National Investments

NATIONAL INVESTMENTS FUND LIMITED

國盛投資基金有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1227)

Annual Report 2011

Contents

Corporation Information

DIRECTORS

Executive Directors

Mr. Wong Danny F. *(Chairman)*
Mr. Wu Tse Wai, Frederick *(Chief Executive Officer)*
Mr. Fong Chi Wah

Non-executive Director

Ms. Yang XiaoFeng

Independent Non-executive Directors

Mr. Char Shik Ngor, Stephen
Mr. Liu Jin
Mr. Lui Tin Nang (Resigned on 13 January 2012)
Mr. Wong Sin Lai (Appointed on 3 January 2011)

AUDIT COMMITTEE

Mr. Wong Sin Lai *(Chairman)*
(Appointed on 13 January 2012)
Mr. Lui Tin Nang *(Chairman)* (Resigned on 13 January 2012)
Mr. Char Shik Ngor, Stephen
Mr. Liu Jin

REMUNERATION COMMITTEE

Mr. Liu Jin *(Chairman)*
Ms. Yang XiaoFeng
Mr. Lui Tin Nang (Resigned on 13 January 2012)
Mr. Wong Sin Lai (Appointed on 13 January 2012)

COMPANY SECRETARY

Ms. Shum Ching Yee, Jennifer

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

PRINCIPAL BANKERS

Wing Hang Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Suite 5128, 51st Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

INVESTMENT MANAGER

CU Investment Management Limited
(Appointed on 16 May 2011)

Beijing Capital Partners Limited
(Resigned on 16 May 2011)

CUSTODIAN

Bank of Communications Trustee Limited
1st Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited:
1227

WEBSITE

www.nif-hk.com

Chairman's Statement and Management Discussion and Analysis

On behalf of the board of directors (the "Board") of National Investments Fund Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 December 2011.

The Company is an investment company and the Group is principally engaged in investments in a diversified portfolio of listed and unlisted companies.

BUSINESS REVIEW

For the year ended 31 December 2011, the Group's revenue, excluding the net loss (2010: profit) on financial assets at fair value through profit and loss, increased by 66% to approximately HK$2,438,000 (2010: approximately HK$1,468,000) and recorded a net loss on financial assets at fair value through profit or loss amounting to approximately HK$155,263,000 (2010: net profit on financial assets at fair value through profit or loss amounting to approximately HK$67,131,000). Included in the net loss (2010: profit) on financial assets at fair value through profit or loss, gross proceeds from sales were approximately HK$79,660,000 (2010: approximately HK$88,727,000), and the cost of sales were approximately HK$90,983,000 (2010: approximately HK$101,698,000), therefore, the net realised loss was approximately HK$11,323,000 (2010: approximately HK$12,971,000). Apart from the realised loss, the unrealised loss on financial assets at fair value through profit or loss for the year ended 31 December 2011 amounted to approximately HK$143,940,000 (2010: unrealised profit on financial assets at fair value through profit or loss amounted to approximately HK$80,102,000).

For the year under review, the Group reported a loss attributable to shareholders of approximately HK$185,468,000 (2010: profit attributable to shareholders of approximately HK$40,760,000). The loss was mainly due to the net loss on financial assets at fair value through profit or loss of approximately HK$155,263,000 (2010: profit was mainly due to the net profit on financial assets at fair value through profit or loss of approximately HK$67,131,000), staff costs of approximately HK$4,477,000 (2010: approximately HK$4,699,000) and directors' emoluments of HK$4,510,000 (2010: approximately HK$2,269,000) for the year ended 31 December 2011.

During the year ended 31 December 2011, the Group did not receive any dividend income (2010: approximately HK$643,000).

PROSPECT

For the year 2011, it is a volatile year with the Euro zone sovereign debt crisis and concern over the slowdown of economy in the U.S. and Europe. It is also expected that the momentum of economic growth will slow down and the global economic environment will continue to be challenging and volatile for the coming year. However, the Group had already implemented a diversified investment strategy aimed at identifying suitable investment opportunities with potential of asset appreciation to bring about better return to the Group and the shareholders. The Group will also continue to adopt and maintain a prudent but proactive investment approach and will keep closely on monitoring the performance of the investment portfolios and is confident that the investment portfolios will deliver results and add value to the shareholders of the Company.

DIVIDEND

The Board of Directors (the "Board") of the Company did not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$59,133,000 (2010: approximately HK$27,991,000) as at 31 December 2011.

The Group had net current assets of approximately HK$112,416,000 (2010: approximately HK$261,398,000) as at 31 December 2011. The Group had not obtained any credit facilities from financial institutions during the year. All the cash and cash equivalents were placed in Hong Kong Dollars accounts with the banks in Hong Kong, exposure to exchange fluctuation is considered minimal. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 31 December 2011, was 0.005 (2010: 0.006).

Chairman's Statement and Management Discussion and Analysis

CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year ended 31 December 2011, the changes of the capital structure of the Company were set out below:

(i) On 8 April 2011, a total of 179,484,913 unlisted warrants were issued to not less than six warrant placees at the issued price of HK$0.002 per warrant conferring rights to holders of warrants to subscribe for up to 179,484,913 subscription shares at an initial subscription price of HK$0.45 per subscription share.

(ii) On 12 April 2011, a total of 350,000,000 new ordinary shares were allotted and issued under specific mandate to not less than six share placees at the placing price of HK$0.141 per placing share as a result of the Share Placing Agreement dated 24 November 2010 entered into between the Company and the placing agent.

(iii) On 18 April 2011, the Company granted share options to eligible grantees to subscribe for up to 116,700,000 new shares, under the Share Option Scheme of the Company adopted on 27 August 2007.

(iv) On 25 October 2011, the Company announced its proposal to effect the share consolidation, capital reduction and share subdivision subject to the fulfillment of the conditions set out in the paragraph headed "Conditions of the Share Consolidation, Capital Reduction and Share Subdivision" of the announcement and circular of the Company dated 25 October 2011 and 14 November 2011 respectively. The special resolution to approve the share consolidation, capital reduction and share subdivision was duly passed at the extraordinary general meeting held on 9 December 2011 by way of poll.

(v) On 25 November 2011, a total of 307,110,175 ordinary shares were issued at HK$0.055 per share as a result of placing under General Mandate.

EMPLOYEES

As at 31 December 2011, the Group had 19 employees (2010: 18), including executive directors, non-executive director and independent non-executive directors. Total staff costs for the year ended 31 December 2011 amounted to approximately HK$8,987,000 (2010: approximately HK$6,968,000). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets or any significant contingent liabilities as at 31 December 2011 (2010: Nil).

APPRECIATION

On behalf of the Board, I would like to express my appreciation to the shareholders for their continued support and to our staff members for their dedicated effort.

On behalf of the Board

Wong Danny F.
Chairman

Hong Kong, 16 March 2012

CORPORATE GOVERNANCE PRACTICES

The Board of National Investments Fund Limited (the "Company") has been committed to maintaining the high level of corporate governance in order to enhance the transparency in disclosure of material information. The Board considers such commitment is essential for internal management, financial management and protection of shareholders' interests and believes that maintaining a high standard of corporate governance benefits all shareholders, investors, and its business as a whole.

The Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") sets out the principles of good corporate governance (the "Principles") and two levels of corporate governance practices:

(a) code provisions (the "Code Provisions") which listed issuers are expected to comply with or to give considered reasons for any deviation; and

(b) recommended best practices for guidance only, which listed issuers are encouraged to comply with or give considered reasons for deviation.

During the year ended 31 December 2011 under review, the Company has applied the Principles and the Code Provisions as set out in the Code and complied with most of the Code Provisions save for a deviation from the Code Provisions in respect of Code Provision E.1.2, details of which will be explained below. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code, and acknowledges the important role of its Board in providing effective leadership and direction to Company's business, and ensuring transparency and accountability of Company's operations.

Code Provision E.1.2

According to Code Provision E.1.2, the Chairman of the Board, should attend the annual general meeting. In respect of the annual general meeting held on 28 April 2011, the Chairman of the Board, Mr. Wong Danny F., was engaged in an important business meeting on that date, therefore, he was not able to attend in that annual general meeting.

THE BOARD OF DIRECTORS

Responsibilities

The Board provides leadership, approves policies, strategies and plans, and oversees their implementation to ensure the healthy growth of the Company, in the interests of Company's shareholders.

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. In general, each director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Delegation by the Board

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the Chief Executive Officer and the senior management to discharge its responsibilities.

Corporate Governance Report

COMPOSITION

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises seven members, consisting of three executive directors, one non-executive director and three independent non-executive directors.

During the year ended 31 December 2011 and up to the date of this report, the Board of the Company comprises the following directors:

Executive Directors:

Mr. Wong Danny F. *(Chairman)*
Mr. Wu Tse Wai, Frederick *(Chief Executive Officer)*
Mr. Fong Chi Wah

Non-executive Director:

Ms. Yang XiaoFeng

Independent Non-executive Directors:

Mr. Char Shik Ngor, Stephen	
Mr. Liu Jin	
Mr. Wong Sin Lai	(Appointed on 3 January 2011)
Mr. Lui Tin Nang	(Resigned on 13 January 2012)

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

All the non-executive directors of the Company are appointed for a term up to the forthcoming annual general meeting subject to renewal and re-election as and when required under the Listing Rules and the Articles of Association of the Company. All directors are subject to retirement from office by rotation and re-election at the Company's annual general meeting at least once every three years.

During the year ended 31 December 2011, the Board at all times met the requirements of the Listing rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all our independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors make various contributions to the effective direction of the Company.

APPOINTMENT AND SUCCESSION PLANNING OF DIRECTORS

The Company has established formal, considered and transparent procedures for the appointment and succession planning of directors.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors.

The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The following table shows the attendance of Directors at meetings of the Board and Committees during the year ended 31 December 2011:

Name of directors	Board Meeting	Attendance Rate	Audit Committee	Remuneration Committee
Executive Directors				
Mr. Wong Danny F.	7/8	88%	N/A	N/A
Mr. Wu Tse Wai, Frederick	8/8	100%	N/A	N/A
Mr. Fong Chi Wah	8/8	100%	N/A	N/A
Non-executive Director				
Ms. Yang XiaoFeng	2/8	25%	N/A	1/1
Independent Non-executive Directors				
Mr. Char Shik Ngor, Stephen	2/8	25%	1/2	N/A
Mr. Liu Jin	2/8	25%	2/2	1/1
Mr. Wong Sin Lai (Appointed on 3 January 2011)	2/8	25%	N/A	N/A
Mr. Lui Tin Nang (Resigned on 13 January 2012)	2/8	25%	2/2	0/1

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance. Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors as soon as practicable before each Board meeting or committee meeting to allow the directors to read the papers and information, to keep them abreast of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

REMUNERATION COMMITTEE

The Remuneration Committee (the "Committee") of the Company currently comprises two independent non-executive directors, Mr. Liu Jin and Mr. Wong Sin Lai, and the non-executive director, Ms. Yang XiaoFeng. Mr. Liu Jin also serves as the chairman of the Committee. Mr. Wong Sin Lai has been appointed as the member of the Committee with effect from 13 January 2012 after Mr. Lui Tin Nang has tendered his resignation as the member of the Committee on 13 January 2012. One Committee meeting was held during the year ended 31 December 2011 and Mr. Liu Jin and Ms. Yang XiaoFeng had attended the meeting.

The major roles and functions of the Committee as per the terms of reference are as follows:

- to recommend the Board on the establishment of a formal and transparent procedure for developing remuneration policy;
- to determine specific remuneration packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Committee should consider factors such as salaries paid by comparable companies, time committee and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
- to make recommendations to the Board of the remuneration of non-executive directors;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with contractual terms and that such compensation is otherwise fair and not excessive for the Company;
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangement is made in accordance with contractual terms and that any compensation payment is otherwise reasonable and appropriate;
- to advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under the Listing Rules.

The Committee has right to access professional advice relating to remuneration proposal if considered necessary.

The principle elements of the Company's remuneration policy for directors and senior management are:

(1) To ensure that no director or any of his associates is involved in deciding his own remuneration.

(2) Remuneration packages should be on a par with companies with whom the Company competes for human resources.

(3) Remuneration packages should reflect the performance and responsibility of an individual, as well as the complexity of work.

(4) Remuneration packages should be structured in such a way that can provide incentives to directors and senior management to improve their individual performance.

NOMINATION COMMITTEE

The Company has established a Nomination Committee (the "Committee") on 16 March 2012. The Nomination Committee of the Company comprises three independent non-executive directors, Mr. Char Shik Ngor, Stephen, Mr. Liu Jin and Mr. Wong Sin Lai. Mr. Char Shik Ngor, Stephen serves as the chairman of the Committee.

The major roles and functions of the Committee as per the terms of reference are as follows:

- The Committee shall formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy;
- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individual nominated for directorships;
- To assess the independence of independent non-executive directors;
- To make recommendations to the Board on relevant matters relating to the succession planning for the Chairman, the Chief Executive Officer as well as the senior management;
- Do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and
- Conform to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation.
- The Committee is required to report back to the Board on their decisions and recommendations as and when appropriate and at least once annually.
- The Committee shall be provided with sufficient resources to enable it to perform its functions and where necessary, to allow it to seek independent professional advice at the Company's expense.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by Directors. Having made specific enquiries of all directors of the Company, they have confirmed that they have complied with the required standards set out in the Mode Code throughout the year under review.

