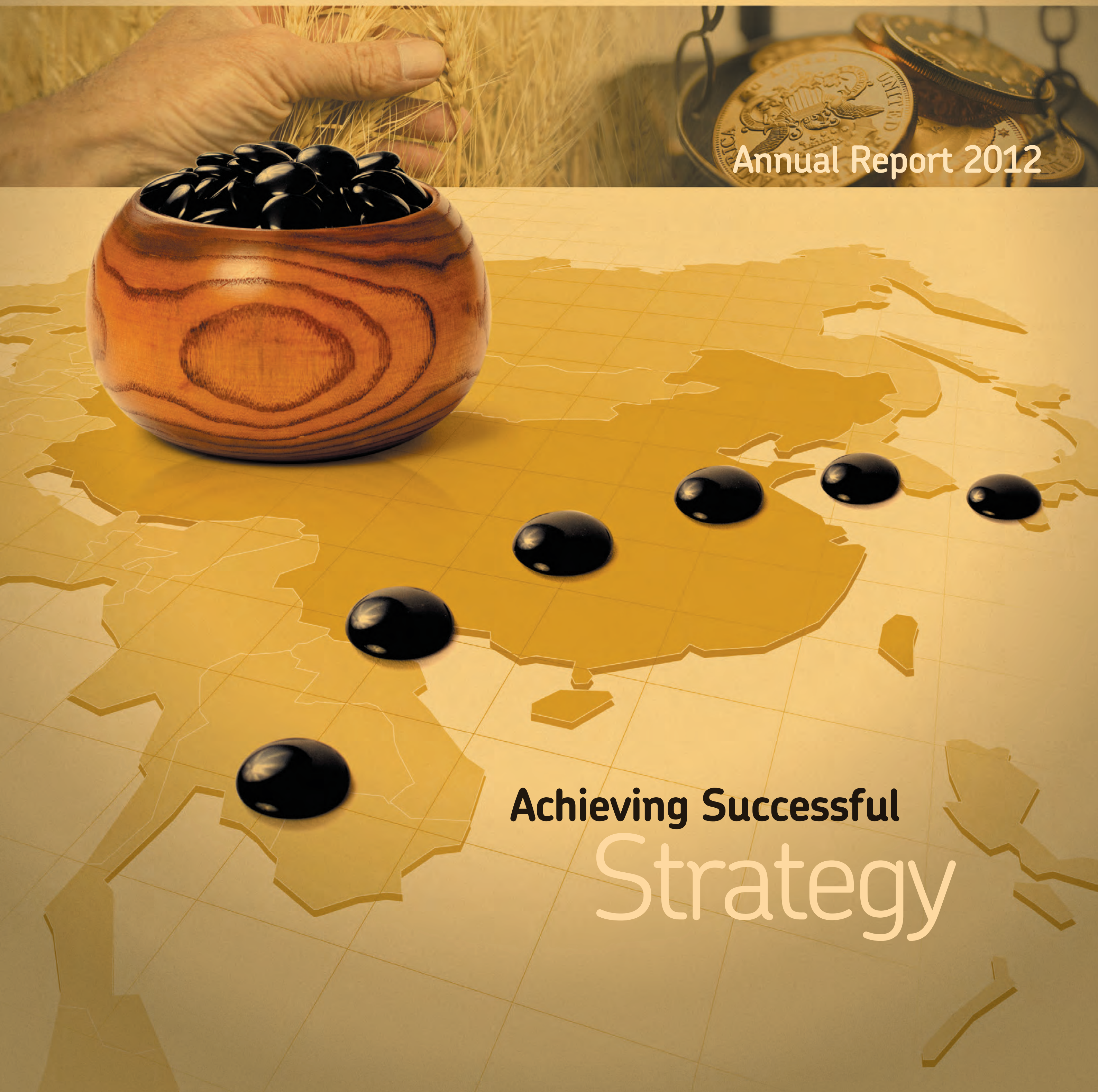
National Investments Fund Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1227)



Annual Report 2012

Achieving Successful Strategy

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Achieving Successful **Strategy**

Corporation Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Yang XiaoFeng

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

(all members appointed with effect from 16 March 2012)

