Annual Report 2011

China Investment Fund Company Limited

中 國 投 資 基 金 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00612

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

William Robert Majcher *(Chairman)*
Wan Chuen Hing, Alexander
Luk Hong Man, Hammond *(Financial Controller)*

Independent Non-executive Directors

Wong Chung Kin, Quentin
Tsang Kwok Wa, Edward
Ng Man Fai, Matthew

COMPANY SECRETARY

Hong Lai Ping

AUDIT COMMITTEE

Wong Chung Kin, Quentin *(Chairman)*
Tsang Kwok Wa, Edward
Ng Man Fai, Matthew

REMUNERATION COMMITTEE

Ng Man Fai, Matthew *(Chairman)*
Wong Chung Kin, Quentin
Tsang Kwok Wa, Edward

NOMINATION COMMITTEE

Tsang Kwok Wa, Edward *(Chairman)*
Luk Hong Man, Hammond
Ng Man Fai, Matthew

INVESTMENT MANAGER

Baron Asset Management Limited
Room 401, 4th Floor, Aon China Building
29 Queen's Road Central
Central
Hong Kong

CUSTODIAN

Standard Chartered Bank
15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKER

Bank of Communications Company Limited
20 Pedder Street
Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

AUDITORS

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

23/F, Sunshine Plaza
353 Lockhart Road
Wanchai
Hong Kong

STOCK CODE

00612 (Listed on the Main Board of The Stock Exchange of Hong Kong Limited)

WEBSITE

www.irasia.com/listco/hk/cif

Chairman Statement and Management Discussion and Analysis

I am pleased to present the annual report of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011.

The Group was principally engaged in investment in both listed and unlisted securities.

BUSINESS REVIEW

The global investment markets during the last year have been largely dampened by waves of serious bad news on European debt issues. Substantial financial dislocation also stemmed from the weakened US economy and the potential economic slowdown in China. Facing such unfavorable investment environment, the Directors have taken the cautiously defensive measure to conservatively manage the portfolio of investments of the Group.

Under the above situation, the Group had a net loss of approximately HK$12,071,000 (2010: net profit of approximately HK$29,729,000). The loss was mainly due to the loss on disposal of subsidiaries of approximately HK$9,458,000 (2010: Nil) and decrease in the net realized gain on disposal of available-for-sale financial assets of approximately HK$1,283,000 (2010: approximately HK$37,262,000).

Securities Investments

The board exercised caution when managing the investment process during the year. For the year ended 31 December 2011, the Group recorded audited revenue gained from financial assets of approximately HK$1,551,000 (2010: approximately HK$1,163,000), increased by approximately 33% over the previous year. The Group made a net realised gain on disposal of financial assets of approximately HK$2,811,000 (2010: approximately 37,733,000).

Given the recent fluctuation in the worldwide financial markets, the Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining good investment yields for our shareholders. We will monitor market development closely with a view of identifying attractive and long-term investment opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$114,519,000 as at 31 December 2011 (2010: approximately HK$41,615,000).

The Group's gearing ratio, representing the total debt divided by equity attributable to equity holders of the Company, was not applicable as the Group did not have any bank loans or borrowings as at 31 December 2011 and 2010.

There were no capital commitments as at 31 December 2011 which would require a substantial use of the Group's present cash resources or external funding.

Exchange risk of the Group is minimal as the assets of the Group comprised substantially of bank deposits denominated in Hong Kong dollars and US dollars. Approximately 0.07% of the Group's financial assets are denominated in European and Canada dollars. It is the Group's policy to adopt a prudent financial management strategy to meet risk fluctuation and investment opportunities.

MATERIAL ACQUISITION OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES

Save for 5 subsidiaries were acquired and 3 subsidiaries were disposed, there were no material acquisition of subsidiaries and disposal of subsidiaries during the year ended 31 December 2011.

CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year, the movements in the company's share capital are as follows:

(a) On 26, 28 and 31 January 2011, the Company had issued and allotted 50,000,000, 60,000,000 and 50,000,000 new shares at HK$0.125, HK$0.106 and HK$0.125 by subscription respectively.

(b) On 15 February 2011, the Company implemented the Capital Reorganisation comprising the Share Consolidation pursuant to which every five Existing Share of HK$0.01 each will be consolidated into one Consolidated Share of HK$0.05. Further details of the Share Consolidation are set out in a circular dated 19 January 2011.

(c) On 14 March 2011, an Open Offer of 510,080,000 offer shares at a price of HK$0.15 per offer share on the basis of two offer shares for every consolidated shares held by members on the register. Further details of the Open Offer are set out in the prospectus of the Company dated 15 February 2011.

EMPLOYEE INFORMATION

As at 31 December 2011, the Company had 10 employees (2010: 7), including executive Directors and independent non-executive Directors. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

PROSPECTS

The outlook of the global economy and investment market remains highly uncertain and volatile. The unresolved European debt problems will continue to be one of the major overhangs while there is renewed concern over the stability in Middle East and Korea that will likely dampen the global economy. Meanwhile, 2012 marks the year of power transition in the USA and China that will undoubtedly cause certain market volatility. The latest statistics from China (including PMI in January and economic data in December 2011) confirmed a slow-down of the Chinese economy which may produce domino effects on other countries. Due to the aforementioned uncertainties and risk factors, the Directors reiterate our cautious approach to safe-guide and monitor the portfolio of investments for the Group. We will continuously look out with full attention for investment opportunities that offer reasonable returns and within the acceptable risk profile of the Group.

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

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except for the subscription, Capital Reorganisation and Open Offer, details disclosed under note 21 to the consolidated financial statements of our Annual Report 2011.

PUBLICATION OF FURTHER INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

All the financial and other related information of the Group required by the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange will be dispatched to our shareholders on or before 30 April 2012 and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
China Investment Fund Company Limited

William Robert Majcher
Chairman
Hong Kong, 30 March 2012

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. William Robert Majcher ("Mr. Majcher"), aged 49, is an executive Director. Mr. Majcher has been appointed to the board of directors of Evolving Gold Corporation, a company listed on both TSX Venture Exchange of Canada and Frankfurt Stock Exchange, with effect from 21 September 2007. Mr. Majcher has also been appointed to be an independent non-executive director of Chanceton Financial Group Ltd. listed on the Stock Exchange of Hong Kong (stock code: 8020) with effect from 21 September 2011. Mr. Majcher was an independent director of Q-Gold Resources Ltd., a company listed on TSX Venture Exchange of Canada from November 2010 to November 2011. Mr. Majcher was an independent director of First Star Resources Inc., a company listed on TSX Venture Exchange of Canada from February 2011 to September 2011. Mr. Majcher was also a director of Stealth Energy Inc. from December 2010 to September 2011, a company listed on the Canadian National Stock Exchange. Mr. Majcher is a highly accomplished visionary with over 20 years combined experience in public service, international finance, and capital markets. His background includes management, public stewardship, structured finance, emerging markets, product development, strategic planning and positioning, and risk management. Mr. Majcher started his career as a Eurobond trader in London, England, where he was known as one of the youngest Canadian Eurobond traders in the market. He later used this experience during a twenty-year career with the Royal Canadian Mounted Police (RCMP), where Mr. Majcher enjoyed remarkable success in covert and public market investigations that often saw him working with law enforcement and securities regulators from around the globe. Mr. Majcher has experience as a Futures and Options broker and trader in both Canada and the United States and has lectured extensively on abuse within the international capital markets, including sophisticated money laundering. Mr. Majcher is recognized as an expert on money laundering in the United States Federal Court for the Southern District of Florida and the Supreme Court of British Columbia and the Ontario Superior Court of Justice. Mr. Majcher obtained a bachelor's degree in Commerce from St. Mary's University, Halifax.

Mr. Wan Chuen Hing, Alexander ("Mr. Wan"), aged 53, is an executive Director. Mr. Wan graduated with a bachelor's degree in economics from University of California, Berkeley, the US. He has also undertaken a master's degree course in business administration majoring in international management in Golden Gate University, US. Mr. Wan has over 19 years of banking experience in the US and the Asia Pacific Region. During the period from 1995 to 1998, Mr. Wan was the manager of Asian Global Relationship Centers and the head of Credit and Corporate Finance for the West Coast Region of Citibank International Private Banking Group. He was responsible for the management and investment of high net worth clients' funds with a portfolio of over US$500 million on a discretionary basis. During the period from 1998 to 1999, Mr. Wan was the managing director and head of Asia Pacific and the West Coast of Blue Stone Capital Partners, L.P., a US investment and merchant banking company. In 2000, Mr. Wan was the general manager and business development director of Beenz.com Greater China Limited covering the PRC, Taiwan, Korea and Hong Kong. Beenz.com is a global customer relationship management solutions provider. From 2002 to 2008, Mr. Wan had been the IT Business Director and Chief Financial Officer of Sino Resources Group Limited (previously known as Kenfair International (Holdings) Limited, stock code: 223).

Mr. Luk Hong Man, Hammond ("Mr. Luk"), age 31, is currently a member of the Certified General Accountants Association of Canada and the Hong Kong Institute of Directors. Mr. Luk is also an associated member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Luk obtained a degree of bachelor of laws from University of London and a degree of bachelor of commerce from University of Alberta. Mr. Luk has about ten years of experience in management accounting, financial control, internal audit and compliance through his previous employment with different companies in Canada and Hong Kong. Prior to joining the Company, Mr. Luk had worked as an executive director and compliance officer in Rojam Entertainment Holdings Limited (now know as Media Asia Group Holdings Limited, stock code: 8075) and an executive officer in charge of the accounting and finance department in Sunny Global Holdings Limited (now known as China Public Procurement Limited, stock code: 1094).

