CIAM Group Limited
事安集團有限公司 HKSE 0378

Subsidiary of CITIC International Assets Management Limited

GREEN and GROWTH

ANNUAL REPORT 2011

Contents

Corporate Information

Board of Directors

Dou Jianzhong *(Chairman)*
Lo Wing Yat Kelvin
(Executive Vice-chairman and Chief Executive Officer)
Scott Anderberg Callon*
Lu Zhicheng*
Graham Roderick Walker*
Wong Yau Kar David*
Zhao Tieliu*
Hung Chi Yuen Andrew**
Sit Fung Shuen Victor**
Toh Hock Ghim**

* Non-executive Director
** Independent Non-executive Director

Audit Committee

Hung Chi Yuen Andrew *(Chairman)*
Sit Fung Shuen Victor
Toh Hock Ghim
Graham Roderick Walker

Nomination and Remuneration Committee

Toh Hock Ghim *(Chairman)*
Dou Jianzhong
Hung Chi Yuen Andrew
Sit Fung Shuen Victor

Conflict Committee

Sit Fung Shuen Victor *(Chairman)*
Hung Chi Yuen Andrew
Toh Hock Ghim

Company Secretary

Wong Yuen Ching Kyna

Auditors

KPMG

Registered Office

Canon's Court, 22 Victoria Street,
Hamilton HM 12, Bermuda.

Principal Place of Business in Hong Kong

23rd Floor, Bank of America Tower,
12 Harcourt Road, Central, Hong Kong.
Tel: (852) 2843 0290
Fax: (852) 2525 3688

Principal Share Registrar in Bermuda

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road,
Pembroke HM 08, Bermuda.

Branch Share Registrar and Transfer Office in Hong Kong

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Hong Kong.
Tel: (852) 2862 8628
Fax: (852) 2865 0990

Stock Code

378

Website

www.ciamgroup.com

Board of Directors

Dou Jianzhong
Chairman

- Has extensive experience in the banking and finance industry, and was granted the prestigious title of "Senior Economist" by CITIC Group
- Aged 57. Appointed as a Director and elected as the Chairman on 31 May 2008, and also a member of the Nomination and Remuneration Committee of the Company
- Executive Director of CITIC Group Corporation
- Executive Director and Vice President of CITIC Limited
- Chairman, CEO of CITIC Holdings Limited
- Non-executive Director of China CITIC Bank Corporation Limited, shares of which are listed on the Hong Kong Stock Exchange
- Executive Director and Chief Executive Officer of CITIC International Financial Holdings Limited
- Director of CITIC International Assets Management Limited
- Chairman of CITIC Bank International Limited
- Chairman of CITIC Prudential Life Insurance Co., Ltd.
- Graduated from the University of International Business and Economics, Beijing in 1979 and obtained a Master Degree in Economics from Liao Ning University

Lo Wing Yat Kelvin
Executive Vice-chairman and Chief Executive Officer

- Has a well-seasoned legal background which specialised in banking and project financing primarily in the PRC
- Aged 53. Appointed as an Executive Director on 23 April 2008, and also designated as the Executive Vice-chairman and Chief Executive Officer of the Company on 31 May 2008
- Director and Chief Executive Officer of CITIC International Assets Management Limited
- Director and Managing Director of CITIC International Financial Holdings Limited
- Executive Director of Sinopoly Sky Battery Limited and Independent Non-executive Director of Winteam Pharmaceutical Group Limited, both being companies whose shares are listed on the Hong Kong Stock Exchange
- Worked in the Bank of China Hongkong-Macau Regional Office as an in-house Counsel and was a partner of Messrs Linklaters
- Graduated from The University of Hong Kong with a Bachelor's Degree in Laws and obtained his legal qualification in 1984 as a Solicitor of the Supreme Court of Hong Kong and subsequently, as a Solicitor of the Supreme Court of England and Wales in 1989

- Chairman of JASDAQ-listed Ichigo Group Holdings Co., Ltd.
- Aged 47. Appointed as a Non-executive Director of the Company on 25 August 2011
- Director of CITIC International Assets Management Limited
- Previously the Managing Director, Head of Equities, and member of the Executive Committee of Morgan Stanley Japan, Chairman of the Foreign Securities Council of the Japan Securities Dealers Association (JSDA), and Chief Executive Officer of PCA Asset Management of the UK Prudential Group
- Graduated from the Woodrow Wilson School, Princeton University in 1986 (Phi Beta Kappa and summa cum laude (highest honors)) and has a Ph.D. in Political Science from Stanford University
- A Chartered Financial Analyst (CFA)

Scott Anderberg Callon

Non-executive Director

- Has over 30 years' experience in professional teaching, management and investment
- Aged 63. Appointed as a Non-executive Director of the Company on 15 July 2009
- Currently the Vice Chairman and President of Tsinghua Tongfang Co., Ltd. ("THTF") (listed on the Shanghai Stock Exchange), in charge of the high level management functions including strategic planning, financing, investment and coordination with the government authorities
- Board Chairman of Tellhow Sci-Tech Co. Ltd (listed on the Shanghai Stock Exchange) and Tangshan Jingyuan Yufeng Electronics Co., Ltd. (listed on the Shenzhen Stock Exchange)
- Board Chairman and Non-executive Director of Technovator International Limited (listed on Hong Kong Stock Exchange)
- Started his professional career in Tsinghua University, both in education and scientific research in the field of computer controlled artificial environment, and his research results had been confirmed by winning various provincial, ministerial and national technological progress awards during the period
- One of the founders of Beijing Tsinghua Artificial Environmental Engineering Co. which was established in 1989. In 1997, this company was restructured with some other companies holding by Tsinghua University and formed THTF. THTF became a comprehensive company engaging in the business of computer, information applications, environmental protection and digital media
- Obtained his Bachelor and Master's degrees in Thermal Engineering from Tsinghua University and was a professor of Tsinghua University

Lu Zhicheng

Non-executive Director

- Worked in Europe, North America and Asia, has a wide range of experience in banking and financial services
- Aged 65. Appointed as a Non-executive Director and a member of the Audit Committee of the Company on 1 July 2008
- Director of CITIC International Assets Management Limited
- Director of Faysal Bank Limited
- Previously the Finance Director of Ithmaar Bank B.S.C.
- Held various senior management positions with a number of major international financial institutions, including The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Foreign & Colonial Management Limited
- Member of the Institute of Chartered Accountants of Scotland

Graham Roderick Walker
Non-executive Director

- Has extensive experience in direct investments and corporate finance
- Aged 54. Appointed as a Non-executive Director of the Company on 15 July 2009
- Currently the Managing Director of United Overseas Investments Limited, an Independent Non-executive Director of Media China Corporation Limited and China WindPower Group Limited (both companies whose shares are listed on the Hong Kong Stock Exchange)
- Obtained his Ph. D in Economics from University of Chicago and previously served as an Economist at the Federal Reserve Bank of Philadelphia

Wong Yau Kar David
Non-executive Director

Zhao Tieliu
Non-executive Director

- Currently an Executive Director and Managing Director of Sanyuan Group Limited
- Aged 54. Appointed as a Non-executive Director of the Company on 15 July 2009
- President of Weida Applied Technology Company Limited (listed on the Shenzhen Stock Exchange) from early 2001 to the end of 2003 and was responsible for overseeing its operation and formulating its overall corporate strategy
- Held positions in Tianjin University of Finance and Economics as lecturer, the Department of Accounting as deputy dean, and as division director of the Futures Supervision Division and Intermediary Supervision Division of China Securities Regulatory Commission at the Tianjin Regulatory Bureau
- Graduated from Tianjin University of Finance and Economics with a Bachelor degree of Economics in 1984 and obtained a Master degree in Business Administration from Oklahoma City University, USA in 1990

Hung Chi Yuen Andrew
Independent Non-executive Director

- Practising Certified Public Accountant, an associate member of Hong Kong Institute of Certified Public Accountants, a fellow member of The Chartered Association of Certified Accountants
- Aged 43. Appointed as the Company's Independent Non-executive Director, the Chairman of the Audit Committee, a member of the Conflict Committee and a member of the Nomination and Remuneration Committee on 1 July 2008
- Currently the Director of Norton Rowland CPA Limited and an independent non-executive director of AKM Industrial Company Limited (listed on the Hong Kong Stock Exchange)
- Previously worked in UBS Investment Bank for 7 years as business unit controller
- Received his professional training in Deloitte Touche Tohmatsu during the period from 1991 to 1993
- Holds a Bachelor's Degree of Arts (Hons) in Accountancy from The Hong Kong Polytechnic University and a Master's Degree of Applied Finance from University of Western Sydney

Sit Fung Shuen Victor
Independent Non-executive Director

- Founding Director of the Advanced Institute for Contemporary China Studies of Hong Kong Baptist University
- Aged 64. Appointed as the Company's Independent Non-executive Director, the Chairman of the Conflict Committee, a member of the Audit Committee and a member of the Nomination and Remuneration Committee on 1 July 2008
- Independent Non-executive Director of Asia Energy Logistics Group Limited, whose shares are listed on the Hong Kong Stock Exchange
- Professor of the Department of Geography from 1977 to 2007 and the Head of Department of Geography and Geology from 1993 to 1998 of The University of Hong Kong
- The Honorary Professor of a number of renowned universities including Peking University, Zhongshan University, Jinan University and Xian Jiaotung University in mainland China
- Professional and community services:
  - Advisor to City Planning Commission of Shenzhen Municipal Government of the PRC (since 1988)
  - Advisor to City Planning Commission of Sanmin Municipal Government of Fujian Province of the PRC (since 1991)
  - Deputy of the National People's Congress of the PRC (1993–2008)
  - Advisor to the Governor of Guangdong Province of the PRC (2000–2005)
  - Former Member of the Preparatory Committee of the Hong Kong Special Administrative Region ("SAR") of the National People's Congress of the PRC; Port and Marine Board, Committee on Port and Harbour Development, the Port Development Board of the Hong Kong SAR Government

Toh Hok Ghim
Independent Non-executive Director

- Aged 69. Appointed as the Company's Independent Non-executive Director, the Chairman of the Nomination and Remuneration Committee, a member of the Audit Committee and a member of the Conflict Committee on 1 July 2008
- Joined the Ministry of Foreign Affairs of Singapore in October 1966 with diplomatic postings to Malaysia, the Philippines, Thailand, Vietnam and the Hong Kong Special Administrative Region ("SAR") and Macau SAR
- Ambassador to Vietnam from January 1994 to January 2002 and the Consul-General of the Consulate Generals in the Hong Kong SAR and the Macau SAR from February 2002 to December 2007
- Appointed as the Senior Advisor to the Ministry of Foreign Affairs upon retirement from the foreign service at the end of 2007
- Chairman of Equation Corporation Limited and WesTech Electronics Limited, both being Singapore-listed companies
- Obtained his Bachelor's Degree of Arts (Political Science) from National University of Singapore

Chairman's Statement

On behalf of the Board of Directors and the Management, I would like to present the annual report with the final results and the audited financial statements of CIAM Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

The world's economy faced a mixed circumstances in 2011. Together with the slowing down of the global economic growth, the international financial market was also in turmoil. The drastic changes in the world's economic environment have posed challenges to the Group's investment activities. For cautious' sake, the Group made provision for specific investment where the circumstances warranted, with a view to enhancing its ability to mitigate the risk. Leveraging on the strength and expertise of the shareholders, the Board directed the management to intensify the overall analysis in "Green and Growth" philosophy. Upon in-depth exploration, the Group reinforce the "Green and Growth" philosophy with a focus in the areas of "Clean energy" and "Energy conservation", and also optimised the allocation of the Group's available resources and further improved the investment framework with encouraging results.

The uncertainties and volatility in the recovery of the global economy straddle in 2012. However, given the acceleration of industrialisation and urbanisation in the mainland China, opportunities will arise. The mainland China is expected to maintain steady and brisk growth. Besides, numerous business opportunities are foresee to emerge from "Clean energy" and "Energy conservation". The Group have been actively exploring investment projects in these areas and to nurture new profit generators and ensure robust development for the Group in the volatile economic environment.

I would like express my heartfelt gratitude to all shareholders for their support for the Group. We will continue to leverage the strength of the Group and shareholders in order to intensify the business transformation and enhance our value in the market. We are committed to make a breakthrough and create sustainable value for shareholders and rewarding shareholders and stakeholders for their continuous support.

Dou Jianzhong
Chairman

Management Discussion and Analysis

Business review for 2011

2011 has been a difficult year for the global economy as the world faced complex issues as well as a series of costly natural disasters. The Chinese economy was going through a tough process of structural adjustments and dealing with reduced exports, inflationary pressures and excess capacity. CIAM Group Limited (the "Company") and its subsidiaries (collectively the "Group") found its operating environment become more challenging than ever. During the period under review, the Group has taken a conservative stand in investing new project, but certain investment in its existing portfolio have been adversely affected by the rigorous industry environment. In particular, the Group has to make an impairment provision of HK$134 million on a loan to a wind blade manufacturer whose business has been severely affected by the consolidation in the People's Republic of China ("PRC") wind equipment sector and the liquidity tightening policy of the Central government.

Investment in environmental friendly businesses

In January 2011, the Group committed US$5 million (equivalent to about HK$39 million) to subscribe in different tranches for a maximum of 1,500 Series B Preferred Shares in UPC Renewables China Holdings Ltd. ("UPC"), a renewable energy producer specifically focusing in wind energy development with 150MW wind farm projects in construction and a 7GW development pipeline. The Group expects this investment in UPC will bring valuable and profitable return once its wind projects gradually commence operation in the longer run, generating stable and reasonable return for the Group's investment.

During 2011, the Group's investment in 華能壽光風力發電有限公司 ("Huaneng Shouguang"), which operates a 49.5MW wind farm in Shandong Province in the PRC, contributed approximately HK$11 million of profit to the Group. The profit contribution from this investment declined by 37% over the same period last year mainly due to lower subsidy from government, higher finance cost and weaker wind resources and hence lower electricity output. Nevertheless, since the project commenced operation in 2009, it has been providing the Group with a satisfying and considerable profit that represented a double-digit annual return on investment. Going forward, the Group will continue to seek for attractive investment opportunities in wind farm or other related segments that can offer long-term and stable profits to the Group.

As at 31 December 2011, the Group held 28 million shares in Sun.King Power Electronics Group Limited ("Sun.King"), a Hong Kong listed company specializing in the manufacturing of high-end electronic components mainly used in railway electric locomotives and power transmission and distribution sector in the PRC. The Group invested in Sun.King as a pre-IPO investment. In April 2011, the 6-month lock-up period of these listed shares has expired. During 2011, Sun.King's share price declined along with the general stock market and resulted in a fair value loss of approximately HK$44 million to the Group. Nevertheless, the Group expects gradual improvement in share price performance in the long-term as the industry prospect and company operation remain solid and intact.

Short-term financing/investment

The Group has provided a RMB100 million loan to Century Energy Pte. Ltd. ("Century Energy"), which holds 99% interest of a wind blade manufacturer located in Dezhou, PRC, for a 24-month period with an annual interest rate of 20%. The loan was made in 2010 with the original intention to acquire Century Energy by phases. According to the agreed payment schedule, Century Energy will make full repayment with interest in August 2012, or the Group can convert the loan into equity stake of Century Energy if the Group decides to proceed with the acquisition. However, the continuous drop in wind blade average selling prices and the industry consolidation since the beginning of 2011 have caused significant adverse impact on Century Energy. Despite the Group's effort to improve the business condition together with the management and other shareholders of Century Energy, the operation performance worsened as production was suspended since early October 2011 due to the lack of orders and liquidity problems arose from its loan repayment commitment. In view of the situation, and after considering the information available and assessment conducted by the management, the Board resolved to make a HK$67 million impairment provision on the loan on 26 August 2011 and another HK$67 million impairment provision on the loan on 18 November 2011, totaling HK$134 million and being 100% of the carrying value of the loan to Century Energy as at 31 December 2011. Nevertheless, the Group keeps in close contact with Century Energy's management and shareholders and together strive to improve the current condition.

