit before tax	**(261,176)**	130,052
Tax at the applicable tax rate of 16.5% (2010: 16.5%)	**(43,094)**	21,459
Tax effect of expenses not deductible for tax purpose	**63,956**	32,620
Tax effect of income not taxable for tax purpose	**(27,959)**	(75,644)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**5,204**	19,766
Tax effect on temporary differences not recognised	**2**	111
Tax effect of unused tax losses not recognised	**1,891**	1,688
Tax charge for the year	**–**	–

(b) No provision for deferred tax liabilities has been made in the consolidated financial statements as the tax effect of the temporary difference is immaterial to the Group.

Deferred tax assets are not recognised for tax losses carried forward due to uncertainty of realisation of the related tax benefit through the future taxable profits. The Group has unrecognised tax losses of approximately HK$60,988,000 (2010: HK$49,530,000).

10. (LOSS) PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
(Loss) profit for the year from continuing operations has been arrived at after charging:		
Auditors' remuneration	**650**	600
Bad debts written off	**–**	737
Depreciation of property, plant and equipment	**10,274**	5,401
Amortisation of other intangible assets	**6,176**	1,109
Loss on disposal of property, plant and equipment	**59**	240
Impairment loss for inventories	**5,000**	–
Operating lease payments in respect of rented premises	**5,907**	4,291
Research and development costs	**29**	356
Staff costs excluding directors' remuneration *(note 11)*	**17,125**	14,523
Equity-settled share-based payments	**–**	27,091

11. STAFF COSTS EXCLUDING DIRECTORS' REMUNERATION

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Salaries and wages	**16,095**	13,647
Staff welfare benefits	**115**	350
Retirement benefits scheme contributions	**915**	526
	17,125	14,523

12. NET LOSS FOR THE YEAR OF THE COMPANY

The net loss for the year includes a loss of approximately HK$197,211,000 (2010: HK$270,472,000) which has been dealt with in the financial statements of the Company.

13. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2010: HK$ Nil).

14. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share from continuing and discontinued operations attributable to shareholders of the Company are based on the following data:

	2011 *HK$'000*	2010 *HK$'000*
(Loss) earnings for the year		
(Loss) profit for the year attributable to shareholders of the Company	**(256,611)**	140,006
Effect of dilutive potential ordinary share:		
Interest on convertible bonds	**–**	2,876
(Loss) profit for the purpose of diluted (loss) earnings per share	**(256,611)**	142,882
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**11,272,498,882**	10,986,984,230
Effect of dilutive potential ordinary share*:		
Convertible bonds	**–**	5,054,946,932
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**11,272,498,882**	16,041,931,162

* *Effect of conversion of convertible bonds would result an anti-dilutive effect in the calculation of diluted loss per share. Therefore, the basic and diluted loss per share in 2011 is the same. Effect of dilutive potential ordinary shares in respect of outstanding share options are anti-dilutive for both years.*

From continuing operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations attributable to shareholders of the Company are based on the following data:

	2011 *HK$'000*	2010 *HK$'000*
(Loss) profit for the year attributable to shareholders of the Company	**(256,611)**	140,006
Less: profit for the period from discontinued operations	**–**	6,678
(Loss) profit for the purpose of basic (loss) earnings per share from continuing operations	**(256,611)**	133,328
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	**–**	2,876
(Loss) profit for the purpose of diluted (loss) earnings per share from continuing operations	**(256,611)**	136,204

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

15. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

(a) Directors and senior management remuneration

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

The Group	Fees	Salaries, allowances, and other remuneration	Employer's contributions to pension schemes	Share-based payments	2011 Total emoluments	2010 Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors						
Mr. Stephen William Frostick *(Chairman)*	–	130	–	–	130	1,120
Mr. Lu Chunming	–	60	–	–	60	109
Mr. Shao Heng (resigned on 29 December 2011)	–	120	–	–	120	90
Independent Non-executive Directors						
Mr. Tso Hoi Sai, Bosco	–	60	–	–	60	60
Mr. Lee Chi Hwa, Joshua	–	60	–	–	60	60
Mr. Chang Jun	–	60	–	–	60	60
	–	490	–	–	490	1,499
Senior management						
Ang Wing Fung *(CFO)*	–	975	12	–	987	2,433
Total	–	1,465	12	–	1,477	3,932

