New Capital International Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1062)

NEW CAPITAL

Annual Report 2011

Contents

NEW CAPITAL

Corporate Information

DIRECTORS

Non-executive Director

Mr ZHANG Xuguang [Note 1] *(Chairman)*

Executive Directors

Mr TENG Rongsong [Note 1] *(Chief Executive Officer)*
Mr MAO Yong [Note 1] *(Chief Investment Officer)*
Mr LIU Xiao Guang [Note 2]
Mr Lawrence H WOOD [Note 3] *(also known as WU Yuk Shing or HU Xu Cheng)*
Mr LIU Xue Min [Note 3]
Mr PAN Wentang [Note 3]
Mr GE Zemin [Note 3]

Independent Non-executive Directors

Mr WANG Xiangfei [Note 1]
Mr LU Gong [Note 1]
Mr FAN Ren Da, Anthony [Note 1]
Mr TO Chun Kei [Note 3]
Dr KWONG Chun Wai Michael [Note 3]
Mr FUNG Tze Wa [Note 3]

COMPANY SECRETARY

Mr WONG Kwok Ho [Note 4]
Ms CHOI Oi Yin [Note 5]

AUDIT COMMITTEE

Mr ZHANG Xuguang [Note 1]
Mr WANG Xiangfei [Note 1]
Mr LU Gong [Note 1]
Mr TO Chun Kei [Note 3]
Dr KWONG Chun Wai Michael [Note 3]
Mr FUNG Tze Wa [Note 3]

Notes:

1. appointed on 21 March 2012
2. resigned as chairman of the Board on 21 March 2012
3. resigned on 21 March 2012
4. appointed on 23 March 2012
5. appointed on 18 February 2011 and resigned on 23 March 2012

REMUNERATION COMMITTEE

Mr LIU Xiao Guang [Note 2]
Mr LU Gong [Note 1]
Mr FAN Ren Da, Anthony [Note 1]
Mr TO Chun Kei [Note 3]
Dr KWONG Chun Wai Michael [Note 3]
Mr FUNG Tze Wa [Note 3]

NOMINATION COMMITTEE

Mr ZHANG Xuguang [Note 4]
Mr WANG Xiangfei [Note 4]
Mr FAN Ren Da, Anthony [Note 4]

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 4506 – 4509
Two International Finance Centre
No. 8 Finance Street, Central
Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

The Bank of East Asia, Limited

AUDITOR

BDO Limited

INVESTMENT MANAGER

KBR Management Limited
Suite 3306
Two Exchange Square
Central
Hong Kong

PROJECT MANAGER

ZY International Project Management (China) Limited
P.O. Box 957
Offshore Incorporations Centre
Tortola, British Virgin Islands

CUSTODIAN

Orangefield Management (Hong Kong) Limited
Units 1605 – 06, 16/F., Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 1062

WEBSITE

www.newcapital.com.hk
www.irasia.com/listco/hk/newcapital

Chairman's Statement

On 21 March 2012, pursuant to the share subscription agreement entered into between New Capital International Investment Limited (the "**Company**") and China Development Bank Capital Corporation Ltd. (國開金融有限責任公司) (the "**CDBC**") dated 22 May 2011, 1,920,000,000 new shares of the Company have been successfully allotted and issued by the Company to, and subscribed by CDBC through its nominee, China Development Bank International Holdings Limited, at the subscription price of HK$0.40 per share of the Company.

CDBC is a wholly-owned subsidiary of China Development Bank Corporation (the "**CDB**") and it is a key entity within the CDB mandated to explore and implement overseas investment opportunities and to consolidate and manage the CDB's existing investments in overseas assets. CDBC intends to use the Company as an overseas investment platform.

Following the successful subscription, the Company will start a new page and bring the contribution to the shareholders of the Company.

Looking ahead, international and domestic environment will be increasingly complicated in the future, we believe that challenges and opportunities co-exist together. Factors that impact the investment industry are also increasing while competition intensifies in the market. With established long-term objectives, the Company will take steady steps towards these goals progressively. The effects of the Central Government's monetary policy, leading credit available to enterprises start to tighten, which will offer more opportunities for the Company to make direct investments. This will enable the Company to develop healthily. With debt free financial position, the Company will continue to improve its operational efficiency and management standard. The Company is also committed to becoming an active market player.

Finally, on behalf of the board, I would like to extend my sincerest gratitude to our shareholders for their support to the Company. I would also like to thank members of the Board, the management and the staff for their contributions and diligence over the past year. In the meantime, I will continue to give my best effort to lead the Group in the continual pursuit of creating value for shareholders in the coming year.

By order of the board of directors of
NEW CAPITAL INTERNATIONAL INVESTMENT LIMITED

ZHANG Xuguang
Chairman

Hong Kong, 23 March 2012

Management Discussion and Analysis

RESULT

For the year ended 31 December 2011, the audited loss for New Capital International Investment Limited ("**New Capital**" or the "**Company**") and its subsidiaries (the "**Group**") totalled HK$16,520,587. The consolidated net asset value per share of the Company was HK$0.289 as at 31 December 2011. The Group's audited loss for the year ended 31 December 2010, and consolidated net asset value per share as at 31 December 2010 were HK$7,426,497 and HK$0.303 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group was in a good liquidity position, with cash and bank balances of HK$153,102,049 (31 December 2010: HK$200,621,488). As all the retained cash was placed in Hong Kong Dollars short-term deposits with a major bank in Hong Kong, the Group's exposure to exchange fluctuations is considered minimal. The Board believes that the Group has sufficient financial resources to meet its immediate investment or working capital requirements.

As at 31 December 2011, the Group had net assets of HK$284,177,613 (31 December 2010: HK$297,610,653) and no borrowings or long-term liabilities, putting the Group in an advantageous position to pursue its investment strategies and investment opportunities.

CAPITAL STRUCTURE

On 22 May 2011, New Capital and China Development Bank Capital Corporation Ltd. (國開金融有限責任公司) ("**CDBC**") entered into a share subscription agreement (the "**Share Subscription Agreement**") in relation to the subscription of 1,920,000,000 new ordinary shares of the Company (the "**Shares**") at a subscription price of HK$0.40 per Share in cash, equivalent to a total consideration of HK$768,000,000 ("**Subscription Shares**").

The Subscription was completed on 21 March 2012 in which an aggregate of 1,920,000,000 new Shares have been successfully allotted and issued by the Company to, and subscribed by China Development Bank International Holdings Limited ("**CDB International**") at the Subscription Price of HK$0.40 per Share. The net proceeds from the issue of the Subscription Shares are approximately HK$768 million. As at the date of this report, the Subscription Shares represent approximately 66.16% of the enlarged issued share capital of the Company.

Management Discussion and Analysis

BUSINESS REVIEW

New Capital is the investment company and the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Chapter 21 of the Rules Governing the Listing of Securities (the "**Listing Rules**").

The principal activity of the Group is to achieve medium-term to long-term capital appreciation of its assets primarily through investments in money market securities and equity and debt related securities in listed or unlisted entities on a global basis. There was no change in the nature of the Company's principal activity in 2011.

Upon completion of the the subscription of 1,920,000,000 new Shares by CDB International, CDB International has become the largest substantial shareholder of the Company. CDB International is a wholly-owned subsidiary of CDBC, and was established as the core asset management platform of CDB. Leveraging on the broad regional and international relationships of CDBC and CDB International, the Company will gain access to a wide range of attractive investment opportunities.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2011, there were no charges on the Group's assets or any significant contingent liabilities (31 December 2010: nil).

PORTFOLIO REVIEW

TOP TEN INVESTMENTS

Particulars of top ten investments of the Group as at 31 December 2011 are set out as follows:

Name of investment	Proportion of the share/paid up capital owned	Carrying book cost up to 31 December 2011 HK$	Market value/carrying amount as at 31 December 2011 HK$	Dividend received during the year HK$	Percentage to the Group's net assets as at 31 December 2011
Beijing Far East Instrument Company Limited ("**Beijing Far East**") *(Note 1)*	25%	47,766,128	60,403,098	–	21.26%
Capital Aihua (Tianjin) Municipal & Environmental Engineering Co., Ltd ("**Capital Aihua**") *(Note 2)*	12%	31,808,623	31,808,623	–	11.19%
HSBC Holdings Plc (HKEx stock code: 005)	Less than 0.1%	4,280,040	3,788,744	52,192	1.33%
China Property Development (Holdings) Limited ("**CPDH**") *(Note 3)*	33.42%	12	3,705,286	–	1.30%
Hutchison Whampoa Limited (HKEx stock code: 013)	Less than 0.1%	4,141,898	3,252,500	27,288	1.14%
Industrial and Commercial Bank of China Limited – H Shares (HKEx stock code: 1398)	Less than 0.1%	4,418,895	3,227,000	79,455	1.14%
Bank of China Limited – H Shares (HKEx stock code: 3988)	Less than 0.1%	4,443,985	3,146,000	173,089	1.11%
AIA Group Limited (HKEx stock code: 1299)	Less than 0.1%	2,989,253	2,788,750	11,724	0.98%
China Construction Bank Corporation – H Shares (HKEx stock code: 939)	Less than 0.1%	3,021,552	2,609,730	110,382	0.92%
Hong Kong Exchanges and Clearing Limited (HKEx stock code: 388)	Less than 0.1%	3,375,398	2,482,000	42,223	0.87%

Management Discussion and Analysis

Notes

1. Beijing Far East is a sino-foreign equity enterprise incorporated in the PRC, and is principally engaged in producing scientific measuring and industrial control equipment. Its carrying amount is accounted for using equity method.

2. Capital Aihua is a sino-foreign equity enterprise incorporated in the PRC and is principally engaged in municipal and environmental consultancy services in China; and covering consultancy works from engineering, procurement, construction and management for water supply project(s). Its carrying amount is stated at cost.

3. CPDH is a company incorporated in the Cayman Islands with limited liability and principally engaged in investment of residential development project. Its carrying value is accounted for using equity method.

Beijing Far East Instrument Co., Ltd. ("Beijing Far East")

Beijing Far East is the largest investment of the Group as at the end of 2011. It is a joint venture formed by the Group and Beijing Instrument Industry Holding Co. Ltd. (北京京儀集團有限責任公司) in 1994. In 2011, due to the capital restructure, Beijing Instrument Industry Holding Co. Ltd. transferred its shares to Beijing BIIC Technology Co. Ltd. (北京京儀科技股份有限公司). The principal business of Beijing Far East is to manufacture meters and precision measuring instruments. Beijing Far East cooperates with Rosemount, the subsidiary of the US Emerson Group, in producing advanced industrial pressure transmitter instruments.