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chung Kin, Quentin ("Mr. Wong"), aged 41, is a fellow member of Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong and Association of Chartered Certified Accountants. He is also a member of The Society of Chinese Accountants & Auditors and The Institute of Chartered Accountants in England and Wales. He holds a bachelor of Arts degree in Accounting and Financial Management from University of Essex and a master degree of Science in Internal Auditing and Management from The City University, London. He has over 10 years working experience in audit and accounting gained from a sizeable international firm. He has set up his own practice, Quentin Wong & Co. Certified Public Accountants (Practising) since 1 January 2005 and has had almost 7 years of practicing experience. He also taught the master degree course at the Open University of Hong Kong in 2005 and 2006.

Mr. Tsang Kwok Wa, Edward ("Mr. Tsang"), aged 46, is a member of the Hong Kong Institute of Certified Public Accountants, a member of the CPA Australia and a fellow member of the Taxation Institute of Australia. He holds a master degree of commerce with major in accounting from Charles Sturt University in Australia. He has over 21 years of experience in accounting area. Mr. Tsang was appointed as an Independent Non-executive Director of Asia Energy Logistics Group Limited (stock code: 351) in July 2007 and resigned in June 2010.

Mr. Ng Man Fai, Matthew ("Mr. Ng"), aged 44, is a member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a provisional member of the Institute of Certified Public Accountants of Singapore. He is also an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, and an associate member/certified tax adviser of The Taxation Institute of Hong Kong. Mr. Ng holds a Master of Accountancy from Charles Sturt University, Australia, and a Bachelor of Business Administration from the University of East Asia, Macau. Mr. Ng has over 21 years working experience in audit and accounting, gained from international firms and companies listed on the Stock Exchange. He is currently a deputy financial controller of Burwill Holdings Limited (stock code: 24).

Report of the Directors

The Directors of the Company (the "Directors") are pleased to present their annual report and the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Group is principally engaged in investing in listed and unlisted securities. The activities of the subsidiaries of the Company are set out in note 28 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 71. The Directors do not recommend the payment of a final dividend for the year.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 21 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year are set out on page 24. Under the Companies Law of the Cayman Islands, share premium of the Company is available for distributions or paying dividends to the shareholders subject to the provisions of its Memorandum ("Memorandum") and Articles of Association ("Articles") and a statutory solvency test. In accordance with Article 143 of the Articles, dividends may be declared and paid out of the profit of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. There were no reserves available for distribution in both years ended 31 December 2011 and 2010.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's entire turnover is derived from the Group's investments in listed and unlisted securities and thus the disclosure of customers and suppliers information would not be meaningful.

Report of the Directors

As at the date of this annual report, the Board consists of the following Directors:

Executive Directors

Mr. William Robert Majcher *(Chairman)*
Mr. Wan Chuen Hing, Alexander
Mr. Luk Hong Man, Hammond (appointed on 18 July 2011) *(Financial Controller)*

Independent Non-executive Directors

Mr. Cheng Wing Keung, Raymond (resigned on 23 March 2012)
Mr. Yeung Chun Yue, David (resigned on 29 March 2012)
Mr. Siu Hi Lam, Alick (resigned on 1 February 2012)
Mr. Wong Chung Kin, Quentin (appointed on 1 December 2011)
Mr. Tsang Kwok Wa, Edward (appointed on 1 February 2012)
Mr. Ng Man Fai, Matthew (appointed on 23 March 2012)

At the forthcoming annual general meeting of the Company ("AGM"), one Director will retire as Director by rotation and, being eligible, offer himself for re-election in accordance with the Articles. Four Directors appointed by the Board as additions to the existing Board or to fill causal vacancies, shall hold office only until the conclusion of the Annual General meeting, being eligible, offers themselves for re-election at the Annual General Meeting in accordance with the Articles.

None of the Directors proposed for re-election at the AGM has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2011, none of the Directors, the chief executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its subsidiaries or other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) 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 Companies.

SHARE OPTIONS

Particulars of the Company's share option scheme are set out in note 23 to the consolidated financial statements. No option has been granted or agreed to be granted under the share option scheme from the date of adoption of the scheme.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as disclosed in note 23 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the register of substantial shareholders maintained by the Company pursuant to section 336 of SFO shows that other than being a Director or the chief executive of the Company, the following shareholders had notified the Company of the relevant interests amounting to 5% or more of the ordinary shares in issue:

Long positions

Name	Notes	Number of shares	Type of interest	Approximately percentage of issued share capital of the Company
Hung Chao Hong	1	229,468,305	Interest of controlled corporation	29.99%

Note:

1. Mr. Hung Chao Hong ("Mr. Hung") is deemed to be interested in 229,468,305 shares held by Hyatt Servicing Limited which is 99.99% owned by Mr. Hung.

Save as disclosed above, the Directors are not aware of any person who has an interest or short position in the shares or underlying shares of the Company (which is discloseable under Divisions 2 and 3 of the Part XV of the SFO), or is directly or is indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (which is discloseable under the Listing Rules).

CONTINUING CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Details of transactions regard as continuing connected transactions and required to be disclosed as defined under the Listing Rules, are as follow:

(i) Under the investment management agreement dated 21 December 2009 (the "Investment Management Agreement") entered into between the Company and Baron Asset Management Limited, (the "Investment Manager"), the Investment Manager has agreed to provide the Company with investment management services commencing from 1 January 2010 to 30 June 2011. On 8 July 2011, the Company entered into Supplemental Agreement to extend the term of the Investment Management Agreement for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. The Investment Manager is defined as connected person of the Company pursuant to the Rule 21.13 of the Listing Rules. Under the Investment Management Agreement and Supplemental Agreement, the investment management fee payable to the Investment Manager shall be HK$150,000 per month.

(ii) Pursuant to the consultancy agreement dated 21 December 2009 (the "Consultancy Agreement") entered into between the Company and Ms. Wan Ho Yan, Letty ("Ms. Wan"). The Company has agreed to appoint and Ms. Wan has agreed to accept the appointment as a consultant of the Company to provide consultancy services in relation to the business and operation of the Company commencing from 21 December 2009 to 30 June 2011. Ms. Wan is the niece of Mr. Wan Chuen Hing, Alexander, an Executive Director of the Company, and therefore is the connected person of the Company. Under the Consultancy Agreement, the consultancy fee payable to Ms. Wan was HK$1,000 per hour for each of the two years ending 31 December 2011 and the maximum aggregate annual value for each of the two years ending 31 December 2011 under the Consultancy Agreement is HK$1,000,000.

(iii) Pursuant to the sharing of administrative office agreement dated 21 December 2009 (the "Sharing of Administrative Office Agreement") entered into between the Company and Baron Asia Limited (the "Baron Asia"). The Company is entitled to share the use of the Premises and Facilities commencing from 1 February 2010 to 30 June 2011. On 8 July 2011, the Company entered into Supplemental Agreement to extend the term of the Sharing of Administrative Office Agreement for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. Baron Asia is indirectly wholly-owned by Ms. Wan who is the niece of Mr. Wan Chuen Hing, Alexander, an Executive Director of the Company, and therefore Baron Asia is the connected person of the Company. Under the Sharing of Administrative Office Agreement and the Supplemental Agreement, the fee payable to Baron Asia shall be HK$200,000 per month.

(iv) Pursuant to the brokerage agreement dated 5 July 2011 (the "Brokerage Agreement") entered into between the Company and Ping An Securities Limited (the "Ping An Securities"). Ping An Securities has agreed to provide the Company with brokerage service for securities for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. Ping An Securities is indirectly owned by Ms. Wan who is the niece of Mr. Wan Chuen Hing, Alexander, an Executive Director of the Company, and therefore Ping An Securities is the connected person of the Company. Under the Brokerage Agreement, the aggregate fee payable to Ping An Securities shall not exceed HK$200,000 per annum.

(v) Pursuant to the financial advisory agreement dated 8 July 2011 (the "Financial Advisory Agreement") entered into between the Company and Baron Capital Limited (the "Baron Capital"). Baron Capital has agreed to provide the corporate financial advisory services to the Company for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. Baron Capital is wholly owned by Mr. Wan Chuen Chung who is the brother of Mr. Wan Chuen Hing, Alexander, an Executive Director of the Company, and therefore Baron Capital Limited is the connected person of the Company. Under the Financial Advisory Agreement , the aggregate fee payable to Baron Capital Limited shall not exceed HK$2,000,000 per annum.

The independent non-executive Directors have confirmed that the above transactions were conducted (1) in the ordinary and usual course of business of the Company; (2) on normal commercial terms and (3) in accordance with the relevant agreement governing them that terms are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Company confirms that it has received written confirmation from its auditors confirming the matters stated under Rule 14A.38 of the Listing Rules.

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

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any of the Company's listed securities, except for the subscription, Capital Reorganisation and Open Offer, details disclosed under note 21 to the consolidated financial statements of our Annual Report 2011.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2011, the Directors had not aware of any business or interest of the Directors and their associates that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The committee currently comprised solely of independent non-executive Directors, namely, Mr. Tsang Kwok Wa, Edward, Mr. Wong Chung Kin, Quentin and Mr. Ng Man Fai, Matthew. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review on the consolidated financial statements of the Group for the year ended 31 December 2011.