Another financing project of the Group is an RMB50 million short-term loan made to a mining company in Yunnan, PRC through entrusted loans and other financing arrangements. The loan contributed approximately HK$20 million of revenue including interest and advisory fee to the Company in 2011 and will mature in October 2012.

Another RMB30 million entrusted loan was made to a PRC company with an expected return of 20% per annum. The loan contributed approximately HK$10 million of revenue including interest and advisory fee to the Company in 2011 and was fully repaid in the first quarter of 2012.

During 2011, the Group has also invested a small portion of funds in a relatively liquid fund managed by an independent asset manager that focuses on product investment in capital markets and treasury products. The management considers to continue this investment in the year ahead in order to enhance the yield of the Group's idle fund while continues to seek for appropriate opportunities at the same time.

Asset under management

As disclosed in the 2011 interim report, the Group announced in May 2011 its decision on disposing the Group's approximately 17% of total units in 中信信逸一號中小企業發展集合資金信托計劃 ("Trust Plan Interests") and 30% equity interest in 河南農開投資基金管理有限責任公司 ("Henan Fund Management Co. Interests"). The disposal of the Trust Plan Interests was completed on 31 October 2011 and the Group recorded a total gain of HK$28 million, comprising a realized profits before tax of HK$11 million representing the difference between the consideration received for the disposal and the carrying value of the Trust Plan Interests as at 31 December 2010, and a revaluation gain before tax of HK$17 million reclassified from available-for-sale fair value reserve accumulated up to 31 December 2010. The disposal of the Henan Fund Management Co. Interests was completed on 31 October 2011 and the Group recorded a gain of HK$1 million, representing the difference between the consideration for the disposal and the carrying value as at disposal date.

2011 Financial Results

For the year ended 31 December 2011, the Group's loss attributable to equity shareholders of the Company amounted to HK$131 million (2010: profit HK$44 million), and loss per share was HK$0.2956 (2010: earnings per share HK$0.0993).

The loss was mainly attributable to a HK$134 million full impairment provision on the carrying value of loan to Century Energy due to worsened operation performance and financial position of the borrower, which has been disclosed by the Company in the announcement dated 18 November 2011. Drop in market price of the listed shares of Sun.King also resulted in a fair value loss of approximately HK$44 million.

Nevertheless, the divestment of the Trust Plan Interests and the Henan Fund Management Co. Interests was completed in the last quarter of 2011 and contributed to gain of HK$29 million in aggregate. The Group also recognized HK$30 million revenue from the entrusted loans investments in the PRC. With more focus on cost control, the net expenses incurred by the Group for the year was lowered to approximately HK$28 million, after net reimbursement of approximately HK$29 million from CIAM Parent according to the Inter-companies Service and Cost Allocation Agreement dated 14 October 2008 ("Former Service Agreement") and the two new Inter-companies Services and Cost Allocation Agreements ("New Services Agreements") made between the parent company, CITIC International Assets Management Limited ("CIAM Parent") and the Company effective from 1 December 2011.

Financial position

As at 31 December 2011, the Group's net assets amounted to HK$561 million, including HK$268 million free cash and HK$65 million pledged bank deposit, which was deployed to pledge against the secured bank loan of HK$61 million. During the year, the Group maintained sufficient liquidity and its net current assets increased to HK$408 million. The net asset per share was HK$1.26 (31 December 2010: HK$1.56).

Currency and interest rate risk exposure

As at 31 December 2011, the Group had no material exposure to foreign exchange and interest rate risk. The majority of the Group's assets were denominated in its functional currency of either Hong Kong Dollars or Renminbi. The secured bank loan of the Group is at fixed interest rate and therefore finance cost is not subject to fluctuation of market interest rate. Nevertheless, the management will closely monitor the risk exposure level and consider if hedging is needed for such exposure.

Contingent liabilities and pledge of assets

As at 31 December 2011, the Group had no contingent liabilities identified.

As at 31 December 2011, the Group pledged HK$65 million deposits with banks in order to secure bank loan of HK$61 million.

Human resources

As the Group is getting more focused on its business and investment strategy, the Group has signed the New Services Agreements to replace the Former Service Agreement upon its expiry on 30 November 2011 with CIAM Parent, for a more efficient human resources structure for the Group under current operation and business model. The new human resources arrangement aims to reduce the headcount of the Group to its minimal and leverage CIAM Parent resources to support its administrative functions on costs sharing basis. The Group currently engaged approximately 12 employees responsible for management, business development and investment activities, as well as including a few for core operational support functions like finance and company secretary. The management is trying their best to control costs and will consider increasing headcounts only when there is a genuine business need. The Group will leverage the operational infrastructure resources from its major shareholder, CIAM Parent, in this transitional period until the Group has a more mature business model which will be cost efficient to have its own team on every function.

Regarding the compensation to employees, we continued to engage an independent consultancy firm to provide market data on salary and compensation under financial industry. The Group and the management annually review the compensation approach and reward level to staff, aiming to best align with the market, on the top of performance consideration.

Internal control

The Group has engaged BDO Financial Services Limited to provide internal audit services on a regular basis to ensure our policies and procedures are implemented in a quality level with strong management and control to minimize operational risks. The result of current year review was satisfactory and there was no exception or deficiency in control areas under review.

Our "Green" road map

Although the current consolidation in the wind industry in mainland China has negatively affected the Group's performance in 2011, the Group continues to believe the "Green and Growth" approach is set to prosper in longer term. Clean energy development is an inevitable trend in the globe and the Central government has firmly committed to promote renewable energy for various obvious reasons. One of our major challenges is to achieve this long-term goal, by aligning with mainland domestic policy changes in medium term, and to cope with the current industry consolidation, capital market volatility, tight liquidity and etc. in our execution process.

In 2012, while the Group remains cautiously conservative in making new investments, it continues to leverage its parent company's extensive business network and place greater emphasis on building strategic alliance and further collaboration with major players in the "Green" arena to complement the strengths of current major shareholders. With a goal to maximize shareholder values, the Group will continue to identify and source quality investment opportunities in "Green" projects with sustainable growth and return in order to enhance the value of the Group's investment portfolio.

Corporate Governance Report

CIAM Group Limited (the "Company") is committed to maintaining high standards of corporate governance. Throughout the year ended 31 December 2011, the Company has complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save for the deviations discussed in the relevant paragraphs below.

(A) Directors' Securities Transactions

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 as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of the Directors of the Company, all Directors of the Company have complied with the required standard as set out in the aforesaid model code throughout the year of 2011.

(B) Board of Directors

Composition and Role

The Board of Directors (the "Board") comprised of ten members, consisting of the Chairman, the Executive Vice-chairman, five Non-executive Directors and three Independent Non-executive Directors. All the Independent Non-executive Directors confirmed that they have met the criteria of Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence. The name and brief biographical details of the Directors are shown in the "Board of Directors" section of this Annual Report.

The Board is responsible for overseeing the strategic development of the Company and its subsidiaries (the "Group") and for determining the objectives, strategies, policies and business plan of the Group. It has delegated the responsibility of the day-to-day operation and management to the Management of the Company. In addition to its overall supervisory role, the Board retains specific responsibilities such as approving specific senior appointments, approving financial accounts, recommending dividend payments, approving capital raising activities, approving policies and codes as required by regulators, etc.

Directors have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable rules and regulations, are followed. Directors, should they believe it to be necessary, may also seek independent professional advice at the Company's expense.

Board Meetings

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategy, operation and financial performance. Each Director may request the inclusion of matters in the agenda for Board meetings. The Chairman also ensures that all Directors are supplied with adequate information in a timely manner before each meeting and that all Directors are properly briefed on issues arising at Board meetings. Senior executives of the Group are invited to attend the Board meetings to present and answer any enquiries raised by the Directors. At all times the Board and each Director have separate and independent access to the Company's senior executives for the purpose of obtaining additional information.

During the year ended 31 December 2011, four board meetings were held. The attendance record of individual Directors is set out below. Figure in brackets indicates maximum number of meetings in the period in which the individual was a Director of the Company.

Name	Attendance
Chairman	
Dou Jianzhong	4/(4)
Executive Vice-chairman	
Lo Wing Yat Kelvin	4/(4)
Non-executive Directors	
Scott Anderberg Callon (appointed on 25 August 2011)	2/(2)
Lu Zhicheng	3/(4)
Graham Roderick Walker	4/(4)
Wong Yau Kar David	4/(4)
Zhao Tieliu	2/(4)
Independent Non-executive Directors	
Hung Chi Yuen Andrew	4/(4)
Sit Fung Shuen Victor	4/(4)
Toh Hock Ghim	4/(4)
Ex Directors	
Carolyn Anne Prowse (resigned on 15 July 2011)	0/(2)
Yip Chi Chiu (resigned on 25 August 2011)	2/(2)

The Company Secretary is responsible for taking minutes of the Board meetings and meetings of the Board Committees. The minutes record in sufficient details the matters considered by the Board and the Board Committees, decisions reached, including any concerns raised by Directors or dissenting views expressed. All such minutes are kept by the Company Secretary and are available for inspection by the Directors upon request.

Chairman and Chief Executive Officer

Mr. Dou Jianzhong is the Chairman and Mr. Lo Wing Yat Kelvin is the Chief Executive Officer ("CEO") of the Company. The roles of Chairman and CEO are segregated. The Chairman is responsible for the leadership and effective running of the Board, and for ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, while the CEO, supported by other Board members and the senior management, is responsible for the day-to-day management of the Group's business, including the implementation of major strategies and initiatives adopted by the Board.

Non-executive Directors

The Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company are not appointed for such a specific term. Instead, same as for all other Directors of the Company, the Non-executive Directors are subject to the retirement by rotation at least once every three years and are eligible for re-election at the annual general meetings in accordance with the Bye-laws of the Company. The Directors believe that subjecting the Non-executive Directors to retirement by rotation and re-election achieves the intended aims of the Code.

(C) Nomination and Remuneration Committee

The Company has set up a Nomination and Remuneration Committee (the "N&R Committee") in July 2008 which comprises the three Independent Non-executive Directors and the Chairman of the Company and is chaired by Mr. Toh Hock Ghim.

The roles and responsibilities of the N&R Committee, as set out in its terms of reference, are published on the Company's website. These primarily include: identifying and nominating qualified individuals to the Board for appointment as Directors and the CEO of the Company; making recommendations to the Board on directors' fees; reviewing and approving the policies and mechanism in relation to the appointment or termination of, remuneration or compensation to, and the succession plans for the senior executives of the Company; and reviewing and approving performance based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The members of the N&R Committee shall not vote in decisions concerning each of their own remuneration or any other matters which he has any direct or indirect interest. All Non-executive Directors of the Company have the right to attend the meetings of the N&R Committee. The composition and the terms of reference of the N&R Committee shall be reviewed from time to time.

During the year ended 31 December 2011, one N&R Committee meeting was held. The attendance record of individual members is set out below. Figure in brackets indicates maximum number of meetings in the period in which the individual was a member of the N&R Committee.

Name	**Attendance**
Toh Hock Ghim *(Chairman)*	1/(1)
Dou Jianzhong	1/(1)
Hung Chi Yuen Andrew	1/(1)
Sit Fung Shuen Victor	1/(1)

(D) Internal control

The Board is ultimately responsible for maintaining a sound and effective systems of internal control and risk management of the Group. Procedures have been designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The Investment Committee has been formed to ensure that there are formal and transparent procedures for planning and approving investments for the Group. The Investment Committee meets on an ad hoc basis to review and approve various investment projects to be committed by the Group, and to monitor and assess the risks on the investment projects to ensure that they are in line with the investment strategy and policies of the Company.

BDO Financial Services Limited has been engaged as the internal auditors of the Company to conduct independent examination and evaluation on the adequacy and effectiveness of the Group's internal control system on an on-going basis. The internal auditors develop a risk-based annual audit plan for regular audits for each calendar year. Such audit plan is reviewed and approved by the Audit Committee. The audits cover all material controls, including financial, operational and compliance controls as well as risk management functions. Special audit may be conducted when necessary. The internal auditors report regularly to the Audit Committee about the audit work done as compared with the annual audit plan and highlight any significant findings or issues to the Audit Committee. The Audit Committee will then review the findings and report to the Board for attention and appropriate action.

(E) Audit Committee

The current composition of the Audit Committee consists of the three Independent Non-executive Directors and one Non-executive Director of the Company. Mr. Hung Chi Yuen Andrew, the chairman of the Committee, possesses a professional accountancy qualification and has substantial experience in accounting and financial matters. The authority and duties of the Audit Committee, as set out in the terms of reference, are published on the Company's website.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's internal and external auditors in matters within the scope of the group audit.

The Audit Committee meets regularly with the senior management, the external and internal auditors to consider and discuss the Group's financial reporting process, systems of internal control and compliance. It is also responsible for considering the appointment of the external auditors and the audit fee, and discussing with the external and internal auditors the nature and scope of audit before any audit commences. In addition, it discusses matters raised by the internal auditors and external auditors to ensure that appropriate recommendations are implemented.

During the year ended 31 December 2011, three Audit Committee meetings were held. The attendance record of individual members is set out below. Figure in brackets indicates maximum number of meetings in the period in which the individual was a member of the Audit Committee.

Name	**Attendance**
Hung Chi Yuen Andrew *(Chairman)*	3/(3)
Sit Fung Shuen Victor	3/(3)
Toh Hock Ghim	3/(3)
Graham Roderick Walker	3/(3)

(F) Accountability and Audit

The Directors are responsible for overseeing the preparation of the financial statements for each financial period and for ensuring that they give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the accounts for the year ended 31 December 2011, the Directors, with the assistance of the Management and the external auditors, selected the suitable accounting policies and applied them consistently, approved the adoption of all Hong Kong Financial Reporting Standards which are in conformity to the International Financial Reporting Standards, made judgements and estimates that are prudent, and prepared the accounts on the going concern basis.

Deloitte Touche Tohmatsu acted as the external auditors of the Company in respect of the financial years ended 31 December 2008 and 2009 and retired at the annual general meeting of the Company held on 1 June 2010. In consideration of improving overall efficiency with a more streamlined audit process and reduction in cost in terms of management time and professional fees, KPMG has been appointed as auditors of the Company to fill the casual vacancy following the retirement of Deloitte Touche Tohmatsu with effect from 1 June 2010.

The financial statements of the Company for the year ended 31 December 2011 have been audited by KPMG. For 2011, fees charged by KPMG for audit services amounted to HK$700,000 and for non-audit services (i.e. review of interim financial statements) was HK$240,000.

(G) Communication with Shareholders

The Board adopts an open and transparent communication policy and encourages full disclosure to the public as a way to enhance corporate governance. The Board aims to provide our shareholders and the public with the necessary information for them to form their own judgement on the Company.

In general, the Chairman of the Board should attend annual general meetings to communicate with shareholders relating to the Company's affairs. Nevertheless, the Chairman was not able to attend the Company's annual general meeting held on 15 June 2011 due to an ad hoc overseas engagement and the meeting was chaired by the CEO.