Beijing Far East is a leading industrial precision instrument manufacturer in China. Recent years, it has explored into automated products and industrial integrated control system, it joined hand with other companies and property developers into sector of intelligent building control system and construction technology. The investment provided a steady growth to the Group.

Capital Aihua (Tianjin) Municipal & Environmental Engineering Co., Ltd. ("Capital Aihua")

On November 2010, the Group invested RMB28.97 million in acquiring 12% equity interest of Capital Aihua. Capital Aihua is a joint venture established in December 2001. The principal business of Capital Aihua is to provide municipal and environmental consultancy services in China. It specializes in water supply project, covering consultancy works from engineering, procurement, construction and management.

Pursuant to the equity transfer agreement in relation to the acquisition of 12% equity interest of Capital Aihua, the Group has an option to request the seller under such agreement to repurchase the 12% equity interest in Capital Aihua at the cost of the acquisition plus a guaranteed return at 15% per annum. The Company will review the status and the market position of Capital Aihua regularly and will exercise the option as and when appropriate.

SECURITIES INVESTMENTS

During the financial year ended 31 December 2011, the Company increased its investments in Hong Kong listed securities, the financial assets held for trading were all equity shares listed on the Stock Exchange. As at 31 December 2011, the market value of the securities investments was amounted to approximately HK$30.7 million (31 December 2010: HK$17.0 million).

EMPLOYEE

As at 31 December 2011, the Company has 9 employees. Basic salary, double pay, discretionary bonus and mandatory provident fund scheme are provided to these employees. The Company has adopted a share option scheme on 7 February 2005 for the purposes of providing incentives and rewards to eligible participants who have made contribution to the Group.

FUTURE PROSPECTS

On 21 March 2012, the Company had completed the allotment and issuance of an aggregate of 1,920,000,000 new Shares of the Company to CDB International at a subscription price of HK$0.40 per Share. The net proceeds from the issue of the Subscription Shares are approximately HK$768 million, and the Subscription Shares represent approximately 66.16% of the enlarged issued share capital of the Company.

CDB International is a wholly-owned subsidiary of CDBC. CDBC was established as the sole investment arm of CDB and it currently manages total capital of approximately RMB100 billion which was approved by the State Council of China. CDBC is the only approved investment company with RMB investment license within the domestic banking system and plays a critical role within CDB's business structure.

CDBC takes a critical strategic position in China's national and regional economic and social developments, especially in China's rapid urbanisation and industrialisation processes, by facilitating industry upgrades and structural adjustments and promoting domestic consumption to serve China's overall growth objectives.

Report of the Directors

The board of directors (the "**Directors**" or the "**Board**") of NEW CAPITAL INTERNATIONAL INVESTMENT LIMITED (the "**Company**" or "**New Capital**") presents this report to the shareholders of the Company together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment company incorporated in the Cayman Islands. Its investment objective is to achieve medium-term to long-term capital appreciation of its assets primarily through investments in money market securities and equity and debt related securities in listed and/or unlisted companies or entities on a global basis.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal subsidiaries, associates and jointly controlled entities at 31 December 2011 are set out in notes 16 to 18, respectively, to the financial statements.

RESULTS

The results of the Group for the financial year ended 31 December 2011 are set out in the consolidated statement of comprehensive income as set out on page 30 of the annual report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is given on page 77 of the annual report.

DIVIDEND

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the Company's authorised and issued share capital during the financial year are set out in note 26 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the financial year are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVE

At 31 December 2011, the aggregate amount of reserve available for distribution to equity shareholders of the Company was HK$114,748,886 (2010: HK$143,643,800).

DIRECTORS

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

Non-executive Director
Mr ZHANG Xuguang Note 1 *(Chairman)*

Executive Directors
Mr TENG Rongsong Note 1 *(Chief Executive Officer)*
Mr MAO Yong Note 1 *(Chief Investment Officer)*
Mr LIU Xiao Guang Note 2
Mr Lawrence H WOOD Note 3
(also known as WU Yuk Shing or HU Xu Cheng)
Mr LIU Xue Min Note 3
Mr PAN Wentang Note 3
Mr GE Zemin Note 3

Independent Non-executive Directors
Mr WANG Xiangfei Note 1
Mr LU Gong Note 1
Mr FAN Ren Da, Anthony Note 1
Mr TO Chun Kei Note 3
Dr KWONG Chun Wai Michael Note 3
Mr FUNG Tze Wa Note 3

Notes:

1. appointed on 21 March 2012
2. resigned as chairman of the Board on 21 March 2012
3. resigned on 21 March 2012

Mr LIU Xiao Guang will retire by rotation from the Board in accordance with Article 88 of the articles of association of the Company (the "**Articles**") at the forthcoming annual general meeting. Further, Mr ZHANG Xuguang, Mr TENG Rongsong, Mr MAO Yong, Mr WANG Xiangfei, Mr LU Gong and Mr FAN Ren Da, Anthony, the newly appointed by the Board as the Directors on 21 March 2012, will also retire from office in accordance with Article 87(3) and will offer themselves for re-election as Directors of the Company. Mr ZHANG Xuguang, Mr TENG Rongsong, Mr MAO Yong, Mr LIU Xiao Guang, Mr WANG Xiangfei, Mr LU Gong and Mr FAN Ren Da, Anthony, all being eligible, offer themselves for re-election.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 16 to 18 of the annual report.

DIRECTORS' SERVICE CONTRACT

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2011, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests, or short positions which they were taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein, or which were required, pursuant to Model Code for Securities Transactions by Directors of Listed Company Issuers (the "**Model Code**") set out in the Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as is known to any Director or chief executive of the Company, as at 31 December 2011, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions in the shares and underlying shares of the Company

Name of Shareholder	No. of Shares	Approximate percentage of the existing issued share capital of the Company
Mr LIU Tong *(Note 1)*	163,702,560	16.67%
Yoobright Investments Limited *(Note 1)*	163,702,560	16.67%
Beijing Capital (Hong Kong) Limited *(Note 2)*	81,418,800	8.29%

Notes:

1. Yoobright Investments Limited is beneficially and wholly owned by Mr LIU Tong. Mr LIU Tong is therefore deemed to be interested in the same parcel of shares held by Yoobright Investments Limited.

2. Beijing Capital (Hong Kong) Limited is wholly-owned by Beijing Capital Co., Ltd., a company listed on the Shanghai Stock Exchange.

Save as disclosed above, as at 31 December 2011, the Company had not been notified by any person, other than Directors and chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFC, or which were recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in the Articles nor are there any pre-emptive rights provisions generally applicable under the law of the Cayman Islands.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

On 22 May 2011, the Company and China Development Bank Capital Corporation Ltd. (國開金融有限責任公司) (the "**CDBC**") had entered into a share subscription agreement (the "**Share Subscription Agreement**") in relation to the subscription of 1,920,000,000 new shares of the Company at a subscription price of HK$0.40 per shares of the Company in cash under the specific mandate which is or may be material to the Company.

In respect of the Share Subscription Agreement, Beijing Capital (Hong Kong) Limited had given certain customary representations and warranties relating to the Group under a deed of warranty entered into between CDBC and Beijing Capital (Hong Kong) Limited dated 22 May 2011. Mr LIU Xiao Guang, Mr GE Zemin and Mr Pan Wentang, the Directors of the Company during the financial year were the directors of Beijing Capital (Hong Kong) Limited.

The subscription pursuant to the Share Subscription Agreement was completed on 21 March 2012.

Save as disclosed above, none of the Directors is materially interested in any contract or arrangement entered into with any member of the Group which contract or arrangement is subsisting at any time during the year ended 31 December 2011 or as at 31 December 2011 and which is significant in relation to the business of the Group taken as a whole.

SHARE OPTION SCHEME

As at 31 December 2011, the particulars in relation to the share option scheme of the Company that are required to be disclosed under Rules 17.07 and 17.09 of Chapter 17 of the Listing Rules, were as follows:

1. **Purpose**

   To give incentive to any executive director or employee of the Company, or any director or employee of any subsidiaries from time to time of the Company

2. **Participants**

   Any director, employee, executive of the Company, or any subsidiaries from time to time of the Company

3. **The total number of ordinary securities available for issue under the scheme together with the percentage of the issued share capital that it represents as at the date of the annual report.**

   64,711,400 ordinary shares, which represents 2.23% of the issued share capital at date of this annual report

4. **Maximum entitlement of each participant**

   Not to exceed 1% of the issued share capital in any 12 month period

5. **Period within which the securities must be taken up under an option**

   30 calendar months commencing from the expiration of the first 6 calendar months period after the offer date of the relevant option

6. **Minimum period for which an option must be held before it can be exercised**

   6 calendar months after the offer date of the relevant option

7. **Amount payable on application or acceptance of the option**

   HK$10

8. **Period within which payments or calls must or maybe made or loans for such purpose must be repaid**

   Not applicable

9. The basis of determining the exercise price

The closing price of the share on the date of acceptance of grant or the average closing price of the 5 trading days preceding the day of acceptance of the relevant option or the nominal value of the share, whichever is higher.

10. The remaining life of the share option scheme

Valid and effective for a period of 10 years after the date of adoption of the share option scheme unless otherwise terminated under the terms of the option scheme.

Since the adoption of the share option scheme of the Company on 7 February 2005, no options to subscribe for ordinary share in the Company have been granted to any eligible participants under the share option scheme and no options have been cancelled or lapsed in accordance with the terms of the share option scheme during the financial year.

ARRANGEMENTS TO PURCHASE SHARES BY DIRECTORS

Details of the Company's share option scheme are set out in the section headed "Share Option Scheme" above.

No options were granted to, or exercised by, the Directors during the year. There was no outstanding option granted to the Directors at the beginning and at the end of the year ended 31 December 2011.

Save as disclosed above, at no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debenture of the Company or any other body corporate.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 19 to 27.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

INVESTMENTS

Details of the Group's investments as at 31 December 2011 are set out in the portfolio review on pages 6 to 8.

BANK LOAN, OVERDRAFTS AND OTHER BORROWINGS

The Group has no bank loan, overdraft or other borrowing outstanding as at 31 December 2011.

INTEREST CAPITALISED

There is no interest capitalised by the Group during the financial year.

REVIEW OF THE ANNUAL RESULTS BY THE AUDIT COMMITTEE

The majority members of the audit committee of the Company (the "**Audit Committee**") are independent non-executive directors. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. The Group's 2011 annual results was reviewed and recommended to the Board for approval by the Audit Committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS' INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation or a confirmation letter of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

SUBSEQUENT EVENT

Details of a subsequent event of the Group are set out in note 35 to the financial statements.

AUDITOR

The consolidated financial statements for the year ended 31 December 2011 were audited by BDO Limited who will retire at the conclusion of the forthcoming annual general meeting.