Mr. Char Shik Ngor, Stephen *(Chairman)*
Mr. Liu Jin
Mr. Wong Sin Lai

COMPANY SECRETARY

Ms. Shum Ching Yee, Jennifer

AUDITORS

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

PRINCIPAL BANKERS

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Suite 1401, 14th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

INVESTMENT MANAGER

Enerchine Investment Management Limited
(formerly known as CU Investment Management Limited)
26th Floor, China United Centre
28 Marble Road
North Point
Hong Kong

CUSTODIAN

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

COMPLIANCE ADVISER

Messis Capital Limited
(Appointed on 8 November 2012)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

The Stock Exchange of Hong Kong Limited:
1227

WEBSITE

www.nif-hk.com

On behalf of the board of directors (the "Board") of National Investments Fund Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

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

BUSINESS REVIEW

For the year ended 31 December 2012, the Group's revenue, excluding the net profit (2011: loss) on financial assets at fair value through profit or loss, decreased by 41% to approximately HK$1,442,000 (2011: approximately HK$2,438,000) and recorded a net profit on financial assets at fair value through profit or loss amounting to approximately HK$62,149,000 (2011: net loss on financial assets at fair value through profit or loss amounting to approximately HK$155,263,000). Included in the net profit (2011: loss) on financial assets at fair value through profit or loss, gross proceeds from sales were approximately HK$31,804,000 (2011: approximately HK$79,660,000), and the cost of sales were approximately HK$32,193,000 (2011: approximately HK$90,983,000), therefore, the net realised loss was approximately HK$389,000 (2011: approximately HK$11,323,000). Apart from the realised loss, the unrealised profit on financial assets at fair value through profit or loss for the year ended 31 December 2012 amounted to approximately HK$62,538,000 (2011: unrealised loss on financial assets at fair value through profit or loss amounted to approximately HK$143,940,000).

For the year under review, the Group reported a profit attributable to shareholders of approximately HK$30,134,000 (2011: loss attributable to shareholders of approximately HK$185,468,000). The profit was mainly due to the net profit on financial assets at fair value through profit or loss of approximately HK$62,149,000 (2011: loss was mainly due to the net loss on financial assets at fair value through profit or loss of approximately HK$155,263,000), staff costs of approximately HK$4,932,000 (2011: approximately HK$4,477,000) and directors' emoluments of approximately HK$3,976,000 (2011: approximately HK$4,510,000) for the year ended 31 December 2012.

During the year ended 31 December 2012, the Group received dividend income of approximately HK$179,000 (2011: HK$Nil).

PROSPECT

Global stock prices advanced in the last six months of 2012 on the back of on-going policy support by major central banks, improved economic data from the U.S., a revival of growth expectations in China and low market valuation. In Japan, a change in government and the likelihood that more reflationary policies would be implemented also boosted its market performance. However, with the eurozone debt crisis still unresolved and the fragile state of economic recovery in the US, challenging operating conditions will persist in 2013.

The Group continued to implement diversified investment strategy aimed at identifying suitable investment opportunities with potential of asset appreciation to bring about better return to the Group and the shareholders. The Group will also continue to adopt and maintain a prudent but proactive investment approach and will keep closely on monitoring the performance of the investment portfolios and is confident that the investment portfolios will deliver results and add value to the shareholders of the Company.

DIVIDEND

The Board of the Company did not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: HK$Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$22,287,000 (2011: approximately HK$59,133,000) as at 31 December 2012.

The Group had net current assets of approximately HK$225,533,000 (2011: approximately HK$112,416,000) as at 31 December 2012. The Group had not obtained any credit facilities from financial institutions during the year. All the cash and cash equivalents were placed in Hong Kong Dollars accounts with the banks in Hong Kong, exposure to exchange fluctuation is considered minimal. The gearing ratio, calculated on the basis of total liabilities over total shareholders' funds as at 31 December 2012, was 0.333 (2011: 0.005).

During the year ended 31 December 2012, the Company had issued an aggregate of HK$70,000,000 placing notes. The proceeds from issuance of placing notes were applied in investing in listed and unlisted investments.

CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year ended 31 December 2012, the changes of the capital structure of the Company were set out below:

On 27 March 2012, a capital reorganisation (the "Capital Reorganisation") became effective in which every ten issued and unissued share of HK$0.05 each in the share capital of the Company was consolidated (the "Share Consolidation") into one consolidated share of HK$0.50 (the "Consolidated Share"). Following the Share Consolidation, the issued and paid up share capital of the Company was reduced (the "Capital Reduction") by cancelling the paid-up capital to the extent of HK$0.49 on each Consolidated Share in issue so that each issued Consolidated Share of HK$0.50 each of the Company be treated as one fully paid-up share of HK$0.01 par value each ("New Share(s)") in the share capital of the Company and any liability of the holders of such shares to make any further contribution to the capital of the Company on each such share shall be treated as satisfied and that the amount of issued capital thereby cancelled be made available for issue of new shares of the Company. Immediately following the Capital Reduction, each authorised but unissued share of the Company of par value of HK$0.50 each was sub-divided into fifty New Shares of par value of HK$0.01 each ("Share Subdivision").

The Capital Reorganisation give greater flexibility to the Company in future fund raisings, which may or may not occur, to accommodate future expansion and growth of the Company and the elimination of the Company's accumulated losses will allow greater flexibility for the Company to pay dividends as and when the directors ("Directors") consider it appropriate in the future. The Directors are of the view that there will not have a material financial effect on the financial position of the Group.

EMPLOYEES

As at 31 December 2012, the Group had 19 employees (2011: 19), including executive directors, non-executive director and independent non-executive directors. Total staff costs for the year ended 31 December 2012 amounted to approximately HK$8,908,000 (2011: approximately HK$8,987,000). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

There were no charges on the Group's assets or any significant contingent liabilities as at 31 December 2012 (2011: HK$Nil).

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders and business partners for their unfailing support. I would also like to thank our management and staff for their dedication and hard work.

Wong Danny F.
Chairman

Hong Kong, 22 March 2013

EXECUTIVE DIRECTORS

Mr. Wong Danny F., aged 50, holds a bachelor of Economies and Accounting degree from China Central University of Finance and Economies. Mr. Wong has years of experiences in project investment evaluation, listing planning, examination and approval as well as investing in Chinese B shares, H shares and red-chip shares. Mr. Wong has substantial experiences of high-tech companies listing. For the period from 16 June 2009 to 24 August 2009, Mr. Wong was the executive director of Poly Development Holdings Limited whose shares are listed on the Stock Exchange.

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

Mr. Wu Tse Wai, Frederick, aged 71, was educated in Hong Kong and the United States with a Master of Business Administration degree in Finance. Mr. Wu has over 42 years of experience in insurance, securities business and asset management. He started his career with Paul Revere Life Insurance Company as an assistant actuary. He later worked for Fidelity Management and Research of Boston as an analyst and then moved on to senior positions in research and fund management with various well-known institutions in the United States. In the early 80s, Mr. Wu joined and was a senior portfolio manager and investment advisor of Bank of America in Hong Kong. In the 90s, Mr. Wu joined and was elected a director and senior consultant of Lippo Securities Group Limited (the "Lippo Securities Group"). He was a member of Lippo Securities Group investment committee and was responsible for supervising the fund management activities including futures related investments of Lippo Securities Group. Mr. Wu is currently a responsible officer registered under the Securities and Futures Ordinance.

Mr. Fong Chi Wah, aged 50, is a Certified Practising Accountant (Australia), a Chartered Financial Analyst, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Certified Management Accountants, Australia and a member of Hong Kong Institute of Directors. Mr. Fong has over 20 years of extensive experience in various sectors of financial industry, including direct investment, project and structured finance, and capital markets with focus on the PRC and Hong Kong. Mr. Fong was previously a director of Baring Capital (China) Management Limited and held various management positions in ING Bank. Mr. Fong was previously also an executive director of Grand Investment International Limited, a company listed on the Stock Exchange. Mr. Fong is currently the independent non-executive director of Syscan Technology Holdings Limited and Ruinian International Limited, both companies are listed on the Stock Exchange.

NON-EXECUTIVE DIRECTOR

Ms. Yang XiaoFeng, aged 34, holds a bachelor in Computer Science degree from the Zhejiang Gongshang University (formerly known as Hangzhou University of Commerce). Ms. Yang has extensive experience in finance marketing. Ms. Yang was an independent non-executive director of Forefront International Holdings Limited (currently known as Forefront Group Limited), a company whose shares are listed on the Stock Exchange for the period from 18 April 2007 to 18 May 2007.