Report of the Directors

The directors present their annual report together with the audited financial statements for the year ended 31 December 2011.

Principal place of business

CIAM Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has its registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business at 23rd Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Principal activities

The Company is an investment holding company. The activities of the principal subsidiaries of the Company are set out in note 17 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year are set out in note 15 to the financial statements.

Financial statements

The result of the Group for the year ended 31 December 2011 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 39 to 127.

Transfer (from)/to reserves

Loss attributable to shareholders, before dividends, of HK$131,453,000 (2010: profit of HK$43,938,000) have been transferred (from)/to reserves. Details of movements in reserves are set out in the consolidated statement of changes in equity.

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

Charitable donations

Charitable donations made by the Group during the year amounted to HK$180,000 (2010: HK$500,000).

Bank loans

Particulars of bank loans of the Company and the Group as at 31 December 2011 are set out in note 28 to the financial statements.

Property, plant and equipment

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

Share capital

Details of the share capital of the Company during the year are set out in note 30(c) to the financial statements. No shares were issued for the year ended 31 December 2011.

Pre-emptive rights

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

Purchase, sale and redemption of the Company's listed securities

During the year ended 31 December 2011, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

Directors

The directors who held office during the year and up to the date of this report are:

Chairman
Dou Jianzhong

Executive Vice-chairman
Lo Wing Yat Kelvin

Non-executive directors

Scott Anderberg Callon (appointed on 25 August 2011)
Lu Zhicheng
Graham Roderick Walker
Wong Yau Kar David
Zhao Tieliu

Independent non-executive directors

Hung Chi Yuen Andrew
Sit Fung Shuen Victor
Toh Hock Ghim

Ms. Carolyn Anne Prowse resigned as Non-executive Director of the Company on 15 July 2011 while Mr. Yip Chi Chiu resigned as Executive Director of the Company on 25 August 2011.

In accordance with Bye-law 86(2) of the Bye-laws of the Company, Mr. Scott Anderberg Callon shall retire from office and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company.

In accordance with Bye-law 87 of the Bye-laws of the Company, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and shall be eligible for re-election. Accordingly, Messrs. Dou Jianzhong, Toh Hock Ghim and Graham Roderick Walker shall retire from office, and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

There is no service contract with the Group, which is not determinable by the Group within one year without payment of compensation (other than normal statutory compensation), in respect of any director proposed for re-election at the forthcoming annual general meeting of the Company.

Confirmation of independence

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers that all the independent non-executive directors are independent in accordance with the term of the independence guidelines set out in Rule 3.13 of the Listing Rules.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As 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 Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange, or as recorded in the register required 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 for Securities Transactions by Directors of Listed issuers ("Model Code") set out in the Appendix 10 to the Listing Rules were as follows:

Name of director/ chief executive	**Number of shares Personal interests**	**Number of underlying shares held under equity derivative** (Note)	**Total**	**Approximate percentage of issued share capital**
Dou Jianzhong	–	2,500,000	2,500,000	0.56%
Hung Chi Yuen Andrew	–	400,000	400,000	0.09%
Lo Wing Yat Kelvin	35,000	3,800,000	3,835,000	0.86%
Lu Zhicheng	–	400,000	400,000	0.09%
Sit Fung Shuen Victor	–	400,000	400,000	0.09%
Toh Hock Ghim	–	400,000	400,000	0.09%
Graham Roderick Walker	–	800,000	800,000	0.18%
Wong Yau Kar David	–	400,000	400,000	0.09%
Zhao Tieliu	–	400,000	400,000	0.09%

Note: These interests represented the interest in underlying shares in respect of the share options granted by the Company under its share options scheme adopted on 12 October 2007 to these directors as beneficial owners, further details of which are set out in note 31 to the financial statements.

Save as disclosed above, as at 31 December 2011, none of the directors or chief executive of the Company or their associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share option scheme

Details of the share option scheme adopted by the Company on 12 October 2007 (the "Scheme") and movements of the share options during the year are set out in note 31 to the financial statements.

Information on the accounting policy for share options granted is provided in note 1(m)(iii) to the financial statements.

Directors' rights to acquire shares or debentures

Save as the Scheme, at no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in contracts of significance

No contract of significance in relation to the Group's business (as defined in the Listing Rules) to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2011, so far as was known to the directors and the chief executive of the Company, the following persons (other than any director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name of shareholder	**Capacity**	**Number of shares held**	**Approximate percentage of issued share capital** (Note a)
Right Precious Limited ("RPL")	Beneficial owner	323,555,154	72.77%
CITIC International Assets Management Limited ("CIAM Parent")	Interest held by controlled corporation (Note b)	323,555,154	72.77%
CITIC International Financial Holdings Limited ("CIFH")	Interest held by controlled corporation (Note b)	323,555,154	72.77%
China CITIC Bank Corporation Limited ("CNCB")	Interest held by controlled corporation (Note b)	323,555,154	72.77%
CITIC Limited	Interest held by controlled corporation (Note b)	323,555,154	72.77%
CITIC Group Corporation ("CITIC Group")	Interest held by controlled corporation (Note b)	323,555,154	72.77%
Dundee Greentech Limited ("Dundee Greentech")	Beneficial owner	44,000,000	9.90%

Name of shareholder	Capacity	Number of shares held	Approximate percentage of issued share capital (Note a)
Dundee Energy Limited ("Dundee Energy")	Interest held by controlled corporation (Note c)	44,000,000	9.90%
Radiant Enterprises Group Limited ("Radiant")	Interest held by controlled corporation (Note c)	44,000,000	9.90%
The Dundee Merchant Bank ("Dundee Merchant")	Interest held by controlled corporation (Note c)	44,000,000	9.90%
Liu Hailong	Interest held by controlled corporation (Note c)	44,000,000	9.90%
Dundee Corporation	Interest held by controlled corporation (Note c)	44,000,000	9.90%

Notes:

(a) The percentages are calculated based on the total number of issued shares of the Company of 444,633,217 shares as at 31 December 2011.

(b) By virtue of the SFO, CIAM Parent, CIFH, CNCB, CITIC Limited and CITIC Group are deemed to be interested in 323,555,154 shares held by RPL. RPL is a wholly-owned subsidiary of CIAM Parent which CIFH owns 40%. CIFH is 70.32% owned by CNCB which, in turn is 61.85% owned by CITIC Group Corporation through its wholly owned subsidiary, CITIC Limited.

(c) Dundee Greentech is a wholly-owned subsidiary of Dundee Energy which, in turn, is 50% owned by Radiant and 50% owned by Dundee Merchant. Radiant is 100% owned by Liu Hailong while Dundee Merchant is 100% owned by Dundee Corporation. By virtue of the SFO, Dundee Energy, Radiant, Dundee Merchant, Liu Hailong and Dundee Corporation are all deemed to be interested in 44,000,000 shares of the Company.

Save as disclosed above, the Company had not been notified and is not aware of any other persons who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2011.

Major customers and suppliers

The Group's turnover represents the aggregate of revenue from the sale and fair value gain/loss of listed and unlisted investments, interest income, dividend income and service income. Accordingly, it is not practical to state the percentage of the sales attributable to the Group's largest customers and percentage of the purchases attributable to the Group's largest suppliers.

Continuing connected transactions

The Group has entered into transactions with CIAM Parent relating to certain services provided to and to be provided by the Group. As CIAM Parent is a substantial shareholder and connected person (as defined under the Listing Rules) of the Company, the entering into of the agreements and the transactions contemplated therein each constitutes continuing connected transactions under Chapter 14A of the Listing Rules. Given the recurring nature of these transactions, a maximum aggregate annual value for each category of transactions ("Annual Cap") has been set by the Company. Details of these transactions are summarised below:

(1) On 14 October 2008, the Company entered into an Inter-companies Service and Cost Allocation Agreement ("Former Service Agreement") with CIAM Parent, pursuant to which the Group would provide certain services to CIAM Parent and its subsidiaries (other than the Group) ("Parent Group") including the investment and asset management services, business development and management services, administration, finance, compliance and operational services (the "General Services") for a term of three years commencing 1 December 2008. The Former Service Agreement was expired on 30 November 2011.

    CIAM Parent would pay the fee in cash for the General Services ("General Services Fee") in accordance with the terms and conditions set out in the Former Service Agreement to the Company during the period when the General Services are provided by the Group to Parent Group. The Annual Caps on the General Services Fee payable by CIAM Parent to the Company were as follows:

    (i) HK$9,000,000 for 1 month ended 31 December 2008;

    (ii) HK$43,000,000 for 12 months ended 31 December 2009;

    (iii) HK$49,000,000 for 12 months ending 31 December 2010; and

    (iv) HK$43,000,000 for 11 months ending 30 November 2011.

As the relevant percentage ratios applicable to the Former Service Agreement exceeded 2.5% and the aggregate annual General Services Fee was expected to be more than HK$10,000,000, the provision of the General Services by the Group and the Annual Caps mentioned above were submitted to and approved by the independent shareholders at the special general meeting of the Company held on 27 November 2008.

The provision of the General Services by the Group was conducted on normal commercial terms determined at arm's length negotiations having considered the estimated utilisation of staff time and number of headcount of the Group providing the General Services. Pursuant to the Former Service Agreement, the aggregate General Services Fee paid and to be paid by CIAM Parent for 11 months ended 30 November 2011 was approximately HK$17,697,000 which did not exceed the Annual Cap mentioned above.

(2) Following the expiry of the Former Service Agreement on 30 November 2011, the Company has entered into two new agreements with CIAM Parent on 28 November 2011 and its details have been disclosed in the Company's announcement dated 28 November 2011. The principal terms and conditions are summarised as below:

(a) Inter-companies Services and Cost Allocation Agreement dated 28 November 2011 for the provision of the Parent Group Services (as defined below) ("Parent Group Services Agreement")

Duration: The Parent Group Services Agreement is for a term of two years and one month from 1 December 2011 to 31 December 2013.

Services: The Parent Group provides the business development and management services to the Group ("Parent Group Services").

Fees to be paid: The Company will pay the fee for the Parent Group Services ("Parent Group Services Fee") to CIAM Parent for one month ended 31 December 2011 and thereafter every six months on a cost basis. The Parent Group Services Fee will be a sum equal to a portion of the total remuneration of the employees of the Parent Group calculated based on a pre-agreed estimation of time to be spent by such employees on the provision of the Parent Group Services. Such estimation of time will from time to time be subject to review by the Company and CIAM Parent and be adjusted according to the actual circumstances where necessary. All disbursements incurred by the Parent Group in relation to the provision of the Parent Group Services will be reimbursed by the Company to CIAM Parent on a dollar for dollar basis.

Annual Caps for the Parent Group Services Fee are as follows:

(i) HK$2,000,000 for 1 month ended 31 December 2011;

(ii) HK$6,000,000 for 12 months ending 31 December 2012; and

(iii) HK$7,000,000 for 12 months ending 31 December 2013.

(b) Inter-companies Services and Cost Allocation Agreement dated 28 November 2011 for the provision of the Listed Group Services (as defined below) ("Listed Group Services Agreement")

Duration: The Listed Group Services Agreement is for a term of two years and one month from 1 December 2011 to 31 December 2013.

Services: The Group provides the investment and asset management services to the Parent Group ("Listed Group Services").

Fees to be received: CIAM Parent will pay the fee for the Listed Group Services ("Listed Group Services Fee") to the Company for one month ended 31 December 2011 and thereafter every six months on a cost basis. The Listed Group Services Fee will be a sum equal to a portion of the total remuneration of the employees of the Group calculated based on a pre-agreed estimation of time to be spent by such employees on the provision of the Listed Group Services. Such estimation of time will from time to time be subject to review by the Company and CIAM Parent and be adjusted according to the actual circumstances where necessary. All disbursements incurred by the Group in relation to the provision of the Listed Group Services will be reimbursed by CIAM Parent to the Company on a dollar for dollar basis.

Annual Caps for the Listed Group Services Fee are as follows:

(i) HK$2,000,000 for 1 month ended 31 December 2011;

(ii) HK$6,000,000 for 12 months ending 31 December 2012; and

(iii) HK$7,000,000 for 12 months ending 31 December 2013.

As each of the relevant percentage ratios applicable to the transactions contemplated under the Parent Group Services Agreement and the Listed Group Services Agreement is less than 25% and each of the Annual Caps is less than HK$10,000,000, these transactions are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For one month ended 31 December 2011, the Parent Group Services Fee payable by the Company to CIAM Parent was approximately HK$42,000 while the Listed Group Services Fee payable by CIAM Parent to the Company was approximately HK$162,000, both of which did not exceed the Annual Caps mentioned above.

(3) Annual Review of Continuing Connected Transactions

Pursuant to Rule 14A.38 of the Listing Rules, the external auditors of the Company were engaged to perform certain agreed upon procedures in respect of the transactions under the Former Service Agreement, the Parent Group Services Agreement and the Listed Group Services Agreement which were entered into by the Group during the year ended 31 December 2011. The external auditors have reported their factual findings arising from these procedures to the Board of Directors.

Pursuant to Rule 14A.37 of the Listing Rules, the Independent Non-executive Directors have reviewed the above-mentioned transactions, which constituted continuing connected transactions under the Listing Rules, and confirmed that the transactions were entered into by the Group in its ordinary course of business, on normal commercial terms or on terms no less favourable than terms available to or from independent third parties, if identified, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Related party transactions

Details of the related party transactions undertaken in normal course of business are set out in note 37 to the financial statements. In relation to those related party transactions that constituted connected transactions under the Listing Rules, they have complied with applicable requirements in accordance with the Listing Rules.

Disclosure under Rules 13.13 and 13.20 of the Listing Rules

During the year ended 31 December 2011, the Group has provided the following loans, each of which constituted an advance to an entity discloseable under Rules 13.13 and 13.20 of the Listing Rules as the transaction amount of each loan exceeded 8% under the asset ratio as defined under Rule 14.07 of the Listing Rules as at 31 December 2011.

(a) Pursuant to the Loan Agreement dated 11 August 2010 executed between Common Ray Limited ("Common Ray"), a wholly owned subsidiary of the Company, and Century Energy Pte. Ltd. ("Century Energy"), Common Ray has provided to Century Energy a loan in the principal amount of RMB100,000,000 for a period of 2 years at an interest rate of 20% per annum, which is repayable on the second anniversary of the date of drawdown on 19 August 2010. Details of the loan to Century Energy have been disclosed in the Company's circular dated 31 August 2010.

    Given the unsatisfactory operational performance of Century Energy, the Board of Directors resolved to make a full impairment provision of approximately HK$134,496,000 on the carrying value of the loan to Century Energy for the financial year ended 31 December 2011.

(b) Pursuant to the Entrusted Loan Agreement dated 27 September 2010 executed between 逸百年投資諮詢(深圳)有限公司 (YBN Investment Consulting Limited) ("YBN"), a wholly owned subsidiary of the Company, and 雲龍縣鴻信礦業有限公司 (Yun Long Xian Hong Xin Mining Limited) ("Yun Long"), YBN has provided to Yun Long a loan in the principal amount of RMB50,000,000 through entrusted arrangement for a period 2 years at an interest rate of 19% per annum, which is repayable according to the payment schedule as mentioned therein and will expire in October 2012. Details of the loans to Yun Long have been disclosed in the Company's circular dated 6 October 2010.

Sufficiency of public float

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

Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 128 of the annual report.

Retirement schemes

The Group operates a Mandatory Provident Fund scheme and an Occupational Retirement Scheme. Particulars of these retirement schemes are set out in note 32 to the financial statements.