By Order of the Board of Directors of
NEW CAPITAL INTERNATIONAL INVESTMENT LIMITED

ZHANG Xuguang
Chairman

Hong Kong, 23 March 2012

Biographical Details of Directors

NON-EXECUTIVE DIRECTOR

Mr ZHANG Xuguang *(Chairman)*

Mr ZHANG Xuguang, aged 47, has been appointed as the non-executive Director of the Company since 21 March 2012. He is also the chairman of the Board, the chairman of the nomination committee and a member of the audit committee of the Company. Mr ZHANG is the sole director of China Development Bank International Holdings Limited. Mr ZHANG has been the president of China Development Bank Capital Corporation Ltd. (國開金融有限責任公司) ("**CDBC**") since August 2009. From 1998 to 2009, Mr ZHANG had been working at, in chronological order, the Market and Investment Business Bureau, Tianjin Branch, Administration Office and Guangxi Branch of China Development Bank Corporation ("**CDB**"). Before Mr ZHANG joined CDB, he had been working at China National Aero-Technology Import & Export Corporation and Hainan Heping Industry Co, Ltd. Mr ZHANG obtained a LL.B. degree from Peking University in 1986 and a LL.M. degree from Peking University in 1989. He has extensive experience in the management and operation of banks as well as substantial knowledge of relevant laws and regulations.

EXECUTIVE DIRECTORS

Mr TENG Rongsong *(Chief Executive Officer)*

Mr TENG Rongsong, aged 38, has been appointed as an executive Director of the Company since 21 March 2012. He is also the chief executive officer of the Company. Mr TENG has been the chief investment officer of CDBC since November 2010. In September 2009, Mr TENG joined CDBC as managing director of Direct Investment Division I. From 1995 to 2009, he had been working at, in chronological order, the Information Centre, Administration Office, Market and Investment Business Bureau of CDB. Mr TENG had studied in the Electronics and Information System Department of Peking University from 1990 to 1995 and received a bachelor of science from Peking University. Mr TENG has extensive experiences in general corporate management, banking and finance and investment management.

Mr MAO Yong *(Chief Investment Officer)*

Mr Mao Yong, aged 35, has been appointed as an executive Director of the Company since 21 March 2012. He is also the chief investment officer of the Company. Mr MAO has been the head of Direct Investment Division IV of CDBC since June 2011. Mr MAO had been served as Deputy Managing Director, Managing Director of Risk Management Department of CDBC from January 2010 to June 2011. From July 1999 to August 2009, Mr MAO had been working at the North Eastern Credit Bureau, Market and Investment Business Bureau of CDB. Mr MAO obtained a Master's degree in economics from China Finance Institution in 1998, and a Master of Business Administration from the Chinese University of Hong Kong in 2006. Mr MAO has extensive experiences in finance as well as investment management.

Mr LIU Xiao Guang

Mr LIU Xiao Guang, aged 57, has been appointed as executive Director of the Company since April 2004. He is also the member of the remuneration committee of the Company. Mr LIU obtained a bachelor degree in economics from Beijing Commerce College in 1982. Mr LIU is currently the vice-chairman and general manager of Beijing Capital Group Co., Ltd., a large-sized enterprise group directly under the supervision of Beijing Municipal People's Government. He is also the chairman of Beijing Capital Co. Ltd. (listed on the Shanghai Stock Exchange, stock code: 600008), which is a A-share company listed on the Shanghai Stock Exchange and is a water-supply and infrastructure investment company. Mr LIU is also the chairman of the board of directors of Beijing Capital Land Ltd. (listed on the Stock Exchange, stock code: 2868), which is a H-share company listed on the main board of the Stock Exchange and is a property developer in Beijing, focusing primarily on developing quality/high-end office buildings and commercial properties and medium to high-end residential properties. He is also the director of Beijing Capital (Hong Kong) Limited, and an executive director of New Environmental Energy Holdings Limited (listed on the Stock Exchange, stock code: 3989). Mr LIU was the deputy director of the Beijing Municipal Planning Commission, deputy secretary-general of the City Planning and Construction Exchange and an adjunct professor of Beijing Commerce College. He has extensive experience in the management and supervision of large investment projects, and in various sectors and industries, including finance, securities, futures, foreign currency, real estate, commerce, foreign trade, tourism, consultancy and government investment fund. Mr LIU also participated extensively in the review and approval of foreign investment projects as well as in supervising the preparation of foreign investment research and feasibility studies in Beijing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr WANG Xiang Fei

Mr WANG Xiangfei, aged 60, has been appointed as an independent non-executive Director of the Company since 21 March 2012. He is also the chairman of the audit committee and a member of the nomination committee of the Company. Mr WANG has been the independent non-executive director of China CITIC Bank Co., Ltd. since December 2006. Mr WANG is also the deputy chief financial officer of Sonangol Sinopec International Co., Ltd., the financial advisor of China Sonangol International Holding Limited, the executive director of Nan Nan Resources Enterprise Limited (listed on the Stock Exchange, stock code:1229) and the external supervisor of Shenzhen Rural Commercial Bank. Besides, Mr WANG assumes the office of the independent non-executive director of SEEC Media Group Limited (listed on the Stock Exchange, stock code: 205), Shandong Chenming Paper Holdings Limited (listed both on the Stock Exchange and Shenzhen Stock Exchange, A shares stock code: 000488; B shares stock code: 200488; H shares stock code: 1812). From 2002 to 2008, Mr WANG had been the independent non-executive director of Tianjin Capital Environmental Protection Group Co. Ltd. (listed both on the Stock Exchange and the Shanghai Stock Exchange, A shares stock code: 601874; H shares stock code: 1065), Chongqing Iron & Steel Co. Ltd. (listed both on the Stock Exchange and Shanghai Stock Exchange, A shares stock code: 601005; H shares stock code: 1053). Mr WANG had also been the independent non-executive director of Shenzhen Rural Commercial Bank from 2006 to 2008. In addition, Mr WANG had spent many years at China Everbright Group. He had been the director and assistant general manager of China Everbright Holdings Company Limited from 1997 to 2002, and he had also been the executive director of a number of listed holding companies of the China Everbright Group and the chief executive officer of another public company. He also has worked in senior management teams of a couple of companies engaging in banking and other financial services. Mr WANG is a senior accountant, graduated from Renmin University of China, majoring in finance and received a bachelor degree in economics. Mr WANG had worked in the Faculty of the Finance Department of Renmin University of China.

Mr LU Gong

Mr LU Gong, aged 53, has been appointed as an independent non-executive Director of the Company since 21 March 2012. He is also the chairman of the remuneration committee and a member of the audit committee of the Company. Currently, Mr LU is the managing director of Granton Asia Limited, whose principal businesses are investment and holding equities of the overseas hotels and apartments. Mr LU has also been the counsel to MTR Corporation Limited (listed on the Stock Exchange, stock code: 0066) as well as Airport Authority Hong Kong. Mr LU had been an executive director and the vice-chairman of New Rank City Development Limited, (listed on the Stock Exchange, stock code: 0456). Mr LU had also worked for Unisys China Limited and Shell China Hong Kong Co., Limited and held senior management positions at Sino Group, Hong Kong Telecom and Granton Asia Limited. Mr LU has extensive experience in general management.

Mr FAN Ren Da, Anthony

Mr FAN Ren Da, Anthony, aged 51, has been appointed as an independent non-executive Director of the Company since 21 March 2012. He is also a member of the remuneration committee and a member of the nomination committee of the Company. Mr FAN holds a Master's Degree in Business Administration from the United States of America. He is the chairman and managing director of AsiaLink Capital Limited. Mr FAN is also an independent non-executive director of Technovator International Limited (listed on the Stock Exchange, stock code: 1206), Raymond Industrial Limited (listed on the Stock Exchange, stock code: 229), Shanghai Industrial Urban Development Group Limited (listed on the Stock Exchange, stock code: 563), Renhe Commercial Holdings Company Limited (listed on the Stock Exchange, stock code: 1387), Tenfu (Cayman) Holdings Company Limited (listed on the Stock Exchange, stock code: 6868), CITIC Resources Holdings Limited (listed on the Stock Exchange, stock code: 1205), Guodian Technology & Environment Group Corporation Limited (listed on the Stock Exchange, stock code: 1296), Uni-President China Holdings Ltd. (listed on the Stock Exchange, stock code: 220) and Hong Kong Resources Holdings Company Limited (listed on the Stock Exchange, stock code: 2882).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2011, in the opinion of the Directors, the Company has complied with the code provisions (the "**Code Provision(s)**") of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, except for the Code Provision E.1.2.

Under the Code Provision E.1.2, the chairman of the board should attend the annual general meeting. The chairman of the Board did not attend the annual general meeting of the Company held on 13 May 2011 (the "**AGM**") due to other business commitment. An executive Director was elected to act as the chairman of the AGM pursuant to the Article 63 of the Articles to proceed the businesses of the AGM and answer questions to ensure effective communication with the shareholders of the Company at the AGM.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2011.

BOARD OF DIRECTORS

During the year, the Company has maintained a Board comprising eight Directors. As at 31 December 2011, the Board comprises five executive Directors (one of whom is the chairman of the Board) and three independent non-executive Directors. Those three independent non-executive Directors, two of them possess appropriate professional accounting qualifications and financial management expertise. As at the date of this report, the Board currently comprises seven Directors with one non-executive Director (the chairman of the Board), three executive Directors and three independent non-executive Directors. Each Director possesses expertise and experience and provides checks and balances for safeguarding the interests of the Group and the shareholders as a whole. The biographical details of the current Directors are set out on pages 16 to 18 of this annual report.

The Board is responsible for formulating the overall strategic development, reviewing and monitoring the business performance of the Group, approving investment proposals as well as approving the financial statements of the Group. The independent non-executive Directors, with a wide range of expertise and a balance of skills, bring independent judgment on issues of strategic direction, development, performance and risk management through their contribution at board meetings.

The independent non-executive Directors also serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. The Company has received annual confirmation or a confirmation letter from each independent non-executive Director that they met all the independence set out in Rule 3.13 of Chapter 3 of the Listing Rules, the Board considers these independent non-executive Directors to be independent.