AUDITORS' REMUNERATION

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

HLB Hodgson Impey Cheng has been appointed by the shareholders annually as the Company's external auditors since 2003. During the year under review, the fees charged to the accounts of the Company and its subsidiaries for HLB Hodgson Impey Cheng's statutory audit amounted to approximately HK$150,000.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three independent non-executive directors, Mr. Liu Jin, Mr. Char Shik Ngor, Stephen and Mr. Wong Sin Lai. Mr. Wong Sin Lai serves as the chairman of the Audit Committee with effect from 13 January 2012 after Mr. Lui Tin Nang has tendered his resignation as the chairman of the Committee on 13 January 2012.

During the year ended 31 December 2011, two meetings of the Audit Committee were held to review the Company's interim report for the six months ended 30 June 2011 and the annual report for the year ended 31 December 2010. The principal duties of the Audit Committee as per the terms of reference include:

- monitoring integrity of the Company's financial statements and reports;
- reviewing financial controls, internal controls, and risk management system;
- reviewing the Company's financial and accounting policies and practices;
- to review arrangements by which employees, in confidence can raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee is to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow up actions;
- to act as the key representative body for overseeing the Company's relations with the external auditors.

The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if necessary.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has overall responsibility for the system of internal controls and risk management of the Company and to review its effectiveness. During the year, the Board had reviewed the internal control process and ensured that it had been properly carried out in making investment or divestment decision with the Investment Manager; documents and records were properly maintained; and the investment or divestment was in compliance with relevant legislations and regulations.

During the year, the Company was exposed to market risk for its available-for-sale financial assets, including the embedded derivative, as the Company may not be able to liquidate such investments in time to meet its cashflow requirements. In response to this situation, the Board has maintained a portfolio of listed securities and relatively strong cash position.

The portfolio of listed securities, classified as financial assets at fair value through profit and loss in the balance sheet, may be exposed to market price risk. The Board will continue to monitor the portfolio with an aim to reduce such risk by diversification.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge their responsibility for preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. The directors ensure that the financial statements for the year ended 31 December 2011 were prepared in accordance with statutory requirements and applicable accounting standards, and will ensure that the publication of which will be in a timely manner.

LOOKING FORWARD

The Company will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure the compliance with the provisions of the Code introduced by the Stock Exchange.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Wong Danny F., aged 49, holds a bachelor of Economies and Accounting degree from China Central University of Finance and Economies. Mr. Wong has years of experiences in project investment evaluation, listing planning, examination and approval as well as investing in Chinese B shares, H shares and red-chip shares. Mr. Wong has substantial experiences of high-tech companies listing. For the period from 16 June 2009 to 24 August 2009, Mr. Wong was the executive director of Poly Development Holdings Limited whose shares are listed on the Stock Exchange.

Mr. Wong is the spouse of Ms. Yang XiaoFeng who is a non-executive director of the Company.

Mr. Wu Tse Wai, Frederick, aged 70, was educated in Hong Kong and the United States with a Master of Business Administration degree in Finance. Mr. Wu has over 42 years of experience in insurance, securities business and asset management. He started his career with Paul Revere Life Insurance Company as an assistant actuary. He later worked for Fidelity Management and Research of Boston as an analyst and then moved on to senior positions in research and fund management with various well-known institutions in the United States. In the early 80s, Mr. Wu joined and was a senior portfolio manager and investment advisor of Bank of America in Hong Kong. In the 90s, Mr. Wu joined and was elected a director and senior consultant of Lippo Securities Group Limited (the "Lippo Securities Group"). He was a member of Lippo Securities Group investment committee and was responsible for supervising the fund management activities including futures related investments of Lippo Securities Group. Mr Wu is currently a responsible officer registered under the Securities and Futures Ordinance.

Mr. Fong Chi Wah, aged 49, is a Certified Practising Accountant (Australia), a Chartered Financial Analyst, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Certified Management Accountants, Australia and a member of Hong Kong Institute of Directors. Mr. Fong has over 20 years of extensive experience in various sectors of financial industry, including direct investment, project and structured finance, and capital markets with focus on the PRC and Hong Kong. Mr. Fong was previously a director of Baring Capital (China) Management Limited and held various management positions in ING Bank. Mr. Fong was previously also an executive director of Grand Investment International Limited, a company listed on the Stock Exchange. Mr. Fong is currently the independent non-executive director of Syscan Technology Holdings Limited and Ruinian International Limited, both companies are listed on the Stock Exchange.

NON-EXECUTIVE DIRECTOR

Ms. Yang XiaoFeng, aged 33, holds a bachelor in Computer Science degree from the Zhejiang Gongshang University (formerly known as Hangzhou University of Commerce). Ms. Yang has extensive experience in finance marketing. Ms. Yang was an independent non-executive director of Forefront International Holdings Limited (currently known as Forefront Group Limited), a company whose shares are listed on the Stock Exchange for the period from 18 April 2007 to 18 May 2007.

Ms. Yang is the spouse of Mr. Wong Danny F. who is the chairman and executive director of the Company.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Char Shik Ngor, Stephen, aged 62, holds a Bachelor of Laws Degree (Honour)s from University of London, a Master degree in Social Sciences (Criminology) from the University of Hong Kong, a Master degree in Social Sciences (Counselling) from the University of Hong Kong and a Post-graduate Certificate in Laws from City University of Hong Kong. Mr. Char was a Chief Investigator and Senior Assignment Officer of the Independent Commission Against Corruption in Hong Kong from 1976 to 2004. Mr. Char was a Chief Executive Officer of Garner Forest Industries Limited. Mr. Char is currently a Barrister at Law and an Accredited Mediator.

Mr. Liu Jin, aged 36, holds a bachelor in International Economic Law degree from the South Central University of Political Science and Law. Mr. Liu has been a qualified solicitor in the People's Republic of China (the "PRC") since 2001 and has various experience in merger and acquisition and corporate restructure in PRC. Mr. Liu is currently a qualified solicitor practicing in Shenzhen, PRC.

Mr. Wong Sin Lai, aged 54, has been a professional financial advisor since 2001. He obtained a bachelor's degree in social sciences from the University of Hong Kong in November 1982. From 1992 to 1997, he had worked as a financial controller and senior executive in various manufacturing companies (including a garments manufacturer, a food and beverage supplier and a leather products manufacturer) in Hong Kong after obtaining the qualification as a practising accountant. Prior to obtaining the professional qualification, he had worked in the audit department of Banque Nationale de Paris. Currently, he is the member of Australian Society of Certified Practising Accountants and associate member of Hong Kong Institute of Certified Public Accountants. He has extensive experience in financial, strategic management and debt and equity financing for both listed companies and private enterprises. Currently, Mr. Wong is also an independent non-executive director of China Zenith Chemical Group Limited (stock code: 362), a company listed on the Main Board of the Stock Exchange.

Mr. Lui Tin Nang, aged 54, has obtained a bachelor degree in science from the University of Leeds and a master degree in business administration from the University of Bradford in United Kingdom. Mr. Lui is a fellow member of The Institute of Chartered Accountants in England & Wales and the FCPA (Practising) of the Hong Kong Institute of Certified Public Accountants, member of the Chartered Institute of Management Accountant. He has years of experience in accounting, auditing, taxation and corporate finance. Mr. Lui was an independent non-executive director of China Pipe Group Limited for the period from 3 July 2007 to 23 February 2009. Mr. Lui was also appointed as an independent non-executive director of Finet Group Limited during 26 August 2010 to 30 September 2010. Currently, Mr. Lui is the independent non-executive director of China Bio-Med Regeneration Technology Limited, Vital Group Holdings Limited and CT Holdings (International) Limited, all the companies are listed on the Stock Exchange. Mr. Lui Tin Nang has resigned as an independent non-executive director of the Company with effect from 13 January 2012.

Directors' Report

The board of directors (the "Board") of National Investments Fund Limited (the "Company") is pleased to present to the shareholders the audited financial statements of the Company and its subsidiary (the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITY

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal activity of the Company is investment in listed and unlisted companies.

The Shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 27 September 2002.

Business or geographical analysis of the Group's assets and liabilities for the year is set out in Note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The state of affairs of the Group and the Company at 31 December 2011 and the results of the Group for the year ended 31 December 2011 are set out in the financial statements on pages 20 to 22.

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

RESERVES

Details of the movements in reserves of the Group during the year are set out in the financial statements on page 23.

As at 31 December 2011, the Company's available reserves for distribution to shareholders under the Companies Law of the Cayman Islands were HK$59,677,000 (2010: HK$222,658,000).

SHARE CAPITAL

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

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group and the Company during the year are set out in Note 17 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2011, the Company has not purchased, sold nor redeemed any of the Company's listed securities.

DIRECTORS

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

Executive Directors

Mr. Wong Danny F. *(Chairman)*
Mr. Wu Tse Wai, Frederick *(Chief Executive Officer)*
Mr. Fong Chi Wah

Non-executive Director

Ms. Yang XiaoFeng

Independent Non-executive Directors

Mr. Char Shik Ngor, Stephen	
Mr. Liu Jin	
Mr. Lui Tin Nang	(Resigned on 13 January 2012)
Mr. Wong Sin Lai	(Appointed on 3 January 2011)

Pursuant to Articles 88 of the Company's Articles of Association, Mr. Wu Tse Wai, Frederick, Mr. Fong Chi Wah and Ms. Yang XiaoFeng will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Currently, all executive directors have entered into service contracts with the Company for a term of two years. Each of these executive directors, is entitled to their respective basic salary. In addition, in respect of each financial year of the Company, each of the executive directors is also entitled to a discretionary bonus provided that the aggregate amount of the bonuses payable to all the executive directors may not exceed 15% of the audited net profit of the Company (after taxation but before extraordinary and exceptional items and payment of such bonuses) in respect of that financial year of the Company. An executive director is required to abstain from voting and is not counted in the quorum in respect of any resolutions of the directors regarding the amount of the monthly salary and the discretionary bonus payable to him.

In respect of non-executive directors, including independent non-executive directors, each of them has entered into a letter of appointment with the Company for a term up to the forthcoming annual general meeting and their appointments will be terminated by giving not less than 14 days' notice in writing by either party. All directors of the Company, including independent non-executive directors, are subject to retirement by rotation in accordance with the Company's Articles of Association.

Save as disclosed above, no other director has entered into service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

The directors' interests in contracts are set out in Note 33 to the financial statements. Apart from the foregoing, no other contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under "Interests in Share Options" below, at no time during the year was the Company a party to any arrangement to enable the directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any or its associated corporations as defined in the Securities and Futures Ordinance (the "SFO") or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporate.

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS IN EQUITY OR DEBT SECURITIES

At 31 December 2011, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code"), are set out below:

Interests and short positions in shares, underlying shares and debentures of the Company

Name of directors	Capacity	Long position/ Short position	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Wong Danny F.	Interest in controlled corporation	Long Position	514,605,200 *(Note 1)*	27.93%
	Beneficial owner	Long Position	1,378,400 *(Note 2)*	0.07%
Mr. Wu Tse Wai, Frederick	Beneficial owner	Long Position	1,378,400 *(Note 2)*	0.07%
Mr. Fong Chi Wah	Beneficial owner	Long Position	1,378,400 *(Note 2)*	0.07%
Ms. Yang XiaoFeng	Beneficial owner	Long Position	1,378,400 *(Note 2)*	0.07%
Mr. Char Shik Ngor, Stephen	Beneficial owner	Long Position	1,378,400 *(Note 2)*	0.07%
Mr. Liu Jin	Beneficial owner	Long Position	1,378,400 *(Note 2)*	0.07%
Mr. Lui Tin Nang (Resigned on 13 January 2012)	Beneficial owner	Long Position	1,160,000 *(Note 2)*	0.06%
Mr. Wong Sin Lai	Beneficial owner	Long Position	1,160,000 *(Note 2)*	0.06%

Notes:

1. These 514,605,200 ordinary shares of the Company represent the aggregate of 489,805,200 ordinary shares and 24,800,000 CN warrants expiring on 13 July 2012, with an exercise price of HK$0.25 each for one ordinary share, are held through CCM Asia Investment Corporation, a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Wong Danny F.; and

2. These shares are derived from the interest in share options granted by the Company to these directors respectively, details of which are set out in the section headed "INTERESTS IN SHARE OPTIONS" below.

Save as disclosed above, none of the directors, chief executive or their associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS IN SHARE OPTIONS

A Share Option Scheme was adopted by the Company on 27 August 2007 to enable the Company to grant share options to eligible participants, including the Directors and employees of the Company, as incentive or rewards for their contribution to the Company. On 10 February 2011, an extraordinary general meeting of the Company was convened and the Shareholders of the Company approved to refresh the General Scheme Limit at the extraordinary general meeting which allows the Company to grant share options entitling holders thereof to subscribe for a maximum of 118,550,087 shares, representing 10% of the issued share capital of the Company as at the date of the extraordinary general meeting. On 18 April 2011, a total of 116,700,000 share options were granted to the Directors of the Company and other eligible participants pursuant to the Share Option Scheme.