CODE OF BEST PRACTICE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, during the year, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the independent non-executive Directors are not appointed for a specific terms as they are subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed issuers ("Model Code") set out in Appendix 10 of the Listing Rules as the Code of Conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of the Cayman lslands, which would oblige the Company to offer new shares on a pro-rata to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 December 2011.

FIVE YEAR 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 72.

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 Listing Rules. The Company considers that all the independent non-executive Directors are independent.

AUDITORS

Messrs. HLM & Co. Certified Public Accountants acted as auditors of the Company for the years ended 31 December 2009, 2010 and 2011. A resolution will be proposed in the AGM to re-appoint HLM & Co. Certified Public Accountants as auditors of the Company.

On behalf of the Board
China Investment Fund Company Limited

William Robert Majcher
Chairman
Hong Kong, 30 March 2012

CORPORATE GOVERNANCE PRACTICES

Following the issue of the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules, the Company has carefully reviewed and considered its provisions, and carried out a detailed analysis on the corporate governance practices of the Company against the requirements of the Code. Throughout the financial year ended 31 December 2011, except for the requirement that the non-executive Directors should be appointed for specific terms, the Company has complied with all code provisions on the Code. Independent non-executive Directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Annual General Meeting in accordance with the Company's Articles. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting that in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2011.

BOARD OF DIRECTORS

Composition and role

The board of directors (the "Board") of the Company comprises:

Executive Directors:	William Robert Majcher, *Chairman* Wan Chuen Hing, Alexander Luk Hong Man, Hammond, *Financial Controller*
Independent Non-executive Directors:	Cheng Wing Keung, Raymond *(resigned on 23 March 2012)* Yeung Chun Yue, David *(resigned on 29 March 2012)* Siu Hi Lam, Alick *(resigned on 1 February 2012)* Wong Chung Kin, Quentin (appointed on 1 December 2011) Tsang Kwok Wa, Edward (appointed on 1 February 2012) Ng Man Fai, Matthew (appointed on 23 March 2012)

There is no relationship between members of the Board.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Company. It also decides on matters such as annual and interim results, major transactions, Director's appointments or re-appointments, and dividend and accounting policies.

The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors.

The key responsibilities of the Board include the formulation of the Group's overall strategies, setting performance targets, regulate and maintain internal controls, monitoring financial reporting process and manage day-to-day business operations. The Board is responsible to promote the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each Director has a duty to act in good faith in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all shareholders for the manner which the affairs of the Company are managed, controlled and operated.

The Board comprises of three executive Directors and three independent non-executive Directors. The biographical details of all Directors are presented on pages 6 to 7 of this annual report. One Director is subject to retirement by rotation and re-election at the forthcoming AGM to be held on 28 June 2012. Four Directors shall hold office only until the conclusion of the forthcoming AGM, being eligible, offers themselves for re-election at the forthcoming AGM.

Three independent non-executive Directors, Mr. Wong Chung Kin, Quentin, Mr. Tsang Kwok Wa, Edward and Mr. Ng Man Fai, Matthew possess appropriate professional accounting qualifications and financial management expertise, which satisfies Rule 3.10(2) of the Listing Rules. Through positive contributions to the Board and committee works, the independent non-executive Directors provide independent directives and views on important decisions in respect of strategic developments, corporate governance practices, financial reporting framework, internal controls and risk management.

The Board currently has three principal board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The independent non-executive Directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work. Pursuant to Rule 3.13 of the Listing Rules, the Company has received from each of the independent non-executive Director an annual confirmation of independence and the Company considers that all of the independent non-executive Directors are independent.

The full Board meets regularly and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the AGM, EGM, board meeting and committee meetings held in 2011 are set out in the following table:

	Meeting attended/held				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**AGM held on 27 June 2011**	**EGM held on 8 February 2011**
Executive Directors					
William Robert Majcher	35/35	–	–	1	–
Wan Chuen Hing, Alexander	35/35	–	–	1	1
Luk Hong Man, Hammond	1/35	–	–	–	–
Independent Non-executive Directors					
Cheng Wing Keung, Raymond	11/35	2/2	2/2	1	1
Yeung Chun Yue, David	11/35	2/2	2/2	1	–
Siu Hi Lam, Alick	11/35	2/2	2/2	1	1
Wong Chung Kin, Quentin	N/A	–	–	–	–
Tsang Kwok Wa, Edward	N/A	–	–	–	–
Ng Man Fai, Matthew	N/A	–	–	–	–

Chairman and Managing Director

The roles of the Chairman and the Managing Director are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Chairman of the Board is responsible for the leadership and effective running of the Board. The Managing Director is delegated with the authorities to manage the Group's business in all aspects effectively, implement major strategies, make day-to-day decision and coordinate overall business operation.

Mr. Wan Chuen Hing, Alexander resigned from the position of managing Director with effect from 30 March 2012. The Company will identify a suitable candidate to fill the vacancy as soon as practicable.

Re-election of Directors

Under the Code Provision A.4.1, non-executive Directors should be appointed for specific terms, subject to re-election at the general meeting of the Company. Currently, all independent non-executive Directors were appointed for a specific term, subject to re-election. Every Director, including these appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Audit Committee

The Company established the Audit Committee on 3 December 2001, which is currently comprised solely of independent non-executive Directors, namely, Mr. Wong Chung Kin, Quentin (Chairman), Mr. Tsang Kwok Wa, Edward and Mr. Ng Man Fai, Matthew. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management including a review of the consolidated financial statements for the year ended 31 December 2011.

HLM & Co. Certified Public Accountants (the "Auditors") were appointed as auditors of the Company until conclusion of the AGM. During the year, the Auditors rendered non-audit service to the Group and the Group also incurred the non-audit service fees of HK$9,000.

The Group's 2011 audited financial statements had been duly reviewed by the Audit Committee with the Auditors. The members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that is satisfied with the professional performance of the Auditors and therefore recommends the Board re-appointed HLM & Co. Certified Public Accountants as our Auditors in the AGM.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2011 consolidated financial statements of the Company, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

Remuneration Committee

The Company established the Remuneration Committee on 28 July 2005, which is currently comprised solely of independent non-executive Directors, namely, Mr. Ng Man Fai, Matthew, Mr. Wong Chung Kin, Quentin and Mr. Tsang Kwok Wa, Edward. Mr. Ng Man Fai, Matthew is the chairman of the Remuneration Committee.

The Remuneration Committee is responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy, and determination of the remuneration of the executive Director. Remuneration and the employment contracts of new appointing Directors have to be reviewed and approved by the Remuneration Committee. Compensation of removal or dismissal of Directors has to be reviewed and approved by the Remuneration Committee in accordance with relevant contractual terms and any compensation payment is otherwise reasonable and appropriate.

Nomination Committee

The Company established the Nomination Committee on 30 March 2012, which is comprised of Directors, namely, Mr. Luk Hong Man, Hammond, Mr. Tsang Kwok Wa, Edward and Mr. Ng Man Fai, Matthew. Mr. Tsang Kwok Wa, Edward is the chairman of the Nomination Committee.

The primary role and function of the nomination committee are to review and monitor the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to carry out the company's corporate strategies; to assess the independence of independent non-executive Directors; and to make recommendations to the Board succession planning.

INTERNAL CONTROLS

The Board has the responsibility to maintain an effective internal control system in order to safeguard the Group's assets and protect the shareholders' interests. The Board assesses the effectiveness of the internal control system and procedures derived from discussions with the Directors and reviews conducted by the Audit committee. The Board believes that the existing internal control system is adequate and effective.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the Directors are to prepare the financial accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors also acknowledge that the publication of the financial statements should be distributed to the Shareholders of the Company in a timely manner. In preparing the accounts for the year ended 31 December 2011, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable and prepared accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Company has announced its annual results and interim results in a timely manner during the year. The general meeting serves as a communication channel between Directors and shareholders. During general meeting, chairman of the Board and its committees will present to answer any queries that our shareholders may have, and separate resolutions are proposed on each substantially separate issue, including the re-election of individual Directors.

The notice of AGM shall be sent to all shareholders at least 21 days prior to the date of meeting. Details of each proposed resolution, voting procedures and other relevant information are set out in the notice of AGM and the circular contain such detail information will be issued to the Shareholders in due course.