The number of directors whose remuneration fell within the following band is as follows:

	2011	2010
HK$Nil to HK$1,000,000	**6**	5
HK$1,000,001 to HK$3,000,000	**–**	1

During the year, no remuneration was paid by the Group to any of the directors as an inducement to join the Group or as compensation for loss of office (2010: HK$Nil).

No director waived or agreed to waive any of their emoluments in respect of two years ended 31 December 2011 and 2010.

15. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION (continued)

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group for the year. The remuneration paid and payable to the five (2010: four) individuals during the year are as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries, allowances and other benefits in kind	**2,266**	1,719
Retirement benefits scheme contributions	**49**	43
Share-based payment expenses	**–**	1,546
	2,315	3,308

The number of the highest paid individuals whose remuneration fell within the following band is as follows:

	2011	2010
HK$Nil to HK$1,000,000	**5**	3
HK$1,000,001 to HK$3,000,000	**–**	1

During the year, no remuneration was paid by the Group to any of the highest paid individuals as an inducement to join the Group or as compensation for loss of office (2010: HK$Nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	*Land and buildings under medium leases outside Hong Kong HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP								
COST OR VALUATION								
At 1 January 2010	–	183	2,156	924	1,401	2,078	6,660	13,402
Additions	37,385	–	3,185	12	773	21,171	3,036	65,562
Disposals	–	–	(28)	–	(8)	(237)	–	(273)
Exchange adjustments	–	6	73	33	37	57	45	251
At 31 December 2010 and 1 January 2011	37,385	189	5,386	969	2,203	23,069	9,741	78,942
Additions	–	–	313	–	140	138	–	591
Disposals	(39,231)	–	–	–	(100)	(83)	–	(39,414)
Exchange adjustments	1,846	9	246	48	85	1,113	180	3,527
At 31 December 2011	**–**	**198**	**5,945**	**1,017**	**2,328**	**24,237**	**9,921**	**43,646**
ACCUMULATED DEPRECIATION								
At 1 January 2010	–	56	1,279	538	733	1,495	4,806	8,907
Charge for the year	–	19	1,247	191	278	1,979	1,687	5,401
Eliminated upon disposal	–	–	(28)	–	(5)	–	–	(33)
Exchange adjustments	–	2	44	19	14	37	24	140
At 31 December 2010 and 1 January 2011	–	77	2,542	748	1,020	3,511	6,517	14,415
Charges for the year	–	20	1,910	184	360	6,893	907	10,274
Eliminated upon disposal	–	–	–	–	(59)	(63)	–	(122)
Exchange adjustments	–	4	122	37	33	148	50	394
At 31 December 2011	**–**	**101**	**4,574**	**969**	**1,354**	**10,489**	**7,474**	**24,961**
NET BOOK VALUE								
At 31 December 2011	**–**	**97**	**1,371**	**48**	**974**	**13,748**	**2,447**	**18,685**
At 31 December 2010	37,385	112	2,844	221	1,183	19,558	3,224	64,527

* *Leasehold land is included in property, plant and equipment only when the allocations between the land and buildings elements cannot be made reliably.*

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The analysis of the cost of the above assets at 31 December 2011 is as follows:

	Construction in progress *HK$'000*	Land and buildings under medium leases outside Hong Kong *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Computer equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At cost	–	198	5,945	1,017	2,328	24,237	9,921	43,646