With reference to the terms and conditions of the new share option scheme (the "Share Option Scheme") adopted by the Company on 27 August 2007, the purpose of the Share Option Scheme, in principle, is to enable to Company to motivate participants for their significant contributions to the growth of the Company and to retain and maintain on-going business relationship with such participants whose contributions are or will be beneficial to the long term growth of the Company, it is important for the Company to provide for them, where appropriate, with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the Company's long term success and prosperity. The principal terms of the Share Option Scheme are as follows:

(i) The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any options to be granted under any other scheme must not in aggregate exceed ten per cent (10%) of the aggregate of the shares in issue as at the adoption date unless refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and all outstanding options granted and yet to be exercised under any other scheme should not exceed thirty per cent (30%) of the shares in issue from time to time.

(ii) The total number of shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed one per cent (1%) of the issued share capital of the Company for the time being.

(iii) The subscription price shall be a price determined by the Board, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

(iv) A share option may be accepted by an eligible participant within 28 days from the date of offer of the option. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant of the option.

(v) The Share Option Scheme will remain valid for a period of 10 years commencing on 27 August 2007.

Details of movement of the share options during the year ended 31 December 2011 under the Share Option Scheme are as follows:

	Number of share options								
Name or category of participants	**Outstanding at 1 January 2011**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding at 31 December 2011**	**Date of grant**	**Exercise price** *(HK$)*	**Exercisable period**	
Directors									
Mr. Wong Danny F.	218,400	—	—	—	218,400	28 Nov 2007	1.90	28 Nov 2007 to 26 Aug 2017	*(Note 1)*
	—	1,160,000	—	—	1,160,000	18 Apr 2011	0.189	18 Apr 2011 to 26 Aug 2017	
Mr. Wu Tse Wai, Frederick	218,400	—	—	—	218,400	28 Nov 2007	1.90	28 Nov 2007 to 26 Aug 2017	*(Note 1)*
	—	1,160,000	—	—	1,160,000	18 Apr 2011	0.189	18 Apr 2011 to 26 Aug 2017	
Mr. Fong Chi Wah	218,400	—	—	—	218,400	28 Nov 2007	1.90	28 Nov 2007 to 26 Aug 2017	*(Note 1)*
	—	1,160,000	—	—	1,160,000	18 Apr 2011	0.189	18 Apr 2011 to 26 Aug 2017	
Ms. Yang XiaoFeng	218,400	—	—	—	218,400	28 Nov 2007	1.90	28 Nov 2007 to 26 Aug 2017	*(Note 1)*
	—	1,160,000	—	—	1,160,000	18 Apr 2011	0.189	18 Apr 2011 to 26 Aug 2017	
Mr. Char Shik Ngor, Stephen	218,400	—	—	—	218,400	28 Nov 2007	1.90	28 Nov 2007 to 26 Aug 2017	*(Note 1)*
	—	1,160,000	—	—	1,160,000	18 Apr 2011	0.189	18 Apr 2011 to 26 Aug 2017	
Mr. Liu Jin	218,400	—	—	—	218,400	28 Nov 2007	1.90	28 Nov 2007 to 26 Aug 2017	*(Note 1)*
	—	1,160,000	—	—	1,160,000	18 Apr 2011	0.189	18 Apr 2011 to 26 Aug 2017	
Mr. Lui Tin Nang (Resigned on 13 January 2012)	—	1,160,000	—	—	1,160,000	18 Apr 2011	0.189	18 Apr 2011 to 26 Aug 2017	
Mr. Wong Sin Lai	—	1,160,000	—	—	1,160,000	18 Apr 2011	0.189	18 Apr 2011 to 26 Aug 2017	
Resigned directors	436,800	—	—	—	436,800	28 Nov 2007	1.90	28 Nov 2007 to 26 Aug 2017	*(Note 1)*
Employees	—	33,270,000	—	—	33,270,000	18 Apr 2011	0.189	18 Apr 2011 to 26 Aug 2017	
Other eligible participants	—	74,150,000	—	—	74,150,000	18 Apr 2011	0.189	18 Apr 2011 to 26 Aug 2017	
Total	1,747,200	116,700,000			118,447,200				

Note:

1. In accordance with the terms of the share-based arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, and (iii) the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2009 to 26 August 2017.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 December 2011, so far as is known to the directors, the following persons (other than the directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Interests and short position in shares and underlying shares of the Company

Name	Capacity	Long position/ Short position	Number of ordinary shares	Percentage of issued share capital
CCM Asia Investment Corporation *(Note 1)*	Beneficial owner	Long position	514,605,200	27.93%
Qiu Jing	Beneficial owner	Long position	182,000,000	9.88%

Note 1: These 514,605,200 ordinary shares represent the aggregate of 489,805,200 ordinary shares and 24,800,000 CN warrants expiring on 13 July 2012, with an exercise price of HK$0.25 each for one ordinary share, and Mr. Wong Danny F., an executive director and the chairman of the Company is the sole shareholder of CCM Financial Corporation which in turn is the sole shareholder of CCM Asia Investment Corporation.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

The Company's entire turnover is derived from the Company's investment in equity securities listed or unlisted and thus the disclosure of information regarding to customers and suppliers would not be meaningful.

CONTINUING CONNECTED TRANSACTION

Investment Management Agreement

On 16 May 2011, the Company and Beijing Capital Partners Limited (the "Beijing Capital") had mutually agreed to terminate the Investment Management Agreement and the Company had entered into a new Investment Management Agreement ("New IM Agreement") to appoint CU Investment Management Limited (the "CU Investment") as the Company's new investment manager which provides the Company with investment management services for a term of two years commencing from 16 May 2011 to 15 May 2013. Pursuant to Rule 21.13 of the Listing Rules, an investment manager shall be regarded as a connected person of the Company. Therefore, the entering into of the investment management agreement with CU Investment constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. According to the terms and conditions of the New IM Agreement, the Company shall pay to CU investment in aggregate an investment management fee payable monthly at HK$50,000 with effect from 16 May 2011. The management fee will be revised to HK$100,000 per month with effect from 16 November 2011.

The Company or CU Investment may terminate the New IM Agreement with immediate effect at any time by giving written notice to the other party in any of the following events, including, (a) if either party goes into liquidation or if a receiver is appointed of the whole or any substantial part of the assets or undertaking of the other party or an administrator is appointed of that party or if that other party convenes a meeting of creditors or makes or proposes to make any arrangement or composition with or assignment for the benefit of its creditors or ceases or threatens to cease to carry on its business; or (b)if either party commits any material breach of the New IM Agreement which, if capable of being remedied, is not remedied within twenty-eight (28) days from the date of a written request served by the aggrieved party requiring that the breach complained of be remedied. The Company may also be entitled to terminate the New IM Agreement at any time without compensation to CU Investment at any time by giving written notice to CU Investment if (a) CU Investment is grossly negligent or guilty of wilful misconduct in the performance of its obligations under the New IM Agreement or in its business acting as investment manager for other entities generally; or (b) CU Investment ceases to be a licensed corporation of regulated activity of "type 9 Asset Management" under Securities and Futures Ordinance.

Custodian Agreement

Commencing from 11 March 2005, the Company appointed Bank of Communications Trustee Limited as its custodian for the provision of custody services. The Bank of Communications Trustee Limited, has agreed to provide the Company with securities services including the safe custody and physical settlement of the securities in the investment portfolio of the Company, and the collection of dividends and other entitlements in respect of such securities. The custodian agreement will continue in force until terminated by either the Company or the custodian by giving to the other not less than 90 days' notice in writing expiring at any time.

The Board, including the independent non-executive directors, is of the view that the above connected transaction has been entered into on normal commercial terms, on an arm's length basis and in the ordinary and usual course of business of the Company, and that the terms of the above connected transaction are fair and reasonable to the shareholders and the Company as a whole.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained during the year ended 31 December 2011 the amount of public float as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee, comprising three independent non-executive directors, together with the management, has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters for the year ended 31 December 2011.

SUBSEQUENT EVENTS

Details of the significant subsequent events are set out in Note 36 to the financial statements.

AUDITORS

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wong Danny F.
Chairman

Hong Kong, 16 March 2012

Independent Auditors' Report

国衛會計師事務所
Hodgson Impey Cheng

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Chartered Accountants
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
NATIONAL INVESTMENTS FUND LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of National Investments Fund Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 71, which comprise the consolidated and the Company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

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

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 16 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	7	**(152,825)**	68,599
Other income	8	**1,003**	—
Change in fair value of derivative financial instrument		**—**	(156)
Change in fair value of conversion options embedded in convertible notes		**(5,560)**	(721)
Impairment loss on available-for-sale financial assets		**(293)**	(304)
Net fair value gain on derecognition of available-for-sale financial assets		**5,462**	—
Loss on disposal of a subsidiary		**(2,083)**	(4,198)
Other operating expenses		**(24,188)**	(22,397)
Finance costs	9	**—**	(63)
Share of result of an associate	20	**(67)**	—
Share of result of a jointly controlled entity	19	**(6,917)**	—
(Loss)/profit before income tax		**(185,468)**	40,760
Income tax expense	10	**—**	—
(Loss)/profit for the year	11	**(185,468)**	40,760
Other comprehensive loss			
— Net loss on revaluation of available-for-sale financial assets during the year		**(6,832)**	(6,246)
— Reclassification relating to derecognition of available-for-sale financial assets		**(76)**	—
— Share of changes in other comprehensive income in an associate		**11**	—
Other comprehensive loss for the year, net of income tax		**(6,897)**	(6,246)
Total comprehensive (loss)/income for the year		**(192,365)**	34,514
(Loss)/profit for the year attributable to:			
Owners of the Company		**(185,468)**	40,760
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(192,365)**	34,514
(Loss)/earnings per share (restated)			
Basic	16	**HK$(1.26)**	HK$0.48
Diluted	16	**HK$(1.26)**	HK$0.47

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Assets:			
Non-current assets			
Property, plant and equipment	17	**3,663**	3,130
Interests in a jointly controlled entity	19	**—**	9,000
Interests in an associate	20	**5,944**	—
Available-for-sale financial assets	21	**54,451**	26,668
Conversion options embedded in convertible notes	22	**—**	1,001
		64,058	39,799
Current assets			
Available-for-sale financial assets	21	**5,411**	—
Financial assets at fair value through profit or loss	23	**44,617**	233,985
Prepayments, deposits and other receivables	24	**4,157**	1,184
Cash and bank balances		**59,133**	27,991
		113,318	263,160
Total assets		**177,376**	302,959
Equity:			
Capital and reserves attributable to owners of the Company			
Share capital	27	**92,133**	59,278
Reserves		**84,341**	241,919
Total equity		**176,474**	301,197
Liabilities:			
Current liabilities			
Accrued charges and other payable		**902**	1,762
Total liabilities		**902**	1,762
Total equity and liabilities		**177,376**	302,959
Net current assets		**112,416**	261,398
Total assets less current liabilities		**176,474**	301,197

Approved by the Board of Directors on 16 March 2012 and signed on its behalf by:

Wong Danny F.
Director

Wu Tse Wai, Frederick
Director

The accompanying notes form an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Assets:			
Non-current assets			
Property, plant and equipment	17	3,663	3,130
Interests in subsidiaries	18	47,722	9,000
Available-for-sale financial assets	21	12,670	26,668
Conversion options embedded in convertible notes	22	—	1,001
		64,055	39,799
Current assets			
Available-for-sale financial assets	21	5,411	—
Financial assets at fair value through profit or loss	23	44,617	233,985
Prepayments, deposits and other receivables	24	4,157	1,184
Cash and bank balances		59,133	27,991
		113,318	263,160
Total assets		177,373	302,959
Equity:			
Capital and reserves attributable to owners of the Company			
Share capital	27	92,133	59,278
Reserves	28	83,175	241,919
Total equity		175,308	301,197
Liabilities:			
Current liabilities			
Accrued charges and other payable		899	1,762
Non-current liabilities			
Amount due to a subsidiary	18	1,166	—
Total liabilities		2,065	1,762
Total equity and liabilities		177,373	302,959
Net current assets		112,419	261,398
Total assets less current liabilities		176,474	301,197

Approved by the Board of Directors on 16 March 2012 and signed on its behalf by:

Wong Danny F.
Director

Wu Tse Wai, Frederick
Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to the owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Warrants reserve HK$'000	Available -for-sale financial asset equity reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2010	32,950	126,942	1,497	33,728	(2,256)	—	(89,700)	103,161
Profit for the year	—	—	—	—	—	—	40,760	40,760
Other comprehensive loss for the year	—	—	—	—	(6,246)	—	—	(6,246)
Total comprehensive income for the year	—	—	—	—	(6,246)	—	40,760	34,514
Release upon lapse of share option	—	—	(576)	—	—	—	576	—
Release upon disposal of a subsidiary	—	—	—	—	3,769	—	—	3,769
Issue of shares	17,354	96,394	—	—	—	—	—	113,748
Share issuing expenses	—	(3,112)	—	—	—	—	—	(3,112)
Conversion of convertible notes	6,492	25,162	—	5,053	—	—	—	36,707
Exercise of warrants	2,482	25,474	—	(15,546)	—	—	—	12,410
Release upon lapse of warrants	—	—	—	(162)	—	—	162	—
At 31 December 2010 and at 1 January 2011	59,278	270,860	921	23,073	(4,733)	—	(48,202)	301,197
Loss for the year	—	—	—	—	—	—	(185,468)	(185,468)
Other comprehensive loss for the year	—	—	—	—	(6,908)	11	—	(6,897)
Total comprehensive loss for the year	—	—	—	—	(6,908)	11	(185,468)	(192,365)
Recognition of equity settled share-based payments	—	—	3,637	—	—	—	—	3,637
Issue of shares	32,855	33,386	—	—	—	—	—	66,241
Share issuing expenses	—	(2,325)	—	—	—	—	—	(2,325)
Issue of warrants	—	—	—	359	—	—	—	359
Warrants issuing expenses	—	—	—	(270)	—	—	—	(270)
At 31 December 2011	**92,133**	**301,921**	**4,558**	**23,162**	**(11,641)**	**11**	**(233,670)**	**176,474**