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

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Char Shik Ngor, Stephen, aged 63, holds a Bachelor of Laws Degree (Honour) s from University of London, a Master degree in Social Sciences (Criminology) from the University of Hong Kong, a Master degree in Social Sciences (Counselling) from the University of Hong Kong and a Post-graduate Certificate in Laws from City University of Hong Kong. Mr. Char was a Chief Investigator and Senior Assignment Officer of the Independent Commission Against Corruption in Hong Kong from 1976 to 2004. Mr. Char was a Chief Executive Officer of Garner Forest Industries Limited. Mr. Char is currently a Barrister at Law and an Accredited Mediator.

Mr. Liu Jin, aged 37, holds a bachelor in International Economic Law degree from the South Central University of Political Science and Law. Mr. Liu has been a qualified solicitor in the People's Republic of China (the "PRC") since 2001 and has various experience in merger and acquisition and corporate restructure in PRC. Mr. Liu is currently a qualified solicitor practicing in Shenzhen, PRC.

Mr. Wong Sin Lai, aged 55, has been a professional financial advisor since 2001. He obtained a bachelor's degree in social sciences from the University of Hong Kong in November 1982. From 1992 to 1997, he had worked as a financial controller and senior executive in various manufacturing companies (including a garments manufacturer, a food and beverage supplier and a leather products manufacturer) in Hong Kong after obtaining the qualification as a practising accountant. Prior to obtaining the professional qualification, he had worked in the audit department of Banque Nationale de Paris. Currently, he is the member of Australian Society of Certified Practising Accountants and associate member of Hong Kong Institute of Certified Public Accountants. He has extensive experience in financial, strategic management and debt and equity financing for both listed companies and private enterprises. Since 29 April 2011, Mr. Wong is an independent non-executive director of China Zenith Chemical Group Limited (stock code: 362), a company listed on the Main Board of the Stock Exchange.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The Board will review and improve the corporate governance practices from time to time to ensure that the Group is under the leadership of an effective board to optimize return for shareholders.

During the year under review, the Group has complied with the code provisions in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules, except for the deviation as disclosed below. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code, and acknowledges the important role of its Board in providing effective leadership and direction to Company's business, and ensuring transparency and accountability of Company's operations.

Meetings were held throughout the year and where appropriate, circulars and other guidance notes were issued to directors and senior management of the Group to ensure awareness to issues regarding corporate governance practices.

DEVIATION FROM THE CODE

According to CG Code Provision E.1.2, the Chairman of the Board should attend the annual general meeting. In respect of the annual general meeting held on 4 May 2012, the Chairman of the Board, Mr. Wong Danny F., was engaged in an important business meeting on that date, therefore, he was not able to attend the annual general meeting.

BOARD OF DIRECTORS

Responsibilities

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

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

All Directors have full and timely access to all relevant information as the Chairman ensures that the management will supply the Board and its committees with all relevant information in a timely manner, as well as the advice and services of the Company Secretary, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. They may make further enquiries if in their opinion it is necessary or appropriate to request for further information. They also have unrestricted access to the advice and services of the Company Secretary, who is held responsible for providing directors with board papers and related materials and ensuring that all proper Board procedures are followed and that all applicable laws and regulations are complied with. In general, each director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

In case where a conflict of interest may arise involving a substantial shareholder or a director, such matter will be discussed in a physical meeting and will not be dealt with by way of written resolutions. Independent non-executive directors with no conflict of interest will be present at meetings dealing with such conflict issues.

The board committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee, have all adopted the applicable practices and procedures used in board meetings for all committee meetings.

Delegation by the Board

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

All committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, have specific terms of reference clearly defining the authorities and responsibilities of the respective committees. All committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions.

The Board review, on a yearly basis, all delegations by the Board to different committees to ensure that such delegations are appropriate and continue to be beneficial to the Company as a whole.

Directors' and Officers' Liability Insurance

Insurance cover has been taken out for Directors' and Officers' Liability to provide adequate cover, as determined by the Board, in respect of the Board members and senior management members of the Company and has been renewed in March 2012.