THE COMPANY	**Leasehold improvement** *HK$'000*	**Furniture, fixtures and equipment** *HK$'000*	**Computer equipment** *HK$'000*	**Total** *HK$'000*
COST				
At 1 January 2010	28	220	502	750
Additions	–	–	48	48
Disposals	(28)	–	–	(28)
At 31 December 2010 and 1 January 2011	–	220	550	770
Additions	–	23	–	23
At 31 December 2011	**–**	**243**	**550**	**793**
ACCUMULATED DEPRECIATION				
At 1 January 2010	28	200	463	691
Charge for the year	–	5	34	39
Eliminated upon disposal	(28)	–	–	(28)
At 31 December 2010 and 1 January 2011	–	205	497	702
Charge for the year	–	4	27	31
At 31 December 2011	**–**	**209**	**524**	**733**
NET BOOK VALUE				
At 31 December 2011	**–**	**34**	**26**	**60**
At 31 December 2010	–	15	53	68

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying amount of the Group's land and buildings under medium leases outside Hong Kong would have been approximately HK$97,000 (2010: HK$112,000) had it been stated at cost less accumulated depreciation.

17. MINING RIGHTS

	Mining Rights
	HK$'000
Cost	
At 1 January 2010, 31 December 2010 and 31 December 2011 *(note a)*	550,875
Amortisation and impairment	
At 1 January 2010	314,511
Impairment loss for the year	36,364
At 31 December 2010 and 1 January 2011	350,875
Impairment loss for the year *(note b)*	190,000
At 31 December 2011	540,875
Net book value	
At 31 December 2011	10,000
At 31 December 2010	200,000

Notes:

(a) The recognition of fair value of mining right of approximately HK$550.8 million arising from the acquisition which has been determined as the difference between the consideration of HK$550 million directly attributable to the acquisition and the Group's interest on net liabilities of Super Surplus Trading Limited and its subsidiaries acquired at book value of approximately HK$0.875 million.

(b) At the end of reporting period, the mining rights have been valued by Roma Appraisals Limited, an independent valuation firm under income-based approach which was changed from market approach in year 2010. It is because there were insufficient similar and relevant comparable intangible assets in accordance with the valuation report. The estimated fair value of mining rights as at 31 December 2011 was approximately HK$10,000,000 (2010: HK$200,000,000). Therefore, impairment loss of mining rights of HK$190 million (2010: HK$36.4 million) was recognised during the year.

18. INVESTMENT IN SUBSIDIARIES

	THE COMPANY	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost *(Note (a))*	**508,349**	508,349
Amounts due from subsidiaries *(Note (b))*	**792,861**	793,492
Amounts due to subsidiaries *(Note (b))*	**(3,523)**	(2,799)
	1,297,687	1,299,042
Impairment losses	**(514,826)**	(324,826)
	782,861	974,216

(a) Details of the Company's subsidiaries at 31 December 2011 are as follow:

Name	Place of incorporation and principal place of operation	Issued and fully paid up capital	The Company's equity interest	Principal activities
Directly held:				
China Gocom Information (BVI) Limited	British Virgin Islands	Ordinary US$50,000	100%	Investment holding
China Gocom (Holdings) Limited	Hong Kong	Ordinary HK$1,000,000	100%	Inactive
Probest Technology Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Hong Kong Chang Kang (Holdings) Limited	British Virgin Islands	Ordinary US$100	100%	Investment holding
Golden Motor Worldwide Limited	British Virgin Islands	Ordinary US$1	100%	Trading of securities
Endless Profit International Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Winning Reward Holdings Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
Global Resources Development (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100%	Trading of securities
Wealthy China Group Limited	British Virgin Islands	Ordinary US$150	100%	Investment holding

18. INVESTMENT IN SUBSIDIARIES (continued)

(a) Details of the Company's subsidiaries at 31 December 2011 are as follow: (continued)

