China Railway Logistics Limited
中國鐵路貨運有限公司*

(incorporated in Bermuda with limited liability)

Stock Code: 8089

ANNUAL REPORT 2012

* *For identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Yeung Sau Han Agnes
Ms. Chan Shui Sheung Ivy

Independent Non-executive Directors

Ms. Yuen Wai Man
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

AUTHORISED REPRESENTATIVES

Ms. Yeung Sau Han Agnes
Ms. Chan Shui Sheung Ivy

AUDIT COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

NOMINATION COMMITTEE

Mr. Wang Chin Mong *(Chairman)*
Ms. Yeung Sau Han Agnes
Ms. Yuen Wai Man
Mr. Chow Fu Kit Edward

REMUNERATION COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Ms. Yeung Sau Han Agnes
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

JOINT COMPANY SECRETARIES

Mr. Li Chak Hung
Ms. Cheung Ching Man

COMPLIANCE OFFICER

Ms. Yeung Sau Han Agnes

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2nd Floor
SBI Centre
Nos. 54-58 Des Voeux Road Central
Hong Kong

WEBSITE

www.chinarailwaylogistics.com

E-MAIL

info@chinarailwaylogistics.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER AGENT OFFICE

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

AUDITOR

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

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
China Construction Bank Corporation
Fubon Bank (Hong Kong) Limited
Nanyang Commercial Bank, Ltd.

STOCK CODE

8089

BUSINESS REVIEW

The Company and its subsidiaries (collectively, the "Group") is principally engaged in businesses of properties investments, securities trading and loan financing. The turnover of the Group for the year ended 31 December 2012 increased by 73.6% to HK$155,335,000 as compared with the preceding financial year.

Properties Investments

Following the acquisition of two properties in Hong Kong during the year ended 31 December 2012, the Group held properties in Hong Kong and in Mainland China for investment purposes with total value amounted to approximately HK$209,157,000 (2011: approximately HK$148,716,000).

Through renting out of the properties, the Group recorded a rental income of approximately HK$1,830,000 (2011: approximately HK$1,455,000) and a loss arising from fair value changes of investment properties of approximately HK$107,000 (2011: gain approximately HK$5,695,000) on the basis of valuation carried out on 31 December 2012 by independent firms of professional valuers not connected with the Group.

Facing a series of cooling measures on residential and non-residential properties imposed by the Government of the Hong Kong Special Administrative Region, the management adopted a prudent approach towards properties investment.

Securities Trading

Segmental turnover of the securities trading business for the year ended 31 December 2012 was HK$140,804,000 (2011: approximately HK$46,168,000). As a result of the volatility in securities market, the Group recorded a gain arising from the fair value changes of investments held for trading of approximately HK$7,255,000 (2011: loss approximately HK$100,151,000) and a gain on disposals of investments held for trading of approximately HK$85,000 (2011: loss approximately HK$23,709,000); a gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss of approximately HK$4,742,000 (2011: approximately HK$5,302,000) and a loss on disposals of convertible instruments designated at financial assets at fair value of approximately HK$18,934,000 (2011: approximately HK$1,869,000).

As at 31 December 2012, the Group held investments held for trading amount to approximately HK$117,399,000 (2011: approximately HK$91,739,000) and convertible instruments designed at financial assets at fair value through profit or loss amount to approximately HK$41,441,000 (2011: approximately HK$107,599,000).

The financial market in Hong Kong is expected to continue to be volatile during the year of 2013. The management will remain cautious in its investment strategy.

Loan Financing

The loan financing business generated an interest income of approximately HK$12,701,000 to the Group during the year (2011: approximately HK$41,877,000) representing a decrease of approximately 69.7%. It is noted that the repayment ability of certain borrowers had declined due to the uncertain economic condition. An impairment loss on loan receivables of approximately HK$29,544,000 was recorded during the year ended 31 December 2012 (2011: approximately HK$199,180,000). In 2012, the management has adopted a conservative approach in loan financing business, thus the business has dropped as compared with the preceding financial year.

FINANCIAL REVIEW

For the year ended 31 December 2012, the Group recorded a turnover of approximately HK$155,335,000 (2011: approximately HK$89,500,000), representing an increase of approximately 73.6% as compared with the preceding financial year. The increase in turnover was principally contributed from the high volume in securities trading.

Administrative expenses for the year ended 31 December 2012 was approximately HK$47,719,000 (2011: approximately HK$45,096,000), representing an increase of 6% as compared with the preceding financial year. The increase in expenses was mainly due to increase in legal and professional fee expenses.

The loss attributable to the owners of the Company for the year ended 31 December 2012 aggregated at approximately HK$56,512,000 (2011: approximately HK$337,116,000). The basic loss per share for the year ended 31 December 2012 was approximately HK8.36 cents (2011: HK52.88 cents).

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The loan financing business continues to generate interest income for the Group during the year ended 31 December 2012. In the view that the interest rate will be increased gradually, it is optimized that the loan financing business will generate stable income for the Group. The management will remain cautious in the direction of the development of loan financing business.

Despite that in both Hong Kong and Mainland China, various measures have been introduced to control property prices and are still in effect, the Group remains confident of the longer term prospects for the property markets in Hong Kong and Mainland China. The Board will continue to prudently implement its investment strategies for the benefit of the Group and all its shareholders.

Facing with uncertainties of the global economy, the financial market in Hong Kong is expected to continue to be volatile during the year of 2013. The management will remain cautious in its investment strategy in long term and short term securities, and will continue to seek new opportunities aiming to enhance the profitability and the shareholders' value of the Company.

Despite of the net loss record for the year ended 31 December 2012, the Group will continue to adopt a positive but prudent approach in managing its financial resources and towards its investment strategy in exploring the feasibility of expansion into other business segments.

INTEREST IN A JOINTLY CONTROLLED ENTITY

The Group's investment in the jointly controlled entity 長沙賽格發展有限公司 (Changsha Seg Development Co Limited) ("Changsha Seg") performed satisfactorily during the year ended 31 December 2012. The Group's share of result of Changsha Seg amounted to approximately HK$12,706,000 for the year ended 31 December 2012 (2011: HK$13,614,000).

Changsha Seg is principally engaged in the management of a shopping mall selling electronic products in Changsha, the PRC that is situated at a prime location near the Changsha Railway Station with gross floor area of approximately 25,700 square metres. Most of the shops therein have been leased out. The Group has been working closely with its partner, Shenzhen Seg Co. Ltd., a company listed on the Shenzhen Stock Exchange, as well as the other shareholders of Changsha Seg, in respect of the operation and development of this shopping mall.

FUND RAISING ACTIVITIES

On 21 November 2011, the Company entered into a conditional placing agreement with FT Securities Limited ("FT Securities") (as amended by a supplemental placing agreement dated 14 March 2012 and a second supplemental placing agreement dated 19 April 2012, respectively) in respect of the placing of a maximum of 135,000,000 new shares at a revised placing price of HK$0.21 per new placing share with a new long stop date 18 May 2012. Owing to the volatile market sentiment in first half year of 2012, the placing has not been successfully taken place by the long stop date and therefore the placing was lapsed on 18 May 2012. Details of the placing were set out in the announcements of the Company dated 21 November 2011, 14 March 2012, 19 April 2012 and 30 May 2012, respectively.

On 30 May 2012, the Company and FT Securities (as the placing agent) entered into the option placing agreement pursuant to which the Company has conditionally agreed to place and FT Securities has conditionally agreed to procure, on a best effort basis, not less than six independent placees to subscribe for up to 27 options at a premium of HK$50,000 per option. Upon exercise of each of the option, the optionholder is entitled to subscribe for the zero coupon convertible bonds of the Company in the principal amount of HK$1,000,000 at the subscription price of HK$1,000,000. Assuming exercise of all the 27 options, optionholders are entitled to subscribe for, in aggregate, the convertible bonds of the Company in the principal amount of HK$27,000,000 at subscription price of HK$27,000,000. The convertible bonds are convertible into not more than 135,000,000 new shares at the conversion price of HK$0.20 per conversion shares. An aggregate 27 options were fully placed on 21 June 2012 with the total gross and net proceeds amounted to HK$1,350,000 and approximately HK$1,215,000 respectively which has been applied as the general working capital of the Group. Details of the option placing were set out in the announcements of the Company dated 30 May 2012 and 23 July 2012.

LIQUIDITY AND FINANCIAL RESOURCES

The Group principally finances its operations through a combination of shareholders equity, internally generated cash flows and interest-bearing bank borrowings.

As at 31 December 2012, the Group had cash and cash equivalent of approximately HK$43,363,000 (2011: approximately HK$42,273,000) and had interest-bearing bank borrowings of approximately HK$30,210,000 (2011: HK$7,725,000).

The gearing ratio (measured as total liabilities to total assets) was 10% as at 31 December 2012 (2011: 5.9%).

CAPITAL STRUCTURE

As at 31 December 2012, the Company's issued share capital was HK$675,814, divided into 675,814,000 shares of HK$0.001 each. (2011: HK$675,814 divided into 675,814,000 shares of HK$0.001 each).

CAPITAL COMMITMENTS

As at 31 December 2012, the Group did not have any capital commitment (2011: HK$288,000) in respect of acquisition of plant and equipment.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any material contingent liability (2011: nil).

CHARGES ON ASSETS

As at 31 December 2012, investment properties of the Group with an aggregate carrying value of HK$76,300,000 have been pledged to banks to secure the credit facilities granted to the Group and third parties (2011: HK$18,600,000).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The reporting currency adopted by the Group is Hong Kong dollars ("HK$"). The majority of the Group's sales, receivables and expenditures are dominated in HK$, United States dollars ("USD") or Renminbi ("RMB"). HK$ is closely linked with USD. Although the exchange rate of HK$ against RMB had steadily depreciated during the year under review, the Directors do not consider that the Group is exposed to any material foreign currency exchange risk. No hedging or other similar device has been implemented. However, the Directors will constantly monitor the Group's foreign exchange exposure and implement foreign currency hedging measures should the need arises.

MATERIAL ACQUISITIONS AND DISPOSALS

On 20 January 2012, Sina Winner Investment Limited ("Sina Winner"), a wholly-owned subsidiary of the Company (as the purchaser), Ng Wai Huen ("Mr. Ng") (as the vendor) and Fortune Lead Holdings Limited ("Fortune Lead") entered into the sale and purchase agreement (the "Fortune Agreement") in relation to the acquisition of 30% equity interest in Fortune Lead at a consideration of HK$40,000,000 to be satisfied at completion by the promissory note in the principal amount of HK$40,000,000 to be issued by Sina Winner to Mr. Ng (the "Promissory Note") (collectively, the "Fortune Acquisition"). Pursuant to the terms and conditions of the Fortune Agreement and Promissory Note, repayment of the Promissory Note shall take place on the fifth Business Day following the satisfaction or fulfillment of the condition precedent of the repayment of the Promissory Note in any event no later than 10 January 2013. As certain conditions precedent of the repayment of the Promissory Note had not been fulfilled or waived by 31 December 2012, the Fortune Agreement was terminated accordingly. Pursuant to the Fortune Agreement, upon the termination, the shares of Fortune Lead were refunded to Mr. Ng by Sina Winner whereas Mr. Ng returned the Promissory Note to Sina Winner for cancellation. The said procedures were completed on 8 January 2013. Details of the Fortune Acquisition and the termination were set out in the announcements of the Company dated 26 January 2012, 31 January 2012 and 8 January 2013, respectively.

On 12 March 2012, Top Status International Limited ("Top Status"), a wholly-owned subsidiary of the Company (as the vendor), China Eco-Farming Limited ("CEF", a company listed on GEM board of the Stock Exchange) and FT Securities (as the placing agent) entered into a conditional placing agreement in relation to the placing of a maximum of 280,000,000 CEF shares held by Top Status at HK$0.068 per CEF share on a best-effort basis (the "Share Placing"). On 12 March 2012, Top Status (as the subscriber) and CEF (as the issuer) entered into a conditional subscription agreement in relation to the subscription by Top Status at a subscription price of HK$0.068 per CEF share of such number of new CEF shares which shall be the same as that of the CEF shares actually placed under the Share Placing (the "Share Subscription"). Top Status is a substantial shareholder and a connected person (as defined in the GEM Listing Rules) of CEF. The Share Placing was completed on 14 March 2012 with all the 280,000,000 CEF shares fully placed. The Share Subscription was completed on 19 March 2012, pursuant to which 280,000,000 new CEF shares were issued to Top Status on 19 March 2012. Details of the Share Placing and Share Subscription were set out in the announcement of the Company dated 13 March 2012.

On 30 April 2012, Rich Best Asia Limited ("Rich Best"), a wholly-owned subsidiary of the Company (as the vendor), entered into a sale and purchase agreement with Best Access Investment Holdings Limited (as the purchaser), with respect to the disposal of the entire 100% equity interest in CentreWorld Holding Ltd. ("CentreWorld") (a wholly-owned subsidiary of Rich Best) together with the loan in the amount of HK$43,383,486 due from CentreWorld to Rich Best as at 30 April 2012, for the aggregate consideration of HK$300,001. CentreWorld, together with its four wholly-owned subsidiaries and its 40% owned associate, were principally engaged in the business of computer telephony, the trading of telecommunication products and provision of tele-commerce services. Following the disposal on 30 April 2012, this segment was classified as discontinued operation. The net proceeds of HK$300,001 were applied towards the Group's general working capital. Details of the disposal were set out in the announcement of the Company dated 2 May 2012.

On 30 April 2012, Top Mega Asia Limited ("Top Mega"), a wholly-owned subsidiary of the Company (as assignee), and PME Investments (BVI) Co., Ltd. (as assignor), entered into the deed with respect to the assignment and transfer of the promissory note in the principal amount of HK$30,680,415 (the "Principal Amount") issued by Chinese Global Investors Group Limited (a company incorporated in Singapore with limited liability and the issued shares of which are listed on the Catalist of the Singapore Exchange, "CGI Group"), for a consideration of HK$26,000,000. The promissory note does not bear any interest and its repayment was due on 6 June 2012. Details of the transaction were set out in the announcement of the Company dated 2 May 2012. On 21 September 2012, Top Mega and CGI Group entered into an agreement and CGI Group agreed to pay interest and extend the time for the repayment of the Principal Amount together with the accrued interest to 30 September 2013.

Pursuant to the conditional subscription agreement dated 26 March 2012 with respect to the subscription of 999 new shares in Sun Famous Investment Limited ("Sun Famous"), on 13 June 2012, Best Marvel Investment Limited ("Best Marvel"), a wholly-owned subsidiary of the Company successfully subscribed 999 new shares in Sun Famous, thereof, Best Marvel holding 99.9% of the entire issued share capital of Sun Famous, Sun Famous became a non-wholly owned subsidiary of the Company. Further pursuant to an agreement for sale and purchase dated 30 March 2012 entered into by Sun Famous (as the purchaser) in relation to the acquisition of a residential property in Hong Kong (the "Sun Property") for a consideration of HK$46,380,000, the acquisition of Sun Property was completed on 16 July 2012, and eventually the Company holds 99.9% of the Sun Property and the Company intends to hold the Sun Property for long term investment purpose. Details of the transactions were set out in the announcements of the Company dated 26 March 2012, 30 April 2012, 15 May 2012 and 13 June 2012 respectively, and the circular of the Company dated 28 May 2012.

On 30 October 2012, Miracle Stand Limited, a wholly-owned subsidiary of the Company entered into a subscription agreement with Teamedics Enterprise (Holdings) Co., Limited ("Teamedics Enterprise") in relation to the subscription of the convertible bonds in a principal amount of HK$5,900,000 to be issued by Teamedics Enterprise convertible into 737,500 shares, representing 12.85% of the enlarged issued share capital of Teamedics Enterprise. The subscription price of HK$5,900,000 shall be fully settled by procuring a bank to grant and provide to Teamedics Enterprise and/or its subsidiary, Teamedics International Company Limited, credit facilities of HK$5,050,000 and RMB30,000 which will be secured by a deed of mortgage on a property held by Host Luck Limited, a non wholly-owned subsidiary of the Company. Details of the subscription were set out in the announcement of the Company dated 31 October 2012.

EMPLOYEE INFORMATION AND REMUNERATION POLICY

The Group had 56 employees (2011: 68 employees) in Hong Kong and Mainland China as at 31 December 2012. During the year ended 31 December 2012, the Group incurred staff costs (including Directors' emoluments) of approximately HK$19,634,000 (2011: approximately HK$20,056,000).

The emoluments of the Directors are recommended by the remuneration committee, and approved by the Board, as authorized by the shareholders of the Company in the annual general meeting of the Company, having regard to the respective Directors' skills, knowledge and involvement in the Company's affairs. None of the Directors are involved in deciding their own remuneration.

The employees are remunerated with basic salary and discretionary bonus with reference to corporate and individual's performance during the year. The Group offers competitive remuneration package, including medical and retirement benefits, to eligible employees. Apart from basic salary, executive directors and employees are eligible to receive a discretionary bonus taking into account factors, such as market conditions as well as corporate and individual's performance during the year.

LITIGATIONS

At the special general meeting of the Company held on 9 January 2012, the acquisition of a property in Hong Kong at consideration of HK$170,980,000 was not approved by the shareholders of the Company. On 9 January 2012, Charm State International Limited, a wholly-owned subsidiary of the Company ("Charm State", being the purchaser) notified Worldsky Limited ("Worldsky", being the vendor) that pursuant to the conditional formal agreement entered between Worldsky and Charm State, Charm State shall be entitled to annul the transaction, and that the total deposit paid by Charm State in aggregate of HK$25,647,000 (the "Total Deposits") shall be returned to Charm State. However, Worldsky failed to return the Total Deposits. On 29 February 2012, Charm State issued a writ of summons in the Court of First Instance of the High Court of Hong Kong (the "Court") against Worldsky, claiming for, among others, the refund of the Total Deposits and the stamp duty paid in amount of HK$7,266,650. On 20 July 2012, judgment was awarded in favour of Charm State. On 1 August 2012, the Total Deposits of HK$25,647,000 together with the interest of HK$888,159.12 were received. On 16 August 2012, the cost incurred at the litigation of HK$360,000 was also received. Details of the acquisition and the related litigation and judgment were set out in the announcements of the Company dated 11 November 2011, 2 December 2011, 9 January 2012, 1 March 2012 and 1 August 2012, respectively, and the circular of the Company dated 20 December 2011.

Following the lapse of the conditional sale and purchase agreement (the "CB Agreement") entered between King Perfection Limited, a wholly-owned subsidiary of the Company, as the purchaser ("King Perfection") and Peak Prosper Holdings Limited, as the vendor ("Peak Prosper") in relation to the acquisition of the convertible bonds in the principal amount of HK$110,040,000 for a consideration of HK$220,000,000 on 31 December 2011, the Company and King Perfection demanded for refund of the HK$20,000,000 deposit paid to Peak Prosper under the CB Agreement (the "Deposit"), and on 2 February 2012, the cheque for HK$20,000,000 (the "Cheque") was presented for payment, but it was dishonoured. Having received no response to the notice of dishonour, the Company and King Perfection had, on 9 March 2012, instituted proceedings in the Court against Peak Prosper and another company. Judgment was granted by the Court on 22 February 2013, and it was adjudged that King Perfection be paid HK$20,000,000, damages to be assessed and costs, and that the Company be paid HK$20,000,000 and costs.