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

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TO THE SHAREHOLDERS OF CHINA INVESTMENT FUND COMPANY LIMITED
中國投資基金有限公司
(Incorporated as an exempted company in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 71, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditors' Report

OPINION

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

HLM & Co.
Certified Public Accountants

Hong Kong, 30 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
Revenue	6	**2,363,375**	1,168,424
Net realised gain on disposal of available-for-sale financial assets		**1,283,018**	37,262,300
Net realised gain on disposal of financial assets designated as held for trading		**1,527,700**	470,910
Net unrealised loss on financial assets designated as held for trading		**–**	(2,316,300)
Loss on disposal of subsidiaries	8	**(9,457,609)**	–
		(4,283,516)	36,585,334
Other income	6	**1,280,134**	2,552,065
Administrative expenses		**(9,067,128)**	(9,408,852)
(Loss) profit before taxation		**(12,070,510)**	29,728,547
Taxation	9	**–**	–
(Loss) profit for the year	11	**(12,070,510)**	29,728,547
Dividend	12	**–**	–
(LOSS) EARNINGS PER SHARE	13		(restated)
– Basic and diluted (HK cents)		**(1.72) cents**	7.24 cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 HK$	2010 HK$
(Loss) profit for the year	**(12,070,510)**	29,728,547
Other comprehensive expenses:		
Exchange gain on translating available-for-sale financial assets	**5,565**	412,732
Net (loss) gain arising on revaluation of available-for-sale financial assets during the year	**(5,861,213)**	407,669
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year	**(1,321,169)**	(12,561,599)
Other comprehensive expenses for the year	**(7,176,817)**	(11,741,198)
Total comprehensive (expenses) income attributable to shareholders	**(19,247,327)**	17,987,349

Consolidated Statement of Financial Position

At 31 December 2011

	Notes	2011 HK$	2010 HK$
Non-current assets			
Property, plant and equipment	14	**22,337**	678,744
Prepaid lease payments - long-term portion	15	**–**	3,058,355
Available-for-sale financial assets	16	**116,805,674**	91,348,104
		116,828,011	95,085,203
Current assets			
Prepaid lease payments - current portion	15	**–**	86,151
Prepayments, deposits and other receivables	17	**502,451**	713,131
Financial assets designated as held for trading	18	**–**	9,872,400
Cash and cash equivalents	19	**114,518,958**	41,615,347
		115,021,409	52,287,029
Current liability			
Accruals, deposit received and other payables	20	**13,092,882**	2,512,980
Net current assets		**101,928,527**	49,774,049
Net assets		**218,756,538**	144,859,252
Capital and reserves			
Share capital	21	**38,256,000**	11,152,000
Reserves	22	**180,500,538**	133,707,252
Total equity		**218,756,538**	144,859,252
Net asset value per share	13	**0.29**	0.13

The consolidated financial statements on pages 21 to 71 were approved and authorised for issue by the Board of Directors on 30 March 2012 and are signed on its behalf by:

William Robert Majcher
Director

Wan Chuen Hing, Alexander
Director

Luk Hong Man, Hammond
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital HK$	Share premium HK$	Exchange reserve HK$	Investment revaluation reserve HK$	Retained earnings (Accumulated losses) HK$	Total HK$
At 1 January 2010	10,952,000	129,371,525	1,053,783	12,008,584	(28,633,989)	124,751,903
Issue of shares for cash by subscription	200,000	1,920,000	–	–	–	2,120,000
Other comprehensive income (expenses)	–	–	412,732	(12,153,930)	–	(11,741,198)
Profit for the year	–	–	–	–	29,728,547	29,728,547
At 31 December 2010	11,152,000	131,291,525	1,466,515	(145,346)	1,094,558	144,859,252
Issue of shares for cash by subscription	**1,600,000**	**17,260,000**	**–**	**–**	**–**	**18,860,000**
Issue of shares for cash by open offer	**25,504,000**	**48,780,613**	**–**	**–**	**–**	**74,284,613**
Other comprehensive expenses	**–**	**–**	**(1,460,950)**	**(5,715,867)**	**–**	**(7,176,817)**
Loss for the year	**–**	**–**	**–**	**–**	**(12,070,510)**	**(12,070,510)**
At 31 December 2011	**38,256,000**	**197,332,138**	**5,565**	**(5,861,213)**	**(10,975,952)**	**218,756,538**

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 HK$	2010 HK$
Cash flows from operating activities		
(Loss) profit for the year	**(12,070,510)**	29,728,547
Adjustments for:		
Depreciation	**23,789**	37,193
Amortisation of prepaid lease payments	**50,255**	86,151
Interest income	**(812,386)**	(5,690)
Loss on disposal of subsidiaries	**9,457,609**	–
Net realised gain on disposal of available-for-sale financial assets	**(1,283,018)**	(37,262,300)
Net realised gain on disposal of financial assets designated as held for trading	**(1,527,700)**	(470,910)
Net foreign exchange loss	**1,221**	–
Net unrealised loss on financial assets designated as held for trading	**–**	2,316,300
Operating cash flows before movements in working capital	**(6,160,740)**	(5,570,709)
Decrease in prepayments, deposits and other receivables	**204,175**	9,922,090
Increase (decrease) in accruals, deposit received and other payables	**10,579,902**	(974,519)
Net cash generated from operating activities	**4,623,337**	3,376,862
Investing activities		
Interest received	**812,386**	5,690
Purchase of property, plant and equipment	**(24,430)**	–
Deposit transfer to acquisition of available-for-sale financial assets	**–**	9,600,000
Proceeds from disposal of subsidiaries	**24,773,275**	–
Purchase of available-for-sale financial assets	**(79,485,636)**	(75,794,412)
Proceeds from disposal of financial assets designated as held for trading	**11,400,100**	3,092,910
Proceeds from disposal of available-for-sale financial assets	**17,659,966**	54,611,659
Net cash used in investing activities	**(24,864,339)**	(8,484,153)
Financing activity		
Net proceeds from issue of shares	**93,144,613**	2,120,000
Net cash generated from financing activity	**93,144,613**	2,120,000
Net increase (decrease) in cash and cash equivalents	**72,903,611**	(2,987,291)
Cash and cash equivalents at the beginning of year	**41,615,347**	44,602,638
Cash and cash equivalents at the end of year (Note 19)	**114,518,958**	41,615,347

1. GENERAL

China Investment Fund Company Limited (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited since 2 January 2002. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is principally engaged in investing in listed and unlisted securities. The principal activities of its subsidiaries are set out in note 28 to the consolidated financial statements.

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

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

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

Application of new and revised standards and interpretations

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKAS 1 (Amendments)	Presentation of Financial Statements
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKFRS 3 (Amendments)	Business Combinations (2008) – Improvements to HKFRSs (2010)
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

HKAS 24 Related Party Disclosures (as revised in 2009)

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

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. The related party disclosures set out in note 26 to the consolidated financial statements have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.

New and revised Standards and Interpretations issued but not yet effective

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

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

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

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

New and revised Standards and Interpretations issued but not yet effective *(continued)*

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

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

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

Key requirements of HKFRS 9 are described as follows:

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

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

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

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

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

New and revised Standards and Interpretations issued but not yet effective *(continued)*

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

Key requirements of these five standards are described below.

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

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and HK (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

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

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

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

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

New and revised Standards and Interpretations issued but not yet effective *(continued)*

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated. In addition, the application of HKFRS 11 may result in changes in the accounting of the Group's jointly controlled entities that are currently accounted for using proportionate consolidation. Under HKFRS 11, those jointly controlled entities will be classified as a joint operation or joint venture, depending on the rights and obligations of the parties to the joint arrangement. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and have not yet quantified the extent of the impact.

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

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

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

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

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

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

New and revised Standards and Interpretations issued but not yet effective *(continued)*

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

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The Directors anticipate that the application of the amendments to HKAS 12 in future reporting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the Directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

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

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The Directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to HKAS 19 may have impact on amounts reported in respect of the Group's defined benefit plans. However, the Directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Revenue recognition

Revenue from sales of financial assets is recognised on a trade-date basis.

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

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

(c) Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

(d) Prepaid lease payments

Prepaid lease payments represent up-front prepayments made for the land use right is expensed in the consolidated income statement on a straight-line basis over the period of the lease.

(e) Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Foreign currencies *(continued)*

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

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

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange difference arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

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

(f) Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leasing *(continued)*

The Group as lessee (continued)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

In the event that lease incentives are received to enter into operating lease, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

(g) Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Taxation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

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

(j) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments *(continued)*

Financial assets (continued)

Financial assets at FVTPL *(continued)*

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "revenue" line item in the consolidated income statement. Fair value is determined in the manner described in note 5.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments *(continued)*

Financial assets (continued)

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

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

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

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

Loans and receivables

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

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

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its costs is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

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

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

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

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

Financial liabilities and equity instruments

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Other financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Derivative financial instruments

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

Embedded derivatives

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recongise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

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

(l) Cash and cash equivalents

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgments in applying accounting policies

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

Depreciation

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

Key sources of estimation uncertainty

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

Valuation of financial instruments

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 5, 16 and 18 provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

The Directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

5. FINANCIAL RISKS MANAGEMENT

The management of financial risks is carried out by the investment manager under policies approved by the Board of Directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, the use of financial instruments and the investment of excess liquidity.

The Group's major financial instruments include financial assets designated as held for trading, and other investments in available-for-sale financial assets. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

5.1 RISK MANAGEMENT

(a) Market risk

The Group's strategy for the management of market risk is driven by the Group's investment objective. The Group's market risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place. The Group's market positions are monitored on a monthly basis by the Board of Directors, and the investments in equity of other entities are Hong Kong listed and overseas unlisted financial assets. Decisions to buy or sell financial assets are based on daily monitoring of the performance of individual financial assets compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the financial assets, the Group maintains a portfolio of diversified investments in terms of industry distribution such as minerals and water supply. Temporarily, the Group management has monitored price risk and will consider hedging of the risk if necessary.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to financial assets price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is remained at 15% in the current year.

If financial assets prices had been 15% higher/lower (2010: 15% higher/lower), profit for the year ended 31 December 2011 would increase/decrease by HK$nil (2010: increase/decrease by HK$1,480,860). This is mainly due to the changes in fair value of financial assets designated as held for trading. Also, if the fair value of the available-for-sale financial assets had increased/decreased by 15% (2010: 15% higher/lower) and all other variables were held constant, the investment revaluation reserve would increase/decrease by HK$17,520,851 (2010: increase/decrease by HK$13,702,216).

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.1 RISK MANAGEMENT *(continued)*

(b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. Financial assets which potentially subject the Group to concentrations of credit risk consist principally of available-for-sale financial assets, financial assets designated as held for trading, bank balances and amounts receivable on sale of investments.

The Group limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Group considers to be well established. All transactions in listed securities are settled/ paid for upon delivery using approved and reputable brokers.