BOARD COMPOSITION

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. All directors give sufficient time and attention to the affairs of the Group.

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

In addition, there is no material relationship among members of the Board, save that the non-executive director is the spouse of the Chairman.

According to the Company's Articles of Association, directors appointed to fill casual vacancy shall hold office only until the first annual general meeting after their appointment and shall be subject to re-election by shareholders. All directors are subject to retirement by rotation at least once every three years.

During the year ended 31 December 2012 and up to the date of this report, the Board of the Company comprises the following directors:

Executive Directors:

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

Non-executive Director:

Ms. Yang XiaoFeng

Independent Non-executive Directors:

Mr. Char Shik Ngor, Stephen
Mr. Liu Jin
Mr. Wong Sin Lai

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

All the independent non-executive directors of the Company are appointed for a term up to the forthcoming annual general meeting subject to renewal and re-election as and when required under the Listing Rules and the Articles of Association of the Company. All directors are subject to retirement from office by rotation and re-election at the Company's annual general meeting at least once every three years. In accordance with Article 88 of the Articles of Association, Mr. Wong Danny F., Mr. Char Shik Ngor, Stephen and Mr. Wong Sin Lai shall each retire as director by rotation and, being eligible offer himself for re-election as director at the Company's annual general meeting.

During the year ended 31 December 2012, the Board at all times met the requirements of the Listing rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The presence of three independent non-executive directors is considered by the Board to be a reasonable balance between executive and non-executive directors. The Board is of the opinion that such balance can provide adequate checks and balances for safeguarding the interests of shareholders and of the Group. The non-executive directors provide to the Group with a wide range of expertise and experience so that independent judgement can effectively be exercised as well as ensuring that the interests of all shareholders are taken into account. They are also responsible for participating in Board meetings, dealing with potential conflicts of interest, serving on Audit Committee, Remuneration Committee and Nomination Committee, scrutinizing the Group's performance and reporting. Through their active participation, they provide their valuable skills, expertise and experience to the Board and the committees on which they serve so that the management process can be critically reviewed and controlled.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all our independent non-executive directors are independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

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

APPOINTMENT AND SUCCESSION PLANNING OF DIRECTORS

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

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

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

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

THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. To ensure a balance of power and authority, Mr. Wong Danny F. and Mr. Wu Tse Wai, Frederick have been appointed as the Chairman and Chief Executive Officer of the Company respectively.

DIRECTORS' ATTENDANCE AT SHAREHOLDERS' MEETINGS, BOARD AND COMMITTEE MEETINGS

The individual attendance records of each director at shareholders' meetings, and the meetings of the Board and Committees during the year ended 31 December 2012 are set out below:

	Number of meetings attended/held				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Executive Directors					
Mr. Wong Danny F.	3/4	–	–	–	–
Mr. Wu Tse Wai, Frederick	3/4	–	–	–	–
Mr. Fong Chi Wah	4/4	–	–	–	1
Non-executive Director					
Ms. Yang XiaoFeng	3/4	–	1/1	–	–
Independent Non-executive Directors					
Mr. Char Shik Ngor, Stephen	3/4	2/3	–	1/1	1
Mr. Liu Jin	4/4	3/3	1/1	1/1	–
Mr. Wong Sin Lai	4/4	3/3	1/1	1/1	1

PRACTICES AND CONDUCT OF MEETINGS

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

The Company Secretary assists the Chairman in preparing the agenda for the meeting and ensures that all applicable rules and regulations in connection with the meetings are observed and complied with. The finalized agenda and accompanying board papers are then sent to all directors at least three days prior to the meeting to allow the directors to read the papers and information, to keep them abreast of the latest developments and financial position of the Company and to enable them to make informed decisions.

The Board and each director also have separate and independent access to the senior management whenever necessary.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings, including the record of all decisions by the board together with concerns raised and dissenting views expressed (if any). Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

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

SHAREHOLDERS' MEETINGS

The annual general meeting and other general meetings of the Company are the primary forum for communication by the Company with the shareholders and for shareholders' participation. All shareholders are encouraged to attend the general meetings or to appoint proxies to attend and vote at meetings on their behalf if they are unable to attend the meetings.

During the year ended 31 December 2012, apart from the annual general meeting held on 4 May 2012, the Company has not held any other general meetings.