The Board meets regularly throughout the year to review the overall strategy and to monitor the operation of the Group. The Company has four regular Board meetings for a year. Notice of at least 14 days for each of the regular meetings was given to the Directors. The Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out in full to all directors within reasonable time before the meetings. Draft minutes of all board meetings are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of board meetings and meetings of board committees are kept by duly appointed secretaries of the respective meetings and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

During the year ended 31 December 2011, twelve full board meetings (of which four were regular quarterly meetings) were held and the individual attendance of each director is set out below:

Name of Director	**Number of board meetings attended**	**Attendance rate**
Executive Directors		
Mr LIU Xiao Guang [Note 2]	12/12	100.00%
Mr Lawrence H WOOD [Note 1] *(also known as WU Yuk Shing or HU Xu Cheng)*	12/12	100.00%
Mr LIU Xue Min [Note 1]	10/12	83.33%
Mr PAN Wentang [Note 1]	9/12	75.00%
Mr GE Zemin [Note 1]	11/12	91.67%
Independent Non-executive Directors		
Mr TO Chun Kei [Note 1]	9/12	75.00%
Dr KWONG Chun Wai Michael [Note 1]	11/12	91.67%
Mr FUNG Tze Wa [Note 1]	11/12	91.67%

Notes:

1. resigned on 21 March 2012

2. resigned as chairman of the Board on 21 March 2012

The newly appointed Directors, Mr ZHANG Xuguang, Mr TENG Rongsong, Mr MAO Yong, Mr WANG Xiangfei, Mr LU Gong and Mr FAN Ren Da, Anthony and Mr LIU Xiao Guang had participated a training provided by the external legal professional, Freshfields Bruckhaus Deringer, on 9 March 2012. Mr WANG Xiang Fei, the independent non-executive Director, has appropriate professional accounting qualifications and financial management expertise. The biographical details of the Directors are set out on pages 16 to 18 of this report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2011, Mr LIU Xiao Guang and Mr Lawrence H WOOD were the chairman and chief executive officer of the Company respectively. Currently, Mr ZHANG Xuguang and Mr TENG Rongsong are the chairman and chief executive officer of the Company respectively. The roles of the chairman and chief executive officer are segregated and are not exercised by the same individual, with a clear division of responsibilities, the chairman of the Board, Mr ZHANG Xuguang, is a non-executive Director who is responsible for the leadership and effective running of the Board. The chief executive officer, Mr TENG Rongsong, is an executive Director who exercises all the powers, authorities and discretions that may be delegated to him by the Board in respect of the Group..

RE-ELECTION OF DIRECTORS

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years. However, such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles. In accordance with the relevant provisions in the Articles, the appointment of directors is considered by the board and they must stand for election by shareholders at the annual general meetings.

The Non-Executive Director and Independent Non-executive Directors of the Company are appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the provisions of the Articles.

AUDIT COMMITTEE

As at the date of this annual report and as at 31 December 2011, the Audit Committee comprised the following Audit Committee members:

Mr ZHANG Xuguang Note 1
Mr WANG Xiangfei Note 1 *(Chairman)*
Mr LU Gong Note 1
Mr TO Chun Kei Note 2
Dr KWONG Chun Wai Michael Note 2
Mr FUNG Tze Wa Note 2

Notes:

1. appointed on 21 March 2012

2. resigned on 21 March 2012

The majority members of the Audit Committee are independent non-executive Directors. The Board considers that each Audit Committee member has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The written terms of reference which describe the authority and duties of the Audit Committee were adopted in 2005 and revised in 2009 and 2012.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process. The Audit Committee also provides an important link between the Board and the Company's auditors in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the auditors.

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

During the year ended 31 December 2011, two Audit Committee meetings were held and the individual attendance of each member is set out below:

Name of Director	Number of Audit Committee meetings attended	Attendance rate
Mr TO Chun Kei Note	2/2	100%
Dr KWONG Chun Wai Michael Note	2/2	100%
Mr FUNG Tze Wa Note	2/2	100%

Note: resigned on 21 March 2012

REMUNERATION COMMITTEE

As at the date of this report and 31 December 2011, the remuneration committee of the Company (the "**Remuneration Committee**") comprised the following Remuneration Committee members:

Mr LIU Xiao Guang Note 1
Mr LU Gong Note 2 *(Chairman)*
Mr FAN Ren Da, Anthony Note 2
Mr TO Chun Kei Note 3
Dr KWONG Chun Wai Michael Note 3
Mr FUNG Tze Wa Note 3

Notes:

1. resigned as the chairman of the Board on 21 March 2012
2. appointed on 21 March 2012
3. resigned on 21 March 2012

The majority of the Remuneration Committee members are independent non-executive Directors. The chairman of the Remuneration Committee is not the executive Director of the Company. The Remuneration Committee advises the Board on the Group's overall policy and structure for the remuneration of directors and senior management. The terms of reference of the Remuneration Committee were adopted in 2005 and revised in 2007 and 2012.

Corporate Governance Report

In determining the emolument payable to Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions of the Group and the desirability of performance-based remuneration.

During the year ended 31 December 2011, one Remuneration Committee meeting was held and the individual attendance of each member is set out below:

Name of Director	**Number of Remuneration Committee meetings attended**	**Attendance rate**
Mr LIU Xiao Guang Note 1	1/1	100%
Mr TO Chun Kei Note 2	1/1	100%
Dr KWONG Chun Wai Michael Note 2	1/1	100%
Mr FUNG Tze Wa Note 2	1/1	100%

Notes:

1. resigned as the chairman of the Board on 21 March 2012

2. resigned on 21 March 2012

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") has been established on 23 March 2012. The members of the Nomination Committee are as follows:–

Mr ZHANG Xuguang *(Chairman)*
Mr WANG Xiangfei
Mr FAN Ren Da, Anthony

The majority of the Nomination Committee are independent non-executive Directors. The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. The terms of reference of the Nomination Committee were adopted in 2012.

AUDITOR'S REMUNERATION

BDO Limited was re-appointed by the shareholders as the Company's auditor at the annual general meeting of the Company on 13 May 2011. The engagements of the audit services for 2011 have been reviewed and approved by the Audit Committee.

During the year 2011, the remuneration paid to BDO Limited, the auditor of the Company, for the audit and non-audit services rendered to the Group are as follows:

	HK$
Interim review services (Note 1)	120,000
Annual audit services (Note 2)	500,000
Other non-audit services (Note 3)	194,000

Notes:

1. The external auditor had reviewed the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2011.

2. The external auditor had provided audit services to the Group for the year ended 31 December 2011.

3. The external auditor had provided tax compliance services and other services in relation to the subscription of new shares to the Company during the year ended 31 December 2011.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility to prepare financial statements for each half and full financial year which give a true and fair view of the state of affairs of the Group. The Directors also ensure the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency in communicating with shareholders and the investment community at large. The Company is committed to maintain an open and effective communication policy to update its shareholders and investors on relevant information on its business through the annual general meeting, the annual and interim reports, notices, announcements, circulars as well as Company's website.

The annual general meeting provides a useful forum for shareholders to exchanges views with the Board. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual directors.

Calling an extraordinary general meeting

Pursuant to the Article 58 of the Articles, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company at the principal place of business in Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionst(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The requisition must (i) state the objects of the meeting, (ii) state the name(s) of the requisitionist(s), (iii) the contact details of the requisitionist(s), (iv) the number of ordinary shares of the Company held by the requisitionist(s), (v) be signed by the requisitionist(s) and (vi) be deposited at the Company's head office and principal place of business in Hong Kong at Suites 4506-4509, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong.

Putting enquiries to the Board

Shareholders of the Company may send their enquiries requiring the Board's attention to the company secretary of the Company at the Company's head office and principle office in Hong Kong. Questions about the procedures for convening or putting forward proposals at the annual general meeting or extraordinary general meeting may also be put to the company secretary of the Company by the same means.

Putting forward proposals at general meetings

Article 89 of the Articles provides that no person, other than a retiring director of the Company at the meeting, shall be eligible for election to the office of director of the Company at any general meeting unless:

(i) such person is recommended by the directors of the Company; or

(ii) a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office (as defined in the Articles) provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Accordingly, if a shareholder wishes to nominate a person to stand for election as a director of the Company at any general meeting, the following documents must be validly served on the company secretary of the Company within the abovementioned period at the head office or at the Registered Office of the Company, namely:

(i) the shareholder's signed notice of intention to propose a person for election as director of the Company at the general meeting;

(ii) a notice signed by the nominated candidate indicated his/her willingness to be appointed;

(iii) the candidate's information as required to be disclosed under rule 13.51(2) of the Listing Rules; and

(iv) the candidate's written consent to the publication of his/her personal information.

General meetings

During the financial year ended 31 December 2011, the Company had convened an annual general meeting and an extraordinary general meeting at Lavender Room, 27th Floor, The Park Lane Hotel, 310 Gloucester Road, Hong Kong.

At the annual general meeting of the Company held on 13 May 2011 at 11:30 a.m., the shareholders of the Company had passed the ordinary resolutions in relation to (i) receive and adopt the audited consolidated financial statements together with the reports of directors and auditor of the Company for the year ended 31 December 2010; (ii) re-elect the retiring Directors and authorize the Board to fix the remuneration of the Directors; (iii) re-appoint the auditor of the Company and to authorize the Board to fix their remuneration; and (iv) grant the general mandate to the Directors to exercise the powers of the Company to issue and repurchase shares of the Company.

At the extraordinary general meeting of the Company held on 5 August 2011 at 3:00 p.m., the independent shareholders of the Company had passed the ordinary resolutions in relation to (i) confirm, approve and ratify the share subscription agreement dated 22 May 2011 entered into between CDBC and the Company and the transactions contemplated thereunder, including the allotment and issue of the subscription shares; and (ii) approve the Whitewash Waiver.

The forthcoming annual general meeting of the Company will be held on Friday, 15 June 2012 at Floor 10, Winland International Finance Centre, No. 7 Financial Street, Xicheng District, Beijing, People's Republic of China at 10:00 a.m. As at the date of this report, the Company issued 2,902,215,360 ordinary shares of HK$0.01 each in the share capital of the Company.

INTERNAL CONTROLS

The qualified accountant of the Company has performed a review on the internal control systems of the Company during 2011 in accordance with the procedure manual of the Company. The report was submitted to the Audit Committee to review. The Board through the Audit Committee has conducted a review of the effectiveness of the internal control system of the Company annually which cover all material controls, including financial, operational and compliance control and risk management functions. The annual review is to ensure the reasonable assurance on the following areas:–

(i) control environment: organization structure, attitudes, awareness and actions in relation to the governance and management;

(ii) entity's risk assessment process;

(iii) information system; and

(iv) control activities: segregation of duties, physical control activities, authorization and approval procedure, arithmetical and account, supervision, management information and general controls as well as monetary receipts and payments.

The Audit Committee had reviewed annually the need to establish internal audit function to improve the effectiveness of risk management, control and governance process.

The Board ensures the price sensitive information is kept strictly confidential until the relevant announcement is made. The Directors are not aware any significant areas which need to brought to the attention of the shareholders of the Company.

Independent Auditor's Report

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香港干諾道中111號
永安中心25樓

To the shareholders of New Capital International Investment Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of New Capital International Investment Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 30 to 76, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE 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 these financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

AUDITOR'S RESPONSIBILITY (continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's 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.