Name	Place of incorporation and principal place of operation	Issued and fully paid up capital	The Company's equity interest	Principal activities
Directly held: (continued)				
Champion Skill Holdings Limited	British Virgin Islands	Ordinary US$1	100%	Investment holding
China Public Healthcare (HK) Limited	Hong Kong	Ordinary HK$1	100%	Investment holding
Indirectly held:				
Neolink Wireless Technology Limited	Hong Kong	Ordinary HK$8,947,193	100%	Investment holding
China Gocom Information Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding
Beijing Cheong Lee Gocom Information Technology Company Limited	The PRC	Registered US$500,000	100%	Trading of products relating to telemedia system and provision of relevant and related technical services
Hangzhou Neolink Wireless Communication Technology Company Limited	The PRC	Registered RMB16,812,820	100%	Development and sales of radio trunking systems related software
ChongQing TianKang Investment Consultants Limited	The PRC	Registered HK$1,000,000	100%	Provision for management and related services
Super Surplus Trading Limited	British Virgin Islands	Ordinary US$760,000	100%	Investment holding
G G Investment Holdings Limited	Hong Kong	Ordinary HK$1	100%	Investment holding
Shenzhen Zhiyingiun Network Technology Company Limited	The PRC	Registered RMB2,000,000	100%	Investment holding
Shenzhen Wan Cheng Investment Consultancy Company Limited	The PRC	Registered RMB5,000,000	100%	Investment holdings

18. INVESTMENT IN SUBSIDIARIES (continued)

(a) Details of the Company's subsidiaries at 31 December 2011 are as follow: (continued)

Name	Place of incorporation and principal place of operation	Issued and fully paid up capital	The Company's equity interest	Principal activities
Indirectly held: (continued)				
Jiangxi Tai Sheng Industry Company Limited	The PRC	Registered RMB10,000,000	100%	Investment holding
Lichuan Xian Xiong Cun Materials Development Company Limited	The PRC	Registered RMB500,000	100%	Exploration and development of mineral resources
Billion Trend (China) Limited	Hong Kong	Ordinary HK$1	100%	Investment holding
Beijing Upway Science & Technology Development Co., Limited	The PRC	Registered RMB10,000,000	100%	Development and maintenance of healthcare system
China Chief Medical Standards Database Co., Limited	The PRC	Registered RMB20,000,000	60%	Development and maintenance of healthcare system
King Dynasty Holdings Limited	Hong Kong	Ordinary HK$1	100%	Inactive
Beijing Lian Jin Medical Technology Company Limited	The PRC	Registered HK$125,000,000	100%	Sales of products/ services relating to HIT
Beijing Brilliance Technology Company Limited	The PRC	Registered RMB50,000,000	55%	Sales of computer, software and auxiliary equipment, a class of medical devices, production, agent and advertising

(b) Amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(c) The directors of the Company consider that the carrying amounts due from/to subsidiaries approximate their fair values.

19. GOODWILL

	THE GROUP *HK$'000*
Cost	
At 1 January 2010, 31 December 2010 and 31 December 2011	487,695
Accumulated impairment	
At 1 January 2010 and 31 December 2010	–
Impairment loss for the year	94,616
At 31 December 2011	94,616
Carrying amount	
At 31 December 2011	393,079
At 31 December 2010	487,695

Impairment tests for cash-generating units containing goodwill:

Goodwill is allocated to the group's cash-generating unit ("CGU") identified according to operating segment as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Sales of products/services relating to HIT	**393,079**	487,695

The recoverable amount of CGU is assessed on basis of valuation report by using value-in-use calculation from Renaissance Appraisals Limited, an independent valuation firm. These calculations use cash flow projections based on financial budgets approved by management covering a ten-year period. Cash flows beyond the ten-year period are using estimated growth rate of 10% (2010: cash flows beyond the five-year period are using estimated growth rate of 7%). The cash flows are discounted using a discount rate of 14.5% (2010: 10%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segment.