TRAINING AND SUPPORT FOR DIRECTORS

All directors, including non-executive directors and independent non-executive directors, must keep breast of their collective responsibilities as directors and of the business of the Group. As such, the Group provides a comprehensive and formal induction to each newly appointed director upon his/her appointment. Briefings and orientations are provided and organised to ensure that the new directors are familiar with the role of the Board, their legal and other duties as a director as well as the business and governance practices of the Group. Such programmes are tailored to each individual director taking into account their background and expertise. The company secretary and compliance officer will continuously update all directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance of the same by all directors.

All directors also participate in continuous professional development programmes provided or procured by the Group, such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the company secretary and compliance officer of the Company.

Each director will, upon his/her first appointment and thereafter on a yearly basis, disclose to the Group the number and nature of offices held by such director in public companies and organizations and other significant commitments.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted procedures governing directors' securities transactions in compliance with the Listing Rules. Confirmations have been obtained from all directors in compliance with the Listing Rules. Relevant employees, who are likely to be in possession of unpublished price sensitive information of the Group, are also subject to compliance with guidelines on no less exacting terms than those set out in the Listing Rules. No incident of non-compliance was noted by the Company during the financial year ended 31 December 2012.

AUDIT COMMITTEE AND ACCOUNTABILITY

The Board is responsible for presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. The Board is also responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going-concern basis, and other price-sensitive announcements and other financial disclosures. The management of the Group provides all relevant information and record to the Board enabling it to make the above assessment and to prepare the accounts and other financial disclosures.

No member of the Audit Committee is a former partner of the existing auditing firm of the Company within one year on the date of his ceasing to be a partner or had any financial interest in the auditing firm.

The Audit Committee is satisfied with their review of the independence of auditors, their audit process and also the standard of reports aforesaid. The Audit Committee made recommendations to the Board and that there was no disagreement between the Board and the Audit Committee during the year under review.

The Audit Committee's primary duties include ensuring the Group's financial statements, annual, interim and quarterly reports and the auditors' report present a true and balanced assessment of the Group's financial position; reviewing the Group's financial control, internal control and risk management systems; and reviewing the Group's financial and accounting policies and practices. Other duties of the Audit Committee are set out in its specific terms of reference which are posted on the Company's website.

The Audit Committee of the Company currently comprises three independent non-executive directors, Mr. Liu Jin, Mr. Char Shik Ngor, Stephen and Mr. Wong Sin Lai. Mr. Wong Sin Lai serves as the chairman of the Audit Committee.

During the year ended 31 December 2012, three meetings of the Audit Committee were held to review the Company's interim report for the six months ended 30 June 2012, the annual report for the year ended 31 December 2011 and the accounting principles and practices adopted by the Group.

The Company Secretary keeps full minutes of all Audit Committee meetings. In line with practices consistent with Board meetings and other committee meetings, draft and final versions of Audit Committee meeting minutes are circulated to all members of the Audit Committee for comments, approval and record as soon as practicable after each meeting.

The principal duties of the Audit Committee as per the terms of reference include:

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

The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if necessary. The Company's Annual Report for the year ended 31 December 2012 has been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company currently comprises two independent non-executive directors, Mr. Liu Jin and Mr. Wong Sin Lai, and the non-executive director, Ms. Yang XiaoFeng. Mr. Liu Jin also serves as the chairman of the Committee.

The specific terms of reference of the Remuneration Committee are posted on the Company's website. The Remuneration Committee meets at least once a year. During the year ended 31 December 2012, the Remuneration Committee had convened one meeting and all Remuneration Committee members had attended the meeting.

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

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

The Committee shall be provided with sufficient resources to enable it to perform its functions and the Committee has right to access professional advice relating to remuneration proposal if considered necessary. The principle elements of the Company's remuneration policy for directors and senior management are:

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

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

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

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

During the financial year ended 31 December 2012, the Remuneration Committee reviewed matters relating to remuneration packages of directors and senior management.

NOMINATION COMMITTEE

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

The specific terms of reference of the Nomination Committee are posted on the Company's website. The Nomination Committee meets at least once a year. For the year ended 31 December 2012, the Nomination Committee had convened one of meeting and all Nomination Committee members had attended the meeting.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the directors of the Company. Based on specific enquiry with the directors, all the directors confirmed that they have complied with the required standards as set out in the Mode Code throughout the year ended 31 December 2012.