BDO Limited
Certified Public Accountants

Au Yiu Kwan
Practising Certificate Number P05018
Hong Kong

23 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
Revenue	7	**700,708**	499,657
Operating expenses		**(21,396,252)**	(19,710,373)
Share of profit/(loss) of associates		**1,825,168**	(7,849,260)
Share of profit of jointly controlled entities		**–**	4,633,919
Changes in fair value of financial assets held for trading		**(8,244,860)**	(853,820)
Change in fair value of other financial assets	20	**10,857,649**	–
Gain on disposals of jointly controlled entities	8(b), 18	**–**	15,853,380
Loss before income tax	8	**(16,257,587)**	(7,426,497)
Income tax expense	9	**(263,000)**	–
Loss for the year		**(16,520,587)**	(7,426,497)
Other comprehensive income			
Exchange differences on translation of financial statements of associates		**3,087,547**	1,508,095
Other comprehensive income for the year		**3,087,547**	1,508,095
Total comprehensive income for the year		**(13,433,040)**	(5,918,402)
Loss for the year attributable to:			
Owners of the Company	10	**(16,520,587)**	(7,426,497)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(13,433,040)**	(5,918,402)
		HK cents	HK cents
Loss per share for loss attributable to owners of the Company during the year	12		
– Basic		**(1.68)**	(0.92)
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$	2010 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	65,862	85,366
Interests in associates	17	64,108,384	59,195,669
Available-for-sale financial assets	19	31,808,623	31,808,623
Other financial assets	20	13,043,394	2,185,745
		109,026,263	93,275,403
Current assets			
Financial assets held for trading	21	30,710,674	17,030,506
Other receivables, prepayments and deposits	22	1,845,618	3,347,904
Cash and cash equivalents	23	153,102,049	200,621,488
		185,658,341	220,999,898
Current liabilities			
Other payables and accruals	24	9,406,991	15,827,648
Net current assets		176,251,350	205,172,250
Total assets less current liabilities		285,277,613	298,447,653
Non-current liabilities			
Deferred tax liabilities	25	1,100,000	837,000
Net assets		284,177,613	297,610,653
EQUITY			
Share capital	26	9,822,154	9,822,154
Reserves	28	274,355,459	287,788,499
Total equity		284,177,613	297,610,653
Net asset value per share	32	0.289	0.303

TENG Rongsong
Director

MAO Yong
Director

NEW CAPITAL

Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$	2010 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	65,862	85,366
Interests in subsidiaries	16	32	32
		65,894	85,398
Current assets			
Financial assets held for trading	21	30,710,674	17,030,506
Other receivables, prepayments and deposits		1,840,626	3,332,070
Amounts due from subsidiaries	16	54,806,946	54,781,146
Cash and cash equivalents	23	153,088,567	200,606,956
		240,446,813	275,750,678
Current liabilities			
Other payables and accruals	24	9,283,991	15,704,648
Amounts due to subsidiaries	16	106,387,476	106,395,194
		115,671,467	122,099,842
Net current assets		124,775,346	153,650,836
Net assets		124,841,240	153,736,234
EQUITY			
Share capital	26	9,822,154	9,822,154
Reserves	28	115,019,086	143,914,080
Total equity		124,841,240	153,736,234

TENG Rongsong
Director

MAO Yong
Director

NEW CAPITAL

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company						
	Share capital HK$	Share premium HK$	Special reserve HK$	Exchange reserve HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2010	6,820,940	170,887,413	382,880,958	8,499,299	270,200	(392,944,539)	176,414,271
Transactions with owners							
Issuance of new shares	3,001,214	125,505,296	–	–	–	–	128,506,510
Share issue expenses	–	(1,391,726)	–	–	–	–	(1,391,726)
Total transactions with owners	3,001,214	124,113,570	–	–	–	–	127,114,784
Comprehensive income							
Loss for the year	–	–	–	–	–	(7,426,497)	(7,426,497)
Other comprehensive income							
Exchange differences on translation of financial statements of associates	–	–	–	1,508,095	–	–	1,508,095
Total comprehensive income for the year	–	–	–	1,508,095	–	(7,426,497)	(5,918,402)
At 31 December 2010 and 1 January 2011	9,822,154	295,000,983	382,880,958	10,007,394	270,200	(400,371,036)	297,610,653
Comprehensive income							
Loss for the year	–	–	–	–	–	(16,520,587)	(16,520,587)
Other comprehensive income							
Exchange differences on translation of financial statements of associates	–	–	–	3,087,547	–	–	3,087,547
Total comprehensive income for the year	–	–	–	3,087,547	–	(16,520,587)	(13,433,040)
At 31 December 2011	9,822,154	295,000,983	382,880,958	13,094,941	270,200	(416,891,623)	284,177,613

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$	2010 HK$
Cash flows from operating activities			
Loss before income tax		**(16,257,587)**	(7,426,497)
Adjustments for:			
Depreciation of property, plant and equipment	8	**53,653**	45,987
Share of (profit)/losses of associates		**(1,825,168)**	7,849,260
Share of profit of a jointly controlled entity		**–**	(4,633,919)
Gain on disposals of jointly controlled entities		**–**	(15,853,380)
Change in fair value of other financial assets	20	**(10,857,649)**	–
Operating loss before working capital changes		**(28,886,751)**	(20,018,549)
(Increase)/Decrease in financial assets held for trading		**(13,680,168)**	2,563,855
Decrease/(Increase) in other receivables, prepayments and deposits		**1,502,286**	(2,279,303)
(Decrease)/Increase in other payables and accruals		**(6,420,657)**	4,948,933
Net cash used in operating activities		**(47,485,290)**	(14,785,064)
Cash flows from investing activities			
Proceeds from disposal of jointly controlled entities		**–**	39,200,000
Purchases of property, plant and equipment	15	**(34,149)**	(57,003)
Purchases of available-for-sale financial assets		**–**	(31,808,623)
Purchases of other financial assets		**–**	(2,185,745)
Net cash (used in)/generated from investing activities		**(34,149)**	5,148,629
Cash flows from financing activities			
Proceeds from issuance of share capital		**–**	128,506,510
Share issue expenses		**–**	(1,391,726)
Net cash generated from financing activities		**–**	127,114,784
Net (decrease)/increase in cash and cash equivalents		**(47,519,439)**	117,478,349
Cash and cash equivalents at 1 January		**200,621,488**	83,143,139
Cash and cash equivalents at 31 December		**153,102,049**	200,621,488
Analysis of balances of cash and cash equivalents			
Deposits with banks		**7,570,978**	7,510,087
Cash at banks and in hand		**145,531,071**	193,111,401
		153,102,049	200,621,488

1. GENERAL INFORMATION

New Capital International Investment Limited (the "**Company**") is an exempted company with limited liability incorporated and domiciled in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Suites 4506-4509, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong. The Company's shares are listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The principal activities of the Company and its subsidiaries (the "**Group**") are to achieve medium-term to long-term capital appreciation of its assets primarily through its investments in money market securities and equity and debt related securities in listed and unlisted entities on a global basis. Details of the principal activities of the Company's subsidiaries are set out in note 16 to the financial statements. The financial statements have been prepared in Hong Kong Dollars ("**HK$**"), being the functional and presentation currency of the Company and of the Group.

The financial statements for the year ended 31 December 2011 were approved for issue by the board of directors on 23 March 2012.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new/revised HKFRSs – effective 1 January 2011

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "**new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

2.1 Adoption of new/revised HKFRSs – effective 1 January 2011 (continued)

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets [1]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income [2]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [3]
HKFRS 12	Disclosure of Interests in Other Entities [3]
HKFRS 13	Fair Value Measurement [3]
HKAS 27 (2011)	Separate Financial Statements [3]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [3]

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

2.2 New/revised HKFRSs that have been issued but are not yet effective

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

2.2 New/revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of “de facto” control where an investor can control an investee while holding less than 50% of the investee’s voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity’s interests in other entities and the effects of those interests on the reporting entity’s financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 “Financial Instruments: Disclosures”. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

2.2 New/revised HKFRSs that have been issued but are not yet effective (continued)

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

The Group is in the process of making an assessment of potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("**HKAS**") and Interpretations (hereinafter referred to as the "**HKFRSs**") issued by HKICPA. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

3.2 Basis of measurement

The financial statements have been prepared under historical cost convention except for certain financial assets, which are stated at fair values. The measurement bases are fully described in the accounting policies below.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented, unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (see note 4.2 below) made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions and balances between group companies together with unrealised gains and losses are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represent present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. The carrying amount of the Group's interest is adjusted to reflect the changes in its relative interests in the subsidiaries.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Business combination and basis of consolidation (continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributable to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

4.2 Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date.

4.3 Associates and jointly controlled entities

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In consolidated financial statements, investment in an associate or a jointly controlled entity is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the associate or jointly controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's or jointly controlled entity's net assets less any indentified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associate or jointly controlled entity for the year including any impairment loss on the investment in associate or jointly controlled entity recognised for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Associates and jointly controlled entities (continued)

Unrealised gains on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates or jointly controlled entities. Where unrealised losses on assets sales between the Group and its associate or jointly controlled entities are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or jointly controlled entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's or jointly controlled entity's accounting policies to those of the Group when the associate's or jointly controlled entity's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate or jointly controlled entity equals or exceeds its interest in the associate or jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or jointly controlled entity. For this purpose, the Group's interest in the associate or jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or jointly controlled entity.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or jointly controlled entity. At each reporting date, the Group determines whether there is any objective evidence that investment in associate or jointly controlled entity is impaired. Accounting policies on impairment of investment in associates or jointly controlled entities are described in note 4.7 below.

4.4 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Foreign currency translation (continued)

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

4.5 Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Dividend income is recognised when the right to receive the dividend is established.

Interest income is recognised on a time-proportion basis using the effective interest method.

4.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The cost of property, plant and equipment includes its purchase price and the cost directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expense in profit or loss during the year in which they are incurred.