Accordingly, the Group has no significant concentration of credit risk.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework to meet of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserve, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The maturity profiles of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments are summarised below:

	2011			
	On demand HK$	**Within 1 year HK$**	**1-3 years HK$**	**Total HK$**
Accruals, deposit received and other payables	**13,092,882**	**–**	**–**	**13,092,882**
	13,092,882	**–**	**–**	**13,092,882**

	2010			
	On demand HK$	Within 1 year HK$	1-3 years HK$	Total HK$
Accruals, deposit received and other payables	2,512,980	–	–	2,512,980
	2,512,980	–	–	2,512,980

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.1 RISK MANAGEMENT *(continued)*

(d) Interest rate risk

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

Sensitivity analysis

The sensitivity analysis below, which include interest rate exposure on variable interest bearing bank deposits and debt securities, have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. A 100 basis point change is used which represents management's assessment of the possible change in interest rates.

If interest rates have been 100 basis points higher/lower (2010: 100 basis points higher/lower) and all other variables were held constant, the Group's post tax profit for the year ended 31 December 2011 would decrease/increase by HK$1,145,190 (2010: decrease/increase by HK$416,153).

(e) Foreign currency risk

The Group has foreign currency on financial assets, which expose the Group to foreign currency risk. Approximately 14% of the Group's financial assets are denominated in currencies other than the functional currency.

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

	ASSETS	
	2011	2010
	HK$	HK$
EUR	**9,556**	9,857
RMB	**70**	67
CAD	**72,931**	–
USD	**31,689,286**	1,141,646

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD. For the currency risk of the Group's monetary assets, the exposure is mainly in HKD against USD. If the exchange rate of HKD against foreign currency has been increased/decreased by 5% (2010: 5%), the Group's profit for the year would increase/decrease by HK$1,584,464 (2010: increase/decrease by HK$57,579).

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.1 RISK MANAGEMENT *(continued)*

(f) Operational risk

Operational risk is the risk of direct or indirect profit/(loss) arising from a wide variety of causes associated with the processes and technology supporting the Group's operations either internally within the Group or externally at the Group's service provider, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Group's activities.

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers, in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of the transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- contingency plans;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

The Directors' assessment over the adequacy of the controls and processes in place at the service providers with respect to operational risks is carried out via regular discussions with the service providers and a review of the service providers' reports on internal controls, where available.

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.2 FAIR VALUE ESTIMATION

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data; and
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$	**HK$**	**HK$**	**HK$**
Available-for-sale financial assets				
Equity securities	**66,605,674**	**–**	**50,200,000**	**116,805,674**

Level 3 movement tables

Financial assets	**Available-for-sale financial assets**	
	Unquoted equity securities	**Debt securities**
	HK$	**HK$**
At 1 January 2011	**50,200,000**	**5,574,018**
Disposals	**–**	**(5,574,018)**
At 31 December 2011	**50,200,000**	**–**
Total gain recognised in the consolidated income statement relating to assets held at 31 December 2011	**–**	**–**

There were no transfers between level 1 and level 2 in 2011.

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.2 FAIR VALUE ESTIMATION *(continued)*

	2010			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Available-for-sale financial assets				
Equity securities	32,851,450	2,722,636	50,200,000	85,774,086
Debt securities	–	–	5,574,018	5,574,018
	32,851,450	2,722,636	55,774,018	91,348,104

	2010			
	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Financial assets designated as held for trading				
Equity securities	9,872,400	–	–	9,872,400

Level 3 movement tables

Financial assets	Available-for-sale financial assets	
	Unquoted equity securities HK$	Debt securities HK$
At 1 January 2010	–	7,384,240
Disposals	–	(2,221,812)
Additions	50,200,000	–
Gain on exchange	–	411,590
At 31 December 2010	50,200,000	5,574,018
Total gain recognised in the consolidated income statement relating to assets held at 31 December 2010	–	–

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.3 CLASSIFICATIONS AND FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below provided a reconciliation of the line items in the statement of financial position to the categories of financial instruments.

At 31 December 2011	**Held for trading HK$**	**Loan and receivables HK$**	**Other assets/ liabilities HK$**	**Total carrying amount HK$**
Prepayments, deposits and other receivables	**–**	**502,451**	**–**	**502,451**
Cash and cash equivalents	**–**	**114,518,958**	**–**	**114,518,958**
	–	**115,021,409**	**–**	**115,021,409**
Accruals, deposit received and other payables	**–**	**–**	**13,092,882**	**13,092,882**
	–	**–**	**13,092,882**	**13,092,882**
At 31 December 2010				
Prepaid lease payments - current portion	–	–	86,151	86,151
Prepayments, deposits and other receivables	–	713,131	–	713,131
Financial assets designated as held for trading	9,872,400	–	–	9,872,400
Cash and cash equivalents	–	41,615,347	–	41,615,347
	9,872,400	42,328,478	86,151	52,287,029
Accruals, deposit received and other payables	–	–	2,512,980	2,512,980
	–	–	2,512,980	2,512,980

6. REVENUE AND OTHER INCOME

The Group is principally engaged in investing in listed and unlisted financial assets. Revenue represents interest income and dividend income from financial assets.

An analysis of revenue and other income is as follows:

	2011 HK$	2010 HK$
Revenue		
Interest income from:		
– Deposits in financial institutions	**812,386**	5,690
– Available-for-sale financial assets	**197,330**	383,076
Dividend income from:		
– Financial assets designated as held for trading	**–**	170,506
– Available-for-sale financial assets	**1,353,659**	609,152
	2,363,375	1,168,424
Other income		
– Option fee income	**1,280,134**	–
– Net foreign exchange gain	**–**	100,865
– Forfeited deposits on termination of equity-settled arrangements	**–**	2,451,200
	1,280,134	2,552,065

7. SEGMENT INFORMATION

During the years ended 31 December 2011 and 2010 respectively, the Group's revenue were mainly derived from the interest income and dividend income from investments. The Directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating profits. The Group's segment revenue, assets and liabilities for the year, analysed by geographical market, are as follows:

	Hong Kong		Others		Consolidated	
	2011 HK$	2010 HK$	**2011 HK$**	2010 HK$	**2011 HK$**	2010 HK$
Segment revenue:						
Interest income from bank deposits	**812,386**	5,690	**–**	–	**812,386**	5,690
Interest income from available-for-sale financial assets	**–**	–	**197,330**	383,076	**197,330**	383,076
Dividend received	**–**	170,506	**1,353,659**	609,152	**1,353,659**	779,658
	812,386	176,196	**1,550,989**	992,228	**2,363,375**	1,168,424
Segment assets	**169,297,446**	92,835,727	**62,551,974**	54,536,505	**231,849,420**	147,372,232
Unallocated assets					**–**	–
Total assets					**231,849,420**	147,372,232
Total liabilities					**13,092,882**	2,512,980
Other information						
Additions to non-current assets					**24,430**	–

8. LOSS ON DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of its entire interests in Gold Gorgeous Investment Holdings Limited, Timful Int'l Holdings Limited and Delux Famous Business Limited.

The net assets of the subsidiaries at the date of disposal are as follow:

	2011			
	Gold Gorgeous Investment Holdings Limited HK$	Timful Int'l Holdings Limited HK$	Delux Famous Business Limited HK$	Total HK$
Net assets disposal of:				
Prepaid lease payments	–	3,094,251	–	3,094,251
Property, plant and equipment	–	657,048	–	657,048
Deposits, prepayments and other receivables	–	6,505	–	6,505
Available-for-sale financial assets	21,414,750	–	–	21,414,750
Net assets	21,414,750	3,757,804	–	25,172,554
Investment revaluation reserve	8,706,599	–	–	8,706,599
Exchange reserve	351,731	–	–	351,731
Total consideration	(19,273,275)	(5,500,000)	–	(24,773,275)
Loss (Gain) on disposal	11,199,805	(1,742,196)	–	9,457,609
Net cash inflow arising on disposal				
Cash consideration	(19,273,275)	(5,500,000)	–	(24,773,275)

9. TAXATION

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the year. Tax losses carried forward amount to approximately HK$51,823,896.

9. TAXATION *(continued)*

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

	2011 HK$	2010 HK$
(Loss) profit before taxation	**(12,070,510)**	29,728,547
Tax calculated at the Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	**(1,991,634)**	4,905,210
Tax effect of income not taxable for tax purpose	**(427,378)**	(7,238,668)
Tax effect of expenses not deductible for tax purpose	**1,757,993**	1,029,553
Tax effect of deductible temporary differences not recognised	**8,015**	(214)
Tax effect of tax losses not recognised	**653,004**	1,304,119
Tax expense for the year	**–**	–

Details of the potential deferred tax asset not recognised in the year are set out in note 25.