Management contract

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

Auditors

Deloitte Touche Tohmastu acted as the auditors of the Company in respect of the financial years ended 31 December 2009 and retired at the annual general meeting of the Company held on 1 June 2010. KPMG has been appointed as auditors of the Company to fill the casual vacancy following the retirement of Deloitte Touche Tohmastu with effect from 1 June 2010.

The financial statements of the Company for the year ended 31 December 2011 have been audited by KPMG, who shall retire upon the conclusion of the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board
Dou Jianzhong
Chairman

Hong Kong, 16 March 2012

Independent Auditor's Report

KPMG

To the shareholders of CIAM Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CIAM Group Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 39 to 127, which comprise the consolidated and company statements of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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 result 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.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

16 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	**2011 HK$'000**	2010 HK$'000
Revenue			
Net gain on held-for-trading investments		**1,290**	1,496
Net (loss)/gain on financial assets designated at fair value through profit or loss		**(46,087)**	58,006
Net gain on sale of available-for-sale investment	3, 37(d)	**28,027**	–
Investment income	4	**28,103**	15,135
Advisory fee income	5	**16,267**	8,883
Assets under management fee income	6	**1,507**	1,764
		29,107	85,284
Management fee income	37(a)	**29,300**	46,000
Other income		**150**	1,970
Administrative expenses		**(57,205)**	(106,393)
Profit from operations		**1,352**	26,861
Impairment loss on loan and other receivables	7	**(134,496)**	–
Finance costs	8(a)	**(5,391)**	(3,190)
Gain on disposal of subsidiaries	33	**4,940**	3,932
Gain on disposal of an associate	37(d)	**1,319**	–
Share of profits of an associate	18	**199**	405
Share of profits of jointly controlled entities	19	**11,269**	17,882
(Loss)/profit before taxation	8	**(120,808)**	45,890
Income tax	9	**(10,645)**	(1,952)
(Loss)/profit for the year		**(131,453)**	43,938

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Other comprehensive income for the year (after tax and reclassification adjustments)	13		
Exchange differences on translation of financial statements of foreign operations		**7,966**	6,652
Available-for-sale investment: net movement in the fair value reserve		**(12,642)**	12,642
Transfer of exchange reserve upon liquidation of a subsidiary		**–**	(24)
		(4,676)	19,270
Total comprehensive income for the year		**(136,129)**	63,208
(Loss)/profit for the year attributable to:			
– Equity shareholders of the Company	12	**(131,455)**	44,149
– Non-controlling interests		**2**	(211)
		(131,453)	43,938
Other comprehensive income for the year attributable to:			
– Equity shareholders of the Company		**(4,676)**	19,272
– Non-controlling interests		**–**	(2)
		(4,676)	19,270
Total comprehensive income for the year attributable to:			
– Equity shareholders of the Company		**(136,131)**	63,421
– Non-controlling interests		**2**	(213)
		(136,129)	63,208
(Loss)/earnings per share	14		
Basic and diluted (HK cents)		**(29.56)**	9.93

The notes on pages 49 to 127 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2011

	Note	**2011 HK$'000**	2010 HK$'000
Non-current assets			
Property, plant and equipment	16	**3,522**	5,842
Interest in an associate	18	**–**	14,899
Interest in jointly controlled entities	19	**118,631**	117,754
Financial asset at fair value through profit or loss	21	**28,346**	–
Loan and other receivables	22	**1,551**	201,897
Other non-current assets	23	**1,104**	1,464
Pledged bank deposit	25	**–**	65,000
		153,154	406,856
Current assets			
Available-for-sale investment	20	**–**	75,871
Financial assets at fair value through profit or loss	21	**44,232**	95,011
Amount due from ultimate holding company	37(b)	**13,693**	14,996
Loan and other receivables	22	**119,483**	36,910
Pledged bank deposit	25	**65,000**	41,500
Cash and cash equivalents	26	**267,824**	197,882
		510,232	462,170
Current liabilities			
Accruals and other payables	27	**12,816**	55,350
Amount due to ultimate holding company	37(b)	**14,057**	–
Amounts due to fellow subsidiaries	37(b)	**–**	15,793
Loans from non-controlling shareholders	37(b)	**202**	202
Secured bank loan	28	**61,251**	35,409
Current taxation	29(a)	**14,009**	4,201
		102,335	110,955
Net current assets		**407,897**	351,215
Total assets less current liabilities		**561,051**	758,071

At 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Secured bank loan	28	–	59,015
Deferred tax liabilities	29(b)	–	4,214
		–	63,229
NET ASSETS		**561,051**	694,842
CAPITAL AND RESERVES			
Share capital	30(c)(i)	**444,633**	444,633
Reserves		**116,556**	250,349
Total equity attributable to equity shareholders of the Company		**561,189**	694,982
Non-controlling interests		**(138)**	(140)
TOTAL EQUITY		**561,051**	694,842

Approved and authorised for issue by the board of directors of the Company on 16 March 2012.

Dou Jianzhong
Director

Lo Wing Yat Kelvin
Director

The notes on pages 49 to 127 form part of these financial statements.

Statement of Financial Position

At 31 December 2011

	Note	**2011**	2010
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	16	**2,620**	4,505
Investments in subsidiaries	17	**541,503**	546,503
Financial asset at fair value through profit or loss	21	**28,346**	–
Other non-current assets	23	**979**	979
Pledged bank deposit	25	**–**	65,000
		573,448	616,987
Current assets			
Financial assets at fair value through profit or loss	21	**35,520**	81,563
Amount due from ultimate holding company	37(b)	**13,693**	14,996
Amounts due from subsidiaries	24	**129,676**	251,755
Other receivables	22	**3,105**	3,590
Pledged bank deposit	25	**65,000**	41,500
Cash and cash equivalents	26	**259,173**	171,676
		506,167	565,080
Current liabilities			
Accruals and other payables	27	**11,719**	39,759
Amounts due to subsidiaries	24	**684,949**	685,817
Amount due to a related company	37(b)	**89,985**	–
Current taxation	29(a)	**–**	374
		786,653	725,950
Net current liabilities		**(280,486)**	(160,870)
NET ASSETS		**292,962**	456,117

At 31 December 2011

	Note	**2011 HK$'000**	2010 HK$'000
CAPITAL AND RESERVES			
Share capital	30(c)(i)	**444,633**	444,633
Reserves	30(a)	**(151,671)**	11,484
TOTAL EQUITY		**292,962**	456,117

Approved and authorised for issue by the board of directors of the Company on 16 March 2012.

Dou Jianzhong
Director

Lo Wing Yat Kelvin
Director

The notes on pages 49 to 127 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Note	Attributable to equity shareholders of the Company										
	Note	Share capital HK$'000 Note 30(c)(i)	Share premium HK$'000 Note 30(d)(i)	Contributed surplus HK$'000 Note 30(d)(ii)	Exchange reserve HK$'000 Note 30(d)(iii)	Share option reserve HK$'000 Note 30(d)(iv)	Available-for-sale fair value reserve HK$'000 Note 30(d)(v)	Other reserve HK$'000 Note 30(d)(vi)	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2011		444,633	31,970	82,445	6,806	11,252	12,642	1,581	103,653	694,982	(140)	694,842
Changes in equity for 2011:												
Loss for the year		–	–	–	–	–	–	–	(131,455)	(131,455)	2	(131,453)
Other comprehensive income	13	–	–	–	7,966	–	(12,642)	–	–	(4,676)	–	(4,676)
Total comprehensive income		–	–	–	7,966	–	(12,642)	–	(131,455)	(136,131)	2	(136,129)
Profit appropriation to statutory surplus reserve (note 30(d)(vi))		–	–	–	–	–	–	2,822	(2,822)	–	–	–
Equity-settled share-based transactions:												
– amortisation for the year		–	–	–	–	2,338	–	–	–	2,338	–	2,338
– transfer to retained profits/ (accumulated losses) upon forfeiture		–	–	–	–	(557)	–	–	557	–	–	–
Balance at 31 December 2011		444,633	31,970	82,445	14,772	13,033	–	4,403	(30,067)	561,189	(138)	561,051
Balance at 1 January 2010		444,633	31,970	82,445	176	3,560	–	1,581	59,504	623,869	5,003	628,872
Changes in equity for 2010:												
Profit for the year		–	–	–	–	–	–	–	44,149	44,149	(211)	43,938
Other comprehensive income	13	–	–	–	6,630	–	12,642	–	–	19,272	(2)	19,270
Total comprehensive income		–	–	–	6,630	–	12,642	–	44,149	63,421	(213)	63,208
Equity-settled share-based transactions		–	–	–	–	7,692	–	–	–	7,692	–	7,692
Dividend paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	(2,783)	(2,783)
Return of capital to non-controlling shareholders upon liquidation of a subsidiary		–	–	–	–	–	–	–	–	–	(2,147)	(2,147)
Balance at 31 December 2010		444,633	31,970	82,445	6,806	11,252	12,642	1,581	103,653	694,982	(140)	694,842

The notes on pages 49 to 127 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Operating activities			
(Loss)/profit before taxation		**(120,808)**	45,890
Adjustments for:			
Impairment loss on loan and other receivables	7	**134,496**	–
Depreciation of property, plant and equipment	16(a)	**2,971**	2,746
(Gain)/loss on disposal of property, plant and equipment	8(c)	**(22)**	2
Gain on disposal of subsidiaries	33	**(4,940)**	(3,932)
Share of profits of an associate	18	**(199)**	(405)
Share of profits of jointly controlled entities	19	**(11,269)**	(17,882)
Net loss/(gain) on financial assets designated at fair value through profit or loss		**46,087**	(58,006)
Net gain on sale of available-for-sale investment	3	**(28,027)**	–
Gain on disposal of associates	18	**(1,319)**	–
Finance costs	8(a)	**5,391**	3,190
Equity-settled share-based payment expenses	8(b)	**2,338**	7,692
Adjusted operating profit/(loss) before changes in working capital		**24,699**	(20,705)
Increase in other receivables		**(8,756)**	(15,493)
Decrease in held-for-trading investments		**4,724**	16,994
Decrease in amount due from ultimate holding company		**1,303**	2,854
(Decrease)/increase in accruals and other payables		**(42,534)**	30,269
Increase in amount due to ultimate holding company		**14,057**	–
Cash (used in)/generated from operations		**(6,507)**	13,919
Tax paid outside Hong Kong	29(a)	**(1,095)**	(268)
Interest paid		**(5,391)**	(3,190)
Net cash (used in)/generated from operating activities		**(12,993)**	10,461

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	**2011 HK$'000**	2010 HK$'000
Investing activities			
Payment for purchase of property, plant and equipment	16(a)	**(630)**	(994)
Proceeds from disposal of property, plant and equipment		**31**	–
Proceeds from disposal of subsidiaries	33	**5,300**	4,250
Proceeds from disposal of an associate	37(d)	**16,683**	–
Investment in a jointly controlled entity		**(1,325)**	–
Proceeds from disposal of available-for-sale investment	37(d)	**88,322**	–
Proceeds from disposal of financial assets designated at fair value through profit or loss		**–**	23,160
Payment for purchase of financial assets designated at fair value through profit or loss		**(28,378)**	(19,800)
Loans repaid by third parties		**12,339**	2,307
Loans to third parties		**–**	(216,387)
Proceeds from settlement of consideration receivable for disposal of subsidiaries in previous year		**–**	165,000
Decrease/(increase) in pledged bank deposits		**41,500**	(67,500)
Dividend distribution from a jointly controlled entity		**–**	2,685
Net cash generated from/(used in) investing activities		**133,842**	(107,279)

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Financing activities			
(Repayment of)/proceeds from secured bank and other borrowings		**(35,409)**	92,665
Dividend paid to a non-controlling shareholder		**–**	(2,783)
Return of capital to a non-controlling shareholder upon liquidation of a subsidiary		**–**	(2,147)
Repayment of loans from non-controlling shareholders		**–**	(36,553)
(Repayment to)/advance from a fellow subsidiary		**(15,793)**	143
Net cash (used in)/generated from financing activities		**(51,202)**	51,325
Net increase/(decrease) in cash and cash equivalents		**69,647**	(45,493)
Cash and cash equivalents at 1 January		**197,882**	241,778
Effect of foreign exchange rate changes		**295**	1,597
Cash and cash equivalents at 31 December	26	**267,824**	197,882

The notes on pages 49 to 127 form part of these financial statements.

Notes to the Financial Statements

1 Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries and the Group's interest in an associate and jointly controlled entities.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as available-for-sale investment and financial assets at fair value through profit or loss (see note 1(e)(ii))

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 39.

1 Significant accounting policies (continued)

(c) Subsidiaries and non-controlling interests

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

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

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(e), (j) or (k) depending on the nature of the liability.

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(e)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 1(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)).

1 Significant accounting policies (continued)

(d) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(e)) or, when appropriate, the cost on initial recognition of an investment in an associate.

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

1 Significant accounting policies (continued)

(e) Financial instruments

(i) Initial recognition

The Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired. The categories are: financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in case of a financial asset not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately.

The Group recognises financial assets on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets at fair value through profit or loss is recognised using trade date accounting. From this date, any gains and losses arising from changes in fair value of the financial assets at fair value through profit or loss are recorded.

(ii) Categorisation

Financial assets at fair value through profit or loss

This category comprises financial assets held for trading, and those designated at fair value through profit or loss upon initial recognition, but excludes those investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

Trading financial instruments are financial assets which are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Financial instruments are designated at fair value through profit or loss upon initial recognition when:

– the assets are managed, evaluated and reported internally on a fair value basis;

– the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise;

– the asset contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract; or

– the separation of the embedded derivative(s) from the financial instrument is not prohibited.

1 Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Categorisation (continued)

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

Financial assets under this category are carried at fair value. Changes in the fair value are included in profit or loss in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than (a) those that the Group intends to sell immediately or in the near term, which will be classified as held for trading; (b) those that the Group, upon initial recognition, designates as at fair value through profit or loss or as available-for-sale; or (c) those where the Group may not recover substantially all of its initial investment, other than because of credit deterioration, which will be classified as available-for-sale. Loans and receivables mainly comprise loans and advances to customers.

Loans and receivables include loans made under entrusted arrangement which are loans granted by licensed banks incorporated in the People's Republic of China (the "PRC") on behalf of the Group to external PRC customers which the Group bears the risk and reward.

Loans and receivables are carried at amortised cost using the effective interest method, less impairment losses, if any (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses, if any.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories above. They include financial assets intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in the market environment.

Available-for-sale investments are carried at fair value. Unrealised gains and losses arising from changes in the fair value are recognised in other comprehensive income and accumulated separately in equity, except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities which are recognised in profit or loss.

1 Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Categorisation (continued)

Available-for-sale investments (continued)

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be measured reliably, and derivatives that are linked to and must be settled by delivery of such unquoted equity securities are carried at cost less impairment losses, if any (see note 1(i)).

When the available-for-sale investments are sold, gains or losses on disposal include the difference between the net sale proceeds and the carrying value, and the accumulated fair value adjustments which are previously recognised in other comprehensive income shall be reclassified from equity to profit or loss.

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

(iv) Derecognition

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

The Group uses the weighted average method to determine realised gains and losses to be recognised in profit or loss on derecognition.

1 Significant accounting policies (continued)

(e) Financial instruments (continued)

(v) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (a) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

When the embedded derivative is separated, the host contract is accounted for in accordance with note (ii) above.

(f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(i)).