In view of the priority of the debt, King Perfection and the Company sought to recover the relevant amounts from Peak Prosper and the other judgment debtor through debt recovery agreement. Details of the debt recovery agreements are set out below.

On 28 March 2012, Fameway Finance Limited ("Fameway"), a wholly-owned subsidiary of the Company carrying on business as a licensed money lender in Hong Kong, instituted 7 distinctive claims in the Court against certain borrowers and relevant parties for, among other relieves, repayment of loan receivables.

In one of proceedings, Fameway claimed against a borrower and a guarantor for repayment of loan in the principal amount of HK$81,000,000 together with interest accrued thereon. Initial information and particulars of this claim have been set out in the last annual report of the Company. Judgment was granted by the Court on 29 October 2012 and it was adjudged that Fameway be paid the principal amount, interest and costs.

Although the repayment of the said loan of HK$81,000,000 was secured by certain legal charge registered against a residential property in Hong Kong, for avoidance of any dispute between Fameway and the other creditor having a secured interest over the same property (the "Other Secured Creditor"), to facilitate enforcement of security and to save time and costs, Fameway and relevant members of the Group, namely, the Company and King Perfection, executed a debt recovery agreement with the Other Secured Creditor on 22 February 2013, authorising that Other Secured Creditor to recover from the borrower and the guarantor all sums due and owing to Fameway as well as the Company and King Perfection.

With the Other Secured Creditor having assigned its rights in the relevant indebtedness and all interest over the security to one of its fellow subsidiaries, Fameway as well as the Company and King Perfection executed a supplemental debt recovery agreement with that fellow subsidiary of the Other Secured Creditor on 1 March 2013. Under and pursuant to the debt recovery agreement as revised and supplemented by the supplemental debt recovery agreement, any repayment recovered from the borrower and/or the guarantor will first be distributed between the fellow subsidiary of the Other Secured Creditor and Fameway, and any surplus amount received or recovered after satisfaction and discharge of the secured indebtedness will be remitted to the Company and King Perfection. As at the date of this report, no amount has been received and the recovery of this debt is uncertain. No provision has been written back in the year 2012.

For the other 6 sets of claims, 5 of them are instituted by Fameway against various commercial borrowers and the remaining one involves Fameway's claim against two individuals and one of the said commercial borrowers as guarantor. Initial information and particulars of these 6 claims have been set out in the last annual report of the Company.

Fameway has, after institution of these claims, sought further legal advice, and in reliance of such further legal advice, amended the respective writs and statements of claim. Although the repayment of part of these loan receivables are secured by shares or stocks charged to and in favour of Fameway, it is not certain for Fameway to recover from the borrowers concerned the entire amount of the respective loan receivables.

All these 6 sets of claims are still ongoing and the Company will announce or disclose the conduct and/or outcome of these claims wherever appropriate or necessary.

Another claim was instituted by Fameway on 7 September 2012 against another borrower and a guarantor for recovery of the aggregate sum of HK$29,544,384.74, being the amount due and owing by that borrower, and further accrued interest. Judgment was granted by the Court on 28 January 2013, and it was adjudged that the borrower and the guarantor shall have to repay the sum of HK$29,544,384.74 as well as further interest and costs to Fameway.

Fameway will seek to enforce repayment but it is not clear at this juncture whether it may recover any amount of judgment debt.

EXECUTIVE DIRECTORS

Ms. Yeung Sau Han Agnes ("Ms. Yeung"), aged 47, graduated from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) with a higher diploma in fashion design. Prior to joining the Company, Ms. Yeung worked in various garment companies for over 19 years and is currently the director of certain subsidiaries of the Company. Since 2 May 2007, Ms. Yeung was appointed as an executive director of PME Group Limited (Stock Code: 379) ("PME"), a company listed on the Main Board of the Stock Exchange.

Save as disclosed above, Ms. Yeung has not previously held any position with the Company or any of its subsidiaries; has not been a director in any other listed company in the past three years; is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company; and has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Chan Shui Sheung Ivy ("Ms. Chan"), aged 48, graduated from the University of South Australia with a Master of Business Administration degree. Ms. Chan has over 19 years of experience in investment and is currently the director of certain subsidiaries of the Company. Ms. Chan previously served as an executive director of China Oriental Culture Group Limited (formerly known as ZZNode Technologies Company Limited) (Stock Code: 2371) ("China Oriental Culture"), a company listed on the Main Board of the Stock Exchange, from 24 January 2008 to 25 May 2011. She is a director of Channel Enterprises (Int'l) Limited. Since 2 May 2007, she was appointed as an executive director of PME (Stock Code: 379) which is a company listed on the Main Board of the Stock Exchange.

Save as disclosed above, Ms. Chan has not previously held any other position with the Company or any of its subsidiaries; has not been a director in any other listed company in the past three years; is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company. Ms. Chan had the following interests in shares and underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance as at the date of this annual report:

Name	Personal Interest	Approximate percentage of shareholding
Chan Shui Sheung Ivy	60,000 Shares	0.01%

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yuen Wai Man ("Ms. Yuen"), aged 41, graduated from the University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of the Association of Chartered Certified Accountants, fellow member of the Hong Kong Institute of Certified Public Accountants and overseas member of the Chinese Institute of Certified Public Accountants. Prior to joining the Company, Ms. Yuen worked in accounting and auditing area for over 18 years. Since 1 November 2012, she was appointed as an independent non-executive director of The Hong Kong Building and Loan Agency Limited (Stock Code: 145) which is a company listed on the Main Board of the Stock Exchange.

Save as disclosed above, Ms. Yuen has not previously held any position with the Company or any of its subsidiaries; has not been a director in any other listed company in the past three years; is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company; and has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Wang Chin Mong ("Mr. Wang"), aged 41, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wang has more than 16 years of experience in the fields of auditing, accounting and finance.

Save as disclosed above, Mr. Wang has not previously held any position with the Company or any of its subsidiaries; has not been a director in any other listed company in the past three years; is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company; and has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Chow Fu Kit Edward ("Mr. Chow"), aged 45, has over 18 years of experience in power industry and is specialised in business strategy development, change management, materials procurement and marketing for power company. He holds a Master degree of Engineering in Mechanical Engineering from the University of Hong Kong and a Master degree of Business Administration from The Chinese University of Hong Kong. He is a Chartered Engineer, Member of Institution of Mechanical Engineers and The Hong Kong Institution of Engineers. Mr. Chow was an independent non-executive director of PME (Stock Code: 379), a company listed on the Main Board of the Stock Exchange, during the period from 17 August 2007 to 31 January 2012.

Save as disclosed above, Mr. Chow has not previously held any position with the Company or any of its subsidiaries; has not been a director in any other listed company in the past three years; is not connected with any directors, senior management, substantial shareholders or controlling shareholders of the Company; and has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

SENIOR MANAGEMENT

Ms. Siu Yuk Wa Joe Joe, the Chief Financial Officer of the Group since 2008. Ms. Siu holds a Bachelor's Degree of Business Administration and is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. She has over 24 years of experience in accounting and financial management.

REPORT OF DIRECTORS

The Board presents this annual report together with the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries were principally engaged in businesses of properties investments, securities trading and loan financing.

SEGMENT INFORMATION

An analysis of the Group's performance for the year ended 31 December 2012 by business segment is set out in Note 7 to the accompanying financial statements.

RESULTS

Details of the Group's results for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on pages 41 and 42 of this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 155 to 157 of this annual report.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and the Group's associates are set out in Notes 45 and 19 to the accompanying financial statements, respectively.

PLANT AND EQUIPMENT

Details of movements in plant and equipment during the year ended 31 December 2012 are set out in Note 17 to the accompanying financial statements.

DIVIDEND

The Directors do not recommend payment of final dividend for the year ended 31 December 2012 (2011: nil).

SHARE CAPITAL

Details of movements in share capital of the Company are set out in Note 35 to the accompanying financial statements.

RESERVES

Movements in reserves of the Group during the year ended 31 December 2012 are set out in the section headed "Consolidated Statement of Changes in Equity" on page 45 of this annual report.

The Company had no reserves available for distribution to shareholders of the Company as at 31 December 2012 (2011: nil).

SHARE OPTION SCHEME

A summary of the share option scheme and details of the movements in share options of the Company during the year ended 31 December 2012 are set out in Note 36 to the accompanying financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in Note 38 to the accompanying financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the bye-laws of the Company (the "Bye-laws") and the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2012.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue for the year ended 31 December 2012 attributable to the Group's major customers is as follows:

	Percentage of revenue
The largest customer	20.9%
Five largest customers combined	70.7%

The principal business of the Group is properties investments, securities trading and loan financing. In the opinion of the Directors, it is therefore of no value to disclose details of the Group's suppliers.

During the year ended 31 December 2012, none of the Directors, their associates, or any substantial shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the Group's five largest customers and suppliers.

RELATED PARTY TRANSACTIONS

The related party transactions of the Group are disclosed in Note 39 to the accompanying financial statements, none of which fell under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 20 of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting date are set out in Note 46 to the accompanying financial statements.

DIRECTORS

The Directors who held office during the year ended 31 December 2012 and up to the date of this annual report are:

Executive Directors

Ms. Yeung Sau Han Agnes
Ms. Chan Shui Sheung Ivy

Independent Non-executive Directors

Ms. Yuen Wai Man	
Mr. Wang Chin Mong	
Mr. Chow Fu Kit Edward	(appointed on 14 May 2012)
Mr. Lam Ka Wai Graham	(resigned on 27 April 2012)

In accordance with bye-law no. 87(1) of the Bye-laws, Ms. Chan Shui Sheung Ivy and Mr. Wang Chin Mong will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The independent non-executive Directors are appointed for a specific term, subject to retirement by rotation in accordance with the Bye-laws.

Under the Bye-laws, all Directors are subject to retirement by rotation at least once every three years.

None of the Directors being proposed for re-elections at the forthcoming annual general meeting of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group as at the date of this annual report are set out on pages 15 to 17 of this annual report.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest individuals of the Group are set out in Notes 13 and 14 to the accompanying financial statements, respectively.

SERVICE CONTRACT OF DIRECTORS

Ms. Yeung Sau Han Agnes has entered into a service contract with the Company for an initial fixed term of two years commenced from 8 May 2008, which will continue thereafter until terminated by either party.

Ms. Chan Shui Sheung Ivy has entered into an appointment letter with the Company effective from 1 January 2013.

Ms. Yuen Wai Man has entered into an appointment letter with the Company effective from 4 July 2012 for a term of one year.

Mr. Wang Chin Mong has entered into an appointment letter with the Company effective from 10 August 2012 for a term of one year.

Mr. Chow Fu Kit Edward has entered into an appointment letter with the Company effective from 14 May 2012 for a term of one year.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors or Company's members of its management had a material interest, whether directly or indirectly, subsisted at 31 December 2012 or at any time during the year ended 31 December 2012.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward, an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all of the independent non-executive Directors are independent.

COMPETING INTERESTS

None of the Directors or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group or had any other conflict of interest with the Group during the year ended 31 December 2012.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY

As at 31 December 2012, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise 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 the Directors and the chief executives of the Company were deemed or taken to have under such provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules were as follows:

Long position in shares and underlying shares of the Company

Name of Director	Type of interests	Number of issued ordinary shares held	Approximate percentage of the issued share capital
Chan Shui Sheung Ivy	Beneficial owner	60,000	0.01%

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed "Directors' and Chief Executives' Interests in Shares of the Company", at no time during the year ended 31 December 2012 was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2012.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, persons (other than a director or chief executive of the Company) who had interests or short positions directly or indirectly in the Company's shares and/or underlying shares recorded in the register kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in shares and underlying shares of the Company

Name of Shareholders	Capacity	Number of shares	Number of underlying shares	Approximate percentage of interests
Chinese Capital Management Limited	Beneficial owner	–	120,000,000 *(note 1)*	17.76%
PME Group Limited	Interest of corporation controlled	67,294,000 *(note 2)*	–	9.96%
Sunbright Asia Limited	Beneficial owner	61,500,000 *(note 2)*	–	9.10%
Well Support Limited	Beneficial owner	67,081,466 *(note 3)*	–	9.93%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	67,081,466 *(note 3)*	–	9.93%

notes:

1. This is an interest in underlying shares held directly by Chinese Capital Management Limited in respect of options to subscribe for convertible bonds of the Company in the aggregate principal amount of HK$24,000,000, which may be converted into a maximum of 120,000,000 shares upon full exercise of the conversion rights thereto at the conversion price of HK$0.20.

2. In accordance with the corporate substantial shareholder notices filed by PME Group Limited ("PME") and Sunbright Asia Limited ("Sunbright"), these 67,294,000 shares comprised 61,500,000 shares held by Sunbright and 5,794,000 shares held by Betterment Enterprises Limited ("Betterment"). Sunbright is wholly-owned by CR Investment Group Limited ("CR Investment"). Betterment is owned as to 99.49% by Richcom Group Limited ("Richcom"). Richcom is in turn wholly-owned by CR Investment. CR Investment is in turn wholly-owned by PME. Accordingly, each of Richcom, CR Investment and PME is deemed to be interested in the shares held by Betterment; and each of CR Investment and PME is deemed to be interested in the shares held by Sunbright.

3. Pursuant to the corporate substantial shareholder notice filed by Well Support Limited and the individual substantial shareholder notice filed by Liu Yi Dong, these shares are held by Well Support Limited, which is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Liu Yi Dong and his family members.

Save as disclosed above, the Directors were not aware of any other persons, other than a director or chief executive of the Company, who had an interest or a short position in the shares or underlying shares of the Company as at 31 December 2012 as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company or the Stock Exchange.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 27 to 38 of this annual report.

APPOINTMENT OF PROFESSIONAL ADVISER AND COMPLIANCE ADVISER

The GEM Listing Committee of the Stock Exchange (the "GEM Listing Committee") published a press release on 4 March 2013 to criticize the Company for its breach of Rule 17.56(2) of the GEM Listing Rules. The GEM Listing Committee directed, among other things, that the Company (i) retain an independent professional adviser satisfactory to the Listing Division ("Adviser") to conduct a thorough review of and make recommendations to improve the Company's internal controls to ensure compliance with Rule 17.56(2) of the GEM Listing Rules; and (ii) appoint an independent compliance adviser (the "Compliance Adviser") satisfactory to the Listing Division on an ongoing basis for consultation on GEM Listing Rule compliance for a period of two years.

In accordance with the directions of the GEM Listing Committee, the Company is arranging the abovementioned appointments. An announcement setting out further details of the above matters will be published as and when appropriate.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 31 December 2012 as required under the GEM Listing Rules.

CHANGE OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company's principal place of business in Hong Kong has been changed to 2nd Floor, SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong with effect from 7 July 2012.

AUDITOR

The consolidated financial statements for the years ended 31 December 2009, 2010 and 2011 were audited by SHINEWING (HK) CPA LIMITED ("SHINEWING").

On 22 June 2012, SHINEWING was re-appointed as the auditor of the Company for a term ending upon conclusion of the forthcoming annual general meeting. A resolution to re-appoint SHINEWING as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Chan Shui Sheung Ivy
Executive Director

Hong Kong, 26 March 2013

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions on Corporate Governance Practices as set out in Corporate Governance Code and Corporate Governance Report (Appendix 15) to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") (the "CG Code") for the year ended 31 December 2012 except for the following deviations:

The code provision A.2.1 of the CG Code prescribed, among others, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

During the year ended 31 December 2012 and up to the date of this annual report, the Company does not have a chairman or chief executive. The Board will keep reviewing the current structure from time to time and should candidates with suitable knowledge, skill, and experience be identified, the Company will make appointments to fill the posts as appropriate.

Under code provision D.1.4 of the CG Code, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment, while Ms. Chan, an executive director of the Company, has not entered into any service contract or appointment letter with the Company. Ms. Chan has entered into an appointment letter with the Company effective from 1 January 2013 subject to retirement by rotation and re-election at the Company's general meeting in accordance with the Bye-laws.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some directors of the Company were absent from the last annual general meeting of the Company held on 22 June 2012 and the special general meetings of the Company held on 9 January 2012 and 13 June 2012 respectively, due to his/her other important engagement at the relevant time.

Under code provision A.2.7 of the CG Code, the chairman of the board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Company does not have a Chairman, no such meeting was held in this regard for the year ended 31 December 2012.

Under Rule 5.05(1) of the GEM Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors. Under Rule 5.28 of the GEM Listing Rules, the audit committee must comprise a minimum of three members. Subsequent to the resignation of Mr. Lam Ka Wai Graham with effect from 28 April 2012, the number of independent non-executive Directors and audit committee members had fallen below the minimum number required under Rules 5.05(1) and 5.28 of the GEM Listing Rules. On 14 May 2012, the Company appointed Mr. Chow Fu Kit Edward as an independent non-executive director of the Company and a member of the audit committee of the Company. Hence, the requirements under Rules 5.05 (1) and 5.28 of the GEM Listing Rules were fulfilled since then.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct"). Having made a specific enquiry, all Directors confirmed that they have complied with the Code of Conduct throughout the year ended 31 December 2012.

BOARD OF DIRECTORS

As at the date of this annual report, the Board consists of five Directors, two of whom are executive Directors, namely Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy, and three of whom are independent non-executive Directors, namely Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward.

Biographical details of each Director is set out in the section headed "Directors and Senior Management" on pages 15 to 17 of this annual report.

The Board includes a balanced composition of executive Directors and independent non-executive Directors, and possesses a wide spectrum of relevant skills and experience. All executive Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out her duties effectively and efficiently. The participation of the independent non-executive Directors in the Board brings independent opinion on issues relating to the Group's strategy, performance, conflicts of interest and management process in order to ensure the interests of all shareholders of the Company have been duly considered. To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

Throughout the year ended 31 December 2012, the Board consisted of three independent non-executive Directors, except for the period from 28 April 2012 to 13 May 2012 after the resignation of Mr. Lam Ka Wai Graham and before the appointment of Mr. Chow Fu Kit Edward. Two of the independent non-executive Directors have appropriate professional qualification or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

All independent non-executive Directors are appointed for specific terms, their term of service with the Company is one year from the respective dates of their appointments. They are subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Bye-laws.

Pursuant to Rule 5.09 of the GEM Listing Rules, the Company has received a written confirmation from each of the independent non-executive Directors of his/her independence to the Company. The Company considers all of the independent non-executive Directors to be independent.

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

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

During the year ended 31 December 2012, 25 Board meetings, 1 annual general meeting and 2 special general meetings were held. Details of the attendance of the Directors are as follows:

	Attendance of		
Directors	**Board meetings**	**Annual general meeting**	**Special general meetings**
Executive Directors			
Ms. Yeung Sau Han Agnes	25/25	1/1	1/2
Ms. Chan Shui Sheung Ivy	25/25	1/1	2/2
Independent Non-executive Directors			
Ms. Yuen Wai Man	19/25	1/1	0/2
Mr. Wang Chin Mong	19/25	0/1	2/2
Mr. Chow Fu Kit Edward (Appointed on 14 May 2012)	9/15	1/1	1/1
Mr. Lam Ka Wai Graham (Resigned on 27 April 2012)	5/8	N/A	0/1

Apart from the regular Board meetings, the Board meets on other occasions when a board-level decision on a particular matter is required. Sufficient notice is given for regular Board meetings to all Directors enabling them to attend and reasonable notice will be given in case of special Board meetings. The Directors will receive details of agenda items for decision and minutes of the committee meetings in advance of each Board meeting.