The accompany notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Cash flows from operating activities		
Bank interest income received	1	1
Interest income from available-for-sales financial assets received	1,170	—
Proceeds from sale of financial assets at fair value through profit or loss	79,660	88,727
Dividend income received	—	643
Cash payments to acquire financial assets at fair value through profit and loss	(45,555)	(188,891)
Cash payments to employees	(5,919)	(6,283)
Cash payments to investment managers	(148)	(433)
Cash payments to custodian	(81)	(133)
Cash payments to other suppliers	(14,925)	(13,584)
Net cash inflow/(outflow) from operating activities	14,203	(119,953)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,866)	(468)
Net cash inflow from disposal of a subsidiary	—	1,500
Cash payments to acquire convertible notes	(30,000)	(33,000)
Proceed from redemption of convertible notes	40,000	—
Cash payments to acquire available-for-sale financial assets	(49,200)	—
Amount advance to an associate	(6,000)	—
Amount advance to a jointly controlled entity	—	(9,000)
Net cash outflow from investing activities	(47,066)	(40,968)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	66,241	126,158
Share issuing expenses	(2,325)	(3,112)
Net proceeds from issue of warrants	89	—
Proceeds from issue of convertible notes	—	37,000
Payment for expense attributable to issue of convertible notes	—	(499)
Net cash inflow from financing activities	64,005	159,547
Net increase/(decrease) in cash and cash equivalents	31,142	(1,374)
Cash and cash equivalents at beginning of the year	27,991	29,365
Cash and cash equivalents at end of the year	59,133	27,991
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	59,133	27,991

The accompany notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

The Company was incorporated on 28 June 2002 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The principal activity of the Group is investment in listed and unlisted companies. Particulars of the subsidiary are set out in Note 18 to the consolidated financial statements.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal office of the Company is located at Suite 5128, 51/F., Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 27 September 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs"), and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are discussed in Note 4.

(a) Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost basis except for certain financial assets (including financial assets at fair value through profit or loss, derivative financial instruments and available-for-sale financial assets) and financial liabilities that are measured at fair value, as explained in the accounting policies set out below.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of its subsidiaries so as to obtain benefits from their 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. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

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 on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in 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 subsdiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest 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 recognised 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 Group had directly disposed of the related 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to 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 fair value except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefit respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree 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 and 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 reassessment, 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 equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests 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 interests' 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 type of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

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 adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

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

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.

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), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the 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 indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the 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 based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

(e) Investments in subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less any identified impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(f) 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, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates 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 associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (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 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Interests in 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. Under the equity method, interests in jointly controlled entities 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 jointly controlled entities, less any identified impairment loss. 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 interest that, if any and in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its location and working condition for its intended use. Expenses incurred after item of property, plant and equipment have been put into operation, such as repair and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that assets or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful lives and after taking into account their estimated residual values. The principal annual rates used for this purpose are as follows:

Leasehold improvements	33%
Furniture and fixture	10-50%
Motor vehicles	20%
Office Equipment	20%
Computer	50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of comprehensive income in the year the asset is derecognised is the difference between the net proceeds and the carrying amount of the relevant assets.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into the following categories including financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets and loans and receivables. 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 debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial assets at FVTPL

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

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 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At the end of the reporting period, financial assets at FVTPL are measured at fair value, with any gains or losses arising from remeasurement recognised directly in profit or loss. The net gain or loss recognised in profit or loss incorporates excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of the reporting period, loans and receivables (including other receivables, amounts due from subsidiary and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of available-forsale financial asset equity reserve. Where the financial asset is disposal of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale financial asset equity reserve is reclassified to profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of 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 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:

(i) significant financial difficulty of the issuer or counterparty; or

(ii) breach of contract, such as default or delinquency in interest or principal payments; or

(iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

(iv) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently 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 of one to two months, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. When other receivables are considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in 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.

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

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

- such designated 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 as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of comprehensive income.

During the year, the Group did not hold any financial liabilities at fair value in this category.

Other financial liabilities

Other financial liabilities including accrued charges and other payable are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible notes

Convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

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

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

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date derivative contracts are 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 case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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 (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), 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 they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) 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.

The fair value of warrants on the date of issue is recognised in equity (warrants reserve). The warrants 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 warrants reserve will be released to the retained profits or accumulated losses.

(k) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks.

(l) Revenue

Revenue is measured at the fair value of the consideration received or receivables.

Revenue represents dividend income from securities investments, bank interest income, other interest income from financial assets and net gain/loss on financial assets at fair value through profit or loss.

(m) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, revenue is recognised in the consolidated statement of comprehensive income as follows:

i. Dividend income from investments is recognised when the Group's rights to receive payment have been established.

ii. Interest income from a financial asset including financial assets at fair value through profit and loss is recognised on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts and the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

iii. Net gain/loss on financial assets at fair value through profit or loss is recognised on the transaction dates when the relevant contracts are executed.

(n) Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a jointly controlled entity, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Taxation *(Continued)*

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

(o) Impairments of non-financial assets, other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a realiable estimate can be made of the amount of the obligation.

Provisions 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. When 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 is material).

(q) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(r) Employee benefits

i. Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

ii. Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

iii. Retirement benefits scheme contributions

The Group has participated in the Mandatory Provident Fund Scheme (the "Scheme") under the Mandatory Provident Fund Scheme Ordinance. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Scheme is generally funded by payments from employees and by the Group. The Group's contributions to the Scheme are expensed as incurred in accordance with the rules of the Scheme and are not reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions.

(s) Equity settled share-based payment transactions

For grants of share options which are conditional upon satisfying specified vesting conditions, 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, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

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

(t) Operating 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. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. 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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(u) Related parties

(i) A person or a close member of that person's family is related to the Group if that person:

(a) has control or joint control over the Group;

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the Group.

(ii) An entity is related to the Group if any of the following conditions applies:

(a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(c) both entities are joint ventures of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i); or

(g) a person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between a reporting entity related parties, regardless of whether a price is charged.

(v) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at 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 at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. APPLICATION OF NEW AND REVISED HKFRSs

The following new and revised standards and interpretations have also been applied in these consolidated financial statements. The application of these new and revised standards and interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Improvements to HKFRSs issued in 2010

The application of Improvements to HKFRSs issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

HKAS 24 Related Party Disclosures (as revised in 2009)

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

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

Amendments to HKAS 32 Financial Instruments: Presentation — Classification of Rights Issues

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

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

Amendments to HK (IFRIC) — Int 14 Prepayments of a Minimum Funding Requirement

The Interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of HKAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments has not had material effect on the Group's consolidated financial statements.

The application of HK (IFRIC)-Int 14 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.

Amendments to HK(IFRIC) — Int 19 Extinguishing Financial Liabilities with Equity Instruments

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

The application of HK (IFRIC)-Int 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.

New and revised IFRSs in issue but not yet effective

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

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

3. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

New and revised IFRSs in issue but not yet effective *(Continued)*

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

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

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

HKFRS 9 *Financial Instruments (as issued in November 2009)* introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments (as revised in November 2010)* adds requirements for financial liabilities and for derecognition.

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

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

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

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of the new standard may have a significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

The directors anticipate that HKFRS 10 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of HKFRS 10 may have significant impact on amounts reported in the consolidated financial statements.

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

3. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

New and revised IFRSs in issue but not yet effective *(Continued)*

The directors anticipate that HKFRS 11 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of HKFRS 11 may have significant impact on amounts reported in the consolidated financial statements.

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.

The directors anticipate that HKFRS 12 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of HKFRS 12 may have significant impact on amounts reported in the consolidated financial statements.

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

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

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

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The directors do not anticipate that the amendments to HKAS 12 will have significant effect on the Group's result of operation and financial position are prepared and presented.

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The directors do not anticipate that the amendments to HKAS 19 will have significant effect on the Group's result of operation and financial position are prepared and presented.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 2, management is 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 underlying 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 are the critical judgements, apart from those involving estimations (see below), that management has 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.

Income taxes

The Group is subject to income taxes. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of the business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Share-based payment

The Group follows the guidance of HKFRS 2 when determining the fair value of the share options granted at the grant date. This determination requires significant estimate. In making this judgment, the Group incorporates all factors and assumptions that knowledgeable, willing market participants would consider in setting the price and the valuation technique should be consistent with the generally accepted valuation methodologies for pricing financial instruments.

Fair value of available-for-sale financial assets

The fair value of available-for-sale financial assets that are not traded in an active market is determined by valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are primarily based on market conditions existing at the end of each reporting period.

Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 when determining whether an investment in available-for-sale financial assets is other than temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the expected time span the Company will hold on to this investment.

Impairment of other receivables

The Group estimates impairment losses for other receivables resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the ageing of the other receivable balance, debtor creditworthiness, and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

The Group

	2011 HK$'000	2010 HK$'000
Financial assets		
Available-for-sale financial assets	59,862	26,668
Conversion options embedded in convertible notes	—	1,001
Financial assets at fair value through profit or loss	44,617	233,985
Loans and receivables (including cash and cash equivalent)	66,038	37,167
	170,517	298,821
Financial liabilities		
At amortised cost	902	1,762

The Company

	2011 HK$'000	2010 HK$'000
Financial assets		
Available-for-sale financial assets	18,081	26,668
Conversion options embedded in convertible notes	—	1,001
Financial assets at fair value through profit or loss	44,617	233,985
Loans and receivables (including cash and cash equivalent)	107,816	37,167
	170,514	298,821
Financial liabilities		
At amortised cost	2,065	1,762

(b) Financial risk management objectives and policies

The Group's principal financial instruments comprise available-for-sale financial assets, conversion options embedded in convertible notes, financial assets at fair value through profit or loss and loans and receivables. The main purpose of holding these financial instruments is to generate short term appreciation gain and gain from trading of these financial instruments. The Group has other financial assets and liabilities such as other receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

Market risk exposures are measured by sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured. Details of sensitivity analysis for foreign currency risk and interest rate risk are set out below.

5. **FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT** *(Continued)*

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

Market risks *(Continued)*

Foreign currency risk

The majority of the Group's monetary assets are denominated in Hong Kong dollars and United State dollars. Therefore, the Group is not exposed to foreign exchange risk. As Hong Kong dollar are pegged to United State dollar, it is assumed that there would be no material currency risk exposure between these two currencies. The Group does not have any formal hedging policies.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to the Group's cash and bank balances. The exposure to cash flow interest rate risk is minimal. The Group did not enter into interest rate swap to hedge against its exposures.

The Group is exposed to fair value interest rate risk related to the Group's interest bearing available-for-sale financial assets.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to fair value interest rate risk at the reporting date:

If the interest rate had been 50 basis points (2010: 50 basis point) higher or lower and all other variables were held constant, the Group's:

- other equity reserves would increase or decrease by approximately HK$90,000 (2010:approximately HK$133,000) as a result of the changes in fair value of available-for-sale financial assets.

The Group has no exposure to interest rate on financial liabilities.

Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date:

If the equity prices had been 5% higher/lower:

— net profit for the year ended 31 December 2011 would increase/decrease by approximately HK$2,230,000 (2010: HK$11,699,000). This is mainly due to change in fair value of held for trading investments.

— other equity reserves would increase/decrease by approximately HK$2,089,000 (2010: Nil). This is mainly due to change in fair value of available-for-sale financial assets.

The Group and the Company's sensitivity to price risks have increased during the year mainly due to the increase in investments in financial assets at fair value through profit or loss and available-for-sale financial assets.

Credit risk

As at 31 December 2011, the Group and the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties.

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 and the Company also have credit policies in place and exposures to credit risks regards other receivables are mentioned on an ongoing basis.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Company does not have any other significant concentration of credit risk.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

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

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The following tables detail the Group's remaining contractual maturity for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative liabilities, the tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

The Group

	Weighted average effective interest rate %	Within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
2011						
Non-derivative financial liabilities						
Accrued charges and other payables	—	902	—	—	902	902

	Weighted average effective interest rate %	Within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
2010						
Non-derivative financial liabilities						
Accrued charges and other payables	—	1,762	—	—	1,762	1,762

The Company

	Weighted average effective interest rate %	Within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
2011						
Non-derivative financial liabilities						
Accrued charges and other payables	—	899	—	—	899	899
Amount due to a subsidiary	—	—	1,166	—	1,166	1,166
		899	1,166	—	2,065	2,065

	Weighted average effective interest rate %	Within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
2010						
Non-derivative financial liabilities						
Accrued charges and other payables	—	1,762	—	—	1,762	1,762

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation

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

(i) the fair value of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

(ii) the fair value of other financial assets and financial liabilities (including derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, the black-ccholes option pricing model).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, 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 markets 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); and

— 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).