Depreciation on other assets is provided to write off the cost less their estimated residual values, if any, using the straight-line method, over their estimated useful lives as follows:

Leasehold improvements	3 years
Furniture and fixtures	3 years

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Property, plant and equipment (continued)

The estimated useful lives, estimated residual value and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on retirement or disposal is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.7 Impairment of non-financial assets

Property, plant and equipment, interests in subsidiaries, associates and jointly controlled entities are subject to impairment testing. These assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("**CGU**")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment losses recognised for CGUs are charged pro rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Leases

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

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on straight-line method over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4.9 Financial assets

Financial assets are classified into loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

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

Financial assets at fair value through profit or loss include:

- Financial assets held for trading; and
- Financial assets designated upon initial recognition as at fair value through profit or loss

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial assets (continued)

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 4.5 to these financial statements.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial assets (continued)

(iii) Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

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

Impairment of financial assets

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

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

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

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial assets (continued)

Impairment of financial assets (continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in 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 to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Where the recovery of loans and receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of loans and receivables is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in 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.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

a. the Group has the legally enforceable right to set off the recognised amounts; and

b. intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Accounting for income taxes (continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

a. the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

b. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   i. the same taxable entity; or

   ii. different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.11 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand and demand deposits with banks with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value which are repayable on demand and form an integral part of the Group's cash management. For the purpose of statement of cash flows preparation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4.13 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme ("**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance, for all of its eligible employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Employee benefits (continued)

Retirement benefits (continued)

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligation under these plans is limited to the fixed percentage contributions payable.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.14 Share-based payments

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in equity compensation reserve in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

At the time when the share options are exercised, the amount previously recognised in equity compensation reserve will be transferred to share premium. After the vesting date, when the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Financial liabilities

The Group's financial liabilities include other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

4.16 Provisions, contingent liabilities and contingent assets

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Related parties

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

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

(ii) has significant influence over the Group; or

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

(b) An entity is related to the Group if any of the following conditions apply:

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

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

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

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

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

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

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major businesses.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements.

No asymmetrical allocations have been applied to reportable segments.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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 both current and future periods.

Depreciation

The Group depreciates the property, plant and equipment in accordance with the accounting policies stated in note 4.6. The estimated useful lives reflect the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of these assets.

Fair value of put option

The directors use their judgement in selecting an appropriate valuation technique for the financial instrument as disclosed in note 20, which is a financial instrument not quoted in an active market. Valuation techniques commonly used by market practitioners are applied.

6. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Company's executive directors. The Group's principal activity is investment in securities and equity instruments. The executive directors regard it as a single business segment. Also, the measurement policies the Group adopted for segment reporting under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs. Therefore segment disclosures are not presented.

The management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal office.

The Group's non-current assets (other than financial instruments) are located in the following geographical area, which based on the location of the assets:

	2011 **HK$**	2010 HK$
People's Republic of China ("**PRC**")	**64,108,384**	59,195,669
Hong Kong	**65,862**	85,366
	64,174,246	59,281,035

For both the years ended 31 December 2011 and 2010, the Group's revenue was all derived in Hong Kong. The geographical analysis of revenue is based on the physical location of the underlying assets that generate the revenue.

7. REVENUE

Revenue, which is also the Group's turnover, represents interest income and dividend income receivable from financial assets held for trading. Revenue recognised during the year is as follows:

	2011 **HK$**	2010 HK$
Dividend income from financial assets held for trading	**623,390**	479,060
Interest income	**77,318**	20,597
	700,708	499,657

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2011	2010
	HK$	HK$
Auditors' remuneration	**620,000**	580,000
Investment management fees (note 29.1)	**400,000**	400,000
Depreciation of property, plant and equipment	**53,653**	45,987
Operating lease charges for premises	**2,323,962**	2,262,560
Project management fees (note a)	**2,500,000**	2,070,505
Legal and professional fees	**5,424,386**	6,982,134
Gain on disposals of jointly controlled entities (note b)	**–**	(15,853,380)

Notes:

a. Project management fees are paid to ZY International Project Management (China) Limited ("**ZYPM (China)**") pursuant to a project management agreement dated 1 October 2006 (the "**Project Management Agreement**"), with an initial term of three years and was automatically renewed in September 2009 for a term of another three years from 1 October 2009. On 7 December 2011, ZYPM (China) and the Group had entered into the amended and restated deed to Project Management Agreement (the "**Deed**"). Pursuant to the Deed, the Project Management Agreement shall not be automatically renewed after 30 September 2012 and shall be lapsed on 30 September 2012.

b. During the year ended 31 December 2010, the Group has disposed of its interests in a jointly controlled entity, Profit Harbour Industries Limited ("**Profit Harbour**"), together with the loan to Profit Harbour, to an independent party at a cash consideration of HK$39,200,000. The disposal was completed in October 2010 and the sales proceeds of HK$39,200,000 were fully settled during the year ended 31 December 2010. A gain on disposal of Profit Harbour of HK$15,853,380 has been recognised for that year (note 18).

9. INCOME TAX EXPENSE

For the years ended 31 December 2011 and 2010, no provision for Hong Kong profits tax has been made in the financial statements as the Group did not derive any assessable profits in Hong Kong for both years.

	2011	2010
	HK$	HK$
Deferred tax (note 25)	**263,000**	–

9. INCOME TAX EXPENSE (continued)

Reconciliation between income tax expense and accounting loss at applicable tax rate:

	2011 HK$	2010 HK$
Loss before income tax	(16,257,587)	(7,426,497)
Tax on loss for the year calculated at 16.5%	(2,682,502)	(1,225,372)
Tax effect of non-deductible expenses	1,034,717	1,627,061
Tax effect of non-taxable income	(1,904,418)	(2,698,167)
Tax effect of share of losses of associates and jointly controlled entities	(301,153)	530,531
Tax effect of tax losses not recognised	3,853,356	1,765,947
Tax effect of undistributed profits of an associate	263,000	–
Income tax expense	263,000	–

10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss for the year of HK$16,520,587 (2010: HK$7,426,497), a loss of HK$28,894,994 (2010: HK$19,836,864) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

The directors do not recommend the payment of dividends for the year ended 31 December 2011 (2010: Nil). The Company did not declare any interim dividend during the year (2010: Nil).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the Company's owners of HK$16,520,587 (2010: HK$7,426,497) and based on the weighted average of 982,215,000 (2010: 811,337,000) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2011 and 2010 have not been presented as there is no potential ordinary share in existence during both years.

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2011 HK$	2010 HK$
Wages and salaries	4,372,832	3,623,920
Pension costs – defined contribution plans	54,152	57,860
Other benefits	103,285	179,923
	4,530,269	3,861,703

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

14.1 Directors' remuneration

2011

	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Total HK$
Executive directors			
LIU Xiao Guang	34,100	–	34,100
Lawrence H WOOD (Note)	814,000	–	814,000
LIU Xue Min (Note)	34,100	–	34,100
PAN Wentang (Note)	34,100	–	34,100
GE Zemin (Note)	34,100	–	34,100
Independent non-executive directors			
TO Chun Kei (Note)	113,300	–	113,300
FUNG Tze Wa (Note)	113,300	–	113,300
KWONG Chun Wai Michael (Note)	113,300	–	113,300
	1,290,300	–	1,290,300

Note: Mr Lawrence H WOOD, Mr LIU Xue Min, Mr PAN Wentang and Mr GE Zemin have resigned as executive directors of the Company, and Mr TO Chun Kei, Mr FUNG Tze Wa and Dr KWONG Chun Wai Michael have resigned as independent non-executive directors of the Company, with effect from 21 March 2012.

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

14.1 Directors' remuneration (continued)

2010

	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Total HK$
Executive directors			
LIU Xiao Guang	31,000	–	31,000
Lawrence H WOOD	740,000	–	740,000
LIU Xue Min	31,000	–	31,000
PAN Wentang (Appointed on 5 February 2010)	27,922	–	27,922
GE Zemin (Appointed on 5 February 2010)	27,922	–	27,922
SHI Tao (Resigned on 23 October 2010)	25,203	–	25,203
LIN Si Yu (Resigned on 23 October 2010)	25,203	–	25,203
XIONG Wei (Resigned on 23 October 2010)	25,203	–	25,203
Independent non-executive directors			
TO Chun Kei	103,000	–	103,000
FUNG Tze Wa	103,000	–	103,000
KWONG Chun Wai Michael	103,000	–	103,000
	1,242,453	–	1,242,453

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2010: Nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

14.2 Five highest paid individuals

For the year ended 31 December 2011, the five individuals whose emoluments were the highest in the Group included one (2010: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the other four (2010: four) individuals for the year ended 31 December 2011 are as follows:

	2011 HK$	2010 HK$
Salaries and other benefits	1,950,155	1,554,800
Pension costs	34,884	24,000
	1,985,039	1,578,800

The emoluments fell within the following band:

	Number of individuals	
	2011	2010
Emolument band		
Nil – HK$1,000,000	4	4

15. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Leasehold improvements HK$	Furniture and fixtures HK$	Total HK$
Cost			
At 1 January 2010	401,733	283,869	685,602
Additions	–	57,003	57,003
At 31 December 2010 and 1 January 2011	401,733	340,872	742,605
Additions	–	34,149	34,149
At 31 December 2011	401,733	375,021	776,754
Accumulated depreciation			
At 1 January 2010	401,733	209,519	611,252
Charge for the year	–	45,987	45,987
At 31 December 2010 and 1 January 2011	401,733	255,506	657,239
Charge for the year	–	53,653	53,653
At 31 December 2011	401,733	309,159	710,892
Net book amount			
At 31 December 2011	–	65,862	65,862
At 31 December 2010	–	85,366	85,366

16. INTERESTS IN SUBSIDIARIES – COMPANY

	2011 HK$	2010 HK$
Unlisted shares, at cost	**32**	32
Amounts due from subsidiaries	**54,806,946**	54,781,146
Amounts due to subsidiaries	**106,387,476**	106,395,194

The balances with subsidiaries are unsecured, interest-free and repayable on demand.

16. INTERESTS IN SUBSIDIARIES – COMPANY (continued)

Particulars of the Company's principal subsidiaries as at 31 December 2011 are as follows:

Name	Place of incorporation and operation	Kind of legal entity	Particulars of issued and paid up capital	Percentage of issued share capital held by the Company %	Principal activities
Pacific Equity Venture Inc.	British Virgin Islands ("**BVI**")	Limited liability company	Ordinary HK$ 1	100	Investment holding
Kencheers Investments Limited	BVI	Limited liability company	Ordinary HK$ 1	100	Investment holding
Legend Ocean Limited	BVI	Limited liability company	Ordinary US$ 1	100	Investment holding

17. INTERESTS IN ASSOCIATES – GROUP

	2011 HK$	2010 HK$
Share of net assets	64,108,384	59,195,669

The following list contains only the particulars of associates, all of which are unlisted corporate entities, which in the opinion of the directors principally affected the results or net assets of the Group.