20. OTHER INTANGIBLE ASSETS

	Computer software *HK$'000*	Technical know-how *HK$'000*	Other intangible assets under development *HK$'000*	Total *HK$'000*
Cost				
Balance at 1 January 2010	–	–	–	–
Additions	16,432	7,021	–	23,453
Balance at 31 December 2010 and 1 January 2011	16,432	7,021	–	23,453
Additions	565	27,909	146,877	175,351
Exchange adjustments	811	455	–	1,266
Balance at 31 December 2011	17,808	35,385	146,877	200,070
Accumulated amortisation and impairment loss				
Balance at 1 January 2010	–	–	–	–
Amortisation for the year	991	118	–	1,109
Balance at 31 December 2010 and 1 January 2011	991	118	–	1,109
Amortisation for the year	3,580	2,596	–	6,176
Exchange adjustments	49	10	–	59
Balance at 31 December 2011	4,620	2,724	–	7,344
Carrying amounts				
Balance at 31 December 2011	13,188	32,661	146,877	192,726
Balance at 31 December 2010	15,441	6,903	–	22,344

20. OTHER INTANGIBLE ASSETS (continued)

The following useful lives are used in the calculation of amortisation:

Computer software	5 years
Technical know-how	10 years

All intangible assets are allocated to the group's CGU identified in sales of products/services relating to HIT.

The management considers the useful lives of Computer software and Technical know-how are five years and ten years respectively that are normally used in similar size companies in the industry.

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of comprehensive income.

At the end of reporting period, intangible assets are revalued by an independent valuer, Renaissance Appraisals Limited. The fair value of intangible assets is higher than carrying amounts, therefore, no impairment loss was provided during the year.

Other intangible assets under development are development project of Medical Imaging Database System that are not amortised during the year.

21. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Unlisted investments at fair value	**15,328**	–
Unlisted investments at cost *(note)*	**20,000**	20,000
	35,328	20,000
Impairment loss	**(18,468)**	(9,000)
	16,860	11,000

Note: The Group holds 10% registered capital of Norwell Limited, an investment holding company, and its subsidiaries mainly involved in production and sales of ferro alloys in the PRC.

22. INVENTORIES

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Raw materials	**16**	16
Work in progress	**1,208**	1,151
Finished goods	**21,027**	33,255
	22,251	34,422
Impairment loss	**(5,000)**	–
	17,251	34,422

Movements in the impairment loss for inventories are as follow:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	–
Provision for the year	**5,000**	–
Balance at end of the year	**5,000**	–

23. TRADE RECEIVABLES

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Trade receivables *(note (i))*	**175,124**	189,947
Less: allowance for doubtful debts	**–**	–
	175,124	189,947

23. TRADE RECEIVABLES (continued)

Note (i): The ageing analysis of trade receivables is as follows:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**14,938**	3,828
31 to 60 days	**61,871**	–
61 to 90 days	**48,236**	50,882
91 to 180 days	**10,267**	96,583
Over 180 days	**39,812**	38,654
	175,124	189,947

The Group has a policy of allowing its trade customers with credit period normally ranging from 45 days to 180 days or in accordance with the agreed terms of the sales contracts with customers. However, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted more than 180 days.

No impairment loss of trade receivables for both years 2010 and 2011, therefore, ageing analysis with impairment loss of trade receivables is same as above ageing analysis.

The directors consider that the carrying amount of trade receivables approximates their fair value.

The Group assesses the credit status and imposes credit limits for the customers in accordance with the Group's credit policy. The credit limits are closely monitored and subject to periodic reviews.

As at 31 December 2011, trade receivables over 180 days amounted to HK$39,812,000 (2010: HK$38,654,000) were past due but not impaired as the balances were related to debtors with sound repayment history and no recent history of default or in accordance with agreed terms of sales contract with customers.

24. OTHER RECEIVABLES, DEPOSIT AND PREPAYMENTS

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Other receivables	**26,213**	19,872
Deposits paid	**572**	761
Prepayments	**80,241**	74,345
	107,026	94,978

Prepayments included approximately HK$79 million (2010: HK$47 million) is prepaid to suppliers of goods and services used for assembling the EMR system and Regional Public Health Medical System relating to HIT.

Prepayments are recognised as expenses when those expenses are actually incurred for the operations.

The directors consider that the carrying amount of other receivables, deposits and prepayments approximates their fair value.

25. FINANCIAL ASSETS HELD FOR TRADING

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong, at market value (note a)	**5,501**	9,762
Unlisted debt securities in Hong Kong, at fair value (note b)	**300**	–
	5,801	9,762

Notes:

(a) Fair value of listed equity securities are determined with reference to quoted market bid prices.