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

– Leasehold improvements	Over the shorter of the term of the lease, or 5 years
– Furniture, fixtures and equipment	3–10 years
– Motor vehicles	4 years

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

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

1 Significant accounting policies (continued)

(g) Intangible assets

Intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(i)).

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(h) Operating lease charges

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

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

1 Significant accounting policies (continued)

(i) Impairment of assets

The carrying amount of the Group's assets is reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Group about one or more of the following loss events which has an impact on the future cash flows on the assets that can be estimated reliably:

– significant financial difficulty of the issuer or borrower;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower;

– disappearance of an active market for financial assets because of financial difficulties; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to profit or loss.

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

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(i) Loans and receivables

Impairment losses on loans and receivables are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

The total allowance for credit losses consists of two components: individual impairment allowances, and collective impairment allowances.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. The individual impairment allowance is based upon management's best estimate of the present value of the cash flows which are expected to be received discounted at the original effective interest rate. In estimating these cash flows, management makes judgements about the borrower's financial situation and the net realisable value of any underlying collateral or guarantees in favour of the Group. Each impaired asset is assessed on its own merits.

The accuracy of the impairment allowances the Group makes depends on how well the Group can estimate future cash flows for individually assessed impairment allowances. While this necessarily involves judgement, the Group believes that the impairment allowances on loans and advances to customers are reasonable and supportable.

Any subsequent changes to the amounts and timing of the expected future cash flows compared to the prior estimates that can be linked objectively to an event occurring after the write-down, will result in a change in the impairment allowances on loans and receivables and be charged or credited to profit or loss. A reversal of impairment losses is limited to the loans and receivables' carrying amount that would have been determined had no impairment loss been recognised in prior years.

When there is no reasonable prospect of recovery, the loan and the related interest receivables are written off.

Loans and receivables with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or past due.

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(ii) Available-for-sale investments

When there is objective evidence that an available-for-sale investment is impaired, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

For unquoted available-for-sale equity securities that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the equity investments and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Such impairment losses are not reversed.

Impairment losses recognised in profit or loss in respect of available-for-sale equity investments are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt investments are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

(iii) Other assets

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

– property, plant and equipment;

– investments in subsidiaries, associates and jointly controlled entities; and

– other non-current assets.

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(iii) Other assets (continued)

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(iv) Interim financial reporting and impairment

Under the Listing Rules the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the year (see notes 1(i)(i), (ii) and (iii)).

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(j) Interest-bearing borrowings

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

(k) Accruals and other payables

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

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

1 Significant accounting policies (continued)

(m) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

(ii) Carried interest

Eligible employees are entitled to receive a share of the realised profits less losses on investments of the Group. The Group recognises a liability based on estimated fair value of its assets at the end of the reporting period. Carried interest payable is accrued on those investments over and above the performance hurdle of 10% internal rate of return, measured at the end of the reporting period. Carried interest is paid when the investment return is realised without any recourse.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share option reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

1 Significant accounting policies (continued)

(n) Income tax

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

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

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

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

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

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

1 Significant accounting policies (continued)

(n) Income tax (continued)

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset.

(o) Provisions and contingent liabilities

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

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

1 Significant accounting policies (continued)

(p) Revenue recognition

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

(i) Interest income

Interest income for all interest-bearing financial instruments is recognised in profit or loss on an accruals basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income on all financial assets that are classified as trading or designated at fair value through profit and loss are considered to be incidental and are therefore presented together with all other changes in fair value arising from the portfolio. Net income from financial instruments designated at fair value through profit or loss and net trading income comprises all gains and losses from changes in fair value (net of accrued coupon) of such financial assets and financial liabilities, together with interest income and expense, foreign exchange differences and dividend income attributable to those financial instruments.

(ii) Fee income

Fee income arises from financial services provided by the Group including project and structured finance transactions, and asset management services. Fee income is recognised when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk is incurred and is accounted for as interest income.

1 Significant accounting policies (continued)

(p) Revenue recognition (continued)

(iii) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into Hong Kong dollars using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains less losses from trading securities or financial instruments designated at fair value through profit or loss. All other exchange differences relating to monetary items are presented in profit or loss. Differences arising on translation of available-for-sale equity instruments are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1 Significant accounting policies (continued)

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

1 Significant accounting policies (continued)

(t) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (1).

(vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

1 Significant accounting policies (continued)

(u) 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 in respect of the nature of products and services, the nature of production processes, the type or 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.

2 Changes in accounting policies

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

– HKAS 24 (revised 2009), *Related party disclosures*

– Improvements to HKFRSs (2010)

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

The impacts of the developments are discussed below:

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

– Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in note 34 has been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

3 Net gain on sale of available-for-sale investment

	2011 HK$'000	2010 HK$'000
Net revaluation gain reclassified from reserves on disposal (note 13(b))	**16,856**	–
Net gain arising in current year	**11,171**	–
	28,027	–

4 Investment income

	2011 HK$'000	2010 HK$'000
Interest income from financial assets that are not at fair value through profit or loss	**27,732**	15,131
Dividend income from:		
– listed securities	**31**	4
– unlisted funds	**340**	–
	28,103	15,135

5 Advisory fee income

Advisory fee relates to fees earned by the Group for provision of advisory services to the customers.

6 Assets under management fee income

Assets under management fee relates to fees earned by the Group on assets management activities where the Group manages portfolio assets on behalf of its customers.

7 Impairment loss on loan and other receivables

	2011 HK$'000	2010 HK$'000
Impairment losses charged on loan and other receivables (note 22(b))	**134,496**	–

8 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

		2011 HK$'000	2010 HK$'000
(a)	**Finance costs**		
	Interest on secured bank loans and other borrowings wholly repayable within five years	**5,391**	3,190
(b)	**Staff costs**		
	Contributions to defined contribution retirement plan *	**2,225**	2,011
	Equity-settled share-based payment expenses (note 31) *	**2,338**	7,692
	Salaries, carried interest and other benefits *	**23,829**	60,444
		28,392	70,147
(c)	**Other items**		
	Depreciation of property, plant and equipment *	**2,864**	2,746
	(Gain)/loss on disposal of property, plant and equipment	**(22)**	2
	Operating lease charges in respect of land and buildings *	**7,941**	8,749
	Net foreign exchange loss/(gain)	**1**	(475)
	Auditor's remuneration	**771**	720
	Directors' fees	**3,330**	3,463

* For the year ended 31 December 2011, these amounts represented the sum of (i) net amount after expenses reimbursement arrangement under the two new Inter-companies Services and Cost Allocation Agreements (named as "Listed Group Services Agreement" and "Parent Group Services Agreement" respectively) signed between the Company and CITIC International Assets Management Limited ("CIAM Parent") effective from 1 December 2011, which replaced the Inter-companies Service and Cost Allocation Agreement dated 14 October 2008 ("Former Service Agreement") upon its expiry on 30 November 2011, and (ii) gross expenses amounts incurred by the Group from 1 January 2011 to 30 November 2011, which were partially reimbursed by CIAM Parent under the Former Service Agreement in terms of management fee (note 37(a)). The management fee income was reimbursed through the provision of certain services including the investment and asset management services, business development and management services, administration, finance, compliance and operational services (the "General Services") by the Group to CIAM Parent on normal commercial terms determined at arm's length negotiations having considered the estimated utilization of staff time and number of headcount of the Group providing the General Services.

For the year ended 31 December 2010, these amounts represented the gross expenses amounts incurred by the Group, which were partially reimbursed by CIAM Parent under the Former Service Agreement in terms of management fee (note 37(a)).

9 Income tax in the consolidated statement of comprehensive income

(a) Taxation in the consolidated statement of comprehensive income represents:

	2011 **HK$'000**	2010 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year (note 29(a))	**–**	374
Over-provision in respect of prior years	**(374)**	(398)
	(374)	(24)
Current tax – Outside Hong Kong		
Provision for profits tax for the year (note 29(a))	**10,816**	423
Provision for withholding tax for the year (note 29(a))	**1,634**	1,553
Over-provision for withholding tax in respect of prior years	**(1,431)**	–
	11,019	1,976
	10,645	1,952

No provision for Hong Kong Profits Tax has been made as the Group does not have any assessable profits in Hong Kong for the year ended 31 December 2011. The provision for Hong Kong Profits Tax for the year ended 31 December 2010 is calculated at 16.5% of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

9 Income tax in the consolidated statement of comprehensive income (continued)

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2011 **HK$'000**	2010 HK$'000
(Loss)/profit before taxation	**(120,808)**	45,890
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the countries concerned	**(15,554)**	7,965
Tax effect of non-deductible expenses	**22,096**	2,657
Tax effect of non-taxable income	**(4,432)**	(3,949)
Tax effect of unused tax losses not recognised	**10,574**	904
Utilisation of tax losses previously not recognised	**(234)**	(5,227)
Over-provision in prior years	**(1,805)**	(398)
Actual tax expense	**10,645**	1,952

10 Directors' remuneration

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

For the year ended 31 December 2011

Name of director	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses and carried interest HK$'000	Retirement scheme contributions HK$'000	Sub-Total HK$'000	Share-based payments (Note) HK$'000	2011 Total HK$'000
Dou Jianzhong	600	–	–	–	600	96	696
Scott Anderberg Callon (appointed on 25 August 2011)	90	–	–	–	90	–	90
Hung Chi Yuen Andrew	400	–	–	–	400	40	440
Lo Wing Yat Kelvin	250	1,804	–	180	2,234	147	2,381
Lu Zhicheng	200	–	–	–	200	40	240
Sit Fung Shuen Victor	400	–	–	–	400	40	440
Toh Hock Ghim	400	–	–	–	400	40	440
Graham Roderick Walker	300	–	–	–	300	30	330
Wong Yau Kar David	200	–	–	–	200	40	240
Zhao Tieliu	200	–	–	–	200	40	240
Carolyn Anne Prowse (resigned on 15 July 2011)	100	–	–	–	100	–	100
Yip Chi Chiu (resigned on 25 August 2011)	160	–	–	–	160	30	190
	3,300	1,804	–	180	5,284	543	5,827

10 Directors' remuneration (continued)

For the year ended 31 December 2010

Name of director	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses and carried interest HK$'000	Retirement scheme contributions HK$'000	Sub-Total HK$'000	Share-based payments (Note) HK$'000	2010 Total HK$'000
Dou Jianzhong	600	–	–	–	600	721	1,321
Hung Chi Yuen Andrew	400	–	–	–	400	115	515
Lo Wing Yat Kelvin	250	1,380	2,044	138	3,812	380	4,192
Lu Zhicheng	200	–	–	–	200	115	315
Carolyn Anne Prowse	225	–	–	–	225	–	225
Sit Fung Shuen Victor	400	–	–	–	400	115	515
Toh Hock Ghim	400	–	–	–	400	115	515
Graham Roderick Walker	275	–	–	–	275	231	506
Wong Yau Kar David	200	–	–	–	200	115	315
Yip Chi Chiu	250	–	–	–	250	231	481
Zhao Tieliu	200	–	–	–	200	115	315
Fung Ka Pun (resigned on 1 April 2010)	63	720	–	3	786	–	786
	3,463	2,100	2,044	141	7,748	2,253	10,001

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(m)(iii). The details of share-based payments, including the principal terms and number of options granted, are disclosed in note 31.

For the year ended 31 December 2011, the amounts represented the net amount after expenses reimbursement arrangement under the Former Service Agreement, the Listed Group Services Agreement and the Parent Group Services Agreement.

For the year ended 31 December 2010, the amounts presented are net of amounts reimbursed from CIAM Parent under the Former Service Agreement.

11 Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, two (2010: one) are directors of the Company whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other three (2010: four) individuals are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other emoluments	**1,577**	2,088
Discretionary bonuses	**141**	1,455
Share-based payments	**338**	525
Retirement scheme contributions	**135**	204
	2,191	4,272

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

	2011 Number of individuals	2010 Number of individuals
Nil – HK$1,000,000	**3**	1
HK$1,000,001 – HK$1,500,000	**–**	3
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**–**	–

For the year ended 31 December 2011, the amounts represented the net amount after expenses reimbursement arrangement under the Former Service Agreement, the Listed Group Services Agreement and the Parent Group Services Agreement.

For the year ended 31 December 2010, the amounts presented are net of amounts reimbursed from CIAM Parent under the Former Service Agreement.

12 Loss attributable to equity shareholders of the Company

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$165,493,000 (2010: loss of HK$118,626,000) which has been dealt with in the financial statements of the Company.

13 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	2011			2010		
	Before-tax amount HK$'000	**Tax credit HK$'000**	**Net-of-tax amount HK$'000**	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000
Exchange differences on translation of financial statements of foreign operations	**7,966**	**–**	**7,966**	6,652	–	6,652
Available-for-sale investment: net movement in fair value reserve	**(16,856)**	**4,214**	**(12,642)**	16,856	(4,214)	12,642
Transfer of exchange reserve upon liquidation of a subsidiary	**–**	**–**	**–**	(24)	–	(24)
Other comprehensive income	**(8,890)**	**4,214**	**(4,676)**	23,484	(4,214)	19,270

(b) Reclassification adjustments relating to components of other comprehensive income

	2011 HK$'000	2010 HK$'000
Available-for-sale investment		
Changes in fair value recognised during the year	**–**	16,856
Reclassification adjustments for amounts transferred to profit or loss on disposal (note 3)	**(16,856)**	–
Tax credit/(expense) (note 29(b))	**4,214**	(4,214)
Net movement in the fair value reserve during the year recognised in other comprehensive income	**(12,642)**	12,642

14 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$131,455,000 (2010: profit of HK$44,149,000) and on the ordinary shares of 444,633,217 (2010: 444,633,217) shares in issue during the year (note 30(c)(i)).

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the years ended 31 December 2011 and 2010 were equal to the basic (loss)/earnings per share as the potential ordinary shares outstanding during the year had no dilutive effect on the basic (loss)/earnings per share for the years.

15 Segment reporting

In a manner consistent with the way in which information is reported internally to the Group's senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. The following summary describes the operations in each of the Group's reportable segments:

Direct investments:	This segment is principally engaged in financing, securities trading and asset investments.
Assets under management ("AUM"):	This segment is principally engaged in fund set-up and management in which the Group acts as the general partner and/or investment manager and leverages third party and seed money into selected investment portfolios.
Property investments:	This business segment engages in property development.

15 Segment reporting (continued)

(a) Segment results

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2011 and 2010 is set out below:

	Direct investments		AUM		Property investments		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**(428)**	83,520	**29,535**	1,764	**–**	–	**29,107**	85,284
Segment results	**4,053**	69,942	**30,955**	(1,211)	**–**	(146)	**35,008**	68,585
Impairment loss on loan and other receivables	**(134,496)**	–	**–**	–	**–**	–	**(134,496)**	–
Finance costs	**(5,391)**	(3,190)	**–**	–	**–**	–	**(5,391)**	(3,190)
Share of profits of an associate	**–**	–	**199**	405	**–**	–	**199**	405
Share of profits of jointly controlled entities	**11,269**	17,882	**–**	–	**–**	–	**11,269**	17,882
Unallocated corporate income							**34,390**	51,902
Central administrative costs and directors' remuneration							**(61,787)**	(89,694)
(Loss)/profit before taxation							**(120,808)**	45,890

All of the segment revenue reported above is from external customers.

Segment (loss)/profit represents (loss)/profit attributable to each segment without allocation of corporate income, central administrative costs and directors' remuneration.

These measures are reported to the Group's Office of Chief Executive Officer for the purposes of resource allocation and assessment of segment performance.