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of interest held by the Group Voting	 Beneficial	Principal activities
China Property Development (Holdings) Limited ("**CPDH**")	Incorporated	The Cayman Islands	3,161 ordinary shares, 460 non-voting ordinary shares, 500 redeemable voting deferred shares and 2,567 deferred non-voting shares, all shares are at US$0.01 each	20.49%	33.42%	Investment holding
Beijing Far East Instrument Company Limited ("**Beijing Far East**")	Sino-foreign joint venture	PRC	Registered and paid-up capital of RMB 212,696,657	25%	25%	Manufacture of electronic and electrical instruments

17. INTERESTS IN ASSOCIATES – GROUP (continued)

All associates adopt 31 December as their financial reporting date. The aggregate amounts of financial information as extracted from the unaudited management accounts of the associates are as follows:

	2011	2010
	HK$'000	HK$'000
Assets	**575,996**	529,084
Liabilities	**(323,297)**	(292,012)
Revenue	**835,311**	690,126
Profit/(Loss)	**4,965**	(24,015)

The Group and the Company did not have any contingent liabilities or other commitments relating to its investment in associates as at 31 December 2011 and 2010.

18. JOINTLY CONTROLLED ENTITY – GROUP

The Group did not have any interests in jointly controlled entity as at 31 December 2011 and 2010.

In 2010, the Group disposed of its interest in jointly controlled entity, Profit Harbour, and its loan to this entity of HK$4,996,430 to an independent third party for a cash consideration of HK$39,200,000. During the year ended 31 December 2010, prior to the date of disposals, the Group shared a net profit of HK$4,633,919. Accordingly, a gain of HK$15,853,380 was recognised for that year.

For the year ended 31 December 2010, the Group's share of the jointly controlled entity's income and expenses were as follows:

	2010
	HK$'000
Income	4,832
Expenses	(198)

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2011 HK$	2010 HK$
Unlisted equity investment, at cost	31,808,623	31,808,623

In 2010, the Group entered into an agreement ("**Agreement**") with Beijing Capital (Hong Kong) Limited ("**Beijing Capital**"), one of the shareholders of the Company, to acquire 12% equity interest in 首創愛華(天津)市政環境工程有限公司 (Note: For identification purpose, the English name of this company is Capital Aihua (Tianjin) Municipal & Environmental Engineering Co., Ltd. The official name of the company is in Chinese.) ("**Capital Aihua**") for a cash consideration of RMB28,970,000 (equivalent to HK$33,994,368).

Pursuant to the Agreement, Beijing Capital granted an option ("**Option**") to the Group that enables the Group to request Beijing Capital to reacquire the 12% equity interest in Capital Aihua at the cost of the acquisition plus a guaranteed return. The Option constitutes an embedded derivative, which can be separated from the Group's investment in the equity interests in Capital Aihua and accounted for as other financial asset. The fair value of the Option was separately recognised and measured. Details of the Option are set out in note 20.

Capital Aihua it is an unlisted sino-foreign equity joint venture incorporated in the PRC, which does not have a quoted market price in an active market. The fair value information of this available-for-sale financial asset has not been disclosed because the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. The Group intends to hold the investment in Capital Aihua for long term capital appreciation.

20. OTHER FINANCIAL ASSETS – GROUP

	2011 HK$	2010 HK$
Put option, at fair value	13,043,394	2,185,745

The Option is an embedded derivative arose from the acquisition of the equity interest in Capital Aihua, which was embedded in the available-for-sale financial asset. As this is a financial instrument not quoted in an active market, the directors use their judgement in selecting an appropriate valuation technique to assess its fair value. Details of the valuation techniques that have been applied to measure the fair value of the Option are set out in note 33.8. For the year ended 31 December 2011, the change in fair value of the Option of HK$10,857,649 (2010: Nil) were recognised in the profit of loss for the year.

21. FINANCIAL ASSETS HELD FOR TRADING – GROUP AND COMPANY

	2011 HK$	2010 HK$
Equity investments, at fair value		
Listed in Hong Kong	**30,710,674**	17,030,506

22. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS – GROUP

	2011 HK$	2010 HK$
Other receivables	**82,938**	2,566,061
Other prepayments and deposits	**1,762,680**	781,843
	1,845,618	3,347,904

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 HK$	2010 HK$	2011 HK$	2010 HK$
Deposits with banks	**7,570,978**	7,510,087	**7,570,977**	7,510,087
Cash at banks and in hand	**145,531,071**	193,111,401	**145,517,590**	193,096,869
	153,102,049	200,621,488	**153,088,567**	200,606,956

The effective interest rates of the deposits of the Group and the Company range from 0.01% to 0.44% (2010: 0.05% to 0.21%) per annum and all of them have a maturity within three months from initial recognition.

Included in cash and cash equivalents of the Group and the Company are the following amounts denominated in a currency other than the functional currency of the group entities to which they are related.

Group and Company	2011 HK$	2010 HK$
United States dollars ("US$")	**2,402,828**	2,445,284

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	HK$	HK$	**HK$**	HK$
Other payables				
– Project management fee payable	**8,481,104**	9,622,902	**8,481,104**	9,622,902
– Legal and professional fees payable	**–**	4,958,092	**–**	4,958,092
– Others	**48,687**	145,566	**48,687**	145,566
	8,529,791	14,726,560	**8,529,791**	14,726,560
Accrued expenses	**877,200**	1,101,088	**754,200**	978,088
	9,406,991	15,827,648	**9,283,991**	15,704,648

25. DEFERRED TAX

Group

As at 31 December 2011, the Group had unused tax losses of HK$78,520,659 (2010: HK$55,166,984) available for offset against future profits of the companies which incurred the losses. Deferred tax assets have not been recognised in respect of these losses were incurred by the companies that have been loss-making for some time. These unused tax losses do not expire under current tax legislation.

Movement on deferred tax liabilities during the year is as follows:

	Undistributed profits of an associate HK$
At 1 January 2010, 31 December 2010 and 1 January 2011	837,000
Recognised in profit or loss (note 9)	263,000
At 31 December 2011	1,100,000

Company

As at 31 December 2011, the Company did not have any significant unprovided deferred tax liabilities (2010: Nil).

26. SHARE CAPITAL

	2011 Number of shares '000	2011 Amount HK$	2010 Number of shares '000	2010 Amount HK$
Authorised:				
Ordinary shares of HK$0.01 each	**12,000,000**	**120,000,000**	12,000,000	120,000,000
Issued and fully paid:				
At 1 January	**982,215**	**9,822,154**	682,094	6,820,940
Placement of shares (note)	**–**	**–**	300,121	3,001,214
At 31 December	**982,215**	**9,822,154**	982,215	9,822,154

Note: There was no movement in the issued and fully paid share capital during the year ended 31 December 2011.

In January and December 2010, the Company has completed placement of 136,418,800 and 163,702,560 new ordinary shares at HK$0.27 and HK$0.56 per share respectively. These 300,121,360 new ordinary shares of HK$0.01 each issued from the placement have the same rights as other ordinary shares of the Company in issue. Total proceeds of the placements are HK$128,506,510. The amount of HK$125,505,296 representing the excess of the fair value over the nominal value of the ordinary shares issued of HK$3,001,214 has been included in the share premium account (note 28).

27. SHARE-BASED EMPLOYEE COMPENSATION

The Company operates a share option scheme (the "**Scheme**") under which the board of directors of the Company may grant options to the Group's employees, including directors, to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one share. Maximum number of shares in respect of which options may be granted under the Scheme may not exceed 64,711,400 ordinary shares. Maximum entitlement for each participant under the Scheme is not permitted to exceed 1% of the issued share capital in any twelve month period. An amount of HK$10 is payable upon acceptance of an option as consideration and minimum period of six calendar months after the offer date of the relevant option must be held before it can be exercised.

The subscription price will be the highest of:

(a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant (being a business day);

(b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and

(c) the nominal value of the shares of the Company.

There were no options granted under the Scheme during the years ended 31 December 2011 and 2010. There are no outstanding options as at the respective reporting dates.

28. RESERVES

Group

The amounts of the Group's reserves and movements therein during both years are presented in the consolidated statement of changes in equity.

Company

	Share premium HK$	Capital redemption reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2010	170,887,413	270,200	(131,520,239)	39,637,374
Transactions with owners				
Issuance of new shares	125,505,296	–	–	125,505,296
Share issue expenses	(1,391,726)	–	–	(1,391,726)
Total transactions with owners	124,113,570	–	–	124,113,570
Loss and total comprehensive income for the year	–	–	(19,836,864)	(19,836,864)
At 31 December 2010 and 1 January 2011	295,000,983	270,200	(151,357,103)	143,914,080
Loss and total comprehensive income for the year	–	–	(28,894,994)	(28,894,994)
At 31 December 2011	295,000,983	270,200	(180,252,097)	115,019,086

A summary of the nature of the reserve accounts is as follows:

Share premium

The share premium of the Company represents the aggregate of:

i. The excess of the value of the shares of ING Beijing Investment Company Limited ("**ING Beijing**") acquired pursuant to the scheme of arrangement which became effective in April 2005 (the "**ING Scheme**") over the nominal value of the shares of the Company issued in exchange has been credited to the share premium account. The application of the share premium account is governed by section 34 of the Companies Law of the Cayman Islands.

ii. The 2006 and 2007 final dividend payment as set out in the consolidated statement of changes in equity.

ING Beijing was liquidated in November 2005.

28. RESERVES (continued)

Special reserve

This represents the difference between the amount recorded as share capital issued by the Company pursuant to the ING Scheme and the amount recorded for the share capital of ING Beijing acquired.

Exchange reserve

This comprises all foreign exchange differences arising from the translation of the financial statements of associates and jointly controlled entities. The reserve is dealt with in accordance with the accounting policy set out in note 4.

Capital redemption reserve

This is the nominal value of shares cancelled upon repurchase.

Distributability of reserves

In accordance with the Companies Law of the Cayman Islands, the share premium account is distributable to the owners of the Company provided that immediately following the date on which dividend is proposed to be distributed, the Company is in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

29. CONNECTED AND RELATED PARTY TRANSACTIONS

29.1 On 3 March 2008, the Group entered into an investment management agreement with KBR Management Limited ("**KBR**"). During the year, the Group paid investment management fee of HK$400,000 (2010: HK$400,000) to KBR. Investment managers of the Group are regarded as connected parties in accordance with the Listing Rule 21.13.

29.2 On 20 September 2006, the Group entered into a custodian agreement with Orangefield Management (Hong Kong) Limited ("**Orangefield**"). During the year, the Group has paid custodian fee of HK$60,000 (2010: HK$60,000) to Orangefield. Custodian of the Group is regarded as a connected person in accordance with the Rule 21.13 of the Listing Rules.

29.3 During the year, the Group paid key management personnel compensation as follows:

	2011	2010
	HK$	HK$
Salaries and other short-term employee benefits	**3,240,455**	2,797,253
Retirement scheme contributions	**34,884**	24,000
	3,275,339	2,821,253

All the transactions enumerated in notes 29.1 to 29.3 above were made in the ordinary course of business and did not involve more than the normal risk of repayment or present other unfavourable features.