10. DIRECTORS' REMUNERATION

(a) Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") is as follows:

	2011			
	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Mandatory provident fund contributions HK$	Total HK$
Executive Directors				
William Robert Majcher	–	140,000	2,500	142,500
Wan Chuen Hing, Alexander	–	480,000	12,000	492,000
Luk Hong Man, Hammond (Note 1)	–	245,323	6,000	251,323
Independent non-executive Directors				
Cheng Wing Keung, Raymond (Note 3)	90,000	–	–	90,000
Yeung Chun Yue, David (Note 4)	90,000	–	–	90,000
Siu Hi Lam, Alick (Note 5)	90,000	–	–	90,000
Wong Chung Kin, Quentin (Note 2)	8,334	–	–	8,334
	278,334	865,323	20,500	1,164,157

10. DIRECTORS' REMUNERATION *(continued)*

(a) *(continued)*

		2010		
	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Mandatory provident fund contributions HK$	Total HK$
Executive Directors				
Chan Wai Lam	–	117,000	2,000	119,000
William Robert Majcher	–	720,000	–	720,000
Wan Chuen Hing, Alexander	–	340,000	13,000	353,000
Independent non-executive Directors				
Kwong Kwan Tong	29,000	–	–	29,000
Yau Mou Keung, Ronald	82,500	–	–	82,500
Cheng Wing Keung, Raymond	90,000	–	–	90,000
Yeung Chun Yue, David	61,250	–	–	61,250
Siu Hi Lam, Alick	15,000	–	–	15,000
	277,750	1,177,000	15,000	1,469,750

Notes:

(1) Appointed on 18 July 2011

(2) Appointed on 1 December 2011

(3) Resigned on 23 March 2012

(4) Resigned on 29 March 2012

(5) Resigned on 1 February 2012

The above Directors' fee, salaries, allowances and benefits in kind and mandatory provident fund contributions were paid to all Directors, executives and non-executives, in respect of their duties and responsibilities with the Group and the prevailing market value.

There was no arrangement under which a Directors waived or agreed to waive any remuneration during both years ended 31 December 2011 and 2010.

10. DIRECTORS' REMUNERATION *(continued)*

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, two (2010: three) were Directors of the Company whose emoluments are included in the disclosures in note 10(a) above. The emolument of the remaining three employees (2010: two) were as follows:

	2011	2010
	HK$	HK$
Basic salaries and other benefits	**849,992**	486,838
Mandatory provident fund contributions	**26,000**	21,243
Total emoluments	**875,992**	508,081

The aggregate emoluments of each of the employees during the year were within the emoluments band ranging from HK$ nil to HK$1,000,000.

11. (LOSS) PROFIT FOR THE YEAR

	2011	2010
	HK$	HK$
The Group's (loss) profit for the year has been arrived at after charging:		
Directors' remuneration (Note 10):		
Fees	**278,334**	277,750
Other emoluments	**865,323**	1,177,000
Provident fund contributions	**20,500**	15,000
Staff costs		
Salaries	**849,992**	508,902
Provident fund contributions	**26,000**	21,243
Total staff costs (including directors' remuneration)	**2,040,149**	1,999,895
Auditors' remuneration		
Current year	**110,000**	100,000
Investment management fee	**1,800,000**	1,800,000
Depreciation on property, plant and equipment	**23,789**	37,193
Amortisation of lease premium	**50,255**	86,151
Financial advisory fee	**1,000,000**	–
Operating lease rentals of land and buildings	**2,448,540**	2,280,000
And after crediting:		
Net foreign exchange gain	**–**	100,865

12. DIVIDEND

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

13. NET ASSET VALUE PER SHARE AND (LOSS) EARNINGS PER SHARE

Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of HK$218,756,538 (2010: HK$144,859,252) by the number of shares in issue as at 31 December 2011, being 765,120,000 (2010: 1,115,200,000).

(Loss) earnings per share

The calculation of the basic and diluted (loss) earnings per share is based on the net loss for the year of HK$12,070,510 (2010: net profit of HK$29,728,547) and the weighted average number of 703,693,337 (2010 (restated): 410,398,883) ordinary shares in issue during the year. The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share has been adjusted for share consolidation and open offer on 15 February 2011 and 14 March 2011 respectively.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	Buildings HK$	Office equipment HK$	Total HK$
COST				
At 1 January 2010 and 31 December 2010 and at 1 January 2011	**36,580**	**746,935**	**–**	**783,515**
Derecognised on disposal of subsidiaries	**(36,580)**	**(746,935)**	**–**	**(783,515)**
Additions	**–**	**–**	**24,430**	**24,430**
At 31 December 2011	**–**	**–**	**24,430**	**24,430**
DEPRECIATION AND IMPAIRMENT				
At 1 January 2010	12,803	54,775	–	67,578
Charge for the year	7,316	29,877	–	37,193
At 31 December 2010 and at 1 January 2011	**20,119**	**84,652**	**–**	**104,771**
Eliminated on disposal of subsidiaries	**(24,387)**	**(102,080)**	**–**	**(126,467)**
Charge for the year	**4,268**	**17,428**	**2,093**	**23,789**
At 31 December 2011	**–**	**–**	**2,093**	**2,093**
NET BOOK VALUE				
At 31 December 2011	**–**	**–**	**22,337**	**22,337**
At 31 December 2010	16,461	662,283	–	678,744

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

Buildings	4%
Leasehold improvements	20%
Office equipment	20%

15. PREPAID LEASE PAYMENTS

	2011 HK$	2010 HK$
The Group's prepaid lease payments comprise of leasehold land in Hong Kong under medium-term lease:		
Movement during the year:		
Balance as at 1 January	**3,144,506**	3,230,657
Derecognised on disposal of a subsidiary	**(3,094,251)**	–
Amortisation for the year	**(50,255)**	(86,151)
Balance as at 31 December	**–**	3,144,506
Analysed for reporting purposes as:		
Current assets	**–**	86,151
Non-current assets	**–**	3,058,355
	–	3,144,506

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 HK$	2010 HK$
Overseas convertible debentures, at cost (note a)	–	5,574,018
Less: fair value adjustment (note e)	–	–
	–	5,574,018
Unlisted equity securities, at cost (note b)	50,200,000	53,232,858
Less: fair value adjustment (note e)	–	(310,222)
	50,200,000	52,922,636
Equity securities listed in overseas, at cost (note c)	19,080,813	26,874,974
(Less) add: fair value adjustment	(6,728,839)	164,876
	12,351,974	27,039,850
Equity securities listed in Hong Kong, at cost (note d)	53,380,509	5,811,600
Add: fair value adjustment	873,191	–
	54,253,700	5,811,600
Total	116,805,674	91,348,104

Notes:

(a) In 2008, the Group acquired convertible debenture in Jordan Ventures Ltd. ("JVL") at CAD1,000,000. JVL is a company incorporated on 26 November 2007. One of the terms and conditions in the convertible debenture agreement stated that the repayment date is 6 months subsequent to being demanded by the registered holder provided that such demand may not be made until after 12 months from the opening of head office of JVL. Subject to the borrower's right to redeem the debentures at any time after the demand date, or after the redemption notice, the outstanding principal amount of a debenture may be converted, at the sole option of the registered holder by giving notice of conversion to the borrower, into common shares of the borrower at a price per conversion share calculated based on the net book value of the borrower at the month end following the notice of conversion. The interest rate of the convertible debenture is at the prime rate (charged by Canadian Imperial Bank of Commerce) per annum paid monthly to the registered holder. The overseas convertible debenture investments are stated at cost because there are no quoted market prices for such overseas convertible debenture investments. In March 2011, the Group has received CAD 15,000 for repayment of the convertible debenture, and the Group sold the remaining balance of CAD700,000 to Union Profit Global Limited about loan agreement with JVL.

(b) In 2007, the Company entered into an agreement with a merchant bank Coutts Bank to acquire Coutts Private Equity Limited Partnership ("CPELP"). The investment objective of the Partnership is to seek medium to long term capital appreciation. CPELP offers the Company to access to a multi-manager private equity fund, managed by top-tier private equity managers investing in international buy-out opportunities. In 2011, the Group disposed all entire interest of CPELP for a consideration of USD348,600.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Notes: (continued)

(b) (continued)

In 2010, the Group acquired unlisted equity securities being 12.5% equity interest in Fame Oriented Holdings Limited for a consideration of HK$19,200,000, and is principally engaged in minerals exploitation. The group also acquired unlisted equity securities being 29% equity interest in Bollex Development Limited ("Bollex") for a consideration of HK$31,000,000, and is principally engaged in water supply. In the opinion of the Directors, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Bollex. Accordingly, Bollex has been accounted for as an available-for-sale financial asset. The market for these financial assets are not active, the Group establishes the value by references provided by the financial institutions. These include the use of recent arm's length transaction and reference to other instruments that are substantially the same.

(c) In 2008, the Group acquired listed equity securities being 38,450 shares of 8.125% preferred shares in The Hong Kong and Shanghai Banking Corporation Limited. The market for these financial assets are active, and fair values are determined with reference to quoted market bid prices. In 2011, the Group disposed all entire interest of preferred shares for a consideration of USD1,011,235.

In 2010, the Group acquired overseas listed equity securities being 4,818,515 shares of 7.5% equity interest in China Private Equity Investment Holdings Limited ("CPE") for a consideration of USD2,457,443 (approximately HK$19,080,813). The Company was set up with an intention to position itself to be a Chinese and Asian focused AIM listed private equity investment holding group.

For the year ended 31 December 2010, the audited consolidated profit from ordinary activities attributable to shareholders of CPE was approximately USD1,953,000 and the basic earnings per share was US3.06 cents. At 31 December 2010, the audited consolidated net asset value of the CPE was approximately USD29,308,000. No dividend was received during the year.

(d) In 2011, the Group sold listed equity securities in 3,476,000 shares and hold listed equity securities being 13,224,000 shares of 0.81% equity interest in the Sino Resources Group Limited ("Sino Resources") for a consideration of HK$4,601,952 which is principally engaged in providing show manager of exhibitions and trade shows as well as providing ancillary services.

For the year ended 31 March 2011, the audited consolidated loss from ordinary activities attributable to shareholders of Sino Resources was approximately HK$35,184,000 and the basic loss per share was HK3 cents. At 31 March 2011, its audited consolidated net liabilities value was approximately HK$261,214,000. No dividend was received during the year.