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

2011	**Level 1** ***HK$'000***	**Level 2** ***HK$'000***	**Level 3** ***HK$'000***	**Total** ***HK$'000***
Financial assets				
Financial assets at fair value through profit or loss	**44,617**	**—**	**—**	**44,617**
Conversion options embedded in convertible notes	**—**	**—**	**—**	**—**
Available-for-sale financial assets				
Unlisted debt securities	**—**	**—**	**18,081**	**18,081**
Unlisted equity securities	**—**	**—**	**41,781**	**41,781**
Total	**44,617**	**—**	**59,862**	**104,479**

2010	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial assets				
Financial assets at fair value through profit or loss	233,985	—	—	233,985
Conversion options embedded in convertible notes	—	—	1,001	1,001
Available-for-sale financial assets				
Unlisted debt securities	—	—	26,668	26,668
Total	233,985	—	27,669	261,654

There were no transfers between Levels 1 and 2 in the both years.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(c) Fair value estimation *(Continued)*

Reconciliation of Level 3 fair value measurements of financial assets

2011

	Unlisted equity securities *HK$'000*	**Unlisted debt securities** *HK$'000*	**Conversion options embedded in convertible notes** *HK$'000*	**Total** *HK$'000*
Opening balance	**—**	**26,668**	**1,001**	**27,669**
Gains or losses recognised in:				
— profit or loss	**—**	**5,385**	**(5,560)**	**(175)**
— other comprehensive income	**(7,419)**	**587**	**—**	**(6,832)**
Purchases	**49,200**	**25,441**	**4,559**	**79,200**
Disposal	**—**	**(40,000)**	**—**	**(40,000)**
Closing balance	**41,781**	**18,081**	**—**	**59,862**

2010

	Unlisted equity securities *HK$'000*	Unlisted debt securities *HK$'000*	Conversion options embedded in convertible notes *HK$'000*	Total *HK$'000*
Opening balance	3,448	—	—	3,448
Gains or losses recognised in:				
— profit or loss	—	123	(721)	(598)
— other comprehensive income	(1,513)	(4,733)	—	(6,246)
Purchases	—	31,278	1,722	33,000
Disposal	(1,935)	—	—	(1,935)
Closing balance	—	26,668	1,001	27,669

The gains or losses included in the consolidated statement of comprehensive income for the years related to recognition of interest income, derecognition and impairment loss of unlisted debt securities and the fair value change in conversion options embedded in convertible notes.

All of the above gains and losses included in other comprehensive income for the years related to the fair value change in unlisted equity securities and unlisted debt securities held at the end of the reporting period and are reported in "available-for-sale financial assets equity reserve".

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(d) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of nearly no debt. It finances its operation primary through equity attributable to owners of the Company, comprising share capital, share premium, share option reserve, warrants reserve, available-for-sale financial assets equity reserve and accumulated losses.

Gearing ratio

The Group has adopted a higher finance leverage compared to the last year. Based on the Group's policy, the gearing ratio, as calculated as total debt divided by total equity at the end of the reporting period was as follows:

	2011 ***HK\$'000***	2010 *HK\$'000*
Debt (i)	**902**	1,762
Equity (ii)	**176,474**	301,197
Gearing ratio	**0.5%**	0.6%

(i) Debt comprises accrued charges and other payables.
(ii) Equity includes all capital and reserves attributable to owners of the Company.

6. SEGMENT INFORMATION

The Group manages its business by both business lines and geography. In a manner consistent with the way in which information is reported internally to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance, the Group has presented its reportable segments under HKFRS 8 as follows:

Business segment

The Group operates one segment for the years ended 31 December 2011 and 2010. All of the Group's revenue were derived from investment income from investments in listed securities and unlisted securities. Accordingly, the Group does not have separately reportable segment.

Geographical segment

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the markets and assets are attributed to the segments based on the location of the assets.

The Group's operations are mainly located in Hong Kong and Australia. The following provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical market	
	2011 ***HK\$'000***	2010 *HK\$'000*
Hong Kong	**(153,307)**	68,075
Australia	**482**	524
	(152,825)	68,599

6. SEGMENT INFORMATION *(Continued)*

Geographical segment *(Continued)*

The following is an analysis of the carrying amount of non-current assets (excluding financial instrument) analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets*	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**9,607**	12,130

* Non-current assets excluding financial instruments.

No single customer of the Group contributed 10% or more to the Group's revenue for both 2011 and 2010.

7. REVENUE

The amount of significant category of revenue recognised during the year is as follow:

	2011 ***HK$'000***	2010 *HK$'000*
Net (loss)/gain on financial assets at fair value through profit or loss *(Note)*	**(155,263)**	67,131
Bank interest income	**1**	1
Interest income from available-for-sale financial assets	**2,437**	824
Dividend income from financial assets at fair value through profit or loss	**—**	643
	(152,825)	68,599

Note:

Net (loss)/gain on financial assets at fair value through profit or loss represented:

	2011 ***HK$'000***	2010 *HK$'000*
Proceeds on sales	**79,660**	88,727
Less: cost of sales	**(90,983)**	(101,698)
Net realised loss on financial assets at fair value through profit or loss	**(11,323)**	(12,971)
Unrealised (loss)/gain on financial assets at fair value through profit or loss	**(143,940)**	80,102
Net (loss)/gain on financial assets at fair value through profit or loss	**(155,263)**	67,131

8. OTHER INCOME

	2011 ***HK$'000***	2010 *HK$'000*
Exchange gain	**10**	—
Sundry income	**993**	—
	1,003	—

9. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Imputed interest expense on convertible notes	—	49
Others	—	14
	—	63

10. INCOME TAX EXPENSE

Current taxation

No provision for Hong Kong profits tax has been made as the Group incurred a tax loss for the year ended 31 December 2011.

No provision for Hong Kong profits tax has been made as the Group utilised the tax loss previously not recognised for the year ended 31 December 2010.

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

	2011 HK$'000	2011 %	2010 HK$'000	2010 %
(Loss)/profit before income tax	(185,468)		40,760	
Tax at Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	(30,602)	(16.5)	6,725	16.5
Estimated tax effect on income that are not taxable in determining taxable profit	(332)	(0.2)	(177)	(0.4)
Estimated tax effect on expenses that are not deductible in determining taxable profit	2,119	1.1	777	1.9
Estimated tax effect of unrecognised temporary difference	(29)	(0.1)	101	0.2
Tax effect of unrecognised tax losses	28,844	15.7	(7,426)	(18.2)
Tax income and effective tax rate for the year	—	—	—	—

11. (LOSS)/PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000
(Loss)/profit for the year has been arrived after charging:		
Auditors' remuneration	150	150
Directors' emoluments *(Note 13)*	4,510	2,269
Total staff costs, excluding directors' emoluments	4,477	4,699
Depreciation of property, plant and equipment	1,333	1,136
Legal and professional fee	439	313
Operating lease rental in respect of land and building	1,299	2,237
Equity-settled share-based payment expenses	3,349	—
Impairment loss on other receivables	188	220
Loss on disposal of a subsidiary	2,083	4,198

12. NET (LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of approximately HK$194,042,000 (2010: profit of approximately HK$43,016,000) which has been dealt with in the financial statements of the Company.

13. DIRECTORS' EMOLUMENTS

The emoluments of every director for the year ended 31 December 2011 is set out below:

	Fee *HK$'000*	**Salary** *HK$'000*	**Other benefits** *HK$'000*	**Employer's contribution to pension scheme** *HK$'000*	**Total** *HK$'000*
Mr. Wong Danny F.	**—**	**720**	**1,858**	**12**	**2,590**
Mr. Wu Tse Wai, Frederick	**—**	**360**	**36**	**—**	**396**
Mr. Fong Chi Wah	**—**	**264**	**36**	**12**	**312**
Ms. Yang XiaoFeng	**—**	**360**	**36**	**12**	**408**
Mr. Liu Jin	**—**	**180**	**36**	**—**	**216**
Mr. Char Shik Ngor, Stephen	**—**	**180**	**36**	**—**	**216**
Mr. Lui Tin Nang *(Note 1 and 4)*	**—**	**180**	**36**	**—**	**216**
Mr. Wong Sin Lai *(Note 3)*	**—**	**120**	**36**	**—**	**156**
	—	**2,364**	**2,110**	**36**	**4,510**

The emoluments of every director for the year ended 31 December 2010 is set out below:

	Fee *HK$'000*	Salary *HK$'000*	Other benefits *HK$'000*	Employer's contribution to pension scheme *HK$'000*	Total *HK$'000*
Mr. Wong Danny F.	—	720	—	12	732
Mr. Wu Tse Wai, Frederick	—	360	—	—	360
Mr. Fong Chi Wah	—	264	—	12	276
Ms. Yang XiaoFeng	—	360	—	—	360
Mr. Liu Jin	—	180	—	—	180
Mr. Char Shik Ngor, Stephen	—	180	—	—	180
Mr. Lui Tin Nang *(Note 1)*	—	129	—	—	129
Mr. Fung Kwok Leung *(Note 2)*	—	52	—	—	52
	—	2,245	—	24	2,269

Notes:

1. Appointed on 13 April 2010
2. Resigned on 13 April 2010
3. Formerly named as Mr. Wong Tam Yee, appointed on 13 January 2012.
4. Resigned on 13 January 2012

During the year, there were no arrangements under which a director waived or agreed to waive any emolument for the year (2010: Nil).

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

The number of the directors fell within the following bands:

	Number of directors	
	2011	2010
Nil to HK$1,000,000	**7**	8
HK$1,000,000 above	**1**	—
	8	8

14. EMPLOYEES' EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year included one executive directors (2010: one) whose emoluments were reflected in the analysis presented in Note 13 to the consolidated financial statements. The emoluments of the remaining four individuals (2010: four individuals) were as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other short-term employee benefits	2,049	2,069
Employer's contribution to pension scheme	25	5
	2,074	2,074

The emoluments of the four (2010: four) highest paid employees were within the following bands:

	Number of employees	
	2011	2010
Nil to HK$1,000,000	4	4

During the years ended 31 December 2011 and 2010, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

15. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2011 (2010: Nil).

16. (LOSS)/EARNINGS PER SHARE

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

(Loss)/earnings	2011 HK$'000	2010 HK$'000
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	(185,468)	40,760

Number of shares	2011 '000	2010 '000 (Restated)
Weighted average number of ordinary shares for the purpose of basic (loss)/ earnings per share	146,983	84,465
Effect of dilutive potential ordinary shares:		
Warrants issued by the Company	—	2,369
Weighted average number of ordinary shares for the purpose of diluted (loss)/ earnings of share	146,983	86,834

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the year ended 31 December 2011 have been adjusted for the effect of share consolidation approved on 9 December 2011.

The weighted average number of ordinary shares for the purpose of calculating basic and diluted profit per share for the year ended 31 December 2010 have been adjusted for the effect of share consolidation completed on 14 September 2010 and approved on 9 December 2011.

During the year ended 31 December 2011, the Company's outstanding share options and warrants were not included in the calculation of diluted loss per share because the effects of the Company's outstanding share options and warrants were anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

The Group and the Company

	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer HK$'000	Motor Vehicle HK$'000	Total HK$'000
At cost						
At 1 January 2010	1,913	1,572	262	452	—	4,199
Additions	18	466	3	—	—	487
Disposal	—	—	—	(16)	—	(16)
At 31 December 2010 and 1 January 2011	1,931	2,038	265	436	—	4,670
Additions	70	—	2	14	1,780	1,866
Disposals	—	—	—	—	—	—
At 31 December 2011	2,001	2,038	267	450	1,780	6,536
Accumulated depreciation						
At 1 January 2010	213	45	49	107	—	414
Charge for the year	645	232	53	206	—	1,136
Elimination upon disposal	—	—	—	(10)	—	(10)
At 31 December 2010 and 1 January 2011	858	277	102	303	—	1,540
Charge for the year	649	402	53	140	89	1,333
At 31 December 2011	1,507	679	155	443	89	2,873
Net book value						
At 31 December 2011	**494**	**1,359**	**112**	**7**	**1,691**	**3,663**
At 31 December 2010	1,073	1,761	163	133	—	3,130

18. INTERESTS IN SUBSIDIARIES

	2011 HK$'000	2010 HK$'000
The Company		
Unlisted investment, at cost	**—**	—
Amounts due from subsidiaries	**55,222**	9,005
Less: Impairment loss recognised in respect of amounts due from subsidiaries	**(7,500)**	(5)
	47,722	9,000
Amount due to a subsidiary	**1,166**	—

18. INTERESTS IN SUBSIDIARIES *(Continued)*

The movement of provision for impairment loss on amounts due from subsidiaries is as follows:

	2011 HK$'000	2010 HK$'000
At the beginning of the year	5	2,230
Impairment loss recognised	7,500	5
Amount written off upon disposal of a subsidiary	(5)	(2,230)
	7,500	5

The carrying amounts of amounts due from subsidiaries are reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated from the respective subsidiaries.

The amount(s) due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors of the Company, the Company will not demand/(call) for repayment within one year from the end of the reporting period and are therefore considered as non-current.