The joint company secretaries of the Company (the "Joint Company Secretaries") are responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Joint Company Secretaries with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed.

Any Director wishing to do so in the furtherance of his or her duties may take independent professional advice at the Company's expense. Directors get familiar with the Group through initial induction, ongoing participation at the Board and committee meetings, and meeting with key members of management. The Directors are encouraged to update their skills and knowledge.

TRAINING FOR DIRECTORS

Each newly appointed director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statutes, laws, rules and regulations.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors at regular Board meetings.

The Directors are committed to complying with Code Provision A.6.5 of the CG Code which came into effect on 1 April 2012 on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the year ended 31 December 2012 to the Company.

The individual training record of each Director received for the year ended 31 December 2012 is summarised as follows:

Directors	Type of continuous professional development programmes
Executive Directors	
Ms. Yeung Sau Han Agnes	B
Ms. Chan Shui Sheung Ivy	B
Independent Non-executive Directors	
Ms. Yuen Wai Man	A, B
Mr. Wang Chin Mong	A, B
Mr. Chow Fu Kit Edward	B

notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 12 August 2005 with written terms of reference. It currently consists of four members, including three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward; and one executive Director, Ms. Yeung Sau Han Agnes. Mr. Yuen Wai Man is the chairman of this committee.

The role and function written in the terms of reference of the remuneration committee are no less exacting terms than the CG Code. The remuneration committee makes recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The remuneration committee also reviews and recommends the Board on its proposals relating to the remuneration of the executive Directors with reference to the Board's corporate goal and objectives. No Directors or any of his/her associates can be involved in deciding his/her own remuneration. Factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration are considered by the remuneration committee to determine the remuneration package of individual executive Directors including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment; or relating to dismissal or removal for misconduct to ensure that it is consistent with contractual terms and is otherwise fair, not excessive, reasonable and appropriate.

For the year ended 31 December 2012, the remuneration committee of the Company held two meetings to make recommendations to the Board on the bonus proposal for a resigning director and the remuneration proposal for the appointment of an independent non-executive Director.

Details of the attendance of the Company's remuneration committee meetings are as follows:

Members	**Attendance**
Mr. Yuen Wai Man *(Chairman)*	2/2
Ms. Yeung Sau Han Agnes	2/2
Mr. Wang Chin Mong	2/2
Mr. Chow Fu Kit Edward (Appointed on 14 May 2012)	N/A
Mr. Lam Ka Wai Graham (Resigned on 27 April 2012)	0/1

NOMINATION COMMITTEE

The nomination committee of the Company was established on 12 August 2005 with written terms of reference. It currently comprises four members, including three independent non-executive Directors; namely, Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward; and one executive Director, Ms. Yeung Sau Han Agnes. Mr. Wang Chin Mong is the chairman of this committee.

The nomination committee is responsible for reviewing the structure, size and composition of the Board annually in order to make recommendations to the Board on any proposed changes in relation to the Directors' appointment, re-appointment and independence of independent non-executive Directors.

For the year ended 31 December 2012, the nomination committee of the Company held one meeting to review and make recommendation on the appointment of an independent non-executive Director and the re-appointment of retiring Directors.

Details of the attendance of the Company's nomination committee meeting are as follows:

Members	**Attendance**
Mr. Wang Chin Mong *(Chairman)*	1/1
Ms. Yeung Sau Han Agnes	1/1
Mr. Yuen Wai Man	1/1
Mr. Chow Fu Kit Edward (Appointed on 14 May 2012)	N/A
Mr. Lam Ka Wai Graham (Resigned on 27 April 2012)	N/A

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. As at the date of this annual report, the Company's audit committee comprises three independent non-executive Directors, namely Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward. Ms. Yuen Wai Man is the chairman of this committee.

The primary duties of the audit committee include, among other things, making recommendations to the Board on the appointment, re-appointment and removal of the external auditor whilst getting the way with them to maximize their independence and objectivity and to approve the remuneration and term of engagement of the external auditor; reviewing the Company's financial statements, annual report and accounts, interim report and quarterly reports and financial reporting judgments contained therein; overseeing the effectiveness of the audit financial reporting system and internal control procedures of the Group; and reviewing the confidential arrangements that employees of the Company may use to report and by way of facilitating the above-mentioned duties.

For the year ended 31 December 2012, the audit committee of the Company held six meetings to review and supervise the financial reporting process and internal control review. They had, in conjunction with the external auditor of the Company, reviewed the quarterly, interim and annual results of the Group and recommended to the Board for their consideration and approval. The audit committee of the Company was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The audit committee of the Company also carried out and discharged its other duties as set out in the CG Code.

Details of the attendance of the Company's audit committee meetings are as follows:

Members	Attendance
Ms. Yuen Wai Man *(Chairman)*	6/6
Mr. Wang Chin Mong	6/6
Mr. Chow Fu Kit Edward (Appointed on 14 May 2012)	2/2
Mr. Lam Ka Wai Graham (Resigned on 27 April 2012)	3/3

The Group's unaudited quarterly and interim results and audited annual results in respect of the year ended 31 December 2012 have been reviewed by this committee.

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

a) to develop and review the Company's policies and practices on corporate governance;

b) to review and monitor the training and continuous professional development of Directors and senior management;

c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

e) to review the Company's compliance with the corporate governance code and disclosure in the Corporate Governance Report.

AUDITOR'S REMUNERATION

During the year ended 31 December 2012, the remuneration paid/payable to the Company's external auditor, SHINEWING (HK) CPA LIMITED, is set out below:

	HK$'000
Services rendered to the Group	
– Audit services	730
– Non-audit services	120
	850

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

Annual Report and Financial Statements

The Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the quarterly, interim and annual financial statements, and announcements to the shareholders of the Company. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group.

The statements of the external auditor of the Company, SHINEWING (HK) CPA LIMITED, about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report from pages 39 to 154 of this annual report.

Accounting Period

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group had kept the accounting records, which disclose with reasonable accuracy of the financial position of the Group, and also enable the preparation of the financial statements in accordance with the applicable accounting standards.

Going Concern

The Board, having made appropriate enquiries, considers that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

COMPANY SECRETARY

Mr. Li Chak Hung ("Mr. Li") has been appointed as the company secretary of the Company. Mr. Li has taken no less than 15 hours of relevant professional training for the year ended 31 December 2012.

On 1 February 2013, Ms. Cheung Ching Man ("Ms. Cheung"), delegated by an external service provider, has been appointed as a joint company secretary of the Company. Mr. Li will continue to serve as the other joint company secretary of the Company. The external service provider's primary contact person at the Company is Mr. Li.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

The Directors, on the requisition of shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the rights, by written requisition to the Board or the joint company secretaries of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company in Bermuda for the attention of the joint company secretaries of the Company.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the head office of the Company in Hong Kong or the registered office in Bermuda, or by e-mail to info@chinarailwaylogistics.com for the attention of the joint company secretaries of the Company.

Right to put forward proposals at general meetings

On the requisition in writing of either (i) any number of shareholder(s) of the Company representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (ii) not less than 100 shareholders, the Company shall, at the expense of the requisitionists: (a) to give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; (b) to circulate to shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be signed by the requisitionists and deposited at the head office and principal place of business in Hong Kong of the Company for the attention of the joint company secretaries of the Company.

INVESTORS AND SHAREHOLDERS RELATIONS

The Board recognizes the importance of maintaining clear, timely and effective communication with the shareholders of the Company and investors. The Company has disclosed all necessary information to its shareholders and investors in compliance with the GEM Listing Rules. Moreover, the Board maintains close communications with the shareholders and investors of the Company through a number of formal communication channels which include (i) the publication of the Company's latest business developments and financial performance through it annual, interim and quarterly reports, notices, announcements and circulars; (ii) the general meetings providing an opportunity for the shareholders of the Company to raise comments and exchanging views with the Board; and (iii) the Company's website provides an effective communication platform between the Company and its investors.

There was no significant change in the Company's constitutional documents for the year ended 31 December 2012.

INTERNAL CONTROLS

The Board is responsible for the effectiveness of the Group's internal control system.

The internal control system is designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against material misstatement, loss or fraud.

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

The Company has engaged an independent professional firm to conduct an annual review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management for the year ended 31 December 2012. The Board has reviewed its progress from time to time. Such review considered the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and their training programme and budget. The Board monitors an effective and adequate internal control system in place to safeguard the shareholders' investment and the Group's assets.

On behalf of the Board
Chan Shui Sheung Ivy
Executive Director

Hong Kong, 26 March 2013

信永中和
ShineWing

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

TO THE MEMBERS OF CHINA RAILWAY LOGISTICS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Railway Logistics Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 154, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants

Chong Kwok Shing
Practising Certificate Number: P05139

Hong Kong
26 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations			
Turnover	7	**155,335**	89,500
Revenue	7	**14,616**	44,000
Cost of sales		**(135)**	(941)
Gross profit		**14,481**	43,059
Other income and gains	8	**6,378**	3,108
Administrative expenses		**(47,719)**	(45,096)
Gain on disposal of an investment property		**–**	880
Fair value changes in investment properties	18	**(107)**	5,695
Gain (loss) arising from fair value changes of investments held for trading		**7,255**	(100,151)
Gain (loss) on disposals of investments held for trading		**85**	(23,709)
Net loss on derecognition of convertible instruments designated at financial assets at fair value through profit or loss	23	**(18,934)**	(1,869)
Gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss	23	**4,742**	5,302
Loss arising from fair value changes of derivative financial liabilities	31	**(3,217)**	–
Gain on disposal of subsidiaries	43	**2,749**	–
Impairment loss on interest in an associate		**(1,475)**	–
Impairment loss on loan receivables	22	**(29,544)**	(199,180)
Impairment loss on investment deposits paid	26	**–**	(26,286)
Share of profit of a jointly controlled entity		**12,706**	13,614
Finance costs	9	**(2,664)**	(224)
Loss before tax	10	**(55,264)**	(324,857)
Income tax credit (expense)	11	**646**	(9,535)
Loss for the year from continuing operations		**(54,618)**	(334,392)
Discontinued operations			
Profit (loss) for the year from discontinued operations	12	**464**	(214)
Loss for the year		**(54,154)**	(334,606)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 HK$'000	2011 HK$'000 (Restated)
Other comprehensive income (expense)			
Fair value gain (loss) on available-for-sale financial assets		**4,013**	(5,118)
Exchange differences on translating foreign operations		**(212)**	4,793
Release of exchange reserve upon disposal of subsidiary		**492**	–
Share of translation reserve of a jointly controlled entity		**23**	3,277
Other comprehensive income for the year		**4,316**	2,952
Total comprehensive expense for the year		**(49,838)**	(331,654)
Loss for the year attributable to owners of the Company			
– from continuing operations		**(56,976)**	(336,902)
– from discontinued operations		**464**	(214)
Loss for the year attributable to owners of the Company		**(56,512)**	(337,116)
Profit for the year attributable to non-controlling interests from continuing operations		**2,358**	2,510
		(54,154)	(334,606)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(52,200)**	(334,771)
Non-controlling interests		**2,362**	3,117
		(49,838)	(331,654)
Basic and diluted loss per share	16		
From continuing and discontinued operations		**(8.36 cents)**	(52.88 cents)
From continuing operations		**(8.43 cents)**	(52.85 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	31/12/2012 HK$'000	31/12/2011 HK$'000 (Restated)	1/1/2011 HK$'000 (Restated)
Non-current assets				
Plant and equipment	17	**10,938**	13,795	14,238
Investment properties	18	**209,157**	148,716	118,887
Interest in an associate	19	**50,178**	–	–
Interest in a jointly controlled entity	20	**135,942**	123,213	106,322
Deposits paid for acquisition of investment properties		**–**	5,150	3,121
Club debentures		**2,690**	–	–
Available-for-sale financial assets	21	**22,921**	19,058	23,916
Loan receivables	22	**–**	–	20,100
		431,826	309,932	286,584
Current assets				
Loan receivables	22	**133,952**	233,802	408,885
Convertible instruments designated at financial assets at fair value through profit or loss	23	**41,441**	107,599	67,766
Inventories	24	**–**	646	17,469
Trade receivables	25	**–**	474	4,571
Prepayments, deposits and other receivables	26	**115,131**	108,829	57,058
Tax recoverable		**–**	1,830	–
Investments held for trading	27	**117,399**	91,739	205,989
Bank balances and cash	28	**43,363**	42,273	113,577
		451,286	587,192	875,315
Current liabilities				
Trade payables	29	**–**	1,205	394
Accruals and other payables		**14,190**	6,760	5,526
Receipts in advance		**–**	481	529
Taxation		**8,210**	12,938	12,833
Bank borrowings	30	**30,210**	7,725	–
Derivative financial liabilities	31	**4,567**	–	–
		57,177	29,109	19,282
Net current assets		**394,109**	558,083	856,033
Total assets less current liabilities		**825,935**	868,015	1,142,617

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Notes	**31/12/2012 HK$'000**	31/12/2011 HK$'000 (Restated)	1/1/2011 HK$'000 (Restated)
Non-current liabilities				
Bond payables	*32*	**10,000**	–	–
Deferred taxation	*33*	**21,536**	23,778	13,686
		31,536	23,778	13,686
Net assets		**794,399**	844,237	1,128,931
Capital and reserves				
Share capital	*35*	**676**	676	564
Reserves		**771,042**	823,242	1,111,165
		771,718	823,918	1,111,729
Non-controlling interests		**22,681**	20,319	17,202
Total equity		**794,399**	844,237	1,128,931

The consolidated financial statements on pages 41 to 154 were approved and authorised for issue by the board of directors on 26 March 2013 and are signed on its behalf by:

Chan Shui Sheung Ivy
Director

Yeung Sau Han Agnes
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Warrant reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Equity attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011 (as originally stated)	564	2,854,452	7,914	3,590	6,430	3,300	5,993	(1,764,883)	1,117,360	17,202	1,134,562
Effect of changes in accounting policies *(see Note 2)*	–	–	–	–	–	–	(93)	(5,538)	(5,631)	–	(5,631)
At 1 January 2011 (as restated)	564	2,854,452	7,914	3,590	6,430	3,300	5,900	(1,770,421)	1,111,729	17,202	1,128,931
Loss for the year	–	–	–	–	–	–	–	(337,116)	(337,116)	2,510	(334,606)
Other comprehensive (expense) income for the year:											
Fair value loss on available-for-sale financial assets	–	–	–	–	(5,118)	–	–	–	(5,118)	–	(5,118)
Exchange difference on translation of foreign operations	–	–	–	–	–	–	4,793	–	4,793	–	4,793
Share of translation reserve of a jointly controlled entity	–	–	–	–	–	–	2,670	–	2,670	607	3,277
Total comprehensive (expense) income for the year	–	–	–	–	(5,118)	–	7,463	(337,116)	(334,771)	3,117	(331,654)
Issue of shares by placing *(Note 35)*	112	48,048	–	–	–	–	–	–	48,160	–	48,160
Placement cost *(Note 35)*	–	(1,200)	–	–	–	–	–	–	(1,200)	–	(1,200)
At 31 December 2011 (as restated)	676	2,901,300	7,914	3,590	1,312	3,300	13,363	(2,107,537)	823,918	20,319	844,237
Loss for the year	–	–	–	–	–	–	–	(56,512)	(56,512)	2,358	(54,154)
Other comprehensive income (expense) for the year:											
Fair value gain on available-for-sale financial assets	–	–	–	–	4,013	–	–	–	4,013	–	4,013
Exchange difference on translation of foreign operations	–	–	–	–	–	–	(212)	–	(212)	–	(212)
Release of exchange reserve upon disposal of subsidiary	–	–	–	–	–	–	492	–	492	–	492
Share of translation reserve of a jointly controlled entity	–	–	–	–	–	–	19	–	19	4	23
Total comprehensive income (expense) for the year	–	–	–	–	4,013	–	299	(56,512)	(52,200)	2,362	(49,838)
Expiration of warrant *(Note 34)*	–	–	–	–	–	(3,300)	–	3,300	–	–	–
At 31 December 2012	676	2,901,300	7,914	3,590	5,325	–	13,662	(2,160,749)	771,718	22,681	794,399

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 HK$'000	2011 HK$'000 (Restated)
OPERATING ACTIVITIES		
Loss before tax from continuing operation	**(55,264)**	(324,857)
Profit (loss) before tax from discontinued operation	**464**	(214)
	(54,800)	(325,071)
Adjustments for:		
Finance costs	**2,664**	224
Interest income	**(6,018)**	(191)
Depreciation of plant and equipment	**2,613**	2,719
Reversal of impairment loss on trade receivables	**–**	(112)
Impairment loss on loan receivables	**29,544**	199,180
Impairment loss on trade receivables	**–**	117
Impairment loss on investment deposits paid	**–**	26,286
Impairment loss on available-for-sale financial assets	**150**	240
Impairment loss on interest in an associate	**1,475**	–
Share of profit of a jointly controlled entity	**(12,706)**	(13,614)
Gain on disposal of an investment property	**–**	(880)
Gain on disposal of subsidiaries	**(3,315)**	–
Fair value changes in investment properties	**107**	(5,695)
Gain on fair value change of convertible instrument designated at financial assets at fair value through profit or loss	**(4,742)**	(5,302)
Loss on fair value change of derivative financial liabilities	**3,217**	–
(Gain) loss arising from fair value changes of investments held for trading	**(7,255)**	100,151
Loss on disposal of convertible instruments designated at financial assets at fair value through profit or loss	**18,934**	1,869
Loss on written off of plant and equipment	**598**	–
Reversal of inventories	**–**	(2,300)
Operating cash flows before movements in working capital	**(29,534)**	(22,379)
Decrease in investments held for trading	**13,819**	7,099
Increase in prepayments, deposits and other receivables	**(714)**	(11,041)
Decrease in inventories	**321**	19,123
(Increase) decrease in trade receivables	**(410)**	4,092
(Decrease) increase in trade payables	**(526)**	811
Decrease in receipts in advance	**(481)**	(48)
Increase in accruals and other payables	**3,772**	1,234
Decrease in loan receivables	**7,196**	3,003
Cash (used in) generated from operations	**(6,557)**	1,894
Income tax paid	**–**	(1,830)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(6,557)**	64

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
INVESTING ACTIVITIES			
Refund of deposits paid for acquisition of potential investment/receivables in respect of a terminated acquisition in previous years		**60,414**	12,468
Proceeds on redemption of convertible instruments		**25,010**	21,600
Acquisition of a subsidiary	*42*	**92**	–
Interest received		**988**	191
Deposits paid for acquisition of plant and equipment		**–**	(3,420)
Acquisition of available-for-sale financial assets		**–**	(500)
Proceeds from disposal of an investment property		**–**	19,880
Purchase of plant and equipment		**(425)**	(2,276)
Disposal of subsidiaries	*43*	**(678)**	–
Acquisition of club membership		**(2,690)**	–
Acquisition of convertible instruments		**(20,000)**	(58,000)
Deposits paid for acquisition of potential investments		**(20,000)**	(77,914)
Acquisition of investment properties		**(54,531)**	(38,717)
NET CASH USED IN INVESTING ACTIVITIES		**(11,820)**	(126,688)
FINANCING ACTIVITIES			
New bank borrowings raised		**23,190**	18,000
New bond payables raised		**10,000**	–
Proceeds from issue of option on convertible bonds	*31*	**1,350**	–
Proceeds from placement	*35*	**–**	48,160
Placement cost	*35*	**–**	(1,200)
Settlement of promissory note		**(13,956)**	–
Repayment of bank borrowings		**(705)**	(10,275)
Interest paid		**(434)**	(224)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**19,445**	54,461
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,068**	(72,163)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**42,273**	113,577
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE		**22**	859
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**43,363**	42,273

1. GENERAL

China Railway Logistics Limited (the "Company") was incorporated in Bermuda on 25 February 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 18 May 2000. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

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

The principal activities of the Company is investment holding and the principal activities of its subsidiaries are set out in Note 45.