15 Segment reporting (continued)

(b) Segment assets and liabilities

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

	2011 HK$'000	2010 HK$'000
Segment assets		
Direct investments	**306,510**	437,518
AUM	**1,402**	100,781
Total segment assets	**307,912**	538,299
Cash and cash equivalents and pledged bank deposit	**332,824**	304,382
Unallocated assets	**22,650**	26,345
Consolidated assets	**663,386**	869,026
Segment liabilities		
Direct investments	**61,656**	118,555
AUM	**–**	15,649
Total segment liabilities	**61,656**	134,204
Unallocated liabilities	**40,679**	39,980
Consolidated liabilities	**102,335**	174,184

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

– All assets are allocated to reportable segments other than property, plant and equipment, amount due from ultimate holding company, pledged bank deposits, cash and cash equivalents, other non-current assets and the unallocated prepayments, deposits and other receivables; and

– All liabilities are allocated to reportable segments other than current taxation, amount due to ultimate holding company, the unallocated accruals and other payables, and the unallocated amounts due to fellow subsidiaries.

15 Segment reporting (continued)

(c) Geographical information

The Group's operations in direct investments, AUM and property investments are mainly located in Hong Kong and the People's Republic of China ("PRC").

The following table provides an analysis of the Group's revenue and non-current assets by geographical location.

For revenue from listed investments, allocation is based on the location of investments being listed. For revenue from unlisted investments, funds, provision of finance, advisory services and assets management services, allocation is based on the location of investees, borrowers or managed assets.

Non-current assets are allocated by geographical location of the assets.

	Revenue		**Non-current assets (Note)**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**(42,163)**	59,389	**3,976**	6,437
PRC	**60,452**	16,030	**119,281**	133,522
Others	**10,818**	9,865	**–**	–
	29,107	85,284	**123,257**	139,959

Note: Non-current assets excluded financial instruments.

16 Property, plant and equipment

(a) The Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2011	3,735	3,310	3,148	10,193
Additions	256	374	–	630
Disposals	(256)	–	(42)	(298)
Exchange adjustments	–	20	38	58
At 31 December 2011	3,735	3,704	3,144	10,583
At 1 January 2010	3,766	2,909	2,644	9,319
Additions	48	479	467	994
Disposals	(79)	(90)	–	(169)
Exchange adjustments	–	12	37	49
At 31 December 2010	3,735	3,310	3,148	10,193
Accumulated depreciation:				
At 1 January 2011	1,473	1,258	1,620	4,351
Charge for the year	1,500	655	816	2,971
Written back on disposals	(256)	–	(33)	(289)
Exchange adjustments	–	6	22	28
At 31 December 2011	2,717	1,919	2,425	7,061
At 1 January 2010	266	652	837	1,755
Charge for the year	1,286	692	768	2,746
Written back on disposals	(79)	(88)	–	(167)
Exchange adjustments	–	2	15	17
At 31 December 2010	1,473	1,258	1,620	4,351
Net book value:				
At 31 December 2011	1,018	1,785	719	3,522
At 31 December 2010	2,262	2,052	1,528	5,842

16 Property, plant and equipment (continued)

(b) The Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2011	3,735	2,904	1,387	8,026
Additions	–	204	–	204
At 31 December 2011	3,735	3,108	1,387	8,230
At 1 January 2010	3,766	2,814	2,251	8,831
Additions	48	180	–	228
Disposals	(79)	(90)	(864)	(1,033)
At 31 December 2010	3,735	2,904	1,387	8,026
Accumulated depreciation:				
At 1 January 2011	1,473	1,180	868	3,521
Charge for the year	1,244	498	347	2,089
At 31 December 2011	2,717	1,678	1,215	5,610
At 1 January 2010	266	642	701	1,609
Charge for the year	1,286	626	527	2,439
Written back on disposals	(79)	(88)	(360)	(527)
At 31 December 2010	1,473	1,180	868	3,521
Net book value:				
At 31 December 2011	1,018	1,430	172	2,620
At 31 December 2010	2,262	1,724	519	4,505

17 Investments in subsidiaries

	The Company 2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**541,503**	546,503

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and operations	Class of share capital	Issued and paid up share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Active Way International Limited	Hong Kong	Ordinary	HK$2	100%	–	100%	Financing
Bowen Limited	Hong Kong	Ordinary	HK$2	100%	100%	–	Investment holding
Cash Level Investments Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	100%	–	100%	Investment holding
CIAM Investment (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary	US$100	100%	100%	–	Investment holding
CIAM Properties (Holdings) Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	100%	–	100%	Investment holding
CIAM Properties Limited	Hong Kong	Ordinary	HK$2	100%	–	100%	Investment holding
Profit Union Investments Limited	British Virgin Islands/ Hong Kong	Ordinary	US$1	100%	–	100%	Investment holding

17 Investments in subsidiaries (continued)

Name of company	Place of incorporation and operations	Class of share capital	Issued and paid up share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Right Way Holdings Limited	Hong Kong	Ordinary	HK$10	70%	–	70%	Financing
逸百年投資諮詢(深圳)有限公司 (Note)	PRC	Registered	RMB60,000,000	100%	–	100%	Investment consultancy services
信安通(北京)投資顧問有限公司 (Note)	PRC	Registered	HK$3,000,000	100%	100%	–	Investment consultancy services
事安(天津)投資顧問有限公司 (Note)	PRC	Registered	HK$2,000,000	100%	–	100%	Investment consultancy services

Note: These companies are wholly-foreign owned enterprises established in the PRC.

18 Interest in an associate

	The Group 2011 HK$'000	The Group 2010 HK$'000
Share of net assets	**–**	14,899

Particulars of the associate at 31 December 2010 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Issued and paid up share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
河南農開投資基金管理有限責任公司	Incorporated	PRC	RMB42,000,000	30%	–	30%	Fund management

18 Interest in an associate (continued)

Summary financial information on the associate:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit HK$'000
2011					
100 per cent	–	–	–	2,368	662
Group's effective interest	–	–	–	710	199
2010					
100 per cent	94,738	45,074	49,663	8,768	1,351
Group's effective interest	28,421	13,522	14,899	2,630	405

The interest in an associate was reclassified as assets held for sale in May 2011 and was subsequently disposed of in October 2011 (note 37(d)).

19 Interest in jointly controlled entities

	The Group	
	2011 **HK$'000**	2010 HK$'000
Share of net assets	**118,631**	117,754

19 Interest in jointly controlled entities (continued)

Details of the Group's interest in the jointly controlled entity are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Issued and paid up share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
華能壽光風力發電有限公司	Incorporated	PRC	RMB186,730,000	45%	–	45%	Investment, construction and operation of wind power electricity facility, development, generation and sale of wind power electricity; provision of consultancy and related services in respect of electricity projects
天津事安海泰創業投資管理有限公司 (Note)	Incorporated	PRC	RMB2,000,000	55%	–	55%	Management of fund investment business, provision of investment advisory and related consultancy services

Note: In 2011, the Group, through a wholly-owned subsidiary, injected a capital of RMB1,100,000 (equivalent to HK$1,325,000) for 55% interest in 天津事安海泰創業投資管理有限公司. No goodwill was resulted from this capital injection.

19 Interest in jointly controlled entities (continued)

Summary financial information on jointly controlled entities – Group's effective interest:

	2011 HK$'000	2010 HK$'000
Non-current assets	**257,923**	261,940
Current assets	**55,634**	48,152
Non-current liabilities	**(159,589)**	(160,667)
Current liabilities	**(35,337)**	(31,671)
Net assets	**118,631**	117,754

	2011 HK$'000	2010 HK$'000
Income	**38,869**	42,765
Expenses	**(27,600)**	(24,883)
Profit for the year	**11,269**	17,882

20 Available-for-sale investment

	The Group	
	2011 HK$'000	2010 HK$'000
Unlisted investment	**–**	75,871

At 31 December 2010, the amount represented approximately 17% of the total units in 中信信逸一號中小企業發展集合資金信託計劃 ("Trust Plan Interests") for which the Group acts as the investment consultant. The trust provides loans to PRC enterprises. In the opinion of the directors, the Group has not provided for impairment loss since the loans are fully pledged, secured or guaranteed by certain property interests in the PRC of the borrowers.

The Trust Plan Interests was classified as assets held for sale in May 2011 and was subsequently disposed of in October 2011 (note 37(d)).

21 Financial assets at fair value through profit or loss

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Securities designated at fair value through profit or loss:				
Unlisted debt securities with embedded options	**28,346**	–	**28,346**	–
Current				
Securities designated at fair value through profit or loss:				
Listed equity securities in Hong Kong	**14,280**	58,212	**14,280**	58,212
Unlisted fund	**18,429**	20,552	**18,429**	20,552
	32,709	78,764	**32,709**	78,764
Held-for-trading investments:				
Listed equity securities at fair value				
– in Hong Kong	**2,811**	9,639	**2,811**	2,799
– outside Hong Kong	**61**	93	**–**	–
Unlisted private equity funds	**8,651**	6,515	**–**	–
	11,523	16,247	**2,811**	2,799
	44,232	95,011	**35,520**	81,563

All listed and unlisted securities classified as financial assets at fair value through profit or loss are issued by corporate entities.

22 Loan and other receivables

(a) Loan and other receivables less impairment allowances

	The Group	
	2011	2010
	HK$'000	HK$'000
Property investments	**29,059**	39,079
Manufacturing	**114,410**	114,285
Assets management	**10,290**	9,914
Mining	**60,056**	59,015
Gross loan receivables (note)	**213,815**	222,293
Prepayments, deposits and other receivables	**43,215**	18,014
	257,030	240,307
Individually assessed impairment allowances (note 22(b))	**(135,996)**	(1,500)
	121,034	238,807
Presented by:		
Non-current assets	**1,551**	201,897
Current assets	**119,483**	36,910
	121,034	238,807

	The Company	
	2011	2010
	HK$'000	HK$'000
Prepayments, deposits and other receivables	**3,105**	3,590

Note: Included in the balance were loans of HK$85,978,000 (2010: HK$94,423,000) granted by licensed banks incorporated in the PRC on behalf of the Group to external customers under entrusted arrangements which the Group bears the risk and reward.

All of the prepayments, deposits and other receivables classified as current assets are expected to be recovered or recognised in profit or loss within one year.

22 Loan and other receivables (continued)

(b) Movement in impairment allowances on loan and other receivables

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**1,500**	1,500
Impairment loss charged to profit or loss (note 7)	**134,496**	–
At 31 December (note 22(a))	**135,996**	1,500

23 Other non-current assets

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Membership licences	**–**	360	**–**	–
Club debentures	**1,104**	1,104	**979**	979
	1,104	1,464	**979**	979

24 Amounts due from/to subsidiaries

The amounts due from/to subsidiaries are unsecured, non-interest bearing and repayable on demand.

25 Pledged bank deposits

The pledged bank deposits were presented as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current	**–**	65,000	**–**	65,000
Current	**65,000**	41,500	**65,000**	41,500
	65,000	106,500	**65,000**	106,500

At 31 December 2011 and 2010, the pledged bank deposits were used to secure bank loans (note 28).

The pledged bank deposits carry interest at prevailing deposit rates ranging from 0.02% to 2.64% (2010: 0.58% to 2.64%) per annum.

26 Cash and cash equivalents

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits placed with other financial institutions	**242**	186	**24**	5
Bank balances and cash	**267,582**	197,696	**259,149**	171,671
	267,824	197,882	**259,173**	171,676

27 Accruals and other payables

All accruals and other payables are unsecured and expected to be settled or recognised in profit or loss within one year or are repayable on demand.

28 Secured bank loans

At 31 December 2011, the bank loans were repayable as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Current:		
– Within 1 year or on demand	**61,251**	35,409
Non-current:		
– After 1 year but within 2 years	**–**	59,015
	61,251	94,424

At 31 December 2011, all the bank loans were secured by bank deposits (note 25) and bear interest rates ranging from 5.13% to 6.40% (2010: 5.13% to 5.60%) per annum.

29 Income tax in the statement of financial position

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

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current tax – Hong Kong Profits Tax				
Provision for the year (note 9(a))	**–**	374	**–**	374
Current tax – Outside Hong Kong				
Provision for profits tax for the year (note 9(a))	**10,816**	423	**–**	–
Provision for withholding tax for the year (note 9(a))	**1,634**	1,553	**–**	–
Tax paid	**(1,095)**	(268)	**–**	–
	11,355	2,082	**–**	374
Balance of Profits Tax provision relating to prior years	**2,499**	2,076	**–**	–
Exchange adjustments	**155**	43	**–**	–
	14,009	4,201	**–**	374

29 Income tax in the statement of financial position (continued)

(b) Deferred tax liabilities recognised in respect of revaluation of available-for-sale investment:

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 January 2011	**4,214**	–
(Release from)/charged to reserves (note 13(b))	**(4,214)**	4,214
At 31 December 2011	**–**	4,214

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(n), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$458,108,000 (2010: HK$373,630,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

30 Capital, reserves and dividends

(a) Movements in components of equity

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

The Company

	Share premium HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
Balance at 1 January 2011	31,970	11,252	2,184	(33,922)	11,484
Changes in equity for 2011:					
Loss for the year	–	–	–	(165,493)	(165,493)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(165,493)	(165,493)
Equity-settled share-based transactions	–	1,781	–	557	2,338
Balance at 31 December 2011	31,970	13,033	2,184	(198,858)	(151,671)
Balance at 1 January 2010	31,970	3,560	2,184	84,704	122,418
Changes in equity for 2010:					
Loss for the year	–	–	–	(118,626)	(118,626)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(118,626)	(118,626)
Equity-settled share-based transactions	–	7,692	–	–	7,692
Balance at 31 December 2010	31,970	11,252	2,184	(33,922)	11,484

30 Capital, reserves and dividends (continued)

(b) Dividends

No dividend had been paid or declared during the year in respect of previous financial year. The Board of Directors (the "Board") does not recommend the payment of a dividend for the year ended 31 December 2011.

(c) Share capital

(i) Authorised and issued share capital

	2011 Number of shares	**2011** Amount HK$'000	2010 Number of shares	2010 Amount HK$'000
Authorised:				
Ordinary shares of HK$1 each	**750,000,000**	**750,000**	750,000,000	750,000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**444,633,217**	**444,633**	444,633,217	444,633

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

(ii) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	**Exercise price**	**2011** Number of share options	2010 Number of share options
9 September 2010 to 8 September 2012	HK$1.79	**12,815,000**	14,015,000
9 September 2011 to 8 September 2014	HK$1.79	**12,815,000**	14,015,000
		25,630,000	28,030,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 31 to the financial statements.

30 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves

(i) Share premium

The application of share premium account is governed by section 40 of the Companies Act 1981 of Bermuda.

(ii) Contributed surplus

Contributed surplus represents the difference between net assets of the companies acquired and the aggregate nominal value of shares issued by the Company under the scheme of arrangement in 1992.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note (1)(q).

(iv) Share option reserve

The share option reserve represents the grant date fair value of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 1(m)(iii).

(v) Available-for-sale fair value reserve

The available-for-sale fair value reserve represents the cumulative net change in fair value of available-for-sale investments held at the end of reporting period and is dealt with in accordance with accounting policies 1(e) and 1(i)(ii).

(vi) Other reserve

Other reserve arose as a result of (i) repurchase of the Company's listed securities, representing the excess of the nominal value of the shares repurchased over the consideration paid, (ii) goodwill reserve arising on acquisition of subsidiaries of the Company prior to 1 January 2005 and (iii) statutory surplus reserve for PRC subsidiaries.