Particulars of the Group's subsidiary as at 31 December 2011 is as follows:

Name of subsidiary	Place of incorporation or operation	Class of share	Fully paid share capital	Proportion of nominal value of paid-up capital and proportion of voting power held by the Company Directly	Indirectly	Principal activities
Top Flame Investments Limited ("Top Flame")	British Virgins Islands	Ordinary	USD$1	100%	—	Investment holdings
Shine Full Capital Limited ("Shine Full")	British Virgins Islands	Ordinary	USD$1	100%	—	Investment holdings
Victory Eternal Limited ("Victory Eternal")	British Virgins Islands	Ordinary	USD$1	100%	—	Investment holdings
Chance Luck Holdings Limited ("Chance Luck")	British Virgins Islands	Ordinary	USD$1	100%	—	Investment holdings

19. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	2011 HK$'000	2010 HK$'000
Investment costs in a jointly controlled entity	9,000	—
Share of loss and other comprehensive income in jointly controlled entities	(6,917)	—
	2,083	—
Release upon disposal of a subsidiary *(Note 31)*	(2,083)	—
	—	—
Amount due from a jointly controlled entity *(Note (i))*	—	9,000

19. INTERESTS IN A JOINTLY CONTROLLED ENTITY *(Continued)*

Note:

(i) The amount due from a jointly controlled entity is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors of the Company, the Company will not demand repayment within one year from the end of reporting period and are therefore considered as non-current. During the year, after the completion of capital injection of the other venturers, the amount form part of the investment cost in a jointly controlled entity.

On 14 July 2010, Kingford Global Investments Limited ("Kingford Global"), a wholly-owned subsidiary of the Group, has entered into a joint venture agreement with G. Communication Co., Ltd., Longrich Global Investments Limited and Cherry Global Investments Limited to jointly establish New Sakai Limited ("New Sakai"), incorporated under the laws of the British Virgin Islands. The investment costs amount to approximately HK$23 and the Group's share of loss of the jointly controlled entity for the year ended 31 December 2010 amounted to approximately HK$23.

Details of the Group's jointly controlled entity which are held indirectly by the Company at 31 December 2010 are as follows:

Name of jointly controlled entity	Form of entity	Place of incorporation	Fully paid share capital	Principal place of operation	Class of shares held	Proportion of nominal value of issued share capital held	Proportion of voting power held	Principal activities
New Sakai	Incorporated	British Virgin Islands	US$10	Hong Kong	Ordinary	30%	30%	Investment holdings

The summarised financial information in respect of the Group's interests in the jointly controlled entities is set out below:

	2011 ***HK$'000***	2010 *HK$'000*
Income	**1,959**	293
Expenses	**23,730**	1,959
Non-current assets	**4,945**	9,870
Current assets	**3,021**	14,257
Current liabilities	**1,404**	25,729

20. INTEREST IN AN ASSOCIATE

	2011 ***HK$'000***	2010 *HK$'000*
Investment costs in associates	**23**	—
Share of loss and other comprehensive income in an associate	**(23)**	—
	—	—
Amount due from an associate	**5,977**	—
Share of excess part of loss and other comprehensive income in an associate	**(33)**	—
	5,944	—

20. INTEREST IN ASSOCIATES *(Continued)*

(i) The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors of the Company, the Company will not demand repayment within one year from the end of reporting period and are therefore considered as non-current.

On 14 November 2011, Chance Luck, a wholly-owned subsidiary of the Group, has entered into an agreement with Rui Shing Holdings Limited, and Long Holdings Limited to establish Tumas Holdings Limited ("Tumas Holding"), incorporated under the laws of British Virgin Islands. The investment cost amount to approximately HK$23,000 and the Group's share of loss of associate for the year 31 December 2011 amounted to approximately HK$23,000. According to HKAS 28, the amount due from an associate form part of the Group's net investment and the Group's share the excess part of loss of associate amount to approximately HK$33,000.

Details of the Group's associates which are held indirectly by the Company at 31 December 2011 are as follows:

Name of associate	Form of entity	Place of incorporation	Fully paid share capital	Principal place of operation	Class of shares held	Proportion of nominal value of issued share capital held	Proportion of voting power held	Principal activities
Tumas Holding	Incorporated	British Virgin Islands	US$10,000	Hong Kong	Ordinary	30%	30%	Investment holding

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

	2011 **HK$'000**	2010 HK$'000
Revenue	**—**	—
Loss for the year	**(225)**	—
Loss attributable to the Group	**(67)**	—
Other comprehensive income attributable to the Group	**11**	—
Total assets	**12,004**	—
Total liabilities	**(12,113)**	—
Net assets	**(109)**	—
Net assets attributable to the Group	**—**	—

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 HK$'000	2010 HK$'000
The Group		
Unlisted securities		
— debt securities	18,081	26,668
— equity securities	41,781	—
	59,862	26,668
Analysed for reporting purposes as:		
Non-current assets	54,451	26,668
Current assets	5,411	—
	59,862	26,668

	2011 HK$'000	2010 HK$'000
The Company		
Unlisted securities		
— debt securities	18,081	26,668
Analysed for reporting purposes as:		
Non-current assets	12,670	26,668
Current assets	5,411	—
	18,081	26,668

Notes:

(i) The unlisted by equity securities are measured at fair value and are classified as Level 3 fair value measurement. Fair value is estimated by applying price-to-book ratios for similar listed companies and adjusted to reflect the specific circumstance of the investments.

(ii) On 26 April 2011, Victory Eternal, a wholly owned subsidiary, subscribed a convertible note ("Hugo Convertible Note") with a principal amount to HK$30,000,000 carries interest at 8% per annum with maturity of two years from the date of subscription, issued by Hugo Luxury Limited ("Hugo"). Hugo is a private company with limited liability incorporated in British Virgin Islands.

On 6 July 2011, Victory Eternal and Hugo mutually agreed to enter into a termination deed to terminate the Hugo Convertible Note and immediately after the signing of the termination deed, Hugo delivered a new convertible note ("Smooth Union Convertible Note") with a principal amount of HK$30,000,000 carries interest at 8% per annum with maturity of one year from the date of subscription, issued by Smooth Union Limited ("Smooth Union") in exchange for Hugo Convertible Note.

On 30 December 2011, Victory Eternal and Smooth Union entered into an agreement for early redemption of Smooth Union Convertible Note at a redemption price of approximately HK$31,170,000.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Notes (continued):

(iii) On 14 October 2010, the Group subscribed a convertible note (the "Premium Castle Convertible Note) with a principal amount of HK$27,000,000 issued by Premium Castle Limited ("Premium Castle"). Premium Castle is a private company with limited liability incorporated in British Virgin Islands.

The Premium Castle Convertible Note carries interest at 2% per annum with maturity of three years from the date of subscription. Full conversion of the Premium Castle Convertible Note will result in conversion into 19.59% of ordinary shares of the issued share capital of Premium Castle as of the conversion date.

The fair value at initial recognition of the debt element of the Premium Castle Convertible Note and conversion option element of the Premium Castle Convertible Note, amounting to approximately HK$25,675,000 and HK$1,325,000 respectively, are measured in accordance with HKAS 39.

During the year ended 31 December 2011, the net loss on change in fair value on the Premium Castle Convertible Note of approximately HK$858,000 (2010:HK$4,788,000) has been recognised in the available-for-sale financial assets equity reserve, representing the loss on fair value change of the unlisted debt securities.

During the year ended 31 December 2011, the principal amount of HK$10,000,000 (2010: Nil) of the Premium Castle Convertible Note was repurchased by Premium Castle on 20 September 2011 at the agreed price of HK$10,000,000 and the principal amount of the Premium Castle Convertible Note outstanding as at 31 December 2011 was amounted to HK$17,000,000 (2010: HK$27,000,000).

(iv) On 21 October 2010, the Group subscribed a convertible note (the "Unismart Convertible Note) with a principal amount of HK$6,000,000 issued by Unismart Investment Limited ("Unismart"). Unismart is a private company with limited liability incorporated in Hong Kong.

The Unismart Convertible Note carries interest at 5% per annum with maturity of two years from the date of subscription. Full conversion of the Unismart Convertible Note will result in conversion into approximately 27.50% of ordinary shares and 4,900,000 preference shares of the issued share capital of Unismart as of the conversion date.

The fair value at initial recognition of the debt element of the Premium Castle Convertible Note and conversion option element of the Unismart Convertible Note, amounting to approximately HK$5,603,000 and HK$397,000 respectively, are measured in accordance with HKAS 39.

During the year ended 31 December 2011, the profit arising on change in fair value on the Unismart Convertible Note of approximately HK$467,000 (2010: profit of HK$55,000) has been recognised in the available-for-sale financial assets equity reserve, representing the profit on fair value change of the unlisted debt securities.

During the year ended 31 December 2011, none (2010: None) of the principal amount of the Unismart Convertible Note was converted and the principal amount of the Unismart Convertible Note outstanding as at 31 December 2011 was amounted to HK$6,000,000 (2010: HK$6,000,000).

22. CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES

	2011 HK$'000	2010 HK$'000
The Group and the Company		
Conversion options embedded in convertible notes	—	1,001

Note:

(i) Conversion options embedded in convertible notes represented the conversion option element of the convertible notes subscribed by the Group and are measured at fair value using the Binomial option pricing model ("Binomial Option Model") at initial recognition and at the end of each reporting period. The debt element of the convertible notes is classified as available-for-sale financial assets. As explained in Note 21 to the consolidated financial statement, the Group subscribed Premium Castle Convertible Note and Unismart Convertible Note during the year ended 31 December 2010 and amounts of approximately HK$1,325,000 and HK$397,000 were recognised respectively as conversion options embedded in convertible notes which were measured at fair value at initial recognition.

(ii) During the year ended 31 December 2011, the principal amount of HK$10,000,000 (2010: Nil) of the Premium Castle Convertible Note was repurchased by Premium Castle on 20 September 2011 at the agreed price of HK$10,000,000. The fair value of conversion options embedded in convertible notes as at 20 September 2011 was HK$2.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK$'000	2010 HK$'000
The Group and the Company		
Held-for-trading:		
Equity securities, at fair value		
— listed in Hong Kong	44,617	223,551
Call warrants, at fair value		
— listed in Hong Kong	—	10,434
	44,617	233,985

The following is a list of the held-for-trading investments as at 31 December 2011:

Equity securities listed in Hong Kong:

Name of equity securities	Place of incorporation and kind of legal entity	Number of shares held	Interest held (%)	Net assets attributable to the Company	Cost of investment HK$'000	Fair value HK$'000	Change in fair value HK$'000
Radford Capital Investment Limited	Cayman Islands, limited liability company	4,000,000 ordinary shares	1.8634	HK$2,296,000	2,040	912	(1,128)
Mascotte Holdings Limited	Bermuda, limited liability company	47,500,000 ordinary shares	1.0401	HK$28,136,089	22,087	10,830	(11,257)
Willie International Holdings Limited	Bermuda, limited liability company	440,000 ordinary shares	0.0605	HK$1,285,621	2,354	85	(2,269)
Freeman Financial Corporation Limited	Cayland Islands, limited liability company	90,000,000 ordinary shares	1.9093	HK$40,203,889	30,600	2,970	(27,630)
New Island Printing Holdings Limited	Bermuda, limited liability company	112,404,000 ordinary shares	4.2173	HK$20,304,954	129,265	29,225	(100,040)
Heritage International Holdings Limited	Bermuda, limited liability company	300,000 ordinary shares	0.0046	HK$31,450	231	39	(192)
Forefront Group Limited	Cayman Island, limited liability company	5,500,000 ordinary shares	0.1505	HK$1,778,300	1,980	556	(1,424)

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

A brief description of the business and financial information of the above listed equity securities, based on their latest financial statements, is as follows:

(i) Radford Capital Investment Limited is principally engaged in investment in listed and unlisted companies in Hong Kong and overseas market.

The unaudited net loss attributable to the owners of Radford Capital Investment Limited for the six months ended 30 June 2011 was approximately HK$110,331,521.

(ii) Mascotte Holdings Limited is principally engaged in loan financing, trading of investments, manufacture and sale of accessories for photographic, electrical and multimedia products and property investment.

The unaudited net loss attributable to the owners of Mascotte Holdings Limited for the six months ended 30 September 2011 was approximately HK$350,723,000.

(iii) Willie International Holdings Limited is principally engaged in investment holding, trading of investments, property investment and provision of financial services.

The unaudited net loss attributable to the owners of Willie International Holdings Limited for the six months ended 30 June 2011 was approximately HK$162,560,000.

(iv) Freeman Financial Corporation Limited is principally engaged in trading of securities, provision for finance, property holding and investment, insurance agency and brokerage business, securities brokerage, investment advisory and investment holding.

The unaudited net loss attributable to the owners of Freeman Financial Corporation Limited for the six months ended 30 September 2011 was approximately HK$400,378,000.

(v) New Island Printing Holdings Limited is principally engaged in printing and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products.

The unaudited net profit attributable to the owners of New Island Printing Holdings Limited for the six months ended 30 September 2011 was approximately HK$10,086,000.

(vi) Heritage International Holdings Limited is principally engaged in property investment, securities investment, money lending and investing holding.