(b) The unlisted debt securities were issued by a listed company. The market for these financial assets is not active, so the Group establishes the value by references provided by the financial institution.

26. CASH AND BANK BALANCES

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Cash and bank balances	**80,146**	135,955
Fixed bank deposits	**–**	14,252
Deposits at other financial institution	**–**	1,820
	80,146	152,027

Bank balances and deposits at other financial institution carry interest at market rates which range from 0.1% to 0.5% (2010: 0.1% to 3.5%) per annum.

27. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**–**	2,542
31 to 60 days	**15,303**	12
61 to 90 days	**–**	–
91 to 180 days	**42,393**	74,080
Over 180 days	**7,614**	212
	65,310	76,846

The directors consider that the carrying amount of trade payables approximates their fair value.

28. AMOUNTS DUE TO A RELATED COMPANY

The amounts due to a related company are unsecured, interest-free and have no fixed terms of repayment.

29. CONVERTIBLE BONDS

On 8 January 2009, the Group issued convertible bonds with an aggregate principal amount of HK$465 million (the "CB I") due in 2014 with conversion price of HK$0.04 per share to acquire 100% equity interest in Super Surplus Trading Limited.

The Group may redeem the CB I at 105% of the principal outstanding amount at any time from the date of issue to the maturity date. Any CB I outstanding on the maturity date shall be redeemed by the Group at 105% of the outstanding principal amount.

The CB I does not bear any interest. The effective interest rate of liability is 3.44%. The maturity date is the fifth anniversary of the date of issue of the CB I.

During the year 2010 and 2011, no ordinary shares were be converted for the CB I.

The movement of liabilities component of the convertible bonds for the year is set out below:

	THE GROUP AND THE COMPANY Total *HK$'000*
Proceeds of issue	465,000
Equity component	(52,898)
Liability component at date of issue	412,102
Liability component at 1 January 2010	204,959
Interest charged	6,729
Converted into ordinary shares	(19,921)
Liability component at 31 December 2010 and 1 January 2011	191,767
Interest charged	6,615
Liability component at 31 December 2011	198,382

30. SHARE CAPITAL

	Number of shares of HK$0.01 each	Nominal Value
		HK$
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	50,000,000,000	500,000,000
Issued and fully paid:		
At 1 January 2010	10,738,445,814	107,384,458
Exercise of convertible bonds	534,053,068	5,340,531
At 31 December 2010 and 31 December 2011	**11,272,498,882**	**112,724,989**

31. RESERVES

The Company	**Share premium** *note (i)*	**Share-based compensation reserve**	**Convertible bonds equity reserves**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	966,082	30,082	25,432	(121,680)	899,916
Exercise of convertible bonds	17,013	–	(2,433)	–	14,580
Recognition of equity-settled share-based payments	–	27,091	–	–	27,091
Net loss for the year	–	–	–	(270,472)	(270,472)
At 31 December 2010 and 1 January 2011	983,095	57,173	22,999	(392,152)	671,115
Net loss for the year	–	–	–	(197,211)	(197,211)
At 31 December 2011	**983,095**	**57,173**	**22,999**	**(589,363)**	**473,904**

Notes:

(i) Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company.

32. SHARE OPTIONS

The Company adopted a new share option scheme ("the Scheme") on 30 July 2007, which became effective for a period of 10 years commencing on 10 August 2007 and will expire on 9 August 2017. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible person to subscribe for the shares of the Company ("Share") at the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. The offer of a grant of option shall remain open for acceptance within 21 days from the date of offer. A nominal consideration of HK$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of a Group, any consultant, adviser, agent, supplier, customer, business partner and shareholder of the Group for their contribution or potential contribution to the Group.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the share in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of shares in issue as at the date of the passing of the relevant resolution adopting the Scheme.