Each PRC subsidiary is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

30 Capital, reserves and dividends (continued)

(e) Distributability of reserves

At 31 December 2011 and 2010, the Company has no reserves available for distribution to equity shareholders of the Company.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group defines "capital" as including all components of equity. On this basis the amount of capital employed at 31 December 2011 was HK$561,051,000 (2010: HK$694,842,000).

The Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Group. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group or the requirements of the Companies Act 1981 of Bermuda. The results of the directors' review of the Group's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

The Group was not subject to externally imposed capital requirements in either the current or prior year.

31 Equity-settled share-based transactions

The Company operates a share option scheme (the "Scheme"), which was approved and adopted by the shareholders at the special general meeting of the Company on 12 October 2007 for the primary purpose of providing incentives or rewards to Directors and eligible employees for their contribution to the Group. The Scheme will remain in force for ten years from the date of its adoption, unless otherwise cancelled or amended.

Under the Scheme, the Board of the Company may, at their absolute discretion, grant options to the following classes of participants, to subscribe for shares of the Company subject to the terms and conditions stipulated therein:

(i) any employees or proposed employees (whether full-time or part-time and including any executive directors), consultants or advisers of or to the Company, any of its subsidiaries or any entity (the "Invested Entity") in which the Group holds an equity interest;

(ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

31 Equity-settled share-based transactions (continued)

(iii) any suppliers of goods or services to any members of the Group or any Invested Entity;

(iv) any customers of the Group or any Invested Entity;

(v) any person or entities that provide research, development, or other technological support to the Group or any Invested Entity; and

(vi) any shareholders of any members of the Group or any Invested Entity, or any holders of any securities issued by any members of the Group or any Invested Entity.

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. As at 31 December 2011, the total number of shares of the Company that may be issued upon exercise of all share options granted and yet to be exercised was 25,630,000 (2010: 28,030,000) representing approximately 5.8% (2010: 6.3%) of the issued share capital as at that date. The total number of shares issued and to be issued upon exercise of all share options granted to each participant in any 12-month period shall not exceed 1% of the shares of the Company then in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting.

The period within which a share option may be exercised under the Scheme will be determined by the Board at its absolute discretion, such that it shall end in any event not later than 10 years from the date of grant of the share option (the "Offer Date") subject to the provisions for early termination.

The exercise price in respect of the share option shall be at the discretion of the Board, save that it must be at the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Company's share. A consideration of HK$1.00 is payable within 28 days from the Offer Date on acceptance of the offer of a share option.

31 Equity-settled share-based transactions (continued)

The following table discloses movements of the Company's share options during the current year under the Scheme:

Name or category of participant	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options: Outstanding at 1.1.2011	Forfeited during the year	Outstanding at 31.12.2011
Directors							
Dou Jianzhong	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	1,250,000	–	1,250,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	1,250,000	–	1,250,000
Hung Chi Yuen Andrew	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	–	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	200,000
Lo Wing Yat Kelvin	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	1,900,000	–	1,900,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	1,900,000	–	1,900,000
Lu Zhicheng	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	–	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	200,000
Sit Fung Shuen Victor	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	–	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	200,000
Toh Hock Ghim	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	–	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	200,000
Graham Roderick Walker	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	400,000	–	400,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	400,000	–	400,000
Wong Yau Kar David	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	–	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	200,000
Zhao Tieliu	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	–	200,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	200,000
					9,500,000	–	9,500,000

31 Equity-settled share-based transactions (continued)

Name or category of participant	Date of grant	Vesting period	Exercise period	Exercise price	Number of share options: Outstanding at 1.1.2011	Forfeited during the year	Outstanding at 31.12.2011
Employees	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	7,865,000	1,200,000	6,665,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	7,865,000	1,200,000	6,665,000
					15,730,000	2,400,000	13,330,000
Other participants (note (c))	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	1,400,000	–	1,400,000
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	1,400,000	–	1,400,000
					2,800,000	–	2,800,000
Total					28,030,000	2,400,000	25,630,000

Notes:

(a) The share options are subject to a vesting period of one year from the date of grant and will be exercisable for a period of two years thereafter.

(b) The share options are subject to a vesting period of two years from the date of grant and will be exercisable for a period of three years thereafter.

(c) Following the resignation of Mr. Yip Chi Chiu as Executive Director of the Company on 25 August 2011, all share options granted to Mr. Yip were included under “Other participants”.

(d) The closing price of the shares of the Company immediately before 9 September 2009, on which the share options were granted, was HK$1.79.

(e) During the year, no share options were granted to or exercised by any director, chief executive of the Company or other participants.

(f) All dates are shown day/month/year.

The fair value of services received in return for the share options granted under the Scheme is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured on the Black-Scholes Option Pricing Model (the “Model”). The contractual life of the share option is used as an input into the Model. Expectations of early exercise are incorporated into the Model.

31 Equity-settled share-based transactions (continued)

Fair value of share options and assumptions:

	Share options with a vesting period of one year	Share options with a vesting period of two years
Fair value per share option at measurement date	HK$0.42	HK$0.59
Closing price on grant date	HK$1.79	HK$1.79
Exercise price	HK$1.79	HK$1.79
Expected volatility	63.725% per annum	63.725% per annum
Expected life of share options	1 year	2 years
Expected dividend yield	–	–
Risk-free interest rates (based on the period average yields of the Exchange Fund Notes of comparable terms issued by the Hong Kong Monetary Authority)	0.491% per annum	1.157% per annum

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Expenses recognised in the Group's financial statements as a result of granting share options amounted to HK$2,338,000 (2010: HK$7,692,000).

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

32 Employee retirement benefits

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Scheme ("the ORSO scheme") for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme and the ORSO scheme are defined contribution retirement plans administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately. The Group contributes 10% of relevant income to the ORSO scheme, with a vesting scale of 0% – 100%, according to the years of service of relevant employees.

33 Disposal of subsidiaries

(a) For the year ended 31 December 2011

During the year ended 31 December 2011, the Group disposed of the interest in a subsidiary at a consideration of HK$9,899,000.

	HK$'000
Net assets disposed of:	
Other non-current assets	**360**
Cash and cash equivalents	**4,599**
	4,959
Gain on disposal of subsidiaries	**4,940**
Total consideration satisfied by cash	**9,899**
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration	**9,899**
Cash and cash equivalents disposed of	**(4,599)**
	5,300

33 Disposal of subsidiaries (continued)

(b) For the year ended 31 December 2010

During the year ended 31 December 2010, the Group disposed of the interest of certain subsidiaries at a total consideration attributable to the Group of HK$8,898,000.

	HK$'000
Net assets disposed of:	
Other non-current assets	360
Cash and cash equivalents	4,648
Amount due to immediate holding company	(18)
	4,990
Exchange reserve realised upon disposal of subsidiaries	(24)
Gain on disposal of subsidiaries	3,932
Total consideration satisfied by cash	8,898
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration	8,898
Cash and cash equivalents disposed of	(4,648)
	4,250

34 Financial risk management

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to loan and other receivables, unlisted debt securities and amount due from ultimate holding company. The Group manages this risk as follows:

In respect of loan receivables, individual credit evaluations are performed semi-annually on all loan receivables. The Group has policies and procedures to evaluate the potential credit risk of a particular counterparty. The Group also has a review process that ensures the proper level of review and approval depending on the size of the loan receivables granted.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loan receivables and amount due from ultimate holding company are set out in notes 22 and 37.

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures.

34 Financial risk management (continued)

(a) Credit risk (continued)

(i) Credit quality of loan receivables

The credit quality of loan receivables can be analysed as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Gross loans and advances to customers		
– neither past due nor impaired	**82,244**	210,916
– past due but not impaired	**15,661**	9,877
– impaired	**115,910**	1,500
	213,815	222,293

The ageing analysis of loan receivables that are past due but not impaired is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Gross loan receivables that are past due but not impaired		
– overdue 3 months or less	**5,371**	–
– 6 months or less but over 3 months	**–**	–
– 1 year or less but over 6 months	**–**	9,877
– over 1 year	**10,290**	–
	15,661	9,877

(ii) Collateral and other credit enhancements

The Group holds collateral against loan receivables in the form of second equitable mortgage, share charge, securities over mining license and assets, and guarantees. The Group considers that the Group's maximum exposure to credit risk arising from the loan receivables are fully mitigated by the collaterals, with reference to their estimated market values as at 31 December 2011.

The group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowances.

34 Financial risk management (continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, including the terms of bank loans, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities or committed lines of funding (from major financial institutions or other group companies) to satisfy its contractual and reasonably foreseeable obligations as they fall due.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay.

2011

	The Group						
	Repayable on demand HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000	Carrying amount HK$'000
Accruals and other payables	12,702	–	–	–	–	12,702	12,702
Amount due to ultimate holding company	14,057	–	–	–	–	14,057	14,057
Loans from non-controlling shareholders	202	–	–	–	–	202	202
Secured bank loan	–	–	786	62,822	–	63,608	61,251
	26,961	–	786	62,822	–	90,569	88,212
Commitments	16,985	–	–	–	–	16,985	16,985
	43,946	–	786	62,822	–	107,554	105,197

	The Company						
	Repayable on demand HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000	Carrying amount HK$'000
Accruals and other payables	11,719	–	–	–	–	11,719	11,719
Amount due to a related company	89,985	–	–	–	–	89,985	89,985
Amounts due to subsidiaries	684,949	–	–	–	–	684,949	684,949
	786,653	–	–	–	–	786,653	786,653
Commitments	9,434	–	–	–	–	9,434	9,434
	796,087	–	–	–	–	796,087	796,087

34 Financial risk management (continued)

(b) Liquidity risk (continued)

2010

	The Group						
	Repayable on demand HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000	Carrying amount HK$'000
Accruals and other payables	49,910	–	–	–	–	49,910	49,910
Amounts due to fellow subsidiaries	15,793	–	–	–	–	15,793	15,793
Loans from non-controlling shareholders	202	–	–	–	–	202	202
Secured bank loans	–	–	1,253	39,166	61,285	101,704	94,424
	65,905	–	1,253	39,166	61,285	167,609	160,329
Commitments	138,218	–	–	–	196	138,414	138,414
	204,123	–	1,253	39,166	61,481	306,023	298,743

	The Company						
	Repayable on demand HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000	Carrying amount HK$'000
Accruals and other payables	39,745	–	–	–	–	39,745	39,745
Amounts due to subsidiaries	685,817	–	–	–	–	685,817	685,817
	725,562	–	–	–	–	725,562	725,562
Commitments	38,870	–	–	–	196	39,066	39,066
	764,432	–	–	–	196	764,628	764,628

34 Financial risk management (continued)

(c) Market risk

The Group is exposed to market risk through its interest bearing financial instruments and holdings of foreign currency denominated financial assets and liabilities. Further information about the Group's exposure to these risks and how they are managed is provided below. There have been no changes in the methods and assumptions used to prepare the information about the sensitivity of the Group's financial instruments to changes in variables compared to last year.

(i) Interest rate risk

Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. It also relates to positions from assets with their value may be affected by the change in interest rates. The interest-sensitive positions is managed and monitored regularly, with an aim to control the interest rate risk.

The major interest bearing financial instruments and their range of effective interest rate are:

	The Group		The Company	
	2011	2010	**2011**	2010
	%	%	**%**	%
Loan receivables	**2.00–19.00**	2.00–20.00	**N/A**	N/A
Pledged bank deposits	**0.02–2.64**	0.02–2.64	**0.02–2.64**	0.02–2.64
Cash and cash equivalents	**0.01–1.80**	0.01–0.75	**0.01–1.80**	0.01–0.75
Amounts due to fellow subsidiaries	**N/A**	4.00	**N/A**	N/A
Secured bank loans	**5.13–6.40**	5.13–5.60	**N/A**	N/A

34 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

The following table indicates the mismatches of the expected interest repricing dates for interest bearing assets and liabilities at the end of the reporting period. Actual repricing dates may differ from the contractual dates owing to prepayments.

2011

	The Group				
	3 months or less (include overdue) HK$'000	Over 3 months to 1 year HK$'000	Over 1 year HK$'000	Non-interest bearing HK$'000	Total HK$'000
Loan receivables	55,919	41,986	–	–	97,905
Pledged bank deposits	65,000	–	–	–	65,000
Cash and cash equivalents	259,919	–	–	7,905	267,824
	380,838	41,986	–	7,905	430,729
Secured bank loans	–	(61,251)	–	–	(61,251)
Interest rate sensitivity gap	380,838	(19,265)	–	7,905	369,478

	The Company			
	3 months or less (include overdue) HK$'000	Over 3 months to 1 year HK$'000	Non-interest bearing HK$'000	Total HK$'000
Pledged bank deposits	65,000	–	–	65,000
Cash and cash equivalents	253,428	–	5,745	259,173
	318,428	–	5,745	324,173

34 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

2010

	The Group				
	3 months or less (include overdue) HK$'000	Over 3 months to 1 year HK$'000	Over 1 year HK$'000	Non-interest bearing HK$'000	Total HK$'000
Loan receivables	13,987	15,107	191,699	–	220,793
Pledged bank deposits	65,000	41,500	–	–	106,500
Cash and cash equivalents	188,858	–	–	9,024	197,882
	267,845	56,607	191,699	9,024	525,175
Amounts due to fellow subsidiaries	(14,872)	–	–	(921)	(15,793)
Secured bank loans	–	(35,409)	(59,015)	–	(94,424)
	(14,872)	(35,409)	(59,015)	(921)	(110,217)
Interest rate sensitivity gap	252,973	21,198	132,684	8,103	414,958

	The Company			
	3 months or less (include overdue) HK$'000	Over 3 months to 1 year HK$'000	Non-interest bearing HK$'000	Total HK$'000
Pledged bank deposits	65,000	41,500	–	106,500
Cash and cash equivalents	169,738	–	1,938	171,676
	234,738	41,500	1,938	278,176

34 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

At 31 December 2011, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's and the Company's profit after tax by approximately HK$3,480,000 and HK$3,139,000 respectively (2010: HK$3,746,000 and HK$2,717,000 respectively). The extent of decrease in interest rates is expected to be minimal which would decrease the Group's and the Company's profit after tax by an insignificant amount.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or minimal decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis was performed on the same basis for 2010.

(ii) Currency risk

The following table details the Group's material exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Difference resulting from the translation of the financial statements of foreign operations into the Group's presentation currency is excluded.

34 Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

2011

	The Group		The Company	
	United States Dollars HK$'000	**Singapore Dollars HK$'000**	**United States Dollars HK$'000**	**Singapore Dollars HK$'000**
Financial asset at fair value through profit or loss	**35,672**	**1,359**	**28,346**	**–**
Loan and other receivables	**–**	**–**	**–**	**–**
Cash and cash equivalents	**51,725**	**1,646**	**51,418**	**1,646**
Loans from non-controlling shareholders	**(172)**	**–**	**–**	**–**
Amounts due to subsidiaries	**–**	**–**	**(1,471)**	**(1,593)**
Net exposure arising from recognised assets and liabilities	**87,225**	**3,005**	**78,293**	**53**

2010

	The Group		The Company	
	United States Dollars HK$'000	Singapore Dollars HK$'000	United States Dollars HK$'000	Singapore Dollars HK$'000
Financial asset at fair value through profit or loss	4,959	1,632	–	–
Loan and other receivables	122,856	–	–	–
Cash and cash equivalents	76,134	4,802	75,839	4,802
Loans from non-controlling shareholders	(172)	–	–	–
Amounts due to subsidiaries	–	–	(7,803)	(1,614)
Net exposure arising from recognised assets and liabilities	203,777	6,434	68,036	3,188

34 Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

For purchases denominated in foreign currencies the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Sensitivity analysis

The following table indicates the approximate change in the Group's and the Company's profit before tax in response to possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	The Group			
	2011		2010	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit before tax HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax HK$'000
Singapore Dollars	**10%**	**301**	10%	643
	(10)%	**(301)**	(10)%	(643)

	The Company			
	2011		2010	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit before tax HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax HK$'000
Singapore Dollars	**10%**	**5**	10%	319
	(10)%	**(5)**	(10)%	(319)

34 Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis (continued)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's and the Company's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next end of the reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the USD against other currencies. The analysis was performed on the same basis for the year ended 31 December 2010.