The unaudited net loss attributable to the owners of Heritage International Holdings Limited for the six months ended 30 September 2011 was approximately HK$268,068,000.

(vii) Forefront Group Limited is principally engaged in provision of logistic services in Hong Kong and the PRC, manufacturing of carbon fiber in the PRC, properties investments, securities trading and money lending business.

The unaudited net loss attributable to the owners of Forefront Group Limited for the six months ended 30 June 2011 was approximately HK$102,465,000.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group and the Company

	2011 HK$'000	2010 HK$'000
Prepayments	795	386
Other receivables	961	176
Rental deposits and other deposits	2,401	622
	4,157	1,184

25. CONVERTIBLE NOTES

On 16 April 2010, the Company issued 2% coupon convertible notes at par denominated in HKD in an aggregate principal amount of HK$37,000,000 (the "Second Tranche Convertible Notes"). The Convertible Notes will mature on the third anniversary of the date of issue of the Convertible Notes, 16 April 2013. Second Tranche Convertible Notes entitles the holders to convert them into ordinary shares ("Conversion Shares") of the Company at any time between the date of issue and its maturity date at a conversion price of HK$0.285 subject to adjustments for subdivision or consolidation of shares, bonus issues, right issues, distributions and other dilutive events. If Second Tranche Convertible Notes have not been converted, they will be redeemed on 16 April 2013 at its principal amount and at any accrued interests. The Convertible Shares shall at all time rank equally among themselves and pari passu with all other shares of the Company in issue with respect of the right to any dividends or distributions declared.

Upon the Second Tranche Convertible Notes holders exercising the conversion rights attached to the Second Tranche Convertible Notes, the holders will be entitled for one warrant at nil consideration on the basis of every five Conversion Shares being converted and issued ("CN Warrants"). The subscription prices of the CN Warrants for Second Tranche Convertible Notes are HK$0.285 per share.

The Company can early redeem the Convertible Notes at 105% of the outstanding principal amount of the Convertible Notes if the redemption is served before the second anniversary of the date of issue of the relevant tranche Convertible Notes.

The Company can early redeem the Convertible Notes at 110% of the outstanding principal amount of the Convertible Notes if the redemption is served after the second anniversary of the date of issue of the relevant tranche Convertible Notes.

The net proceeds received from the issue of Convertible Notes contain the following components that are required to be separately accounted for:

(i) The fair value of the liability component for the Second Tranche Convertible Notes represents the present value of the contractually determined stream of future cash flows discounted at the effective interest rate of 8.29%.

(ii) Embedded derivatives, comprising:

  (a) The fair value of redemption option represents the Company's option to early redeem all or part of the Convertible Notes; and

  (b) The fair value of conversion option represents the option of the note holders to convert the Second Tranche Convertible Notes into equity of the Company at conversion price of HK$0.285 and the issuance of CN Warrants with subscription price of HK$0.285.

On 22 April 2010, approximately 129,825,000 Conversion Shares at the conversion price of HK$0.285 were issued to the Second Tranche Convertible Notes holders upon their conversion of the Second Tranche Convertible Notes in the aggregate principal amount of HK$37,000,000. In accordance with the terms and conditions of Second Tranche Convertible Notes, upon exercising the conversion rights attaching to the Second Tranche Convertible Notes on 22 April 2010, the Company issued approximately 25,965,000 warrants to holders of the Conversion Shares.

25. CONVERTIBLE NOTES *(Continued)*

The binomial option pricing model is used in the valuation of the embedded derivatives. Inputs into the model at the respective dates are as follows:

	16 April 2010	22 April 2010
Risk free rate of interest	1.24%	1.20%
Credit spread	7.05%	7.22%
Discount rate	8.29%	8.46%
Conversion price	HK$0.285	HK$0.285
Spot price	HK$0.405	HK$0.38
Volatility	90.45%	90.34%

The movement of the liability component and the embedded derivatives in the convertible notes during the year are set out below:

The Group and the Company

	Liability *HK$'000*	**Embedded derivatives** *HK$'000*	**Total** *HK$'000*
At 1 January 2010	—	—	—
Convertible notes issued during the year	30,924	6,076	37,000
Issue cost	(417)	(82)	(499)
Imputed interest charged	49	—	49
Change in fair value	—	156	156
Conversion of convertible notes into ordinary shares	(30,556)	(6,150)	(36,706)
At 31 December 2010	—	—	—

26. WARRANTS

During the year end 31 December 2011, the Company issued up to 179,484,913 warrants to independent institutional and/or private investors at an issue price of HK$0.002 per warrant. The warrants entitle the warrantholders to subscribe for the subscription shares at HK$0.45 per subscription share for a period of 36 months commencing from the date of issue of the warrants. The placing was completed on 8 April 2011. Details of the completion have been disclosed in the announcement dated 8 April 2011.

On 22 April 2010, approximately 129,825,000 Conversion Shares at the conversion price of HK$0.285 were issued to the Second Tranche Convertible Notes holder upon their conversion of the Second Tranche Convertible Notes, upon exercising the conversion rights attaching to the Second Tranche Conversion Notes no 22 April 2010, the Company issued approximately 25,965,000 warrants to the holders of the Second Tranche Conversion Shares.

The subscription rights attaching to the CN Warrants issued under Second Tranche Convertible Notes are measured at fair value of approximately HK$5,053,000 on initial recognition and are recognised in equity in the warrant reserve.

26. WARRANTS *(Continued)*

The fair values of the CN Warrants issued under Second Tranche Convertible Notes were determined using the binominal option pricing model and the inputs into the model were as follows:

	22 April 2010
Exercise price	HK$0.285
Share price	HK$0.38
Expected volatility	90.34%
Remaining life (in years)	2.98
Risk free rate	1.20

Upon the share consolidation becoming effective on 14 September 2010, the number and exercise price of outstanding CN Warrants has been adjusted. The 526,744,555 outstanding CN Warrants entitling the holders to subscribe for 526,744,555 ordinary shares with an exercise price of HK$0.05 immediately before the share consolidation has been adjusted to 105,348,905 outstanding CN Warrants entitling the holders to subscribe for 105,348,905 ordinary shares and the exercise price of the CN Warrants has been adjusted to HK$0.25. Details of the adjustment of CN Warrants have been disclosed in the announcement dated 14 September 2010.

At 31 December 2011, the Company had outstanding 235,189,913 warrants (2010: 55,705,000) and their exercise in full would result in the issuance of 235,189,913 shares (2010: 55,705,000).

27. SHARE CAPITAL

	Number of shares		Amount	
	2011	2010	**2011**	2010
	'000	*'000*	***HK$'000***	*HK$'000*
The Group and the Company				
Authorised ordinary shares:				
At 1 January	**4,000,000**	20,000,000	**200,000**	200,000
Share consolidation *(Note (e))*	**—**	(16,000,000)	**—**	—
At 31 December	**4,000,000**	4,000,000	**200,000**	200,000
Issued and fully paid ordinary shares of HK$0.05 each:				
At 1 January	**1,185,551**	3,295,000	**59,278**	32,950
Issue of shares *(Note (a))*	**350,000**	—	**17,500**	—
Issue of shares *(Note (b))*	**307,110**	—	**15,355**	—
Issue of shares *(Note (c))*	**—**	649,123	**—**	6,492
Issue of shares *(Note (d))*	**—**	788,824	**—**	7,888
Share consolidation *(Note (e))*	**—**	(3,786,358)	**—**	—
Exercise of warrants *(Note (f))*	**—**	41,237	**—**	2,062
Issue of shares (Note *(g))*	**—**	189,318	**—**	9,466
Exercise of warrants *(Note (h))*	**—**	6,807	**—**	340
Exercise of warrants *(Note (i))*	**—**	1,600	**—**	80
At 31 December	**1,842,661**	1,185,551	**92,133**	59,278

27. SHARE CAPITAL *(Continued)*

Notes:

(a) On 12 April 2011, 350,000,000 shares of HK$0.05 were issued at a price of HK$0.141 per share. A share premium of approximately HK$31,850,000 had credited to share premium account. The gross proceeds of approximately HK$49,350,000 are intended to be used for investments in listed and unlisted securities and/or as general working capital of the Group. Details of these transactions were set out in the Company's announcement dated 12 April 2011.

(b) On 25 November 2011, 307,110,175 shares of HK$0.05 were issued at a price of HK$0.055 per share. A share premium of approximately HK$1,535,000 had credited to share premium account. The gross proceeds of approximately HK$16,891,000 are intended to be used for investments in listed and unlisted securities and/or as general working capital of the Group. Details of these transactions were set out in the Company's announcement dated 12 April 2011.

(c) On 22 April 2010, Second Tranche Convertible Notes of HK$37,000,000 was converted into ordinary shares of the Company at a conversion price of HK$0.057 per share. As a result, approximately 649,123,000 ordinary shares were issued.

(d) On 16 August 2010, 788,824,000 shares of HK$0.01 were issued at a price of HK$0.041 per share. A share premium of approximately HK$24,454,000 had been credited to share premium account. The net proceeds of approximately HK$32,342,000 are intended to be used for investments in listed and unlisted securities and/or as general working capital of the Group. Details of these transactions were set out in the Company's announcement dated 4 August 2010.

(e) Pursuant to an ordinary resolution at the extraordinary general meeting held on 13 September 2010, every five existing issued and unissued shares of HK$0.01 each in the capital of the Company was consolidated into one consolidated share of HK$0.05 each in the Company. Also, the board lot size of the Company has been changed from 4,000 shares to 10,000 consolidate shares. The share consolidation became effective on 14 September 2010. Details of the share consolidation were set out in the Company's circular dated 23 August 2010.

(f) On 1 November 2010, approximately 41,237,000 CN warrants were exercised into ordinary shares of the Company at an exercise price of HK$0.25 per share. As a result, approximately 41,237,000 ordinary shares were issued.

(g) On 8 November 2010 and 9 November 2010, 189,317,872 ordinary shares of HK$0.05 were issued at a price of HK$0.43 per share. A share premium of approximately HK$71,941,000 had been credited to share premium account. The net proceeds of approximately HK$78,814,000 are intended to be used for investments in securities and/or as general working capital of the Company. Details of these transactions were set out in the Company's announcement dated 26 October 2010.

(h) On 10 November 2010, approximately 6,807,000 CN warrants were exercised into ordinary shares of the Company at an exercise price of HK$0.25 per share. As a result, approximately 6,807,000 ordinary shares were issued.

(i) On 10 December 2010, 1,600,000 CN warrants were exercised into ordinary shares of the Company at an exercise price of HK$0.25 per share. As a result, 1,600,000 ordinary shares were issued.

All the shares issued during the year rank pari passu with the then existing shares in all respects.

28. RESERVES

The Company

	Share premium HK$'000	Share option reserve HK$'000	Warrants reserve HK$'000	Available-for-sale financial asset equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	126,942	1,497	33,728	—	(91,956)	70,211
Profit for the year	—	—	—	—	43,016	43,016
Other comprehensive loss	—	—	—	(4,733)	—	(4,733)
Total comprehensive income for the year	—	—	—	(4,733)	43,016	38,283
Release upon lapse of share option	—	(576)	—	—	576	—
Issue of shares	96,394	—	—	—	—	96,394
Share issuing expenses	(3,112)	—	—	—	—	(3,112)
Conversion of convertible notes	25,162	—	5,053	—	—	30,215
Exercise of warrants	25,474	—	(15,546)	—	—	9,928
Release upon lapse of warrants	—	—	(162)	—	162	—
At 31 December 2010 and 1 January 2011	270,860	921	23,073	(4,733)	(48,202)	241,919
Loss for the year	—	—	—	—	(194,042)	(194,042)
Other comprehensive income	—	—	—	511	—	511
Total comprehensive loss for the year	—	—	—	511	(194,042)	(193,531)
Issue of shares	33,386	—	—	—	—	33,386
Share issuing expenses	(2,325)	—	—	—	—	(2,325)
Recognition of equity settled share-based payments	—	3,637	—	—	—	3,637
Issue of warrants	—	—	359	—	—	359
Expense on issue of warrants	—	—	(270)	—	—	(270)
At 31 December 2011	**301,921**	**4,558**	**23,162**	**(4,222)**	**(242,244)**	**83,175**

29. DEFERRED TAXATION

No provision for deferred taxation has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2010: Nil).

At the end of the reporting period, the Group has estimated tax losses of approximately HK$203,266,000 (2010: HK$28,454,000) that are available for offsetting against future taxable profits of the Group. No deferred tax asset has been recognised due to the unpredictability of the future profit streams.

At the end of the reporting period, the Company has estimated tax losses of approximately HK$203,266,000 (2010: approximately HK$28,448,000) that are available for offsetting against future taxable profits of the Group. No deferred tax asset has been recognised due to the unpredictability of the future profit streams.

30. NET ASSETS VALUE PER SHARE

As at 31 December 2011, the net assets value per share is HK$0.096 (2010: HK$0.254).

The calculation of net assets value per share is based on the net assets of approximately HK$176,474,000 (2010: HK$301,197,000) and 1,842,661,000 (2010: 1,185,551,000) ordinary shares in issue as at 31 December 2011.

31. DISPOSAL OF A SUBSIDIARY

On 5 December 2011, the Company entered into a sales and purchase agreement with Ms. Huang Li Sha, an independent third party to dispose 100% entire equity interest and the amount due to the Company of Kingford Global at a total consideration of HK$7.8.