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

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

Amendments to Hong Kong Accounting Standard ("HKAS") 1	As part of the Annual improvements to HKFRSs 2009-2011 Cycle issued in 2012
Amendment to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendment to HKFRS 7	Disclosures – Transfer of Financial Assets
Amendment to HKAS 12	Deferred Tax – Recovery of Underlying Assets

Except as explained below, the adoption of these new and revised HKFRSs in the current year has had no material impact on the Group's performance and positions for the current or prior accounting period and/or disclosures set out in these consolidated financial statements.

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

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded none of the Group's investment properties located in Hong Kong and People's Republic of China ("PRC") are held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment properties over time, rather than through sale. Therefore, the directors have determined that the "sale" presumption set out in the amendment to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties in Hong Kong. Previously, the Group recognised deferred taxes on change in fair value of investment properties located in Hong Kong on the basis that the entire carrying amounts of the properties were recovered through use.

The Group recognised additional deferred taxes in respect of those investment properties situated in the PRC which are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and are subject to PRC Enterprise Income Tax and land appreciation tax on disposal of these investment properties. Previously, the Group did not recognise deferred tax relating to land appreciation tax on changes in fair value of those investment properties on the basis that the deferred tax was measured based on the assumption that the carrying amounts of these properties would be recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being increased by HK$5,631,000 as at 1 January 2011, with the corresponding adjustment being recognised in accumulated losses and translation reserve. Similarly, the deferred tax liabilities have been increased by HK$14,947,000 as at 31 December 2011.

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

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets *(Continued)*

In the current year, no deferred taxes have been provided for changes in fair value of the Group's investment properties situated in Hong Kong. Additional deferred taxes in respect of those investment properties situated in the PRC have been provided for deferred tax relating to land appreciation tax on changes in fair value of those investment properties. The change in accounting policy has resulted in the Group's income tax expenses and loss for the years ended 31 December 2012 and 2011 being decreased by HK$3,546,000 and being increased by HK$8,932,000 respectively.

Amendments to HKAS 1 Presentation of Financial Statements

(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009 – 2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets for the first time, which has resulted in a material effect on the information in the consolidated statement of financial position as at 1 January 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 January 2011 without the related notes.

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

Summary of the effects of the above changes in accounting policies

The effect of the change in accounting policy described above on the consolidation statement of financial position of the Group as at 1 January 2011 and 31 December 2011 is as follows:

	As at 1/1/2011 (originally stated) HK$'000	Adjustment HK$'000	As at 1/1/2011 (restated) HK$'000	As at 31/12/2011 (originally stated) HK$'000	Adjustment HK$'000	As at 31/12/2011 (restated) HK$'000
Deferred tax liabilities	(8,055)	(5,631)	(13,686)	(8,831)	(14,947)	(23,778)
Net assets	1,134,562	(5,631)	1,128,931	859,184	(14,947)	844,237
Accumulated loss retained earnings	1,764,883	5,538	1,770,421	2,093,067	14,470	2,107,537
Exchange translation reserve	(5,993)	93	(5,900)	(13,840)	477	(13,363)
Equity attributable to owners of the Company	1,117,360	(5,631)	1,111,729	838,865	(14,947)	823,918
Non-controlling interest	17,202	–	17,202	20,319	–	20,319
Total equity	1,134,562	(5,631)	1,128,931	859,184	(14,947)	844,237

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

Summary of the effects of the above changes in accounting policies *(Continued)*

The effect of the change in accounting policies on the financial positions of the Group as at 31 December 2012 is as follows:

	As at 31 December 2012 HK$'000
Decrease in deferred tax liabilities	**3,743**
Total effect on net assets	**3,743**
Decrease in accumulated losses	**3,546**
Increase in translation reserve	**197**
Total effects on equity	**3,743**

The effect of the change in accounting policies on the Group's basic and diluted loss per share for the current and prior year are as follows:

Impact on basic and diluted loss per share

	Impact on basic and diluted loss per share	
	Year ended 31/12/2012 HK cents	Year ended 31/12/2011 HK cents
Figures before adjustments	**(8.88)**	(51.48)
Adjustments arising from changes in the Group's accounting policies in relation to application of amendments to HKAS 12 in respect of deferred taxes on investment properties	**0.52**	(1.40)
Figures after adjustments	**(8.36)**	(52.88)

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

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

Amendments to HKFRSs	Annual improvements 2009 – 2011 Cycle, except for the amendments HKAS 1[2]
Amendments to HKFRS 1	Government Loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011)	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangments[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK (International Financial Reporting Interpretation Committee) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described below:

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

- With regard to the measurement of financial liabilities designed as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previous, under HKAS 39, the entire amount of the change in fair value of the financial liability designated as 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 affect the classification and measurement of available-for-sale investments and may have impact on amounts reported in respect of the Group's other financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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

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

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation – Special Purpose Entities with withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Control Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

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

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

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these five standards are applied 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 1 January 2013. The directors anticipate that the application of these five standards may not have significant impact on the amounts reported in the consolidated financial statements under the current group structure.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial 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. The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. 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 items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

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 future accounting periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or 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.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination

Acquisitions of business are accounted for using the acquisition method. The consideration transferred in a business 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 the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their value, 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 share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; 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.

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 re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

Non-controlling interest that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognised amounts 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 standard.

When the consideration transferred by the Group 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 included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustment are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at 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 Provision, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When 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. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if know, would have affected the amounts recognised as of that date.

Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is 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 an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than 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 pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. 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 amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of the acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly controlled entities *(Continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Rental income from investment properties is recognised on a straight-line basis over the respective term of the leases.

Service fees income is recognised when the services are provided.

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

Dividend income from investments including financial assets at fair value through profit or loss is recognised when the shareholders' rights to receive payment have been established.

Plant and equipment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible asset

Intangible asset acquired separately

Intangible asset with indefinite useful lives that are acquired separately (including club debentures) are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rate prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributable to non-controlling interest as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences 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 of a subsidiary that does not result in the Group losing control over a subsidiary, 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 disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of exchange translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Inventories

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

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates, and interests in jointly 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 the end of the 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 is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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

Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or 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.

(i) Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Financial assets at fair value through profit or loss (Continued)

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the consolidated statement of comprehensive income.

Convertible instruments acquired by the Group (including related embedded derivatives) are designated at financial assets at fair value through profit or loss on initial recognition. Subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

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

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)*

(i) Financial assets *(Continued)*

Available-for-sale financial assets ("AFS")

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables.

Equity and debt securities held by the Group that are classified as AFS and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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 are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Impairment on financial assets

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Impairment on financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised, and 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 in measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impartment 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 loans receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Impairment on financial assets (Continued)

Impairment losses on available-for-sale equity investments will not be 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 in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss 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.

(ii) Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity according to 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 the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as financial liabilities at fair value through profit or loss and other financial liabilities.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(ii) Financial liabilities and equity instruments *(Continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss have two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; 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 liability other than a financial liability held for trading may be designated as at fair value through profit or loss 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 designated fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the year in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(ii) Financial liabilities and equity instruments *(Continued)*

Other financial liabilities

Other financial liabilities including trade payables, accruals and other payables, bank borrowings and bond payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives of the Group do not qualify for hedge accounting thus they are deemed as derivative financial liability. Changes in fair values of such derivatives are recognised directly in profit or loss.

Warrants

Warrants issued by the Company that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments are classified as an equity instrument.

For warrants issued to subscribers of the Company's shares, the fair value of warrants on the date of issue is recognised in equity (warrant reserve). The warrant reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrant reserve will be transferred to accumulated losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

(iii) Derecognition

The Group derecognises a financial asset only when the rights to receive cash flows from the assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the financial assets to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, 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 under continuing involvement, 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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provision are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provision are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money, is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share-based payments

Share options granted by the Company to employees of the Group in an equity settled share-based payment arrangement

The fair value of services received determined by reference to the fair value of share options granted at the grant date 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 during the vesting period, 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.

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 option reserve will be transfer to accumulated losses.

Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment loss on tangible and intangible assets other than goodwill (see the accounting policy in respect of 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.

Where 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whatever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

When 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 investment loss is recognised as income 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties located in Hong Kong.

The Group recognised additional deferred taxes in respect of those investment properties situated in the PRC which are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and are subject to land appreciation tax on disposal of these investment properties.

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

Key sources of estimation uncertainty

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

Estimated impairment loss on loan receivables

Loan receivables are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The directors of the Company make judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

As at 31 December 2012, the carrying amount of loan receivables is HK$133,952,000 (31 December 2011: HK$233,802,000), net of accumulated impairment losses of HK$384,527,000 (31 December 2011: HK$354,983,000).

Fair value of convertible instruments designated at financial assets at FVTPL

The fair value of the convertible instruments involves assumptions on the issuer’s credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the fair value. The carrying amount of the convertible instruments designated at financial assets at fair value through profit or loss as at 31 December 2012 is HK$41,441,000 (31 December 2011: HK$107,599,000).

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

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of deposits paid for acquisition of potential investments

Deposits paid for acquisition of potential investments are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The directors of the Company make judgments on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

As at 31 December 2012, the carrying amount of deposits paid for acquisition of potential investments is HK$52,000,000 (31 December 2011: HK$82,509,000) net of accumulated impairment losses of HK$20,000,000 (31 December 2011: HK$26,286,000).

Fair value of derivatives financial instruments

As described in Note 31, the directors of the Company use their judgment in selecting an appropriate valuation technique for derivative financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. The carrying amount of derivatives financial instruments measured at fair value at 31 December 2012 was HK$4,567,000 (31 December 2011: nil).

Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgment and is satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 December 2012 was approximately HK$209,157,000 (31 December 2011: HK$148,716,000).

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

Key sources of estimation uncertainty *(Continued)*

Estimated impairment loss on interest in a jointly controlled entity

Determining whether the interest in a jointly controlled entity is impaired requires an estimation of the future cash flows expected to arise and expected dividend yield from the jointly controlled entity and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of the Group's jointly controlled entity as at 31 December 2012 was approximately HK$135,942,000 (31 December 2011: HK$123,213,000).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group at 31 December 2012 consists of debt, which includes cash and cash equivalents, bank borrowings disclosed in Note 30, bond payables disclosed in Note 32 and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Available-for-sale financial assets		
– at cost	**2,110**	2,260
– at fair value	**20,811**	16,798
	22,921	19,058
FVTPL		
– investments held for trading	**117,399**	91,739
– convertible instruments designated at financial assets at FVTPL	**41,441**	107,599
	158,840	199,338
Loans and receivables (including bank balances and cash)	**291,290**	384,524
Financial liabilities		
Financial liability at fair value through profit or loss		
– Derivative financial liability	**4,567**	–
Other financial liabilities measured at amortised cost	**54,400**	15,690

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include loan receivables, trade receivables, deposits and other receivables, bank balances and cash, financial assets at FVTPL (including investments held for trading and convertible instruments designated at FVTPL), available for sale financial assets, derivative financial liabilities, trade payables, accruals and other payables, bond payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. 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.

Market risk

(i) Currency risk

The functional currency of certain subsidiaries established in the PRC is Renminbi ("RMB"). The RMB is not freely convertible into other currencies however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date, that are denominated in currencies other than the functional currency of the relevant group entities were mainly denominated in United States dollars ("USD").

	Assets	
	2012	2011
	HK$'000	HK$'000
United States dollar ("USD")	**7,504**	2,769
RMB	**798**	1,129
Total	**8,302**	3,898

Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates. The Group currently does not have any policy to hedge its exposure to currency risk.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(i) Currency risk (Continued)

No sensitivity analysis was prepared for USD because HK$ is pegged to USD and no sensitivity analysis was prepared for RMB. The fluctuation and impact is considered immaterial.

(ii) Interest rate risk

The Group's exposure to changes in interest rate risk is mainly attributable to its bank balances and bank borrowings at variable-interest rate expose the Group to cash flow interest-rate risk, while loan receivables, bond payables and convertible bonds at fixed rates expose the Group to fair value interest-rate risk. The Group has not formulated a policy to manage the interest rate risk. The Group has not used any derivative contracts or formulated any policy to hedge its exposure to interest rate risk as the exposure is considered to be insignificant.

Sensitivity analysis

If the interest rates had been increased/decreased by 100 basis points and assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year and all other variables were held constant, the Group's post-tax loss for the year and accumulated losses would decrease/increase by approximately HK$182,000 (2011: loss for the year and accumulated losses will decrease/increase by approximately HK$358,000). The assumed changes have no impact on the Group's other components of equity. This is mainly attributable to the Group's exposure with respect to interest rate on its variable-interest rate bank balances and bank borrowings. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities, unlisted investments in funds, convertible instruments designated at financial assets at FVTPL and derivative financial liabilities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's other price risk is mainly concentrated on instruments quoted on the Stock Exchange and on fund investments quoted by the financial institutions.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(iii) Other price risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity securities included in investment held for trading had been 10% (2011: 10%) higher (lower), the post-tax loss for the year ended 31 December 2012 would decrease (increase) by approximately HK$9,802,000 (2011: post-tax loss for the year would decrease (increase) by approximately HK$7,659,000) as a result of the changes in financial assets at fair value through profit or loss.

For unlisted investments in funds included in available-for-sale financial assets, if the prices of the respective equity instruments had been 10% higher (lower), the investment revaluation reserve as at 31 December 2012 would increase (decrease) by approximately of HK$2,081,000 (31 December 2011: HK$1,680,000).

For convertible instruments designated at financial assets at FVTPL, if the prices of the respective convertible instruments had been 10% higher (lower), the post-tax loss for the year ended 31 December 2012 would decrease by approximately HK$339,000 (2011: post-tax loss for the year would decrease by approximately HK$6,201,000) or increase by approximately HK$392,000 (2011: post-tax loss for the year would increase by approximately HK$6,084,000) respectively, arising from the changes in fair value of convertible instruments designated at financial assets at fair value through profit or loss.

If the share price of the Company had been 10% higher (lower) and all derivative components moved according to the historical correlation with the share price of the Company, the post-tax loss for the year ended 31 December 2012 would increase by approximately HK$1,810,000 (2011: nil) or decrease by approximately HK$1,492,000 (2011: nil) respectively arising from changes in fair value of the derivative financial liabilities.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets 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 the recoverable amount of each individual receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In respect of loan receivables, representing financing advances to customers under the Group's loan financing business, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At 31 December 2011, the Group has a certain degree of concentration of credit risk as 21% and 49% of the total gross trade receivables were due from the Group's largest customer and the five largest customers for the Group's telephony business respectively. The trade receivables were disposed of upon the disposal of subsidiaries on 30 April 2012.

In respect of the loan receivables arising from the Group's loan financing business, 30% (2011: 26%) of the total gross loan receivables as at 31 December 2012 was due from the Group's largest customer and 67% (2011: 60%) of the total loan receivables as at 31 December 2012 was due from the Group's five largest customers for the Group's loan financing business.

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The directors of the Company consider the credit risk under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

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

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% of the trade receivables as at 31 December 2011 and loan receivables as at 31 December 2012 and 2011.

Liquidity risk

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

The tables include both interest and principal cash flows. To the extent that interest flows and floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

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

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

At 31 December 2012

	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but not more than five years HK$'000	More than five years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount at 31 December 2012 HK$'000
Non-derivative financial liabilities						
Accruals and other payables	14,190	–	–	–	14,190	14,190
Bond payables	600	600	600	12,700	14,500	10,000
Bank borrowings	30,918	–	–	–	30,918	30,210
	45,708	600	600	12,700	59,608	54,400

At 31 December 2011 (restated)

	On demand or within one year HK$'000	More than one year but less than two years HK$'000	More than two years but not more than five years HK$'000	More than five years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount at 31 December 2011 HK$'000
Non-derivative financial liabilities						
Trade payables	1,205	–	–	–	1,205	1,205
Accruals and other payables	6,760	–	–	–	6,760	6,760
Bank borrowings	7,881	–	–	–	7,881	7,725
	15,846	–	–	–	15,846	15,690

6. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Bank loans with a repayment on demand clause are included in the "on demand or within 1 month" time band in the above maturity analysis. As at 31 December 2012 and 31 December 2011, the aggregate undiscounted principal amounts of these bank loans amounted to HK$30,210,000 and HK$7,725,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary right to demand immediate repayment. The directors believe that such bank loans will be repaid by monthly installments in the next 19 years (2011: 18 years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$37,739,000 (2011: HK$9,281,000).

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

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- The fair value of the other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- The fair value of derivative instruments is calculated with reference to the valuation made by professional valuer by using the Binominal Option Pricing Model and considering the present value of future cash flows discounted at the interest rate of 5.85%.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values due to their short-term maturities or with market interest rates.

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
31/12/2012				
Financial assets at FVTPL				
– listed equity securities held for trading	**117,399**	**–**	**–**	**117,399**
– convertible instruments designated at FVTPL	**–**	**34,475**	**6,966**	**41,441**
Available-for-sale financial assets				
– unlisted investment in funds	**–**	**20,811**	**–**	**20,811**
	117,399	**55,286**	**6,966**	**179,651**
Financial liabilities at FVTPL				
– derivative financial liabilities	**–**	**4,567**	**–**	**4,567**

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
31/12/2011				
Financial assets at FVTPL				
– listed equity securities held for trading	88,124	–	–	88,124
– unlisted investment in funds held for trading	–	3,615	–	3,615
– convertible instruments designated at FVTPL	–	24,195	83,404	107,599
Available-for-sale financial assets				
– unlisted investment in funds	–	16,798	–	16,798
	88,124	44,608	83,404	216,136

6. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Fair value measurements recognised in the statement of financial position *(Continued)*

There are no transfers between levels 1 and 2 during both reporting periods.

Reconciliation of Level 3 fair value measurements of financial assets

	Convertible instruments designated at FVTPL HK$'000
At 1 January 2011	–
Total gains in profit or loss	25,404
Purchases	58,000
At 31 December 2011	83,404
Total losses in profit or loss	(19,995)
Purchase *(note 23(e))*	5,087
Reclassified to other receivables *(note 23(f) and (g))*	(61,530)
At 31 December 2012	6,966

Of the total losses for the year included in profit or loss, HK$1,879,000 relates to convertible instruments designated at FVTPL held at the end of the reporting period (2011: HK$25,404,000). Fair value gains or losses on convertible instruments designated at FVTPL are included in consolidated statement of comprehensive income.