(d) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale investment (see note 20) and financial assets at fair value through profit or loss (see note 21).

Equity price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment (stock-specific) or its issuer, or factors affecting all instruments (generic risks) trade in the market.

The Group's listed investments are listed on the Stock Exchange and other overseas recognised stock exchanges. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the stock market index and other industry indicators, as well as the Group's liquidity needs.

The Group's unquoted investments are held for strategic purposes. Their performance is assessed at least bi-annually based on the information available to the Group, together with an assessment of their relevance to the Group's strategic plans.

At 31 December 2011, if the quoted market price of the Group's and Company's listed equity securities had been 10% higher/lower, then profit after tax (and retained profits) for the year would have been HK$1,432,000 (2010: HK$5,673,000) and HK$1,427,000 (2010: HK$5,094,000) higher/lower respectively, the effect of which will be classified as unrealised gain or loss on trading securities.

34 Financial risk management (continued)

(d) Equity price risk (continued)

For the year ended 31 December 2010, the fair value of the unlisted unit trust investment was valued using a discounted cash flow model. If the discount rates used in the discounted cash flow valuation increased/decreased by 1%, this would have resulted in a decrease or increase in value of HK$644,000 and HK$655,000 respectively.

The sensitivity analysis has been determined assuming that the possible changes had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. The analysis was performed on the same basis for the year ended 31 December 2010.

35 Fair values of financial instruments

(a) Fair values

(i) Financial instruments carried at fair values

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

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

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data, including listed equity securities with lock-up period

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

35 Fair values of financial instruments (continued)

(a) Fair values (continued)

(i) Financial instruments carried at fair values (continued)

2011

	The Group				The Company			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Held-for-trading investments:								
– Listed equity securities	2,872	–	–	2,872	2,811	–	–	2,811
– Unlisted private equity funds	–	8,651	–	8,651	–	–	–	–
Financial assets designated at fair value through profit or loss:								
– Unlisted debt securities with embedded options	–	–	28,346	28,346	–	–	28,346	28,346
– Listed equity securities	14,280	–	–	14,280	14,280	–	–	14,280
– Unlisted funds	–	18,429	–	18,429	–	18,429	–	18,429
	17,152	27,080	28,346	72,578	17,091	18,429	28,346	63,866

35 Fair values of financial instruments (continued)

(a) Fair values (continued)

(i) Financial instruments carried at fair values (continued)

2010

	The Group				The Company			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Held-for-trading investments:								
– Listed equity securities	9,732	–	–	9,732	2,799	–	–	2,799
– Unlisted private equity funds	–	6,515	–	6,515	–	–	–	–
Financial assets designated at fair value through profit or loss:								
– Listed equity securities	–	58,212	–	58,212	–	58,212	–	58,212
– Unlisted funds	–	20,552	–	20,552	–	20,552	–	20,552
Available-for-sale investment:								
– Unlisted unit trust investment	–	–	75,871	75,871	–	–	–	–
	9,732	85,279	75,871	170,882	2,799	78,764	–	81,563

During the year there were no significant transfers between instruments in Level 1 and Level 2.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. As at 31 December 2011 and 2010, the Group did not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2.

35 Fair values of financial instruments (continued)

(a) Fair values (continued)

(i) Financial instruments carried at fair values (continued)

Investments classified within Level 3 have significant unobservable inputs as they trade infrequently. As observable prices are not available for these securities, the Group has used valuation techniques to derive the fair value.

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	The Group			The Company
	Financial asset designated at fair value through profit or loss HK$'000	Available-for-sale investment HK$'000	Total HK$'000	Financial asset designated at fair value through profit or loss HK$'000
At 1 January 2011	–	75,871	75,871	–
Payment for purchase	28,378	–	28,378	28,378
Proceeds from sales	–	(88,322)	(88,322)	–
Total gain or loss recognised in profit or loss	(32)	28,027	27,995	(32)
Release from other comprehensive income during the year	–	(16,856)	(16,856)	–
Exchange adjustment	–	1,280	1,280	–
At 31 December 2011	28,346	–	28,346	28,346
Total gain or loss for the year included in profit or loss for assets held at the end of the reporting period	(32)	–	(32)	(32)
Total gain or loss for the year included in available-for-sale fair value reserve of the other comprehensive income for assets held at the end of the reporting period	–	–	–	–

35 Fair values of financial instruments (continued)

(a) Fair values (continued)

(i) Financial instruments carried at fair values (continued)

The movement during the year in the balance of Level 3 fair value measurements is as follows: (continued)

	The Group			The Company
	Financial asset designated at fair value through profit or loss HK$'000	Available-for-sale investment HK$'000	Total HK$'000	Financial asset designated at fair value through profit or loss HK$'000
At 1 January 2010	24,118	56,803	80,921	24,118
Change in fair value recognised in other comprehensive income during the year	–	16,856	16,856	–
Transfer out of Level 3	(24,118)	–	(24,118)	(24,118)
Exchange adjustment	–	2,212	2,212	–
At 31 December 2010	–	75,871	75,871	–
Total gain or loss for the year included in profit or loss for assets held at the end of the reporting period	–	–	–	–
Total gain or loss for the year included in available-for-sale fair value reserve of the other comprehensive income for assets held at the end of the reporting period	–	16,856	16,856	–

35 Fair values of financial instruments (continued)

(a) Fair values (continued)

(i) Financial instruments carried at fair values (continued)

The above presents the investments whose fair values are recognised in whole or in part using valuation techniques based on assumptions that are not supported by prices or other inputs from observable current market transactions in the same instrument and the effect of changing one or more those assumptions behind the valuation techniques adopted based on reasonable possible alternative assumptions.

During the year ended 31 December 2010, certain financial assets designated at fair value through profit or loss were transferred out of Level 3 of the fair value hierarchy when significant inputs used in their fair value measurements which were previously unobservable became observable.

(ii) Financial instruments carried at other than fair values

All of the carrying amounts of the Group's and the Company's financial instruments carried at costs or amortised costs are not materially different from their fair values as at 31 December 2011 and 2010.

(b) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Securities investments

Fair value is based on quoted market prices at the end of the reporting period without any deduction for transaction costs. For the listed securities with lock-up condition, option value pricing model is used to discount on closing bid price. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Fair values for the unquoted investments are estimated using discounted cash flow model or the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances of the issuer.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period. Where other pricing models are used, inputs are based on market related data at the end of the reporting period.

35 Fair values of financial instruments (continued)

(b) Estimation of fair values (continued)

(ii) Embedded derivatives

The fair value of the embedded option component of unlisted debt security was determined using Black-Scholes option pricing model with inputs which are based on market related data at the end of the reporting period.

(iii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

36 Commitments

(a) Capital commitments outstanding at 31 December 2011 not provided for in the financial statements were as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted for	**16,985**	138,414	**9,434**	39,066

(b) At 31 December 2011, total future minimum lease payments under non-cancellable operating lease are payable as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**503**	718	**–**	–
After 1 year but within 5 years	**356**	937	**–**	–
	859	1,655	**–**	–

The Group and the Company are the lessees in respect of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease for a further period of three years when all terms are renegotiated.

37 Material related party transactions

(a) Transactions with related companies

During the year, the Group had transactions with related parties as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Management fee income from ultimate holding company (note)	**29,300**	46,000	**29,300**	46,000
Interest income from non-controlling shareholders	**–**	989	**–**	989

The directors consider the above transactions were entered at normal commercial terms on arm-length basis.

Note: The amount represents the management fee income from CIAM Parent under the Former Service Agreement. After the expiry of the Former Services Agreement, the Listed Group Services Agreement and the Parent Group Services Agreement were effective from 1 December 2011. Certain expenses recognised in the Group's current year consolidated statement of comprehensive income represented the net amount after expenses reimbursement arrangement under the Listed Group Services Agreement and the Parent Group Services Agreement (note 8).

(b) Balances with related companies

		The Group		The Company	
		2011	2010	**2011**	2010
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amount due from ultimate holding company	(a)	**13,693**	14,996	**13,693**	14,996
Bank deposits with related companies (included in cash and cash equivalents)	(b)	**167,716**	179,026	**162,921**	165,680
Amount due to ultimate holding company	(a)	**14,057**	–	**–**	–
Amounts due to fellow subsidiaries	(c)	**–**	15,793	**–**	–
Loans from non-controlling shareholders		**202**	202	**–**	–
Amount due to a jointly controlled entity of the ultimate holding company	(a)	**–**	–	**89,985**	–
Dividend receivable from a jointly controlled entity		**16,431**	–	**–**	–

37 Material related party transactions (continued)

(b) Balances with related companies (continued)

The directors consider the above transactions were entered at normal commercial terms on arm-length basis.

Notes:

(a) The amount is unsecured, interest-free and is expected to be recovered within one year.

(b) The balance represents bank balances with two banking institutions, which are related companies of the ultimate holding company.

(c) The amount bears interest at 4% per annum, is unsecured and expected to be recovered within one year.

(c) Key management personnel compensation

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

	2011 **HK$'000**	2010 HK$'000
Short-term employment benefits	**8,190**	12,027
Post-employment benefits	**495**	417
Equity compensation benefits	**796**	1,828
	9,481	14,272

For the year ended 31 December 2011, the amounts represented the net amount after expenses reimbursement arrangement under the Former Service Agreement, the Listed Group Services Agreement and the Parent Group Services Agreement.

For the year ended 31 December 2010, the amounts presented are net of amounts reimbursed from CIAM Parent under the Former Service Agreement.

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

Total remuneration is included in "staff costs" (see note 8(b)).

37 Material related party transactions (continued)

(d) Disposal of assets to related parties

Pursuant to a Master Agreement dated 6 May 2011 executed between the Company and CITIC YBN Capital Limited ("CITIC YBN"), a jointly controlled entity of the ultimate holding company, the Company agreed to dispose of 30% equity interest in 河南農開投資基金管理有限責任公司 (the "Henan Fund Management Co. Interests") (note 18) and the Trust Plan Interests (note 20) to 逸百年(中國)投資有限公司, a wholly-owned subsidiary of CITIC YBN.

The disposal of the Henan Fund Management Co. Interests and the Trust Plan Interests were completed in October 2011 at consideration of RMB13,887,000 (equivalent to approximately HK$16,683,000) and RMB73,517,000 (equivalent to approximately HK$88,322,000) respectively. Gain on disposal amounted to RMB1,098,000 (equivalent to HK$1,319,000) and RMB23,517,000 (equivalent to HK$28,027,000) respectively.

38 Immediate and ultimate controlling party

At 31 December 2011, the directors consider the immediate parent is Right Precious Limited, a limited company incorporated in the British Virgin Islands, and the ultimate controlling party is CITIC International Assets Management Limited, a limited company incorporated in Hong Kong. These entities do not provide financial statements available for public use.

39 Accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Changes in assumptions may have a significant impact on the financial statements in the periods where the assumptions are changed. The application of assumptions and estimates means that any selection of different assumptions would cause the Group's reporting to differ. The Group believes that the assumptions that have been made are appropriate and that the financial statements therefore present the financial position and results fairly, in all material respects. Management has discussed with the Audit Committee the development, selection and disclosure of the Group's significant accounting policies and estimates and the application of these policies.

39 Accounting estimates and judgements (continued)

Key sources of estimation uncertainty

(i) Loan and other receivables

Loans portfolios are reviewed periodically to access whether impairment losses exist. The Group makes judgements as to whether there is any objective evidence that a loan portfolio is impaired, i.e. whether there is a decrease in estimated future cash flows. Objective evidence for impairment includes observable data that the payments status of borrowers in a group has adversely changed. It may also include observable data in local or economic conditions that correlate with defaults on the assets in the Group. If management has determined, based on their judgement, that objective evidence of impairment exists, expected future cash flows are estimated based on historical loss experience for assets with credit risk characteristics similar to those of the Group. Historical loss experience is adjusted on the basis of the current observable data. Management reviews the methodology and assumptions used in estimating future cash flows regularly to reduce any difference between loss estimates and actual loss experience.

(ii) Unlisted investments

The fair values of unlisted available-for-sale investment and financial assets at fair value through profit or loss are significantly affected by the combination of valuation methodologies employed, the parameters used and, if required, the underlying sample chosen. The valuation methodologies and the source of the parameters adopted by the Group are discussed in note 35(a)(i).

The Group held certain investments with carrying value of HK$27,080,000 (2010: HK$27,067,000) in unlisted funds and unlisted private equity funds. The fair values of these investments were determined by the manager or trustee of the fund in the absence of a readily ascertainable market value. Management was of the opinion that this estimated fair value may differ significantly from the value that would have been used had a ready market existed, and the difference could be material.

(iii) Carried interest provision

Carried interest accruals are calculated based on hypothetical share of profits by eligible employees taking into account the cash already distributed from the Group and the amount of divestment proceeds receivable or to be received upon disposal. The Group recognises a provision based on estimated fair value of its assets at the end of the reporting period in accordance with the methodology as stated in note 35. Carried interest will be distributed to the eligible employees upon realisation of the investments.

40 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2011

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

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 9, *Financial instruments*	1 January 2015
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements* (2011)	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position except for HKFRS 9, *Financial instruments*, which will have an impact on the Group's results and financial position arising from changes in the Group's classification and measurement of financial instruments.

Five-Year Financial Summary

Results

	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Continuing operations					
Revenue	**29,107**	85,284	36,952	(3,393)	8,060
(Loss)/profit before taxation from continuing operations	**(120,808)**	45,890	67,147	(22,962)	17,739
Income tax	**(10,645)**	(1,952)	–	(1,129)	(8,934)
(Loss)/profit for the year from continuing operations	**(131,453)**	43,938	67,147	(24,091)	8,805
Discontinued operations					
(Loss)/profit for the year from discontinued operations	**–**	–	–	(46,204)	18,229
(Loss)/profit for the year	**(131,453)**	43,938	67,147	(70,295)	27,034
Attributable to:					
Equity shareholders of the Company	**(131,455)**	44,149	64,332	(70,289)	27,046
Non-controlling interests	**2**	(211)	2,815	(6)	(12)
(Loss)/profit for the year	**(131,453)**	43,938	67,147	(70,295)	27,034

Assets and liabilities

	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Total assets	**663,386**	869,026	706,447	698,731	864,223
Total liabilities	**(102,335)**	(174,184)	(77,575)	(216,042)	(277,899)
	561,051	694,842	628,872	482,689	586,324
Equity attributable to equity shareholders of the Company	**561,189**	694,982	623,869	479,833	585,403
Non-controlling interests	**(138)**	(140)	5,003	2,856	921
Total equity	**561,051**	694,842	628,872	482,689	586,324

Note: The financial information for the year ended 31 December 2007 has been restated for the operations discontinued in 2007 and 2008.

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CIAM Group Limited
事安集團有限公司
Subsidiary of CITIC International Assets Management Limited