32. SHARE OPTIONS (continued)

Movements of share options during the year 2011 are as follows:

Name of Category of participant	As at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2011	Date of granted of share options	Exercise period of share options	Exercise price of share options
Director									
Stephen William Frostick	10,000,000	–	–	–	–	10,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
Employees	29,220,000	–	–	–	–	29,220,000	10 August 2007	10 August 2007 – 9 August 2012	HK$0.380
Employees	52,000,000	–	–	–	–	52,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
	81,220,000	–	–	–	–	81,220,000			
Consultants	58,439,900	–	–	–	–	58,439,900	10 August 2007	10 August 2007 – 9 August 2012	HK$0.380
Consultants	138,000,000	–	–	–	–	138,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
Consultants	50,000,000	–	–	–	–	50,000,000	3 May 2010	3 May 2010 – 2 May 2013	HK$0.186
Consultants	20,000,000	–	–	–	–	20,000,000	9 July 2010	9 July 2010 – 8 July 2013	HK$0.186
	266,439,900	–	–	–	–	266,439,900			
Total	357,659,900	–	–	–	–	357,659,900			

32. SHARE OPTIONS (continued)

Movements of share options during the year 2010 are as follows:

Name of Category of participant	As at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 December 2010	Date of granted of share options	Exercise period of share options	Exercise price of share options
Director									
Stephen William Frostick	–	10,000,000	–	–	–	10,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
Employees	29,220,000	–	–	–	–	29,220,000	10 August 2007	10 August 2007 – 9 August 2012	HK$0.380
Employees	–	52,000,000	–	–	–	52,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
	29,220,000	52,000,000	–	–	–	81,220,000			
Consultants	58,439,900	–	–	–	–	58,439,900	10 August 2007	10 August 2007 – 9 August 2012	HK$0.380
Consultants	–	138,000,000	–	–	–	138,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK$0.186
Consultants	–	50,000,000	–	–	–	50,000,000	3 May 2010	3 May 2010 – 2 May 2013	HK$0.186
Consultants	–	20,000,000	–	–	–	20,000,000	9 July 2010	9 July 2010 – 8 July 2013	HK$0.186
	58,439,900	208,000,000	–	–	–	266,439,900			
Total	87,659,900	270,000,000	–	–	–	357,659,900			

33. PLEDGE OF ASSETS

At the end of the reporting period, the Group's investments in financial assets held for trading with carrying value amounting to HK$3,301,000 (2010: Nil) were pledged to brokers to secure margin financing provided to the Group.

34. LEASE COMMITMENTS

At the end of reporting period, the minimum lease payments under non-cancellable operating leases for the land and buildings are payable as follows:

	2011 **HK$'000**	2010 *HK$'000*
Operating lease commitments in respect of land and buildings which fall due as follows:		
Within one year	**3,465**	5,381
In more than one year but not exceeding five years	**1,733**	3,955
	5,198	9,336

35. CAPITAL COMMITMENTS

The Group's capital commitments for payment for other intangible assets are as follows:

	2011 **HK$'000**	2010 *HK$'000*
Contracted for but not provided for	**8,062**	–

36. RETIREMENT BENEFIT COSTS

The Group operates a Mandatory Provident Fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme (i.e. 5% of staff's relevant income with upper monthly limit of HK$1,000). The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with employees when contributed into the MPF Scheme.

In addition to the participation in the MPF Scheme, the Group is required to contribute to a defined contribution retirement scheme for its employees in the PRC based on the applicable basis and rates with the relevant government regulations. (i.e. 8% – 23% of the basic salary).

The only obligation of the Group in respect of the retirement benefit schemes is to make the required contributions under the respective schemes.

The total cost charged to the consolidated statement of comprehensive income of approximately HK$915,000 (2010: HK$876,000) represents contributions payable to the retirement benefit schemes in Hong Kong and the PRC by the Group for the year ended 31 December 2011 at rates specified in the rules of the relevant schemes at 31 December 2011, there were no contributions due in respect of the current reporting year had not been paid over the relevant schemes.