7. TURNOVER AND REVENUE AND SEGMENT INFORMATION

Turnover represents the aggregate of rental income; net proceeds from the disposal of investments held for trading; and interest income from the provision of loan financing during the year. The following is an analysis of the Group's turnover from continuing operations:

	2012 HK$'000	2011 HK$'000 (Restated)
Turnover		
– Properties investments	**1,830**	1,455
– Securities trading	**140,804**	46,168
– Loan financing	**12,701**	41,877
	155,335	89,500

Segment information

Information reported to the executive directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

1. Properties investments – investment in properties for rental income purpose

2. Securities trading – trading of securities and dividend income from investment held for trading

3. Loan financing – provision of financing services

An operating segment regarding computer telephony which included leasing of telecommunication equipments and computer telecommunications and computer telephony system, and provision of consulting and maintenance services was discontinued during the current year. The segment information reported on the following does not include any amounts for these discontinued operations, which are described in more details in Note 12.

7. TURNOVER AND REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

	2012 HK$'000	2011 HK$'000 (Restated)
Segment revenue		
– Properties investments	**1,830**	1,455
– Loan financing	**12,701**	41,877
– Dividend income from investment held for trading	**85**	668
	14,616	44,000

	2012 HK$'000	2011 HK$'000 (Restated)
Segment results		
– Properties investments	**8,111**	20,350
– Securities trading	**5,925**	(123,824)
– Loan financing	**(28,373)**	(168,183)
	(14,337)	(271,657)
Unallocated corporate expenses	**(28,506)**	(33,231)
Unallocated corporate income	**6,378**	3,108
Net (loss) gain on fair value change/disposal of convertible instruments designated at financial assets at FVTPL	**(14,192)**	3,433
Gain on disposal of subsidiaries	**2,749**	–
Loss arising from fair value change of derivative financial liabilities	**(3,217)**	–
Impairment loss on interest in an associate	**(1,475)**	–
Impairment loss on investment deposits paid	**–**	(26,286)
Finance costs	**(2,664)**	(224)
Loss before tax	**(55,264)**	(324,857)

7. TURNOVER AND REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

The accounting policies of the operating segment are the same as the Group's accounting policies described in Note 3. Segment loss represents the loss attributable to each segment without allocation of central administration costs, directors' emoluments, fair value changes and loss on disposal of convertible instruments designated at financial assets at FVTPL, gain on disposal of subsidiaries, impairment loss on available-for-sale, impairment loss on interest in an associate, impairment loss on investment deposits paid, loss arising from fair value change of derivative financial liabilities and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	31/12/2012 HK$'000	31/12/2011 HK$'000 (Restated)
Segment assets		
– Properties investments	**371,798**	296,418
– Securities trading	**159,539**	115,457
– Loan financing	**119,738**	213,465
Total segment assets	**651,075**	625,340
Assets relating to discontinued operation	**–**	1,461
Unallocated corporate assets	**232,037**	270,323
Consolidated assets	**883,112**	897,124
Segment liabilities		
– Properties investments	**3,924**	303
– Securities trading	**2,192**	1,828
– Loan financing	**835**	111
Total segment liabilities	**6,951**	2,242
Liabilities relating to discontinued operation	**–**	2,738
Unallocated corporate liabilities	**81,762**	47,907
Consolidated liabilities	**88,713**	52,887

7. TURNOVER AND REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

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

- all assets are allocated to operating segments other than available-for-sale financial assets, certain plant and equipment, club debentures, deposits paid for acquisition of potential investments, convertible instruments designated at financial assets at FVTPL, tax recoverable and bank balances and cash, certain inventories and certain other receivables; and

- all liabilities are allocated to operating segments other than certain other payables and accruals, bond payables, bank borrowings, derivative financial liabilities, deferred taxation and taxation.

Other segment information

For the year ended 31 December 2012

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets from continuing operation					
Depreciation on plant and equipment	94	–	147	2,357	2,598
Additions to plant and equipment, investment properties	59,844	–	–	425	60,269
Loss on write-off of plant and equipment	–	–	–	598	598
Impairment loss on loan receivables	–	–	29,544	–	29,544
Gain on disposal of subsidiaries	–	–	–	(2,749)	(2,749)
Share of profit of a jointly controlled entity	(12,706)	–	–	–	(12,706)
Fair value losses/(gains)					
– investment properties	107	–	–	–	107
– investments held for trading	–	(7,255)	–	–	(7,255)
Gain on disposals of investments held for trading	–	(85)	–	–	(85)

7. TURNOVER AND REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets from continuing operation:					
Fair value gains on convertible instruments designated at financial assets at fair value through profit or loss	**–**	**(4,742)**	**–**	**–**	**(4,742)**
Loss arising from fair value changes of derivative financial liabilities	**–**	**–**	**–**	**3,217**	**3,217**
Losses on disposals of convertible instruments designated at financial assets at fair value through profit or loss	**–**	**18,934**	**–**	**–**	**18,934**
Interest income	**(3)**	**(15)**	**(82)**	**(5,918)**	**(6,018)**
Finance costs	**–**	**434**	**–**	**2,230**	**2,664**
Income tax credit	**(646)**	**–**	**–**	**–**	**(646)**

For the year ended 31 December 2011

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included the measure of segment profit or loss or segment assets from continuing operation					
Depreciation on plant and equipment	34	–	60	2,558	2,652
Additions to plant and equipment, investment properties	40,381	–	571	1,432	42,384
Reversal of written down in inventories	–	–	–	(2,300)	(2,300)
Share of profit of a jointly controlled entity	(13,614)	–	–	–	(13,614)
Fair value losses/(gains)					
– investment properties	(5,695)	–	–	–	(5,695)
– investments held for trading	–	100,151	–	–	100,151
Impairment loss on					
– loan receivables	–	–	199,180	–	199,180
– investment deposits paid	–	–	–	26,286	26,286
Losses/(gains) on disposals					
– investment properties	(880)	–	–	–	(880)
– investments held for trading	–	23,709	–	–	23,709

7. TURNOVER AND REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

	Properties investments HK$'000	Securities trading HK$'000	Loan financing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Fair value gains on convertible instruments designated at financial assets at fair value through profit or loss	–	(5,302)	–	–	(5,302)
Losses on disposals of convertible instruments designated at financial assets at fair value through profit or loss	–	1,869	–	–	1,869
Interest income	(86)	(79)	(13)	(13)	(191)
Finance costs	–	224	–	–	224
Income tax expenses	9,535	–	–	–	9,535

Geographical information

The Group's operations are located in the PRC and Hong Kong.

Information about the Group's revenue from continuing operation from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets:

	Revenue from external customers		Non-current assets	
	2012 HK$'000	2011 HK$'000 (Restated)	**31/12/2012 HK$'000**	31/12/2011 HK$'000
Hong Kong	**13,978**	43,908	**139,934**	37,281
PRC	**638**	92	**268,971**	253,593
	14,616	44,000	**408,905**	290,874

note: Non-current assets excluded those relating to discontinued operations and financial instruments.

7. TURNOVER AND REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

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

	2012	2011
	HK$'000	HK$'000
Customer A[1]	**3,071**	–
Customer B[1]	**2,022**	–
Customer C[1]	**1,586**	–
Customer D[1]	**–**	8,100
	6,679	8,100

1 Revenue from loan financing

8. OTHER INCOME AND GAINS

The analysis of the Group's other income and gains are as follow:

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operation		
Bank interest income	**30**	191
Interest on promissory note receivable	**5,030**	–
Other interest income	**958**	–
Reversal of write-down of inventories	**–**	2,300
Others	**360**	617
	6,378	3,108

9. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Continuing operation		
Interest on:		
Bank borrowings not wholly repayable within five years	**434**	224
Promissory note payables *(note)*	**1,887**	–
Bond payables	**343**	–
	2,664	224

note: The promissory note payables were issued in relation to the transactions (as details in note 40(d)) with certain related parties (as detailed in Note 39(a)) at interest rate of 6% per annum and were disposed of through disposal of subsidiaries during the year.

10. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operation		
Staff costs including directors' emoluments:		
Salaries and allowances	**19,144**	19,499
Contributions to retirement benefits scheme	**490**	557
	19,634	20,056
Auditors' remuneration	**730**	730
Depreciation of plant and equipment	**2,598**	2,652
Loss on write-off of plant and equipment	**598**	–
Share of tax of a jointly-controlled entity	**–**	465
Minimum lease payments under operating leases	**4,365**	2,662
Impairment on available-for-sale financial assets	**150**	240
Impairment on interest in an associate	**1,475**	–
Gross rental income	**(1,830)**	(1,455)
Less: outgoings (included in cost of sales)	**135**	941
Net rental income	**(1,695)**	(514)

11. INCOME TAX (CREDIT) EXPENSE

	2012	2011
	HK$'000	HK$'000
		(Restated)
Continuing operation		
Current tax:		
Hong Kong	**1,717**	106
Deferred taxation *(Note 33)*	**(2,363)**	9,429
	(646)	9,535

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years ended 31 December 2012 and 2011.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

11. INCOME TAX (CREDIT) EXPENSE *(Continued)*

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

	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations		
Loss before tax	**(55,264)**	(324,857)
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	**(9,119)**	(53,601)
Tax effect of share of result of a jointly controlled entity	**(2,097)**	(2,246)
Tax effect of expenses not deductible for tax purpose	**20,783**	1,187
Tax effect of income not taxable for tax purpose	**(6,263)**	(8,334)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**346**	547
Tax effect on investment properties for deferred tax purpose	**(2,561)**	9,927
Tax effect of tax loss not recognised	**198**	26,402
Tax effect of deductible temporary differences not recognised	**181**	36,822
Utilisation of tax losses previously not recognised	**(2,114)**	(608)
Utilisation of deductible temporary differences previously not recognised	**–**	(561)
Tax (credit) expense for the year	**(646)**	9,535

11. INCOME TAX (CREDIT) EXPENSE *(Continued)*

The principal components of the Group's deferred tax assets not provided for, on the cumulative temporary differences at the end of the reporting period are as follows:

	Other temporary differences	Estimated tax losses	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2011	883	8,968	9,851
Movement for the year	36,261	25,794	62,055
At 31 December 2011 and 1 January 2012	37,144	34,762	71,906
Movement for the year	181	(1,916)	(1,735)
At 31 December 2012	**37,325**	**32,846**	**70,171**

No deferred tax assets attributable to other temporary differences and tax losses of the Group have been recognised for both years due to unpredictability of future profit streams. At the end of the reporting period, the Group had unexpired estimated tax losses available for off-setting future taxable profits and other deductible temporary differences of approximately HK$174,856,000 (2011: HK$173,656,000) and HK$143,033,000 (2011: HK$141,936,000) respectively.

During the year ended 31 December 2012, tax loss and other deductible temporary differences of approximately HK$12,813,000 (2011: HK$3,689,000) and nil (2011: HK$3,400,000) respectively for which no deferred tax asset were recognised previously was utilised.

12. DISCONTINUED OPERATIONS

On 30 April 2012, the Group entered into a sale and purchase agreement for disposal of a subsidiary, CentreWorld Holding Ltd. ("CentreWorld"), which carried out all of the Group's operations of sale of computer telephony for a cash consideration of HK$300,000 to an independent third party. The disposal of the operation was completed on 30 April 2012, on which date control of CentreWorld passed to the acquirer.

The profit (loss) for the year from the discontinued operation is analysed as follows:

	2012 **HK$'000**	2011 HK$'000
Loss of computer telephony operation for the period/year	**(102)**	(214)
Gain on disposal of computer telephony operation *(Note 43)*	**566**	–
	464	(214)

The results of the computer telephony operation for the period from 1 January 2012 to 30 April 2012, which have been included in consolidated statement of comprehensive income were as follows:

	Period end **30 April** **2012** **HK$'000**	Year ended 31 December 2011 HK$'000
Revenue	**2,413**	6,032
Cost of sale	**(1,156)**	(3,126)
Gross profit	**1,257**	2,906
Selling and distribution expenses	**(4)**	(18)
Administrative expenses	**(1,355)**	(3,102)
Loss for the period/year	**(102)**	(214)

12. DISCONTINUED OPERATIONS *(Continued)*

Loss for the period/year from discontinued operation has been arrived at after charging:

	Period end 30 April 2012 HK$'000	Year ended 31 December 2011 HK$'000
Depreciation on plant and equipment	**15**	67
Minimum lease payables under operating lease	**128**	307
Cost of inventories recognised as an expense	**1,156**	3,126
Impairment loss on trade receivables	**–**	117
Reversal of impairment loss on trade receivables	**–**	(112)

During the year, CentreWorld contributed HK$323,000 (2011: HK$705,000) to the Group's net operating cash flows, paid nil (2011: HK$31,000) in respect of investing activities and paid nil (2011: HK$1,000,000) in respect of financing activities.

The carrying amounts of the assets and liabilities of CentreWorld at the date of disposal are disclosed in Note 43.

13. DIRECTORS' EMOLUMENTS

	2012 HK$'000	2011 HK$'000
Executive Directors:		
Fees	**–**	–
Salaries and other benefits *(note)*	**3,496**	2,152
Contributions to retirement benefits scheme	**28**	24
	3,524	2,176
Independent Non-Executive Directors:		
Fees	**968**	738
	4,492	2,914

note: Other benefits include housing allowance.

13. DIRECTORS' EMOLUMENTS *(Continued)*

No chief executive was appointed by the Group for the two years 31 December 2012 and 2011.

No directors waived their emoluments for each of the year ended 31 December 2012 and 2011. No emoluments have been paid to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 December 2012 and 2011.

The details of directors' remuneration of each director for the two years ended 31 December 2012 and 2011 are set out below:

For the year ended 31 December 2012

Name of directors	Directors' fees HK$'000	Directors' salaries HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Yeung Sau Han Agnes	–	1,748	14	1,762
Chan Shui Sheung Ivy	–	1,748	14	1,762
Yuen Wai Man *(note)*	276	–	–	276
Lam Ka Wai Graham *(note)*[1]	242	–	–	242
Wang Chin Mong Jimmy *(note)*	276	–	–	276
Chow Fu Kit Edward *(note)*[2]	174	–	–	174
	968	3,496	28	4,492

note: The independent non-executive directors

1 Resigned on 27 April 2012.

2 Appointed on 14 May 2012.

13. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2011

Name of directors	Directors' fees HK$'000	Directors' salaries HK$'000	Contributions to retirement benefits schemes HK$'000	Total HK$'000
Yeung Sau Han Agnes	–	1,076	12	1,088
Chan Shui Sheung Ivy	–	1,076	12	1,088
Yuen Wai Man *(note)*	246	–	–	246
Lam Ka Wai Graham *(note)*	246	–	–	246
Wang Chin Mong Jimmy *(note)*	246	–	–	246
	738	2,152	24	2,914

note: The independent non-executive directors

14. EMPLOYEES' EMOLUMENTS

During the year, the five highest paid individuals included two directors (2011: two directors) of the Company, whose emoluments have been included in Note 13 above. The emoluments of the remaining three individuals for the year ended 31 December 2012 (2011: three individuals) were as follows:

	2012 HK$'000	2011 HK$'000
Salaries and allowances	**2,940**	2,904
Contributions to retirement benefits schemes	**42**	55
	2,982	2,959

14. EMPLOYEES' EMOLUMENTS *(Continued)*

Their emoluments were within the following bands:

	2012 No. of employees	2011 No. of employees
Below HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**1**	2

15. DIVIDEND

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

16. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2012 HK$'000	2011 HK$'000 (Restated)
Loss		
Loss for the year attributable to owners of the Company	**56,512**	337,116

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**675,814,000**	637,457,836

16. LOSS PER SHARE *(Continued)*

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2012	2011
	HK$'000	HK$'000
		(Restated)
Loss for the year attributable to owners of the Company	**56,512**	337,116
Less:		
Profit (loss) for the year from discontinued operations	**464**	(214)
Loss for the purpose of basic and diluted loss per share from continuing operation	**56,976**	336,902

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

From discontinued operations

Basic and diluted earnings per share for the discontinued operations is HK0.07 cents per share (2011: basic and diluted loss of HK0.03 cents per share), based on the profit for the year from the discontinued operations of HK$464,000 (2011: loss of HK$214,000) and the denominators detailed above for both basic and diluted earnings (loss) per share.

The computation of diluted earnings per share does not assume the exercise of the Company's share options, non-listed warrants and the option to subscribe convertible bond because the respective exercise prices of the Company's share options and non-listed warrants were higher than the average market price of the Company's shares for both 2012 and 2011 and the respective exercise price of the Company's option to subscribe convertible bond was higher than the average market price of the Company's shares for 2012.

17. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Equipment on lease to customers HK$'000	Equipment for development HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
Cost								
At 1 January 2011	378	2,437	2,577	83	420	1,749	14,010	21,654
Exchange adjustment	–	5	13	–	–	–	–	18
Additions	13	985	65	–	32	730	451	2,276
Write-off	–	–	–	(40)	–	–	–	(40)
Transfer to inventories	–	–	–	–	(10)	–	–	(10)
At 31 December 2011 and 1 January 2012	391	3,427	2,655	43	442	2,479	14,461	23,898
Exchange adjustment	–	2	8	–	–	–	–	10
Additions	212	38	175	–	–	–	–	425
Disposal on subsidiaries	–	(966)	(1,776)	(43)	(442)	–	–	(3,227)
Write-off	(391)	(774)	(131)	–	–	–	–	(1,296)
At 31 December 2012	212	1,727	931	–	–	2,479	14,461	19,810
Depreciation								
At 1 January 2011	98	1,375	1,930	69	358	719	2,867	7,416
Exchange adjustment	–	1	10	–	–	–	–	11
Charge for the year	114	376	218	5	40	543	1,423	2,719
Eliminated on write-off	–	–	–	(40)	–	–	–	(40)
Transfer to inventories	–	–	–	–	(3)	–	–	(3)
At 31 December 2011 and 1 January 2012	212	1,752	2,158	34	395	1,262	4,290	10,103
Exchange adjustment	–	1	5	–	–	–	–	6
Charge for the year	226	326	127	–	1	497	1,436	2,613
Disposal on subsidiaries	–	(964)	(1,758)	(34)	(396)	–	–	(3,152)
Eliminated on write-off	(388)	(209)	(101)	–	–	–	–	(698)
At 31 December 2012	50	906	431	–	–	1,759	5,726	8,872
Net carrying values								
At 31 December 2012	162	821	500	–	–	720	8,735	10,938
At 31 December 2011	179	1,675	497	9	47	1,217	10,171	13,795

17. PLANT AND EQUIPMENT *(Continued)*

The above items of plant and equipment are depreciated on a straight-line method at the following rates per annum:

Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Computer equipment	30%
Equipment on lease to customers	30%
Equipment for development	30%
Motor vehicles	30%
Vessel	10%

18. INVESTMENT PROPERTIES

	31/12/2012 HK$'000	31/12/2011 HK$'000
At 1 January	**148,716**	118,887
Additions	**59,844**	40,108
Disposal	**–**	(19,000)
(Decrease) increase in fair value	**(107)**	5,695
Exchange adjustment	**704**	3,026
At 31 December	**209,157**	148,716
Investment properties held under medium-term leases		
– Hong Kong	**76,300**	18,600
– PRC	**132,857**	130,116
	209,157	148,716

The fair value of the Group's investment properties located in Hong Kong at 31 December 2012 have been arrived at on the basis of a valuation carried out on that date by Jointgoal Surveyors Limited ("Jointgoal Surveyors") and Avista Group ("Avista"), independent firms of professional property valuers not connected with the Group. For the Group's investment properties located in the PRC, the valuation was carried out by Avista, an independent firm of professional property valuer not connected with the Group.