In 2011, the Group acquired listed equity securities being 3,500,000 shares of 0.29% equity interest in the Silver Base Group Holdings Limited ("Silver Base") for a consideration of HK$22,253,000 and which is principally engaged in the distribution of Wuliangye Liquor Series, other liquor products, red wine and Chinese cigarettes.

For the year ended 31 March 2011, the audited consolidated profit from ordinary activities attributable to shareholders of Silver Base was approximately HK$585,292,000 and the basic earnings per share was HK49.18 cents. At 31 March 2011, its audited consolidated net assets value was approximately HK$1,650,201,000. No dividend was received during the year.

In 2011, the Group acquired listed equity securities being 11,900,000 shares of 2.96% equity interest in the Value Convergence Holdings Limited ("Value Convergence") for a consideration of HK$9,640,000 and which is principally engaged in the provision of financial services.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

Notes: (continued)

(d) (continued)

For the year ended 31 December 2011, the audited consolidated loss from ordinary activities attributable to shareholders of Value Convergence was approximately HK$27,244,000 and the basic loss per share was HK6.67 cents. At 31 December 2011, its audited consolidated net assets value was approximately HK$569,908,000. No dividend was received during the year.

In 2011, the Group acquired listed equity securities being 118,964,000 shares of 0.91% equity interest in the Media Asia Group Holdings Limited ("Media Asia") for a consideration of HK$16,885,456 and which is principally engaged in providing film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television drama series; music production and publishing; cinema investment and operation; provision of consultancy services in planning and management of cultural, entertainment and live performance projects; provision of contents to new media; operation of new media and related businesses and licensing of software and technology for use in connection with provision of value-added telecommunications services.

For the period from 1 April 2011 to 31 July 2011, the audited consolidated income from ordinary activities attributable to shareholders of Media Asia was approximately HK$413,000 and the basic earnings per share was HK0.016 cent. At 31 July 2011, its audited consolidated net assets value was approximately HK$291,842,000. No dividend was received during the year.

(e) The Directors conducted a review of the Group's available-for-sale investments during the year and determined that the fair value adjustment based on estimated recoverable amount of available-for-sale financial assets.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011	2010
	HK$	HK$
Prepayments	**447,602**	303,594
Deposits	**–**	5,590
Interest receivables	**54,849**	877
Dividend receivables	**–**	130,216
Other receivables	**–**	272,854
	502,451	713,131

18. FINANCIAL ASSETS DESIGNATED AS HELD FOR TRADING

	2011	2010
	HK$	HK$
Non-pledged financial assets at fair value through profit or loss		
Held for trading assets:		
– Equity securities listed in Hong Kong, at market value	**–**	9,872,400

19. CASH AND CASH EQUIVALENTS

	2011 HK$	2010 HK$
Deposits with banks and other financial institutions	**90,744,723**	20,000,307
Cash at bank and in hand	**23,774,235**	21,615,040
	114,518,958	41,615,347

Included in cash and cash equivalents in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	2011	2010
EUR Dollars	**EUR950**	EUR947
US Dollars	**USD4,079,360**	USD146,856
CAD Dollars	**CAD9,589**	–
RMB	**RMB57**	RMB57

20. ACCRUALS, DEPOSIT RECEIVED AND OTHER PAYABLES

	2011 HK$	2010 HK$
Accrued expenses	**461,708**	312,980
Deposit received in respect of subscription of the Company's shares	**150,000**	2,200,000
Other payables	**12,481,174**	–
	13,092,882	2,512,980

21. SHARE CAPITAL

	Notes	Number of ordinary share of HK$0.01 each	Number of ordinary share of HK$0.05 each	Nominal value HK$
Authorised:				
At 1 January 2010		1,500,000,000	–	15,000,000
Increase in authorised share capital		1,500,000,000	–	15,000,000
At 31 December 2010 and 1 January 2011		3,000,000,000	–	30,000,000
Share consolidation (5 in 1)	b	**(3,000,000,000)**	**600,000,000**	**–**
Increase in authorised share capital		**–**	**3,400,000,000**	**170,000,000**
At 31 December 2011		**–**	**4,000,000,000**	**200,000,000**
Issued and fully paid:				
At 1 January 2010		1,095,200,000	–	10,952,000
Issue of shares for cash by subscription		20,000,000	–	200,000
At 31 December 2010 and 1 January 2011		1,115,200,000	–	11,152,000
Issue of shares for cash by subscription	a	**160,000,000**	**–**	**1,600,000**
Share consolidation (5 in 1)	b	**(1,275,200,000)**	**255,040,000**	**–**
Issue of shares for cash by open offer	c	**–**	**510,080,000**	**25,504,000**
At 31 December 2011		**–**	**765,120,000**	**38,256,000**

During the year, the movements in the Company's share capital are as follows:

(a) On 26, 28 and 31 January 2011, the Company had issued and allotted 50,000,000, 60,000,000 and 50,000,000 new shares at HK$0.125, HK$0.106 and HK$0.125 by subscription respectively.

(b) On 15 February 2011, the Company implemented the Capital Reorganisation comprising the Share Consolidation pursuant to which every five Existing Share of HK$0.01 each will be consolidated into one Consolidated Share of HK$0.05. Further details of the Share Consolidation are set out in a circular dated 19 January 2011.

(c) On 14 March 2011, an Open Offer of 510,080,000 offer shares at a price of HK$0.15 per offer share on the basis of two offer shares for every consolidated shares held by members on the register. Further details of the Open Offer are set out in the prospectus of the Company dated 15 February 2011.

22. RESERVES

	Share premium HK$	Exchange reserve HK$	Investment revaluation reserve HK$	Retained earnings (Accumulated losses) HK$	Total HK$
At 1 January 2010	129,371,525	1,053,783	12,008,584	(28,633,989)	113,799,903
Issue of shares for cash by subscription	1,920,000	–	–	–	1,920,000
Other comprehensive income (expenses)					
– Exchange gain on translating available-for-sale financial assets	–	412,732	–	–	412,732
– Net gain arising on revaluation of available-for-sale financial assets	–	–	407,669	–	407,669
– Reclassification adjustment relating to available-for-sale financial asset disposed of	–	–	(12,561,599)	–	(12,561,599)
Profit for the year	–	–	–	29,728,547	29,728,547
At 31 December 2010 and at 1 January 2011	131,291,525	1,466,515	(145,346)	1,094,558	133,707,252
Issue of shares for cash by subscription	**17,260,000**	**–**	**–**	**–**	**17,260,000**
Issue of shares for cash by open offer	**48,780,613**	**–**	**–**	**–**	**48,780,613**
Other comprehensive income (expenses)					
– Exchange gain on translating available-for-sale financial assets	**–**	**5,565**	**–**	**–**	**5,565**
– Net loss arising on revaluation of available-for-sale financial assets	**–**	**–**	**(5,861,213)**	**–**	**(5,861,213)**
– Reclassification adjustment relating to available-for-sale financial asset disposed of	**–**	**(1,466,515)**	**145,346**	**–**	**(1,321,169)**
Loss for the year	**–**	**–**	**–**	**(12,070,510)**	**(12,070,510)**
At 31 December 2011	**197,332,138**	**5,565**	**(5,861,213)**	**(10,975,952)**	**180,500,538**

23. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 27 July 2011. The purpose of the Scheme is to enable the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Group. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees and executives, including all the Directors of the Company and any substantial shareholders as defined in the Listing Rules to subscribe shares in the Company.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any, other share option schemes of the Company or must not exceed 30% of the Shares in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the Shares of the Company in issue during the twelve-month period before the date of grant, without prior approval from the Company's shareholders.

23. SHARE OPTION SCHEME *(continued)*

HK$1 per option is payable on the acceptance of an option offer. Options may be exercised in accordance with the terms of the Scheme at any time during a period to be notified by the Board of Directors to each grantee but must not be exercised after the expiry of ten years from the date of grant of the option. There is no minimum period for which an option must be held or a performance target that must be achieved before an option can be exercised specified in the terms of the Scheme, however, the Board of Directors may provide restrictions on the exercise of an option during the period an option may be exercised including, if appropriate, a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price is determined by the Board of Directors, and should not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer of the option which must be a business day, (ii) the average of the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the option and (iii) the nominal value of the Share on the date of offer of the option.

The Scheme will remain in force for a period of 10 years commencing on 27 July 2011.

No option had been granted or agreed to be granted under the Scheme from the date of adoption of the Scheme.

24. RETIREMENT BENEFITS SCHEME

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a maximum contribution of HK$1,000 per month and thereafter contributions are voluntary.

25. DEFERRED TAXATION

At the end of the reporting period, the Group has estimated unrecognised tax losses of approximately HK$51,823,896 (2010: (restated) HK$47,866,287) to set off against future taxable income. No deferred tax asset is recognised in respect of such tax losses carried forward as the realisation of the related tax benefit through future taxable profits could not be reasonably assessed. The tax losses do not expire under the current tax legislation.

The Group and the Company had no material unprovided deferred tax liabilities at the end of the reporting period (2010: nil).