37. RELATED PARTY TRANSACTIONS

(a) In the normal course of business the Group entered into the following significant transactions with related parties during the year:

	Note	2011 HK$'000	2010 HK$'000
Sales of automobile stamping and welding parts and related accessories to Chongqing Changan Jinling Automobile Parts Co., Ltd. ("Chongqing Changan Jinling")	(i)	–	12,256

Note:

(i) Chongqing Changan Jinling holds 51% of South JinKang Automobile Parts and Components Company Limited.

Compensation of key management personnel

The remuneration of directors and other members of key management during the year can be referenced to note 15(a) and 15(b) to the financial statements. The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. EVENTS AFTER THE REPORTING PERIOD

On 20 January 2012, the Group entered into the agreement with Value Vibrant Investments Limited, Twin Wins Capital Limited and Radiance Glory International Limited ("Vendors") pursuant to which the Group has conditionally agreed to acquire from the Vendors the entire issued share capital of the Million Zone Holdings Limited and its subsidiaries ("Target Group") at the consideration of HK$600 million (subject to adjustment), which is to be satisfied as to HK$80 million in cash, and HK$520 million by the issue of the Convertible Bonds by the Company to the Vendors. The Target Group was mainly engaged in diamond and precious stone retail industry in PRC.

The consideration is determined after arm's length negotiations between the Group and Vendors. The preliminary indicative market value of the Target Group as at 31 December 2011 of approximately HK$613 million was advised by Grant Sherman Appraisal Limited, an independent valuation firm. According to the agreement, the Vendors will guarantee to the Group that the audited net profit (before tax and all extraordinary and exceptional items as defined or recognsied under generally accepted accounting principles and practices in Hong Kong) of the Target Group for the period of one year immediately after completion date shall be no less than HK$70 million.

On the same date, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has conditionally agreed to procure, on a best effort basis, Placees to subscribe in cash for the Placing convertible bonds at conversion price of HK$0.049 up to an aggregate principal amount of HK$100 million. On 19 March 2012, the Placing Agent has procured six places so far to subscribe for the first tranche of the Placing convertible bonds in the aggregate principal amount of HK$50,000,000.

On 26 January 2012, the Company granted 800,000,000 share options to employees under its share option scheme adopted on 30 July 2007. The validity period for the options is within 3 years from the date of grant. The fair value of the share options at the grant date is approximately HK$21,360,000 which is determined by Renaissance Appraisals Limited, an independent valuation firm.

FINANCIAL SUMMARY

For the year ended 31 December 2011

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Turnover	**242,448**	388,378	15,345	287,071	141,812
(Loss) profit from operations	**(254,460)**	136,781	(345,368)	(59,737)	(45,321)
Gain on disposal of subsidiaries	**–**	–	–	1,402	–
Finance costs	**(6,716)**	(6,729)	(12,285)	(3,137)	(1,154)
(Loss) profit before tax	**(261,176)**	130,052	(357,653)	(61,472)	(46,475)
Income tax (expense) credit	**–**	–	(143)	520	(1,236)
(Loss) profit for the year from continuing operations	**(261,176)**	130,052	(357,796)	(60,952)	(47,711)
(Loss) profit before tax from discontinued operations	**–**	9,241	4,602	–	–
Income tax expenses	**–**	(2,563)	(1,529)	–	–
(Loss) profit for the year from discontinued operations	**–**	6,678	3,073	–	–
	(261,176)	136,730	(354,723)	(60,952)	(47,711)
(Loss) profit attributable to shareholders	**(256,611)**	140,006	(354,285)	(60,948)	(47,570)
Loss attributable to non-controlling interests	**(4,565)**	(3,276)	(438)	(4)	(141)
Net (loss) profit for the year	**(261,176)**	136,730	(354,723)	(60,952)	(47,711)
Assets and liabilities					
Total assets	**1,016,701**	1,266,705	1,204,681	386,276	380,752
Total liabilities	**(316,266)**	(351,339)	(477,244)	(180,113)	(109,741)
Non-controlling interests	**(24,881)**	(1,233)	(4,509)	–	451
Shareholders' funds	**675,554**	914,133	722,928	206,163	271,462