For properties situated in Hong Kong and the PRC, the valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions.

As at 31 December 2012, HK$70,300,000 (2011: HK$18,600,000) and HK$6,000,000 (2011: nil) of the Group's investment properties have been pledged to secure banking facilities granted to the Group (Note 30) and a convertible bond issuer (Note 23(e)) respectively.

19. INTEREST IN AN ASSOCIATE

	31/12/2012 HK$'000	31/12/2011 HK$'000
Cost of investment in:		
An unlisted associate in the PRC	–	377
A listed associate in HK	51,653	–
Share of post acquisition losses	–	(377)
	51,653	–
Less: Impairment loss recognised for the year	(1,475)	–
	50,178	–
Fair value of listed investments	50,178	–

As at 31 December 2012 and 2011, the Group had interest in the following associate:

Name	Form of business structure	Place of incorporation and operations	Particulars of issued/ paid-up capital	Percentage of equity interest attributable to the Group		Principal activity
				2012	2011	
Beijing Teletron System Integration Co., Limited ("Beijing Teletron") *(note 1)*	Limited liability company	PRC	Paid-up capital	–	40%	Inactive
China Eco-Farming Limited ("CEF") *(note 2)*	Listed company in the Stock Exchange	HK	Issued capital	25.17%	21.07%	Investment holding

notes:

1. The associate was disposed of through disposal of subsidiaries during the year ended 31 December 2012.

2. As at 31 December 2011, the Group had intention to dispose of the entire equity interest in CEF and the Group was actively seeking a buyer. Therefore, the retained equity interests owned by the Group in CEF were classified as investments held for trading as at 31 December 2011. During the year 2012, the Group had not disposed of the equity interest in CEF and also converted 22,713,043 shares of the convertible preference share of CEF and held 25.17% of issued capital of CEF after the conversion of convertible preference shares. It was accounted as an associate as at 31 December 2012.

19. INTEREST IN AN ASSOCIATE *(Continued)*

As at 31 December 2012, included in the cost of investment in a listed associate in HK is goodwill of HK$50,178,000 (2011: nil) arising on acquisition of an associate.

Impairment of interest in an associate of HK$1,475,000 recognised during the year ended 31 December 2012 is based on value in use which is the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

The summarised of the financial information in respect of the Group's associate CEF and Beijing Teletron as at 31 December 2012 and 2011 respectively is set out below:

	2012 **HK$'000**	2011 HK$'000
Total assets	**13,700**	204
Total liabilities	**(31,098)**	(2,668)
Net liabilities	**(17,398)**	(2,464)
Group's share of net liabilities of the associate	**–**	–
Revenue	**20,798**	–
Loss for the year	**(21,046)**	(46)
Group's share of losses of the associate for the year	**–**	–

19. INTEREST IN AN ASSOCIATE *(Continued)*

The Group has discontinued recognising its share of loss of CEF and Beijing Teletron since the Group's share of loss of the associates has exceeded its investment in CEF and Beijing Teletron in 2012 and 2011 respectively. The amount of unrecognised share of the associate, extracted from the summarised financial information in respect of the Group's associates is set out below:

	2012 HK$'000	2011 HK$'000
Unrecognised share of losses for the year	**3,814**	18
Accumulated unrecognised share of losses	**3,814**	803

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	31/12/2012 HK$'000	31/12/2011 HK$'000
Cost of investment in an unlisted jointly controlled entity in the PRC	**96,719**	96,719
Share of post acquisition profits	**32,812**	20,106
Share of post acquisition other comprehensive income	**6,411**	6,388
	135,942	123,213

As at 31 December 2012, the Group had interest in the following jointly controlled entity:

Name	Form of business structure	Place of incorporation and operations	Particulars of paid-up capital	Percentage of equity interest attributable to the Group	Principal activity
Changsha Seg Development Co. Ltd ("Changsha Seg")	Limited liability company	PRC	Paid-up capital RMB35,000,000	54%	Wholesale and retail of IT, digital and electronic products and parts, provision of catering, entertainment services, rental of office premises, and properties investment

20. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

Included in the cost of investment in the jointly controlled entity as at 31 December 2012 is goodwill of HK$17,909,000 (2011: HK$17,909,000) arising on the acquisition. There are no movements in the goodwill during each of the reporting periods.

The summarised of the audited financial information in respect of the Group's interest in the jointly controlled entity which are accounted for using the equity method is set out below:

	2012	2011
	HK$'000	HK$'000
Non-current assets	**312,564**	282,577
Current assets	**5,511**	10,009
Current liabilities	**(93,694)**	(97,580)
Net assets	**224,381**	195,006
Group's share of net assets of the jointly controlled entity	**121,166**	105,304
Revenue	**22,108**	18,161
Profit for the year	**23,529**	25,209
Other comprehensive income	**42**	6,069
Group's share of profit and other comprehensive income for the year	**12,729**	16,891

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise:

	31/12/2012 HK$'000	31/12/2011 HK$'000
Unlisted investment in funds, at fair value	20,811	16,798
Unlisted equity investments in Hong Kong, at cost	2,500	2,500
Less: impairment loss recognised	(390)	(240)
	2,110	2,260
	22,921	19,058

The Group's investment in the unlisted equity investments represented (i) 2.99% (2011: 12.5%) equity interest in a Hong Kong private limited company engaged in the retailing of watches and clocks in Hong Kong; and (ii) 5% (2011: 5%) equity interest in a Hong Kong private company engaged in investment holding which was acquired by the Group on 14 February 2011. These investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably. Impairment loss of HK$150,000 (2011: HK$240,000) was recognised in the profit or loss during the year ended 31 December 2012.

The Group's unlisted investment in funds are measured at fair value and are classified as Level 2 fair value measurement (see Note 6(c)). Fair value gain of HK$4,013,000 (2011: fair value loss $5,118,000) was recognised in other comprehensive income during the year ended 31 December 2012. Unlisted investment in funds that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	31/12/2012 HK$'000	31/12/2011 HK$'000
USD	2,685	2,163

22. LOAN RECEIVABLES

	31/12/2012 HK$'000	31/12/2011 HK$'000
Loan receivables arising from loan financing business:		
Secured loan receivables	**205,593**	204,484
Unsecured loan receivables	**125,154**	207,398
Less: impairment loss recognised	**(228,724)**	(199,180)
	102,023	212,702
Other loan receivables:		
Promissory note receivables	**14,801**	–
Amount due from a former subsidiary	**151,980**	151,980
Advance to CEF	**17,128**	21,100
Other unsecured loan receivable	**3,823**	3,823
	187,732	176,903
Less: impairment loss recognised	**(155,803)**	(155,803)
	31,929	21,100
	133,952	233,802
Analysis into:		
Non-current assets	**–**	–
Current assets	**133,952**	233,802
	133,952	233,802

22. LOAN RECEIVABLES *(Continued)*

The secured loan receivables arising from loan financing business are secured by listed equity shares, convertible bonds issued by listed companies, unlisted shares and properties located in Hong Kong and bear interest at fixed interest rate ranging from 8% to 14 % (2011: 8% to 14%) per annum.

The unsecured loan receivables arising from loan financing business bear interest at a rate ranging from 5% to 14% (2011: 10% to 14%) per annum. Included in the unsecured loan receivables of HK$51,416,000 (31 December 2011: HK$133,670,000) are guaranteed by independent third parties. During the year ended 31 December 2012, loan receivables of HK$51,914,000 are disposed of through the disposal of subsidiaries.

The promissory note is unsecured bear interest at a rate of 2% per annum based on the principal amount and repayable on 30 September 2013.

Amount due from a former subsidiary and other unsecured loan receivable is unsecured, non interest bearing and repayable on demand.

Advance to CEF, an associate of the Company, is unsecured, bears interest at 6% per annum and repayable on 31 July 2012, which is extended to 31 July 2013 during the year ended 31 December 2012.

The following table illustrates the ageing analysis, based on the loan drawn down date, of the loan receivables (net of accumulated impairment losses) outstanding at the end of the reporting period:

	31/12/2012 HK$'000	31/12/2011 HK$'000
Within 3 months	**–**	–
More than 3 months but less than 6 months	**–**	13,453
More than 6 months but less than 12 months	**23,970**	64,325
More than 12 months	**109,982**	156,024
	133,952	233,802

The Group's loan financing customers and promissory note holder included in the loan receivables are due for settlement at the date specified in the respective loan agreements. Further details on the Group's credit policy are set out in Note 6.

22. LOAN RECEIVABLES *(Continued)*

The ageing analysis of loan receivables which were past due but not impaired is as follows:

	31/12/2012 HK$'000	31/12/2011 HK$'000
Within 3 months	**–**	39,983
More than 3 months but less than 6 months	**14,096**	13,577
	14,096	53,560

Included in the impairment loss recognised at 31 December 2012 was individually impaired loan receivables with a carrying amount of HK$384,527,000 (31 December 2011: HK$354,983,000) before impairment. Included in the Group's loan receivables balance are debtors with aggregate carrying amount of HK$14,096,000 (31 December 2011: HK$53,560,000) which were past due but not impaired as at 31 December 2012 for which the Group has not provided for impairment loss. The Group holds securities or charges over properties as collateral over those balances and obtains corporate guarantee by a company listed in the Stock Exchange. Management believes that no further impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are considered fully recoverable.

During the year ended 31 December 2012, impairment loss on loan receivables of HK$29,544,000 (31 December 2011: HK$199,180,000) was recognised in the consolidated statement of comprehensive income. The loan receivables impaired were related to past due loan receivables which management, after taking actions to negotiate with the borrowers, to dispose of the related collaterals and issuing writs to sue for the overdue balances, assessed that the entire amount of the relevant receivables is irrecoverable (Note 41(ii)).

The movement of accumulated impairment losses of the loan receivables during the reporting period is as follows:

	2012 HK$'000	2011 HK$'000
At 1 January	**354,983**	155,803
Impairment loss recognised	**29,544**	199,180
At 31 December	**384,527**	354,983

The Group held certain equity securities listed in the Stock Exchange with fair value of HK$51,672,000 as at 31 December 2012 (2011: HK$79,584,000) as collateral over secured loan receivables.

23. CONVERTIBLE INSTRUMENTS DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	notes	**31/12/2012 HK$'000**	31/12/2011 HK$'000
Unlisted instrument issued by Hong Kong listed companies			
China Agrotech Holdings Limited convertible bond ("CAHL")	*(a)*	**–**	–
New Environmental Energy Holdings Limited ("NEE") convertible bond	*(b)*	**13,475**	11,612
CEF convertible preference shares	*(c)*	**–**	12,583
Long Success International (Holdings) Limited ("LS") convertible bond	*(d)*	**21,000**	–
		34,475	24,195
Unlisted instrument issued by Hong Kong private companies			
Teamedics Enterprise (Holdings) Co., Limited ("TE") convertible bond	*(e)*	**6,966**	–
High Step Investment Limited ("HSI") convertible notes	*(f)*	**–**	37,921
The Incorporation of Financial Technician Limited ("IFT") convertible bonds	*(g)*	**–**	45,483
		6,966	83,404
		41,441	107,599

23. CONVERTIBLE INSTRUMENTS DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

notes:

(a) During the year ended 31 December 2009, the Group acquired a two-year 3% coupon rate convertible bond with a principal amount of HK$21,600,000 issued by CAHL, a company listed on the Main Board of the Stock Exchange. The convertible bond can be converted, in an amount of not less than HK$3,000,000, into new ordinary shares of CAHL at any time within a period of two years following the date of issue at a conversion price of HK$0.90 per share. As at 31 December 2010, the Group had investments in the convertible bond of CAHL in principal amount of HK$21,600,000. The fair value of the convertible bond of CAHL was HK$23,469,000 as at 31 December 2010. The bonds were redeemed on 25 July 2011 with the conversion price of HK$22,248,000 including the bonds interest of HK$648,000.

(b) During the year ended 31 December 2010, five-year zero coupon rate convertible bond (the "NEE CBs") with a principal amount of $39,000,000 issued by New Environmental Energy Holdings Limited ("NEE"), a company listed on the Main Board of the Stock Exchange, was transferred to the Group for settlement of a deposit of HK$70,000,000 paid by the Group. The fair value of the NEE CBs at the date of transfer is approximately HK$70,000,000. The NEE CBs can be converted, in an amount of not less than HK$1,000,000, into new ordinary shares of NEE at any time within a period of five years following the date of issue at a conversion price of HK$1.18. During the year ended 31 December 2010, NEE CBs with principal amounts of HK$11,000,000 and HK$12,000,000 were disposed of for a cash consideration of HK$20,400,000 (after related transaction costs) and converted into 10,168,000 shares of NEE at a conversion price of HK$1.18 per share, respectively. The conversion price of NEE convertible bond was changed from HK$1.18 per share to HK$1.13 on 23 May 2011. The carrying amounts of the relevant batch of NEE CBs at the date of disposal and conversion were HK$19,838,000 and HK$8,196,000, respectively. As at 31 December 2012, the fair value of the remaining NEE CBs with principal amounts of HK$16,000,000 was HK$13,475,000 (2011: HK$11,612,000). The gain arising from fair value changes of NEE CBs of HK$1,863,000 was recorded in profit and loss for the year ended 31 December 2012.

(c) During the year ended 31 December 2010, upon the Group lost control over CEF, the Group's investment in the 23,913,043 5-year 3% coupon rate convertible preference shares in CEF (the "CP Shares") was classified as convertible instruments designated at financial assets at FVPTL. The CP Shares can be converted into 10 new ordinary shares of CEF at any time before the maturity date, 5 November 2012. Subsequent to the Group losing control over CEF, during the year ended 31 December 2010, 1,200,000 CP Shares with a carrying amount of approximately HK$5,341,000 were converted into 12,000,000 ordinary shares of CEF. During the year ended 31 December 2012, 22,713,043 CP Shares with a carrying value of HK$12,583,000 was fully converted into 227,130,430 new ordinary shares of CEF. No CP Shares were held by the Group at 31 December 2012 (2011: 22,713,043 shares). The fair value of the CP Shares was HK$12,583,000 and HK$15,523,000 as at 31 December 2011 and the date of conversion of convertible preference shares respectively. Since the interest in CEF of the Group has 25.17% upon fully converted the CP Shares together with the investment held for trading held by the Group on 5 November 2012. The Group had significant influence on CEF on that day and the investment on CEF was accounted for as an associate on 5 November 2012 (Note 19).

23. CONVERTIBLE INSTRUMENTS DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

notes: (Continued)

(d) During the year ended 31 December 2012, First Champion Worldwide Limited ("First Champion"), a wholly-owned subsidiary of the Company and as a Subscriber, agreed to subscribe for the convertible bonds which were issued by LS in the principal amount of HK$20,000,000. Assuming the conversion rights attaching to the convertible bonds are exercised in full at the initial conversion price of HK$0.08 per conversion share, a total of 250,000,000 conversion shares of LS will be allotted and issued. As at 31 December 2012, the fair value of the convertible notes of LS was HK$21,000,000. Subsequent to the end of the reporting period, First Champion disposed of the convertible bonds in the principal amount of HK$20,000,000 to the purchaser, LIN Jiantuan, an independent third party, for the cash consideration of HK$21,000,000. Completion was taken place upon signing of the transfer document by LIN Jiantuan and First Champion on 11 January 2013. The gain arising from fair value changes of LS convertible bonds of HK$1,000,000 was recorded in profit or loss for the year ended 31 December 2012.

(e) During the year ended 31 December 2012, Miracle Stand Limited ("Miracle Stand"), an indirectly wholly-owned subsidiary of the Company and as a subscriber, TE which is an investment holding company and its subsidiaries (collectively referred to as the "Teamedics Group") is engaged in manufacturing and trading of electronic products and Mr. Wong Chi To, Alex, the Guarantor and the shareholder of TE, entered into the subscription agreement pursuant to which Miracle Stand has agreed to subscribe for the convertible bonds which were issued by TE in the principal amount of HK$5,900,000 by way of procuring the Bank to grant and provide to TE and/or Teamedics International Company Limited credit facilities of HK$5,050,000 and RMB30,000 (totally approximate HK$5,087,000). Assuming the conversion rights attaching to the convertible bonds are exercised in full at the conversion price of HK$8 per conversion share, up to 737,500 conversion shares of TE will be allotted and issued. As at 31 December 2012, HK$6,000,000 of the Group investment properties have been pledged to secure banking facilities granted to TE (Note 18).

At the expiration of the credit facility available period or in case the credit facility is being cut, withdrawn, revoked or otherwise no longer available for the use of the Teamedics Group prior to the expiration of the credit facility available period (collectively, the "Credit Facility Expiration"), Miracle Stand shall make repayment up to HK$5,087,000 ("Monetary Amount"), but if the aggregate amount due and owing by Teamedics Group to the Bank, at Credit Facility Expiration is less than the Monetary Amount, Miracle Stand shall pay to the Teamedics Group in cash for the difference between the actual amount paid by Miracle Stand to the Bank and final settlement of the consideration or any outstanding part thereof. The amount of HK$5,087,000 was credited to other payables at 31 December 2012. As at 31 December 2012, the fair value of the TE convertible bond was HK$6,966,000 (2011:nil). The gain arising from fair value changes of TE convertible bonds of HK$1,879,000 was recorded in profit or loss for the year ended 31 December 2012.

(f) During the year ended 31 December 2011, the Group acquired convertible notes with principal amount HK$30,000,000 which were issued by HSI, a private company incorporated in Hong Kong with limited liability which is engaged mainly in investment holding of luxurious residential houses. The conversion price is HK$300,000 per share of HSI. The fair value of the convertible notes of HSI as at 31 December 2011 was HK$37,921,000. During the year ended 31 December 2012, HSI early redeemed part of the convertible notes in principal amount of HK$20,800,000 with the consideration of HK$25,010,000. The convertible notes were matured on 24 October 2012. The Group has demanded for payment of the convertible notes not converted or redeemed of HK$6,000,000 from HSI. According to legal advice from solicitor, no conversion rights were attached after the expiry date of convertible notes. The amount of HK$6,000,000 of receivable was recorded as other receivables as at 31 December 2012.

(g) During the year ended 31 December 2011, the Group acquired the convertible bonds with principal amount HK$28,000,000 which were issued by IFT, a private company incorporated in Hong Kong with limited liability which is engaged mainly in financial services. The conversion price is HK$0.65 per share of IFT. The fair value of the convertible bonds of IFT as at 31 December 2011 was HK$45,483,000. The convertible bonds were matured on 31 October 2012. The Group has demanded for payment from IFT not converted or redeemed of HK$30,520,000 from IFT. According to legal advice from solicitor, no conversion rights were attached after the expiry date of convertible notes. The amount of HK$30,520,000 of receivable was recorded as other receivables as at 31 December 2012.