26. RELATED PARTY AND CONNECTED TRANSACTIONS

During the year, the Group had the following significant related party and connected transactions:

(a)

	Note	2011 HK$	2010 HK$
Investment management fees paid to Baron Asset Management Limited	(i)	**1,800,000**	1,800,000
Sharing of administrative office fee paid to Baron Asia Limited	(ii)	**2,400,000**	2,280,000
Consultancy fee paid to Ms. Wan Ho Yan, Letty	(iii)	**173,000**	581,000
Brokerage fee paid to Ping An Securities Limited	(iv)	**60,973**	–
Financial advisory fee paid to Baron Capital Limited	(v)	**1,000,000**	200,000
Option fee income received from Baron Capital Limited	(vi)	**155,134**	–
Acquisition for available-for-sale financial asset paid to Baron Natural Resources Holdings Limited	(vii)	**–**	19,200,000

Notes:

(i) Under the investment management agreement dated 21 December 2009 (the "Investment Management Agreement") entered into between the Company and Baron Asset Management Limited, (the "Investment Manager"), the Investment Manager has agreed to provide the Company with investment management services commencing from 1 January 2010 to 30 June 2011. On 8 July 2011, the Company entered into Supplemental Agreement to extend the term of the Investment Management Agreement for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. The Investment Manager is defined as connected person of the Company pursuant to the Rule 21.13 of the Listing Rules. Under the Investment Management Agreement and Supplemental Agreement, the investment management fee payable to the Investment Manager was HK$150,000 per month.

(ii) Pursuant to the sharing of administrative office agreement dated 21 December 2009 (the "Sharing of Administrative Office Agreement") entered into between the Company and Baron Asia Limited (the "Baron Asia"). The Company is entitled to share the use of the Premises and Facilities commencing from 1 February 2010 to 30 June 2011. On 8 July 2011, the Company entered into Supplemental Agreement to extend the term of the Sharing of Administrative Office Agreement for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. Baron Asia is indirectly wholly-owned by Ms. Wan Ho Yan, Letty ("Ms. Wan") who is the niece of Mr. Wan Chuen Hing, Alexander, an Executive Director of the Company, and therefore Baron Asia is the connected person of the Company. Under the Sharing of Administrative Office Agreement and the Supplemental Agreement, the fee payable to Baron Asia was HK$200,000 per month.

26. RELATED PARTY AND CONNECTED TRANSACTIONS *(continued)*

(a) (continued)

Notes: (continued)

(iii) Pursuant to the consultancy agreement dated 21 December 2009 (the "Consultancy Agreement") entered into between the Company and Ms. Wan. The Company has agreed to appoint and Ms. Wan has agreed to accept the appointment as a consultant of the Company to provide consultancy services in relation to the business and operation of the Company commencing from 21 December 2009 to 30 June 2011. Ms. Wan is the niece of Mr. Wan Chuen Hing, Alexander, an Executive Director of the Company, and therefore is the connected person of the Company. Under the Consultancy Agreement, the consultancy fee payable to Ms. Wan was HK$1,000 per hour for each of the two years ending 31 December 2011 and the maximum aggregate annual value for each of the two years ending 31 December 2011 under the Consultancy Agreement is HK$1,000,000.

(iv) Pursuant to the brokerage agreement dated 5 July 2011 (the "Brokerage Agreement") entered into between the Company and Ping An Securities Limited (the "Ping An Securities"). Ping An Securities has agreed to provide the Company with brokerage service for securities for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. Ping An Securities is indirectly owned by Ms. Wan who is the niece of Mr. Wan Chuen Hing, Alexander, an Executive Director of the Company, and therefore Ping An Securities is the connected person of the Company. Under the Brokerage Agreement, the aggregate fee payable to Ping An Securities shall not exceed HK$200,000 per annum.

(v) Pursuant to the financial advisory agreement dated 8 July 2011 (the "Financial Advisory Agreement") entered into between the Company and Baron Capital Limited (the "Baron Capital"). Baron Capital has agreed to provide the corporate financial advisory services to the Company for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. Baron Capital is wholly owned by Mr. Wan Chuen Chung who is the brother of Mr. Wan Chuen Hing, Alexander, an Executive Director of the Company, and therefore Baron Capital Limited is the connected person of the Company. Under the Financial Advisory Agreement, the aggregate fee payable to Baron Capital Limited shall not exceed HK$2,000,000 per annum.

(vi) Pursuant to the agreement dated 2 June 2011 between the Company and Baron Capital Limited (the "Placing Agent"), the Company granted an option to the Placing Agent pursuant to which the Placing Agent will procure Placee on a best efforts basis, subscribes the Placing shares for the consideration of SGD24,500 (HK$155,134). Baron Capital Limited was wholly owned by Mr. Wan Chuen Chung who is the brother of Wan Chuen Hing, Alexander, an executive Director of the Company, and therefore is the connected person of the Company.

(vii) Pursuant to the agreement dated 21 December 2009 between the Company and Baron Natural Resources Holdings Limited, the Company will purchase 12.5% equity interest in Fame Oriented Holdings Limited from Baron Natural Resources Holdings Limited ("Baron Natural Resources") for a total consideration HK$19,200,000. Baron Natural Resources was a company indirectly wholly-owned by Ms. Wan Ho. Yan, Letty.

(b) Remuneration for key management personnel, representing amounts paid to the Company's Directors as disclosed in note 10(a) is as follows:

	2011 **HK$**	2010 HK$
Directors' fee	**278,334**	277,750
Salaries, allowance and benefits in kind	**865,323**	1,177,000
Mandatory provident fund contributions	**20,500**	15,000
	1,164,157	1,469,750

27. LEASE COMMITMENTS

The Group as lessee

As at 31 December 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2011 HK$	2010 HK$
Within one year	2,364,960	1,200,000
In the second to fifth years inclusive	873,720	–
	3,238,680	1,200,000

Operating lease payments represent rental payable by the Group for certain of its office properties.

28. INTERESTS IN SUBSIDIARIES

	2011 HK$	2010 HK$
Unlisted shares, at cost	1,584	32
Amounts due from subsidiaries	59,797,486	34,828,762
	59,799,070	34,828,794

Name	Place of incorporation/ operation	Particulars of issued and paid-up share capital	Percentage of equity attributable to the Company	Principal activity
On Kong Group Limited	British Virgin Islands	1 share of US$1 each	100%	Investment holdings
Perpetual Wealth Holdings Limited	British Virgin Islands	1 share of US$1 each	100%	Investment holdings
Long Term Aim Holdings Limited	British Virgin Islands	1 share of US$1 each	100%	Investment holdings
Eternity Sky Limited	British Virgin Islands	100 shares of US$1 each	100%	Investment holdings
Happy Amigo Limited	British Virgin Islands	100 shares of US$1 each	100%	Investment holdings
Forever Corporate Management Limited	Hong Kong	100 shares of HK$1 each	100%	Investment holdings

29. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company includes:

	2011 HK$	2010 HK$
Non-current assets		
Interests in subsidiaries (note 28)	**59,799,070**	34,828,794
Property, plant and equipment	**22,337**	–
Available-for-sale financial assets	**44,066,712**	41,267,291
	103,888,119	76,096,085
Current assets		
Prepayments, deposits and other receivables	**502,451**	707,541
Financial assets designated as held for trading (note 18)	**–**	9,872,400
Cash and cash equivalents	**112,578,896**	41,615,339
	113,081,347	52,195,280
Current liabilities		
Accrued liabilities and other payables	**12,832,016**	2,512,910
Amounts due to subsidiaries	**23,629,240**	26,038,027
	36,461,256	28,550,937
Net current assets	**76,620,091**	23,644,343
Net assets	**180,508,210**	99,740,428
Capital and reserves		
Share capital (note 21)	**38,256,000**	11,152,000
Reserves	**142,252,210**	88,588,428
Total equity	**180,508,210**	99,740,428

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

31. EVENT AFTER THE REPORTING PERIOD

On 21 March 2012, the Company entered into a sale and purchase agreement with a third party, for the disposal of the entire interest in a subsidiary, On Kong Group Limited, at a cash consideration of HK$31,000,000. The total cash consideration of HK$21,000,000 has been received at the reporting date.

On 28 March 2012, the Company entered into a sale and purchase agreement with a third party, for the disposal of 13,224,000 shares of Sino Resources Group Limited, at a cash consideration of HK$3,041,520. The non-refundable deposit of HK$500,000 has been received at the reporting date.

On 29 March 2012, the Company entered into a sale and purchase agreement with a third party, for the disposal of the entire interest in available-for-sale financial assets, Fame Oriented Holdings Limited, at a cash consideration of HK$19,200,000. The non-refundable deposit of HK$700,000 has been received at the reporting date.

Five Years Financial Summary

For the year ended 31 December

	2011 HK$	2010 HK$	2009 HK$	2008 HK$	2007 HK$
Results					
Revenue	**2,363,375**	1,168,424	10,679,063	1,945,647	2,349,010
(Loss) profit before taxation	**(12,070,510)**	29,728,547	17,943,604	(43,460,242)	7,947,793
Taxation	**–**	–	–	–	–
	(12,070,510)	29,728,547	17,943,604	(43,460,242)	7,947,793
Assets and Liabilities					
Total assets	**231,849,420**	147,372,232	128,239,402	106,658,250	115,537,030
Total liabilities	**(13,092,882)**	(2,512,980)	(3,487,499)	(16,292,420)	(156,616)
Net assets	**218,756,538**	144,859,252	124,751,903	90,365,830	115,380,414
Share capital	**38,256,000**	11,152,000	10,952,000	10,752,000	8,000,000
Reserves	**180,500,538**	133,707,252	113,799,903	79,613,830	107,380,414
	218,756,538	144,859,252	124,751,903	90,365,830	115,380,414
(Loss) earnings per share		(restated)			
– Basic and diluted	**(1.72) HK cents**	7.24 HK cents	6.29 HK cents	(4.64) HK cents	1.09 HK cents