30. COMMITMENTS – GROUP AND COMPANY

30.1 Lease commitments

The Group and the Company lease office premises under operating lease arrangements, with lease negotiated for terms of one to three years. These lease arrangements do not include contingent rental.

As at 31 December 2011, the Group and the Company have total future minimum lease payments payable under non-cancellable operating leases in respect of rented premises as follows:

	2011 **HK$**	2010 HK$
Within one year	**2,964,306**	1,314,560
After one year but within five years	**3,912,998**	–
	6,877,304	1,314,560

30.2 Capital commitments

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

31. LITIGATION MATTERS

As set out in the 2009 and 2010 Annual Financial Statements, one of the Group's associate, CPDH, had certain legal claims arising from the transactions relating to its former subsidiaries, World Lexus Pacific Limited and one of its subsidiaries, Beijing Pacific Palace Real Estate Development Co., Limited.

The arbitration proceedings ended in November 2009. The tribunal made the final award of the arbitration proceedings in May 2010 (the "**Award**"). CPDH has settled all the legal claims in accordance with the judgements in the Award. No additional amount (2010: HK$5,600,000) had been paid and recognised in profit or loss of CPDH for the year ended 31 December 2011.

The directors, with reference to the information provided by the directors and lawyers of CPDH, are of the opinion that no further provision or further impairment loss is required to be made in the consolidated financial statements of CPDH which have already been accounted for under equity accounting in the consolidated financial statements of the Group. The directors are of the opinion that there will be no further contingent liabilities in respect of the above arbitration proceedings.

32. NET ASSET VALUE PER SHARE

Net asset value per share is computed based on the consolidated net assets of HK$284,177,613 (2010: HK$297,610,653) and 982,215,000 ordinary shares in issue as at 31 December 2011 (2010: 982,215,000 ordinary shares).

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including interest risk, other price risk and foreign currency risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close cooperation with the board of directors. Overall objectives in managing financial risk focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

33.1 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

Credit risk on cash and cash equivalents is mitigated as cash is deposited in the banks of high credit rating. Other financial assets are granted by a creditworthy party and the Group's exposure to default risk is insignificant.

None of the Group's financial assets are secured by collaterals.

33.2 Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank deposits and the Group's cash flow interest rate risk relates primarily to variable-rate bank balances. The Group currently does not have an interest rate hedge policy. However, management periodically monitors interest rate exposure. The fair value interest rate risk on the bank deposits is insignificant as the time deposits are short term.

At 31 December 2011, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase both the Group's loss for the year and accumulated losses by HK$727,655 (2010: HK$965,547).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence for the whole year. The 50 basis points increase or decrease represents management's assessment of reasonably possible change in interest rates over the period until the next annual reporting date. The same basis of analysis also performed at 31 December 2010.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

33.3 Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rate and foreign exchange rate). The Group is exposed to change in market prices in respect of its investments in listed equities classified as financial assets held for trading.

Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant industry indicators, as well as the Group's liquidity needs. To minimise the exposure to price change, management sets up guidance on disposal of certain investment if the aggregate loss of that investment exceeds certain percentage of the initial cost. The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

For listed equity securities, an average volatility of 20% has been observed in 2011 (2010: 10%). If the quoted price for the Group's investments in listed equity securities at 31 December 2011 increased or decreased by that amount, loss for the year and accumulated losses would have decreased or increased by HK$6,142,135 (2010: HK$1,703,051) in respect of listed equity securities classified as financial assets held for trading.

The assumed volatilities of listed securities represent management's assessment of a reasonably possible change in these security prices over the next twelve month period.

33.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of its cash flow management. The Group's objective is to maintain an appropriate level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Other payables are the only category of financial liabilities of the Group and the balances as disclosed in note 33.6(ii) are expected to be settled within one year.

33.5 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong with most of the transactions denominated and settled in HK$. The Group's exposure to foreign currency risk primarily arises from cash and cash equivalents denominated in US$. During the year, the Group did not have foreign currency hedging policy but management continuously monitors the foreign exchange exposure.

As US$ is pegged to HK$, the Group does not expect any significant movements in the US$/HK$ exchange rates. No sensitivity analysis in respect of the Group's financial assets denominated in US$ is presented as in the opinion of the directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rates at the reporting dates.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

33.6 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2011 and 2010 may be categorised as follows. See notes 4.9 and 4.15 for explanations about how the category of financial instruments affects their subsequent measurement.

(i) Financial assets

	2011 HK$	2010 HK$
Loans and receivables:		
Other receivables	**82,938**	2,566,061
Cash and cash equivalents	**153,102,049**	200,621,488
	153,184,987	203,187,549
Financial assets at fair value through profit or loss:		
Financial assets held for trading	**30,710,674**	17,030,506
Other financial asset – put option	**13,043,394**	2,185,745
	43,754,068	19,216,251
Available-for-sale financial asset	**31,808,623**	31,808,623
	228,747,678	254,212,423

(ii) Financial liabilities

	2011 HK$	2010 HK$
Financial liabilities at amortised cost:		
Other payables	**8,529,791**	14,726,560

33.7 Fair values

The directors consider that the fair values of each class of the financial assets and financial liabilities approximate to their carry amounts.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

33.8 Fair value measurements recognised in the statement of financial position

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available for financial instruments not quoted in an active market, the directors use their judgement in selecting an appropriate valuation technique. Option pricing models are applied to measure the fair values of option derivatives. For the year ended 31 December 2011, the fair value of the put option arising from the acquisition of the equity interest in Capital Aihua, which was embedded in the available-for-sale financial asset, is measured by using binomial option valuation model. Significant inputs to the model were as follows:

Spot price	RMB 28,970,000
Exercise price	RMB 28,970,000
Risk-free rate	2.73%
Expected option life	1.83 years
Expected volatility	42.54%
Expected dividend yield	0%

The following table provides an analysis of financial assets carried at fair value by level of fair value hierarchy.

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that is not based on observable market data (unobservable inputs).

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

33.8 Fair value measurements recognised in the statement of financial position (continued)

	2011			
	Level 1	Level 2	Level 3	Total
	HK$	HK$	HK$	HK$
Financial assets				
Financial assets held for trading	30,710,674	–	–	30,710,674
Other financial asset – put option	–	–	13,043,394	13,043,394
	30,710,674	–	13,043,394	43,754,068

	2010			
	Level 1	Level 2	Level 3	Total
	HK$	HK$	HK$	HK$
Financial assets				
Financial assets held for trading	17,030,506	–	–	17,030,506
Other financial asset – put option	–	–	2,185,745	2,185,745
	17,030,506	–	2,185,745	19,216,251

There was no transfer between Levels 1 and 2 of the fair value hierarchy for both years.

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	Put option	Other financial assets – put option	Total
	HK$	HK$	HK$
At 1 January 2010	6,000	–	6,000
Addition during the year	–	2,185,745	2,185,745
Total gains or losses			
– in profit or loss (included in operating expenses)	(6,000)	–	(6,000)
At 31 December 2010 and 1 January 2011	–	2,185,745	2,185,745
Addition during the year			
Total gains or losses			
– in profit or loss	–	10,857,649	10,857,649
At 31 December 2011	–	13,043,394	13,043,394

34. CAPITAL MANAGEMENT

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

The capital structure of the Group consists of the equity attributable to owners of the Company, comprising issued share capital and reserves.

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

For capital management purpose, the directors regard the total equity presented in the face of consolidated statement of financial position as capital. The amount of total equity as at 31 December 2011 was HK$284,177,613 (2010: HK$297,610,653).

35. EVENTS AFTER THE REPORTING DATE

On 22 May 2011, the Group had entered into a conditional share subscription agreement (the "**Share Subscription Agreement**") with China Development Bank Capital Corporation Ltd. (國開金融有限責任公司) in relation to the subscription of 1,920,000,000 new ordinary shares (the "**Subscription Shares**") at a subscription price of HK$0.40 per share in cash. At 31 December 2011, the Share Subscription Agreement was conditional and subject to completion of certain conditions precedent.

All the conditions precedent have been fulfilled on 21 March 2012 and the Share Subscription Agreement completed on the same date. The Subscription Shares have been fully allotted and issued by the Company. The net proceeds from the issue of the Subscription Shares are approximately HK$768 million. Details of the Share Subscription Agreement and its completion were set out in the Company's announcements dated 23 May 2011 and 21 March 2012 respectively.

36. TOP TEN INVESTMENTS

Particulars of top ten investments of the Group as at 31 December 2011, in terms of carrying values of the respective investments, are set out in the management discussion and analysis of the annual report.

Five Year Financial Summary

For the year ended 31 December 2011

The consolidated results and assets and liabilities of the Group for the past five years:

Results

	2011 HK$	2010 HK$	2009 HK$	2008 HK$	2007 HK$
Revenue	700,708	499,657	169,238	1,681,717	1,055,601
(Loss)/Profit for the year	(16,257,587)	(7,426,497)	(10,689,725)	(33,956,826)	35,414,291
Assets and liabilities					
Non-current assets					
Property, plant and equipment	65,862	85,366	74,350	49,762	212,197
Interests in associates	64,108,384	59,195,669	65,536,834	70,773,138	148,521,008
Interests in jointly controlled entities	–	–	13,716,271	23,946,348	24,795,500
Loans to a jointly controlled entity	–	–	4,996,430	7,470,489	9,522,393
Available-for-sale financial assets	31,808,623	31,808,623	–	–	–
Other financial assets	13,043,394	2,185,745	–	–	–
	109,026,263	93,275,403	84,323,885	102,239,737	183,051,098
Current assets					
Dividend receivable from an associate	–	–	–	–	21,606,409
Financial assets held for trading	30,710,674	17,030,506	19,594,361	18,029,500	–
Other receivables, prepayments and deposits	1,845,618	3,347,904	1,068,601	6,555,166	12,574,687
Cash and cash equivalents	153,102,049	200,621,488	83,143,139	72,471,934	32,298,094
	185,658,341	220,999,898	103,806,101	97,056,600	66,479,190
Current liabilities					
Other payables and accruals	9,406,991	15,827,648	10,878,715	12,231,227	15,684,553
Net current assets	176,251,350	205,172,250	92,927,386	84,825,373	50,794,637
Total assets less current liabilities	285,277,613	298,447,653	177,251,271	187,065,110	233,845,735
Non-current liabilities					
Deferred tax liabilities	1,100,000	837,000	837,000	315,000	–
Net assets	284,177,613	297,610,653	176,414,271	186,750,110	233,845,735
Equity					
Share capital	9,822,154	9,822,154	6,820,940	6,820,940	6,820,940
Reserves	274,355,459	287,788,499	169,593,331	179,929,170	227,024,795
Total equity	284,177,613	297,610,653	176,414,271	186,750,110	233,845,735