23. CONVERTIBLE INSTRUMENTS DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

A fair value gain on the convertible bonds, at financial asset designated at financial assets at fair value through profit or loss of approximately HK$4,742,000 in aggregate was recorded for the year ended 31 December 2012 (2011: gain of HK$5,302,000). The net loss after considering the gain on conversion of convertible bonds (Note 23(c)) and the loss on redemption of convertible bonds (Note 23(f)&(g)) during the year ended 31 December 2012 was HK$18,934,000.

The fair values of the convertible instruments designated as financial assets at fair value through profit or loss were valued by Grant Sherman Appraisal Limited ("Grant Sherman") using the Binominal Option Pricing model. The inputs into the model of each convertible bond as at 31 December 2012 and 2011 were as follows:

	2012	2011
NEE		
Stock price	**HK$0.35**	HK$0.38
Conversion price	**HK$1.13**	HK$1.13
Volatility	**71.57%**	39.23%
Dividend yield	**0%**	0%
Option life (years)	**1.94**	2.94
Risk free rate	**0.116%**	0.394%
CEF		
Stock price	**N/A**	HK$0.55
Conversion price	**N/A**	HK$0.0115
Volatility	**N/A**	92.91%
Dividend yield	**N/A**	0%
Option life (years)	**N/A**	0.85
Risk free rate	**N/A**	0.145%
TE		
Stock price*	**HK$5.249**	N/A
Conversion price	**HK$8**	N/A
Volatility	**55.421%**	N/A
Dividend yield	**0%**	N/A
Option life (years)	**4**	N/A
Risk free rate	**0.268%**	N/A

23. CONVERTIBLE INSTRUMENTS DESIGNATED AT FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

	2012	2011
HSI		
Stock price*	**N/A**	HK$609,646
Conversion price	**N/A**	HK$300,000
Volatility	**N/A**	10.4%
Dividend yield	**N/A**	0%
Option life (years)	**N/A**	0.81
Risk free rate	**N/A**	0.245%
IFT		
Stock price*	**N/A**	HK$0.8583
Conversion price	**N/A**	HK$0.65
Volatility	**N/A**	66.52%
Dividend yield	**N/A**	0%
Option life (years)	**N/A**	0.83
Risk free rate	**N/A**	0.245%

* The information are extracted from the valuation report performed by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected with the Group.

24. INVENTORIES

	31/12/2012 HK$'000	31/12/2011 HK$'000
Inventories consisted of:		
Merchandise	**–**	–
Telecommunication and computer telephony hardware products	**–**	646
	–	646

As at 31 December 2011, the Group's merchandise was carried at its net realisable value.

During the year ended 31 December 2011, inventories which had been written down to net realisable value in prior years had been sold to an independent third party. As a result, a reversal of write-down of inventories of approximately HK$2,300,000 (2012: nil) was recognised in the profit or loss and included in other income.

25. TRADE RECEIVABLES

	31/12/2012	31/12/2011
	HK$'000	HK$'000
Account receivables	–	1,115
Retention receivables	–	149
	–	1,264
Less: Impairment loss recognised	–	(790)
	–	474

The Group normally granted its customers credit period ranging from 30 days to 180 days. The Group did not hold any collateral over these balances. The following was an aged analysis of trade receivables, net of accumulated impairment loss, presented based on the invoice date at the reporting date.

	31/12/2012	31/12/2011
	HK$'000	HK$'000
Within 90 days	–	474
91 – 180 days	–	–
181 – 365 days	–	–
	–	474

No trade receivable balance were past due as at 31 December 2011.

25. TRADE RECEIVABLES *(Continued)*

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

	31/12/2012 HK$'000	31/12/2011 HK$'000
1 to 3 months past due	**–**	–
Over 3 months past due	**–**	–
Total	**–**	–

As at 31 December 2011, the Group's neither past due nor impaired trade receivables mainly represent sales made to creditworthy customers for whom there was no recent history of default.

The movements in provision for impairment losses of trade receivables were as follows:

	2012 HK$'000	2011 HK$'000
At 1 January	**790**	785
Provision for the year	**–**	117
Reversal of impairment loss made in prior years	**–**	(112)
Disposal of subsidiaries	**(790)**	–
At 31 December	**–**	790

At the end of each reporting period, the Group's trade debtors were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, individual impairment loss was recognised. The Group did not hold any collateral over these balances.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31/12/2012	31/12/2011
	HK$'000	HK$'000
Deposits paid for acquisition of potential investments *(note a)*	**72,000**	108,795
Accumulated impairment loss on the deposits paid for acquisition of potential investments	**(20,000)**	(26,286)
	52,000	82,509
Prepayments	**1,156**	854
Rental and utility deposits	**890**	944
Other receivables *(note b)*	**59,006**	23,473
Deposit with a securities broker	**2,079**	1,049
	115,131	108,829

notes:

(a) Included in deposits paid for acquisition of potential investments as at 31 December 2012 is an amount of HK$32,000,000 due from a related party (as detailed in Note 39(a)). It was unsecured, non-interest bearing and payable on demand.

During the year ended 31 December 2012, HK$20,000,000 was paid to an independent third party for the potential investment. The transaction was not yet completed.

During the year ended 31 December 2011, HK$20,000,000 was paid to Peak Prosper Holdings Limited ("PPH"), an independent third party of the Group, for the acquisition of convertible bond and the impairment of HK$20,000,000 was made for the year ended 31 December 2011 (Note 41(i)).

(b) Included in other receivables as at 31 December 2012 is an amount of HK$2,900,000 due from a related party (as detailed in Note 39(a)). It was unsecured, non-interest bearing and repayable on demand.

Included in other receivables as at 31 December 2012 is an amount of HK$36,500,000 transferred from two convertible bonds expired during the year ended 31 December 2012. Details are set out in note 23(f) and note 23(g). It was unsecured, non-interest bearing and repayable on demand.

During the year ended 31 December 2011, the Group disposed of inventories to an independent third party PRC company at a consideration of HK$23,197,000. The balance of the proceeds of HK$19,586,000 (2011: HK$23,197,000) was included in the other receivables as at 31 December 2012. It was unsecured, non-interest bearing and repayable on demand.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

The movements in provision for impairment losses of the deposit paid for acquisition of potential investments were as follows:

	2012 **HK$'000**	2011 HK$'000
At 1 January	**26,286**	–
Provision for the year	**–**	26,286
Disposal of subsidiaries	**(6,286)**	–
At 31 December	**20,000**	26,286

At the end of each reporting period, the Group's deposits paid for acquisition of potential investment were individually determined to be impaired. No collaterals was pledged on the impaired deposits paid for acquisition of potential investment, as at 31 December 2012 and 2011. Management considers that the recoverability of certain deposits paid for acquisition of potential investment was uncertain and impairment loss of nil (2011: HK$26,286,000) has recognised in profit or loss for the year ended 31 December 2012. Legal action has been taken by the Group in respect of the two deposits paid of HK$32,914,000 included in the year ended 31 December 2011 and HK$20,000,000 included both years ended 31 December 2012 and 2011, details are set out in Note 41(i).

27. INVESTMENTS HELD FOR TRADING

Investments held for trading consisted of:

	31/12/2012 **HK$'000**	31/12/2011 HK$'000
Listed securities held for trading, at fair value		
– Equity securities listed in Hong Kong	**117,399**	88,124
Unlisted investment in funds, at fair value	**–**	3,615
	117,399	91,739

27. INVESTMENTS HELD FOR TRADING *(Continued)*

The fair values of the above listed securities and unlisted funds are determined based on the quoted market bid prices available on the relevant exchanges and quoted prices provided by the financial institutions, respectively.

The Group's unlisted investment in funds that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	31/12/2012 HK$'000	31/12/2011 HK$'000
USD	**–**	466

28. BANK BALANCES AND CASH

Bank balances carry interest at market rates at 0.01% (2011: 0.01%) per annum.

The bank balances are deposited with creditworthy banks with no recent history of default.

Included in bank balances and cash are the following amounts which are subject to foreign exchange control regulations or not freely transferable:

	31/12/2012 HK$'000	31/12/2011 HK$'000
Amounts denominated in:		
RMB	**798**	1,129

The Group's material bank balances that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	31/12/2012 HK$'000	31/12/2011 HK$'000
USD	**4,819**	140

29. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	31/12/2012 HK$'000	31/12/2011 HK$'000
Within 60 days	–	383
61 to 120 days	–	775
Over 1 year	–	47
	–	1,205

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

30. BANK BORROWINGS

	31/12/2012 HK$'000	31/12/2011 HK$'000 (Restated)
Secured loans	**30,210**	7,725
Carrying amount repayable:		
Within one year	**1,254**	332
More than one year but not exceeding two years	**1,285**	703
More than two years but not more than five years	**4,041**	1,108
More than five years	**23,630**	5,582
Carrying amount of bank loans that are not repayable within one year from the end of reporting period but contain a repayment on demand clause and show under current liabilities	**30,210**	7,725

30. BANK BORROWINGS *(Continued)*

The Group's bank borrowings are all denominated in Hong Kong Dollar. As at 31 December 2012, the bank borrowings were secured by Group's three investment properties with the carrying value of HK$70,300,000 (2011: HK$18,600,000). The bank borrowings bear interest from HIBOR+1.75% to 2.5% (2011: HIBOR+1.75%) per annum. The range of effective interest rates (which are also equal to contracted interest rates) due in the Group's borrowings for the year ended 31 December 2012 are from 1.75% to 2.5% (2011: 1.75% to 1.97%).

31. DERIVATIVE FINANCIAL LIABILITIES

The derivative financial liabilities of the Group are not for the hedging purpose.

On 30 May 2012, the Company and the placing agent entered into the option placing agreement pursuant to which the Company has conditionally agreed to place and the placing agent has conditionally agreed procure, not less than six independent placees to subscribe for up to 27 options at a premium of HK$50,000 per option.

The following is the derivative financial liabilities recognised and movements thereon during the reporting period:

	2012 HK$'000
At 1 January	–
Additions	1,350
Increase in fair value	3,217
At 31 December	4,567

Upon exercise of each of the option, the optionholder is entitled to subscribe for the convertible bonds of the Company in the principal amount of HK$1,000,000 at the subscription price of HK$1,000,000. Assuming exercise of all the 27 options, the optionholders are entitled to subscribe for, in aggregate, the convertible bonds of the Company in the principal amount of HK$27,000,000 at the subscription price of HK$27,000,000. The convertible bonds are convertible into 135,000,000 new shares of the Company at the conversion price of HK$0.20 per conversion share. Receipt of HK$1,350,000 in relation to the premium of 27 options of HK$50,000 per option was credited to liabilities at the date of the issuance the option and fair value was used as at 31 December 2012. As at 31 December 2012, the fair value of the derivative financial liabilities was HK$4,567,000 (2011: nil). The loss arising from fair value changes of derivative financial liabilities HK$3,217,000 was recorded in profit or loss for the year ended 31 December 2012.

31. DERIVATIVE FINANCIAL LIABILITIES *(Continued)*

Options to subscribe for, in aggregate, convertible bonds were granted by the Group in conjunction with the issue of the convertible bonds in the principal amount of HK$27,000,000 by the Group on 21 June 2012.

The fair value of the option to subscribe for convertible bonds was valued by Grant Sherman, an independent qualified professional valuer not connected with the Group. The valuation was made by using the Binominal Option Pricing Model and considering the present value of the stream of future cash flows discounted at the interest rate of 5.85%.

The inputs into the model were as follows:

	31 December 2012
Spot price	**HK$0.215**
Exercise price	**HK$0.2**
Risk free rate for convertible bond	**0.118%**
Risk free rate for convertible bond option	**0.05%**
Expected life	**2.41 years**
Expected volatility	**46.67%**
Expected dividend yield	**Nil**

32. BOND PAYABLES

The bond payables are repayable on 5 December 2019, unsecured, transferrable and bearing interest rate of 6% per annum.

33. DEFERRED TAXATION

The following are the major deferred tax liability recognised and movements thereon during the reporting period:

	Fair value changes in investment properties HK$'000
At 1 January 2011 (as originally stated)	8,055
Effect of changes in accounting policy *(Note 2)*	5,631
As 1 January 2011 (as restated)	13,686
Charge to profit or loss for the year *(Note 11)*	9,429
Exchange adjustment	663
At 31 December 2011 and 1 January 2012 (as restated)	23,778
Credit to profit or loss for the year *(Note 11)*	(2,363)
Exchange adjustment	121
At 31 December 2012	**21,536**

34. NON-LISTED WARRANTS

On 10 June 2009, the Company and Fortune (HK) Securities Limited entered into a placing agreement in respect of the placement of 110,000,000 warrants of the Company to independent investors at a price of HK$0.05 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.001 each at a subscription price of HK$1.40. Pursuant to the supplement agreement dated 8 September 2009, the warrants price was amended from HK$0.05 to HK$0.03 per warrant and the exercise price was amended from HK$1.40 to HK$0.80 per warrant. The placement was completed on 20 November 2009 with the warrants expiring on 19 November 2012. Details of the above are set out in the Company's announcements dated 10 June 2011, 8 September 2009, 9 November 2009 and 20 November 2009.

No warrant had been exercised during the year ended 31 December 2012 and 2011 and it was expired on 19 November 2012. The amount previously recognised in warrant reserve was transferred to accumulated loss.

35. SHARE CAPITAL

	Number of shares '000	Nominal value HK$'000
Authorised:		
Ordinary shares of HK$0.001 each at 1 January 2011, 31 December 2011 and 31 December 2012	100,000,000	100,000
Issued and fully paid ordinary shares of HK$0.001 each		
At 1 January 2011	563,814	564
Issue of shares on placing *(note)*	112,000	112
At 31 December 2011, 1 January 2012 and 31 December 2012	675,814	676

note:

On 5 May 2011, pursuant to a placing and subscription agreement, the Company entered into with the existing shareholders, the Company placed 112,000,000 new ordinary share of HK$0.001 each in the Company at the price of HK$0.43 per share. Net amount of approximately HK$46,960,000, being proceeds of HK$48,160,000 after deducting related expenses of approximately HK$1,200,000, was raised and used as working capital of the Group. The shares rank pari passu in all respect with other shares in issue.

36. SHARE OPTION SCHEME

Pursuant to resolutions passed at a special general meeting of the shareholders held on 13 November 2002, the Company terminated the old share option scheme and adopted a new share option scheme ("New Share Option Scheme") in order to comply with the new requirements of Chapter 23 of GEM Listing Rules effective on 1 October 2001. Under the terms of the New Share Option Scheme, the board of directors of the Company may, at their discretion, grant options to the participants fall within the definition prescribed in the New Share Option Scheme including the employees, non-executive directors of the Company or its subsidiaries etc., to subscribe for shares in the Company at a price determined by the Company's Board of Directors, and will not be less than the highest of (i) the nominal value of the shares; (ii) the average closing price of the shares quoted on the GEM on the five trading days immediately preceding the date of grant; and (iii) the closing price of the shares quoted on the GEM on the date of grant, subject to a maximum of 10% of the issued share capital of the Company from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue and with an aggregate value (based on the closing price of the shares on the date of grant) in excess of HK$5,000,000 must be approved by the Company's shareholders.

The New Share Option Scheme remained in force for a period of 10 years from 13 November 2002. The New Share Option Scheme was expired during the year 2012. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Exercise of share options

No share options had been granted or exercised during the year ended 31 December 2012 and 2011 under the New Share Option Scheme.

Details of the share options outstanding during the year ended 31 December 2012 and 2011 were:

	Date of grant	Exercisable period	Subscription Price per share HK$
Employees	3/4/2007	3/4/2007-2/4/2017	7.35
Consultants	3/4/2007	3/4/2007-2/4/2017	7.35

As at 31 December 2012 and 2011, there were 2,200,000 outstanding share options granted to the employees and the consultants of the Group respectively. No share options were granted or lapsed during each of the reporting periods.

37. COMMITMENTS

Operating leases

The Group as lessor

The Group had contracted with tenants for the following future minimum lease payments:

	2012 HK$'000	2011 HK$'000
Within one year	**2,821**	1,085
In the second to fifth year inclusive	**2,800**	634
	5,621	1,719

Operating lease receipts represent rentals receivable by the Group for certain of its equipment and investment properties. Leases are negotiated and rentals are fixed for one to five (2011: one to five) years.

The Group as lessee

The Group had commitments for future minimum lease payments in respect of premises under various non-cancellable operating leases which fall due as follows:

	2012 HK$'000	2011 HK$'000
Within one year	**2,610**	2,580
In the second to fifth year inclusive	**678**	1,093
	3,288	3,673

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarters. Leases are negotiated and rentals are fixed for an average of three years.

Capital commitments

	2012 HK$'000	2011 HK$'000
Capital expenditure contracted but not provided for	**–**	288

38. RETIREMENT BENEFITS SCHEMES

The Group maintains various retirement schemes for its employees. The retirement scheme for employees of the PRC representative office is a mandatory central pension scheme organised by the PRC government, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries are charged as expenses when the employees have rendered services entitling them to the contribution. The employer contributions vest fully once they are made. The Group's Hong Kong employees are covered by the mandatory provident fund, which is managed by an independent trustee. The Group and its Hong Kong employees each make monthly contributions to the scheme at 5% of the employees' income with the maximum contribution by each of the Group and the employees limited to HK$1,000 per month up to 31 May 2012 and HK$1,250 per month since 1 June 2012.

During the year, the aggregate contributions made by the Group to the retirement schemes were approximately HK$490,000 (2011: HK$557,000). There were no material forfeitures available to offset the Group's future contributions for the two years ended 31 December 2012 and 2011.

39. RELATED PARTY TRANSACTIONS

(a) The Group had various transactions as detailed in Notes 9 and 26 in these consolidated financial statements and the following related party transactions with subsidiaries of PME Group Limited ("PME"). During the year ended 31 December 2012 and 2011, the Company is an associate of PME.

	2012 **HK$'000**	2011 HK$'000
Acquisitions of securities listed on the Stock Exchange from certain related parties	**52,128,000**	–

39. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of directors and key management personnel

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

	2012 HK$'000	2011 HK$'000
Short-term benefits	**7,404**	7,389
Post-employment benefits	**70**	79
	7,474	7,468

The remuneration of directors and key executives is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

(c) Save as disclosed elsewhere in these consolidated financial statements, the Group had not entered into any significant related party transactions during the two years ended 31 December 2012 and 31 December 2011.

40. MAJOR NON-CASH TRANSACTIONS

For the year ended 31 December 2012:

(a) As disclosed on Note 23(c), 22,713,043 CP Shares with a carrying value of HK$15,523,000 was fully converted into 227,130,430 new ordinary shares of CEF. On 5 November 2012, investment in CEF by the Group was classified as interest in an associate (Note 19).