The net liabilities of Kingford Global at the disposal were as follows:

	HK$'000
Investment in a jointly controlled entity	2,083
Cash in hand	—
Accruals	—
Amounts due to the Company	(9,010)
Net liabilities disposed of	(6,927)
Amount due to the Company disposed	9,010
Loss on disposal of a subsidiary	(2,083)
	—
Total consideration satisfied by cash	—
Net cash inflow arising on disposal	—

For the period from 1 January 2011 to the date of disposal, no revenue contributed by Kingford Global and loss of approximately HK$7,036,000 has recognised in the Group's loss for the year ended 31 December 2011.

31. DISPOSAL OF A SUBSIDIARY *(Continued)*

On 24 November 2010, the Group disposed Frameway Investments Limited ("Frameway") which is an investment holdings company at a total consideration of HK$1,500,000.

The net liabilities of Frameway at the disposal were as follows:

	HK$'000
Available-for-sale financial assets	1,934
Other receivable	(5)
Amounts due to the Group	(5,678)
	(3,749)
Release of available-for-sale financial asset equity reserve	3,769
Less: amount due to the Group	5,678
Loss on disposal of a subsidiary	(4,198)
	1,500
Total consideration satisfied by cash	1,500
Net cash inflow arising on disposal	1,500

For the period from 1 January 2010 to the date of disposal, no revenue contributed by Frameway and loss of approximately HK$6,000 has recognised in the Group's profit for the year ended 31 December 2010.

32. OPERATING LEASE COMMITMENTS

The Group and the Company

As lessee

As at the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011 HK$'000	2010 HK$'000
Within one year	**3,750**	2,361
In the second to fifth years, inclusive	**8,333**	1,428
	12,083	3,789

The Group leases office properties under operating lease arrangement and the lease payments are fixed and pre-determined.

33. MATERIAL RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, during the year ended 31 December 2010 and 2011, the Group had entered into transactions with, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business.

	2011 *HK$'000*	2010 *HK$'000*
Investment management expense to related parties (a)	148	402
Consultancy expenses to a related party (b)	252	—
Expenses paid to a jointly controlled entity (c)	612	—
Management service income received from a jointly controlled entity (c)	993	—
Interest income from a related party (d)	485	—
Available-for-sales financial assets issued by a related party (d)	12,670	—
Interest receivable from a related party (included in other receivables) (d)	602	—

(a) In November 2010, the Investment Management Agreement (the "IM Agreement") entered into between the Company and Beijing Capital Partners Limited ("Beijing Capital"), in relation to the management of the Company's investment portfolio and to avail the Company of the experience, advice and assistance of the investment manager for a term of one year commencing on 16 November 2010 and terminating on 15 November 2011 at a management fee of HK$400,000 per annum. Mr. Wu Tse Wai, Frederick is the director of the Company and Beijing Capital. In addition to, the Company and Beijing Capital has mutually agreed to terminate the IM Agreement with effect from 16 May 2011.

(b) Beijing Capital has switched from providing investment management service to consultancy services since 27 May 2011.

(c) The jointly controlled entity is New Sakai Hong Kong Limited and Mr. Wong Danny F. is the director of the Company and New Sakai Hong Kong Limited.

(d) Mr. Wong Danny F. is the director of the Company and Premium Castle.

Key management compensation

	2011 *HK$'000*	2010 *HK$'000*
Salaries and other short-term employee benefits	4,474	2,245
Employer's contribution to pension scheme	36	24
	4,510	2,269

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

34. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to an ordinary resolution duly passed at an extraordinary general meeting of shareholders dated 27 August 2007, the then existing share option scheme was terminated, and a new share option scheme was adopted accordingly. At the date of termination of existing share option scheme, there were no options remained outstanding.

With reference to the terms and conditions of the new share option scheme (the "Share Option Scheme") adopted by the Group on 27 August 2007, the purpose of the Share Option Scheme, in principle, is to enable to Group to motivate participants for their significant contributions to the growth of the Group and to retain and maintain on-going business relationship with such participants whose contributions are or will be beneficial to the long term growth of the Group, it is important for the Group to provide for them, where appropriate, with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the Group's long term success and prosperity. The principal terms of the Share Option Scheme are as follows:

(i) The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme of the Company must not in aggregate exceed ten percent (10%) of the aggregate of the shares in issue as at the adoption date unless refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and all outstanding options granted and yet to be exercised under any other scheme should not exceed thirty percent (30%) of the shares in issue from time to time.

(ii) The total number of shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed one percent (1%) of the issued share capital of the Company for the time being.

(iii) The subscription price shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

(iv) An option may be accepted by an eligible participant within 28 days from the date of offer of the option. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant of the option.

(v) The Share Option Scheme will remain valid for a period of 10 years commencing on 27 August 2007.

Upon the share consolidation becoming effective on 14 September 2010, the number and exercise price of share options has been adjusted. The 8,736,000 outstanding share options entitling the holders to subscribe for 8,736,000 ordinary shares with an exercise price of HK$0.38 immediately before the share consolidation has been adjusted to 1,747,200 share options entitling the holders to subscribe for 1,747,200 ordinary shares and the exercise price of the share options has been adjusted to HK$1.90. Details of the adjustment of share options have been disclosed in the announcement dated 14 September 2010.

On 18 April 2011, the Company granted 116,700,000 share options to eligible person to subscribe for up to 116,700,000 ordinary shares with exercise price of HK$0.189 within the exercisable period, under the Share Option Scheme of the Company adopted on 27 August 2007.

At 31 December 2011, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 118,447,200 (2010: 1,747,200), representing 6.4% (2010: 0.1%) of the shares of the Company in issue at that date.

In accordance with the terms of the share-based arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, (iii) and the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2007 to 26 August 2017.

The fair value of the share options granted during the year ended 31 December 2007 was HK$0.11 each. Options were priced using a binomial option pricing model.

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Inputs into the model

Grant date share price	HK$0.255
Exercise price	HK$1.90
Expected volatility	83.5%
Option life	10 years
Dividend yield	0%
Risk-free interest rate	3.525%
Exercise multiple	1.2

Expected volatility was determined by using the historical volatility of the comparable companies share price over the previous 156 weeks.

The fair value of the share options granted during the year ended 31 December 2011 was HK$0.03 each. Options were priced using a binomial option pricing model.

Inputs into the model

Grant date share price	HK$0.081
Exercise price	HK$0.890
Expected volatility	88.71%
Option life	6.4 years
Dividend yield	0%
Risk-free interest rate	2.210%
Exercise multiple	1.2

Expected volatility was determined by using the historical volatility of the comparable companies share price over the previous 331 weeks.

The binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's share options held by directors and employees during the year ended 31 December 2011:

	Number of share options							
	Outstanding at 1 January 2011	Granted during year	Exercised during year	Lapsed during year	Outstanding at 31 December 2011	Exercise Price *(HK$)*	Date of grant	Exercisable period *(Note)*
Directors								
Mr. Wong Danny F.	218,400	—	—	—	218,400	1.90	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	—	1,160,000	—	—	1,160,000	0.189	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Wu Tse Wai, Frederick	218,400	—	—	—	218,400	1.90	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	—	1,160,000	—	—	1,160,000	0.189	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Fong Chi Wah	218,400	—	—	—	218,400	1.90	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	—	1,160,000	—	—	1,160,000	0.189	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Ms. Yang XiaoFeng	218,400	—	—	—	218,400	1.90	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	—	1,160,000	—	—	1,160,000	0.189	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Char Shik Ngor, Stephen	218,400	—	—	—	218,400	1.90	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	—	1,160,000	—	—	1,160,000	0.189	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Liu Jin	218,400	—	—	—	218,400	1.90	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	—	1,160,000	—	—	1,160,000	0.189	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Lui Tin Nang	—	1,160,000	—	—	1,160,000	0.189	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Wong Sin Lai	—	1,160,000	—	—	1,160,000	0.189	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
	1,310,400	9,280,000	—	—	10,590,400			
Employees	—	33,270,000	—	—	33,270,000	0.189	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Resigned director *(Note ii)*	436,800	—	—	—	436,800	1.90	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
Other eligible participants	—	74,150,000	—	—	74,150,000	0.189	18 Apr 2011	18 Apr 2011 to 26 Aug 2 017
	1,747,200	116,700,000	—	—	118,447,200			
Weighted average exercise price	HK$1.90	HK$0.189	—	—	HK$0.214			

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's share options held by directors and employees during the year ended 31 December 2010:

	Number of share options										
	Outstanding at 1 January 2010	Granted during year	Exercised during year	Lapsed during year	Reclassified during year	Adjustment during the year *(Note iii)*	Outstanding at 31 December 2010	Exercise price at 1 January 2010 *(HK$)*	Exercise price at 31 December 2010 *(HK$)*	Date of grant	Exercisable period *(Note i)*
Directors											
Mr. Wong Danny F.	1,092,000	–	–	–	–	(873,600)	218,400	0.38	1.90	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
Mr. Wu Tse Wai, Frederick	1,092,000	–	–	–	–	(873,600)	218,400	0.38	1.90	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
Mr. Fong Chi Wah	1,092,000	–	–	–	–	(873,600)	218,400	0.38	1.90	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
Ms. Yang XiaoFeng	1,092,000	–	–	–	–	(873,600)	218,400	0.38	1.90	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
Mr. Char Shik Ngor, Stephen	1,092,000	–	–	–	–	(873,600)	218,400	0.38	1.90	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
Mr. Fung Kwok Leung	1,092,000	–	–	–	(1,092,000)	–	–	0.38	–		
Mr. Liu Jin	1,092,000	–	–	–	–	(873,600)	218,400	0.38	1.90	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	7,644,000	–	–	–	(1,092,000)	(5,241,600)	1,310,400				
Employees	5,460,000	–	–	(5,460,000)	–	–	–	0.38	–		
Resigned director *(Note ii)*	1,092,000	–	–	–	1,092,000	(1,747,200)	436,800	0.38	1.90	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	14,196,000	–	–	(5,460,000)	–	(6,988,800)	1,747,200				
Weighted average exercise price	HK$0.38	–	–	HK$0.38	HK$1.90	–	HK$1.90				

The options outstanding at 31 December 2011 had the weighted average remaining contractual life of 5.65 years (2010: 6.65 years).

Notes:

(i) In accordance with the terms of the share-based arrangement, (i) a maximum of 30% options are exercisable from the date of grant; (ii) a maximum of another 30% options, plus any options being unexercised in (i), in aggregate not exceeding 60% of total options granted, are exercisable from 28 November 2008, (iii) and the remaining 40% options, plus any options being unexercised in (i) and (ii), are exercisable from 28 November 2009 to 26 August 2017.

(ii) On 13 April 2010, Mr. Fung Kwok Leung has resigned as independent non-executive directors of the Company. The shares options held by Mr. Fung Kwok Leung was then classified as share options held by resigned director.

(iii) During the year ended 31 December 2010, every five existing issued and unissued shares of HK$0.01 each in a capital of Company was consolidated into one consolidated share of HK$0.05 each. Details of the share consolidation were set out in the Company circular dated 23 August 2010 and the Company's announcements dated 13 September 2010 and 14 September 2010.

35. CAPITAL COMMITMENTS

As at 31 December 2011, the Group and the Company did not have any material capital commitments. (2010: Nil)

36. EVENTS AFTER THE REPORTING PERIOD

The board of directors proposed to effect to which every ten issued and unissued share of HK$0.05 each in the share capital of the Company will be consolidated (the "Share Consolidation") into one consolidated into one consolidated share of HK$0.50 (the "Consolidated Share"). Following the Share Consolidation, the issued and paid up share capital of the Company be reduced (the "Capital Reduction") by cancelling the paid-up capital to the extent of HK$0.49 on each Consolidated Share in issue so that each issued Consolidated Share of HK$0.5 each of the Company be treated as one fully paid-up share of HK$0.01 par value each ("New Share(s)") in the share capital of the Company and any liability of the holders of such shares to make any further contribution to the capital of the Company on each such share shall be treated as satisfied and that the amount of issued capital thereby cancelled be made available for issue of new shares of the Company. Immediately following the Capital Reduction, each authorised but unissued share of the Company of par value of HK$0.50 each shall be sub-divided into fifty New Shares of par value of HK$0.01 each ("Share Subdivision"). The Share Consolidation, Share Reduction and Share Subdivision was passed by shareholders of the Company at the extraordinary general meeting on 9 December 2011 and will be effective in March 2012.

37. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 16 March 2012.

Financial Summary

Summary of the results, assets and liabilities of the Group for the last five years is as follows:

	For the year ended 31st December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Revenue	**(152,825)**	68,599	(12,449)	(17,936)	(1,361)
(Loss)/profit before income tax	**(185,468)**	40,760	(33,034)	(27,484)	(5,222)
Income tax expense	**—**	—	—	—	—
(Loss)/profit attributable to owners of the Company	**(185,468)**	40,760	(33,034)	(27,484)	(5,222)

	As at 31st December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**177,376**	302,959	103,540	27,176	54,429
Total liabilities	**(902)**	(1,762)	(379)	(221)	(507)
Shareholders' fund	**176,474**	301,197	103,161	26,955	53,922