(b) As disclosed on Note 23(e), convertible bonds issued by TE in the principal amount of HK$5,900,000 was acquired by way of procuring the bank to grant and provide to TE and/or Teamedics International Company Limited credit facilities of HK$5,050,000 and RMB30,000 (totally approximate HK$5,087,000) is recognised as convertible instruments designated at financial assets at fair value through profit or loss and is credited other payables at the issue date of convertible bonds.

40. MAJOR NON-CASH TRANSACTIONS *(Continued)*

For the year ended 31 December 2012: *(Continued)*

(c) Loan receivables of HK$16,226,000 were settled by certain listed shares, which were recorded as investment held for trading, with fair value of HK$16,226,000 by the borrower.

(d) During the year, the Group has several transactions with the subsidiaries of PME. The Group issued total of HK$84,128,000 of promissory notes for the acquisition of certain listed securities in Hong Kong of HK$52,128,000 from the subsidiaries of PME and the contemplation in purchase of convertible bond in the principal of HK$32,000,000, details of which set out in Note 26(a) and Note 39(a).

For the year ended 31 December 2011:

(a) Loan receivable of HK$7,000,000 was settled by certain listed shares with fair value of HK$7,000,000 by the borrower.

41. LITIGATIONS

Up to the reporting date, the litigations listed below are related to the Group.

(i) On 7 September 2011, King Perfection Limited ("King Perfection"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with PPH, an independent third party, for a conditional purchase of the convertible bonds in the principal amount of HK$110,040,000, which are convertible into 70 shares in the share capital of Precise Billion Limited ("PBL"), a wholly owned subsidiary of PPH, for a total consideration of HK$220,000,000. Deposit on HK$20,000,000 was paid by the Group to PPH in September 2011.

However, the conditions of the agreement had not been fulfilled before the long stop date and King Perfection is entitled to the refund of the deposit paid pursuant to the agreement.

On 2 February 2012, King Perfection duly presented a cheque from PPH to the Group for payment but the cheque was subsequently found to be dishonoured.

41. LITIGATIONS *(Continued)*

After servicing the notice of the said dishonour to PPH and thereby demanding the payment with no reply, on 9 March 2012, King Perfection and the Group issued a writ of summons in the Court of First Instance of Hong Kong against PPH, claiming for the refund of the deposit in the sum of HK$20,000,000. Management considers that the recoverability of the deposit paid was uncertain and impairment loss on the full amount of the deposit paid of HK$20,000,000 was made as at 31 December 2011. (Note 26(a))

For more details, please refer to the announcement of the Company dated 9 March 2012.

Interlocutory judgment was filed to High Court on 17 December 2012 and interlocutory judgment was filed on 22 February 2013 which PPH do pay King Perfection Limited (a) the sum of HK$20,000,000, (b) damages to be assessed and (c) costs to be taxed. As at the date of this report, no amount has been received. The management considered that the recoverability of the outstanding amount of HK$20,000,000 was uncertain, no reversal of provision was made for the year ended 31 December 2012.

(ii) On 28 March 2012 and 7 September 2012, Fameway Finance Limited ("Fameway"), a wholly-owned subsidiary of the Group, issued writ of summons in the High Court of Hong Kong against certain borrowers, claiming for repayment of the loan receivables of HK$228,724,000 and HK$199,180,000 as at 31 December 2012 and 31 December 2011 respectively. Management considers that the recoverability of the loan receivables was uncertain and impairment loss of HK$29,544,000 and HK$199,180,000 was recognised in profit and loss for the year ended 31 December 2012 and 31 December 2011 respectively. (Note 22)

Fameway issued amended writ of summons in the High Court of Hong Kong against certain borrowers on 4 December 2012, 24 December 2012 and 28 December 2012 in relation to the above loan receivable balances except for the litigation case which got court judgments on 23 November 2012 and 19 February 2013. Both judgments were in favour of the Group. The defendants were ordered to refund the outstanding amount of loan receivables of total HK$110,544,000 and the relative interest and the costs of the action incurred by the Group. As at the date of this report, the litigation proceedings are ongoing. The management considered that the recoverability of the outstanding loan receivable was uncertain, no reversal of provision was made for the year ended 31 December 2012.

42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 26 March 2012, Best Marvel Investment Limited ("Best Marvel"), a wholly owned subsidiary of the Company, and Sun Famous Investment Limited ("Sun Famous"), which is wholly-owned by an independent third party, Mr. Wong Sat Pan Sdanty, entered into the subscription agreement pursuant to which Sun Famous has agreed to issue and Best Marvel has agreed to subscribe for the subscription shares at the subscription price of HK$999. Upon completion of the subscription, 999 subscription shares were allotted and issued to Best Marvel, representing 99.9% of the enlarged issued share capital of Sun Famous. The date of completion of the subscription of shares was on 13 June 2012. Sun Famous was mainly holding a deposit for acquisition of investment property for earning rental income of approximately HK$6,627,000. The acquisition had been accounted for as an acquisition of assets and liabilities. The effect of the acquisition is summarised as follows:

Assets and liabilities acquired:

	HK$'000
Deposit paid for acquisition of investment property	6,627
Cash and bank	92
Accrual	(9)
Other borrowings	(6,709)
	1

Total consideration satisfied by:

	HK$'000
Cash	–
Subscription of new shares	1
	1

Analysis of net cash inflow and cash equivalents arising on acquisition of assets through a subsidiary:

	HK$'000
Bank balances and cash acquired	92
Cash consideration paid	–
	92

43. DISPOSAL OF SUBSIDIARIES

On 30 April 2012, Rich Best Asia Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Best Access Investment Holdings Limited, an independent third party of the Company, in relation to the disposal of the entire equity interest of CentreWorld at the consideration of HK$300,000. At the date of disposal CentreWorld had 40% of equity interest in an associate, Beijing Teletron Systems Integration Co., Ltd.; wholly-owned subsidiaries of i) Netwin Worldwide Limited, ii) Interworth, Inc., iii) Proactive Technology Limited and iv) Proactive Technology Development (Beijing) Ltd. The disposal of CentreWorld and its subsidiaries has triggered to the discontinued operation of Computer Telephony segment (Note 12).

On 12 June 2012, Rich Best Asia Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Ultimate Skill Limited, an independent third party of the Company, in relation to the disposal of the sale shares and sale loan of Plenty Fair Limited ("Plenty Fair") at the total consideration of HK$8,000.

On 12 June 2012, Rich Best Asia Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Value Advantage Limited, an independent third party of the Company, in relation to the disposal of the sale shares of Wise Venture Enterprises Limited ("Wise Venture") at the total consideration of HK$8,000.

On 27 December 2012, Rich Best Asia Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Ultimate Skill Limited, an independent third party of the Company, in relation to the disposal of the sale shares of Base Express Investment Limited ("Base Express") at the total consideration of HK$18,000.

On 28 December 2012, Rich Best Asia Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Value Advantage Limited, an independent third party of the Company, in relation to the disposal of the sale shares of Oasis Choice Holdings Limited ("Oasis Choice") at the total consideration of HK$50,000.

43. DISPOSAL OF SUBSIDIARIES *(Continued)*

The consolidated net liabilities of computer telephony segment, Plenty Fair, Wise Venture, Base Express and Oasis Choice at the date of disposal was as follows:

	CentreWorld	Plenty Fair	Wise Venture	Base Express	Oasis Choice	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net liabilities disposed of:						
Plant and equipment	75	–	–	–	–	75
Inventories	325	–	–	–	–	325
Trade receivables	884	–	–	–	–	884
Loan receivables	–	25,307	26,607	–	–	51,914
Prepayments, deposits and other receivables	423	–	–	18,309	3,786	22,518
Bank balance and cash	1,062	–	–	–	–	1,062
Trade payables	(679)	–	–	–	–	(679)
Accruals and other payables	(1,864)	–	–	–	–	(1,864)
Promissory note payables	–	(25,617)	(26,814)	(19,628)	–	(72,059)
Taxation	–	–	–	–	(4,615)	(4,615)
	226	(310)	(207)	(1,319)	(829)	(2,439)
Release of foreign currency translation reserve	(492)	–	–	–	–	(492)
	(266)	(310)	(207)	(1,319)	(829)	(2,931)
Gain on disposal *(note)*	566	318	215	1,337	879	3,315
Total consideration	300	8	8	18	50	384
Satisfied by:						
Cash	300	8	8	18	50	384
Net cash inflow arising on disposals						
Cash consideration	300	8	8	18	50	384
Bank balances and cash disposal of	(1,062)	–	–	–	–	(1,062)
	(762)	8	8	18	50	(678)

note: Excluded the gain on disposal of CentreWorld which engaged computer telephony operation and included in profit for the year from discontinuing operations of HK$566,000 (Note 12), the gain on disposal of subsidiaries presented on the face of consolidated statement of comprehensive income was HK$2,749,000.

The impact of disposal of computer telephony segment on the Group's results and cash flows in the current and prior periods is disclosed in Note 12. The disposal of Plenty Fair, Wise Venture, Base Express and Oasis Choice did not result in significant impact on the Group's cash flow or operating results for the current and prior year ended 31 December 2012 and 31 December 2011.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 HK$'000	2011 HK$'000 (Restated)
Non-current assets		
Unlisted investments in subsidiaries	**8**	4,502
Current assets		
Prepayments, deposits and other receivables	**576**	462
Amounts due from subsidiaries*	**286,222**	352,749
Investments held for trading	**539**	4,047
Bank balances and cash	**31,334**	9,813
	318,671	367,071
Current liabilities		
Other payables and accruals	**652**	1,019
Amounts due to subsidiaries*	**2,574**	17,089
Secured bank borrowings	**7,393**	7,725
	10,619	25,833
Net current assets	**308,052**	341,238
Non-current liabilities		
Bond payables	**10,000**	–
Net assets	**298,060**	345,740
Capital and reserves		
Share capital	**676**	676
Reserves *(note a)*	**297,384**	345,064
Total equity	**298,060**	345,740

* Unsecured, interest-free and repayable on demand

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

note a: Movements of share premium and reserves during the year are as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Warrants reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011	2,901,300	16,500	3,590	3,300	(1,840,110)	1,084,580
Loss for the year	–	–	–	–	(739,516)	(739,516)
At 31 December 2011 and 1 January 2012	2,901,300	16,500	3,590	3,300	(2,579,626)	345,064
Loss for the year	–	–	–	–	(47,680)	(47,680)
Expiration of warrant *(Note 34)*	–	–	–	(3,300)	–	(3,300)
At 31 December 2012	2,901,300	16,500	3,590	–	(2,627,306)	294,084

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2012 and 2011 are as follows:

Name	Place of incorporation/ operations	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities
Asiaciti Management Limited	Hong Kong	Ordinary	HK$100	100%	Investment holdings
Best Core Investment Limited	British Virgin Islands ("BVI")	Ordinary	USD1,000	100%	Holding of investment properties
Fameway Finance Limited	Hong Kong	Ordinary	HK$1	100%	Provision of financing services
First Champion Worldwide Limited	BVI	Ordinary	USD1,000	100%	Trading of securities
Forever Success International Limited	Hong Kong	Ordinary	HK$1	100%	Provision of management services
Gold Wide Holding Limited	Hong Kong	Ordinary	HK$160,000	75%	Investment holdings
Luck Bloom International Limited	Hong Kong	Ordinary	HK$1	100%	Cash management
Rich Best Asia Limited	BVI	Ordinary	USD1,000	100%	Investment holdings
Sun Famous Investment Limited	Hong Kong	Ordinary	HK$1,000	99.99%	Holding of investment properties
Top Status International Limited	BVI	Ordinary	US$1	100%	Investment holdings
深圳市盛世富強科技有限公司*	PRC	Ordinary	US$5,000,000	100%	Investment in properties for rental income purpose

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities at the end of the year or at any time during the year.

* 深圳市盛世富強科技有限公司 is a wholly foreign owned enterprise.

46. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the financial statements, the Group had the following events after the reporting period.

(i) On 20 January 2012, Sina Winner Investment Limited (the "Sina Winner"), a wholly-owned subsidiary of the Group, entered into an agreement with the vendor, Ng Wai Huen, an independent third party, pursuant to which Sina Winner agreed to acquire and the vendor agreed to sell the sale shares, being 30% of the entire issued share capital of Fortune Lead Holdings Limited (the "Fortune Lead") for a consideration of HK$40,000,000. The consideration was settled by way of issuance of promissory note by Sina Winner to vendor.

The acquisition of 30% equity interest in Fortune Lead was terminated by signing the termination agreement on 8 January 2013 as the conditions precedent of the repayment of the promissory note was not all fulfilled on 31 December 2012. No effect on consolidated financial statements for the year ended 31 December 2012.

Details of the termination of the acquisition were set out in the Company's announcement dated 8 January 2013.

(ii) On 11 January 2013, First Champion, a wholly-owned subsidiary of the Company, disposed of the convertible bonds issued by LS in the principal amount of HK$20,000,000 to LIN Jiantuan for the cash consideration of HK$21,000,000 (Note 23(d)).

Further details of the disposal of convertible bonds of LS were set out in the Company's announcement dated 11 January 2013.

(iii) On 30 January 2013, Miracle Stand, TE and Mr. Wong Chi To, Alex as the Guarantor entered into the second subscription agreement pursuant to which Miracle Stand has agreed to further subscribe for the convertible bonds of TE in the principal amount of HK$8,000,000 by the way of procuring the Bank to grant and provide to Teamedics Enterprise and/or Teamedics International a credit facility of HK$8,000,000 at terms acceptable to Teamedics Enterprise and the Subscriber.

Prior to the further subscription, Miracle Stand held the convertible bonds issued by TE in the principal amount of up to HK$5,900,000, as such, upon completion of the further subscription, Miracle Stand holds an aggregate of the convertible bonds issued by TE in the principal amount of HK$13,900,000.

46. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(iii) *(Continued)*

Also, on 30 January 2013, Sun Famous Investment Limited, a non wholly-owned subsidiary of the Company, Teamedics International, an independent third party, and the Bank executed a deed of mortgage on the property to secure the further credit facility to Teamedics International. The property has an appraised market value of approximately HK$48,800,000 as indicated in the valuation prepared by an independent valuer as at 31 December 2012.

Further details of the further subscription of convertible bonds of TE were set out in the Company's announcement dated 30 January 2013.

(iv) On 22 February 2013, Top Status International Limited ("Top Status"), a wholly-owned subsidiary of the Company, and CEF, the associate of the Company, entered into the subscription agreement to subscribe for the convertible bonds in the principal amount of HK$34,500,000 by cash and HK$11,000,000 of the subscription price shall be settled by off-setting the same against the aggregate amount of HK$17,128,000 due and owing by CEF to the Group as at 31 December 2012 (Note 22).

If the subscription of the convertible bond of CEF shall not be or fails to be completed on or before 30 May 2013, Top Status proposed to grant a loan facility in the sum of HK$31,000,000 to CEF at a rate of 8% per annum and the grant loan facility were set out in the Company's announcement dated 22 February 2013 and 19 March 2013.

(v) Subsequent to the end of the reporting period, some litigation cases were received court orders in relation to writs of summons which were issued before. Details are set out in Note 41(ii).

47. COMPARATIVES

The comparative figures of consolidated statement of comprehensive income have been restated to conform with the current year's presentation as a result of the discontinued operation in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and to reflect the effect of adoption of the amendments to HKAS 12. Details of which are set out in Note 12 and Note 2 to the consolidated financial statement.

RESULTS

	For the year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Turnover	**155,335**	89,500	68,435	8,916	21,856
Revenue	**14,616**	44,000	36,766	8,916	21,856
Cost of sales	**(135)**	(941)	(4,127)	(3,104)	(14,984)
Gross profit	**14,481**	43,059	32,639	5,812	6,872
Other income and gains	**6,378**	3,108	2,203	4,685	28,625
Distribution and selling expenses	**–**	–	(23)	(20)	(28)
Administrative expenses	**(47,719)**	(45,096)	(33,406)	(36,424)	(61,961)
Gain on disposal of an investment property	**–**	880	14,610	15,123	–
Fair value changes in investment properties	**(107)**	5,695	12,840	27,432	–
Gain (loss) arising from fair value changes of investments held for trading	**7,255**	(100,151)	(137,021)	(13,048)	–
Gain (loss) on disposals of investments held for trading	**85**	(23,709)	(18,746)	–	–
(Loss) gain on disposal of convertible instruments designated at financial assets at fair value through profit or loss	**(18,934)**	(1,869)	562	–	–

FIVE-YEAR FINANCIAL SUMMARY

RESULTS *(Continued)*

	For the year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Gain (loss) arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss	**4,742**	5,302	(103,253)	17,529	–
Loss arising from fair value changes of derivative financial liabilities	**(3,217)**	–	–	–	–
Gain on deconsolidation of a subsidiary	**–**	–	414,302	–	–
Impairment loss on interest in associate	**(1,475)**	–	–	–	–
Impairment loss on goodwill	**–**	–	–	–	(103,001)
Impairment loss on loan receivables	**(29,544)**	(199,180)	–	–	(151,980)
Impairment loss on investment deposits paid	**–**	(26,286)	–	–	–
Gain on disposal of subsidiaries	**2,749**	–	–	205	–
Gain on disposal of an associate	**–**	–	–	94	–
Other expenses	**–**	–	(2,300)	(3,823)	–
Share of result of an associate	**–**	–	–	(23)	–
Share of profit (loss) of a jointly controlled entity	**12,706**	13,614	10,520	(4,028)	–
Finance costs	**(2,664)**	(224)	–	(3)	(22)
(Loss) profit before tax	**(55,264)**	(324,857)	192,927	13,511	(281,495)
Income tax credit (expense)	**646**	(9,534)	(12,727)	(8,084)	(83)
Loss for the year from discontinued operations	**464**	(214)	–	(10,872)	–
(Loss) profit for the year	**(54,154)**	(334,605)	180,200	(5,445)	(281,578)
Attributable to:					
Owners of the Company	**(56,512)**	(337,115)	178,252	(5,512)	(281,578)
Non-controlling interests	**2,358**	2,510	1,948	67	–
	(54,154)	(334,605)	180,200	(5,445)	(281,578)

ASSETS AND LIABILITIES

	For the year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Total non-current assets	**431,826**	309,932	286,584	266,666	46,077
Total current assets	**451,286**	587,192	875,315	695,135	875,724
Total current liabilities	**57,177**	29,109	19,282	11,263	17,081
Total non-current liabilities	**31,536**	23,778	8,055	5,665	–
Equity attributable to owners of the Company	**771,718**	823,918	1,117,360	927,538	904,720
Non-controlling interest	**22,681**	20,319	17,202	17,335	–

SUMMARY OF INVESTMENT PROPERTIES

Address	Lot number	Tenure	Existing use
Hong Kong Flat A on 12th Floor with Car Parking Space No. 11 on 2nd Basement Floor, The Colonnade, No. 152 Tai Hang Road, Hong Kong	174/10359th shares of and section A Inland Lot No. 2478	Medium-term lease	Residential and residential car parking
PRC The Whole of 33rd Floor, Shidai-Caifu Building, Futian District, Shenzhen City, Guangdong Province, The PRC	–	Medium-term lease (A term of 50 years expiring on 25 June 2050)	Commercial office
G17102-16, Shui Tou Sha Village, Nanao Town, Longgang District, Shenzhen City, The PRC	–	Medium-term lease (A term of 50 years expiring on 1 January 2043)	Residential