AUDITORS' REMUNERATION

For the year ended 31 December 2012, the total remuneration for the audit services provided by auditor amounted to approximately HK$180,000 (2011: HK$150,000).

The re-appointment of HLB Hodgson Impey Cheng Limited as auditor of the Company has been recommended by the Audit Committee and endorsed by the Board and is subject to approval by the shareholders at the forthcoming annual general meeting.

CORPORATE GOVERNANCE FUNCTION

No corporate governance committee has been established and the Board will therefore be responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements etc.

During the financial year ended 31 December 2012, the Board has reviewed the Company's policies and practices on corporate governance and established the Nomination Committee on 16 March 2012.

INTERNAL CONTROLS AND RISK MANAGEMENT

On 8 November 2012, the Company entered into a compliance adviser agreement with Messis Capital Limited ("Messis Capital") pursuant to which Messis Capital was appointed as the compliance adviser to the Company. Messis Capital will conduct a review of the existing compliance structure of the Company, make recommendations for its enhancement and provide ongoing advice concerning the Company's compliance with the Listing Rules for two years from the date of appointment.

The Board has overall responsibility for the system of internal controls and risk management of the Company and to review its effectiveness. During the year, the Board has reviewed the effectiveness of the Group's internal control system, covering financial, operational and compliance controls and risk management functions during the year under review.

In such review, the Board has considered factors such as changes since the last review, scope and quality of management's monitoring of risks; incidence of significant control failings and weaknesses identified; and effectiveness relating to financial reporting and compliance with the applicable laws and regulations including the Listing Rules.

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

The directors acknowledge their responsibility for preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. The directors ensure that the financial statements for the year ended 31 December 2012 were prepared in accordance with statutory requirements and applicable accounting standards, and will ensure that the publication of which will be in a timely manner.

SHAREHOLDERS RELATIONS

The Company is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its shareholders. The commitment to fair disclosure and comprehensive and transparent reporting of the Company's activities can be reflected in many aspects.

In endeavouring to maintain an on-going dialogue with shareholders, the annual general meeting provides a useful forum for shareholders to exchange views with the Board.

The proceedings of the annual general meeting are reviewed from time to time to ensure the Company conforms to the best practices regarding corporate governance. The annual general meeting circular, which is circulated to all shareholders at least 21 days prior to the holding of the annual general meeting, sets out the details in relation to each resolution proposed, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. At the beginning of the meeting, the chairman of the meeting indicated to the meeting the level of proxies lodged on each resolution and the balance for and against such resolution. At the Company's 2012 Annual General Meeting, all the resolutions were put to the vote by poll and Tricor Tengis Limited, the Company's Hong Kong Branch Share Registrar, was engaged as scrutineer to ensure the votes were properly counted.

The Company also communicates to its shareholders through its annual and interim reports. The directors, company secretary or other appropriate members of senior management also respond promptly to inquiries from shareholders and investors.

INVESTOR RELATIONS

The Company is committed to a policy of open and timely disclosure of corporate information to shareholders and investors. The Company updates shareholders on its latest business developments and financial performance through its annual and interim reports and notices, announcements and circulars. The Company's website (www.nif-hk.com) provides a communication platform to the public and the shareholders.

To strengthen its relationship with investors, the Company regularly meets with analysts and holds interviews with reporters and columnists of the press and other economic journals.

During the year ended 31 December 2012, there had been no significant change in the Company's constitutional documents.

The Directors have pleasure in presenting this annual report and the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

Shares in the Company had been listed on the Main Board of the Stock Exchange since 27 September 2002.

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

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 27.

The Directors did not recommend the payment of any final dividend for the year ended 31 December 2012 (2011: HK$Nil).

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in Note 26 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in Consolidated Statement of Changes in Equity on page 28 and Note 27 to the consolidated financial statements.

As at 31 December 2012, the Company's available reserves for distribution to shareholders under the Companies Law of the Cayman Islands were approximately HK$202,811,000 (2011: approximately HK$59,677,000).

PROPERTY, PLANT AND EQUIPMENT

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

PRE-EMPTIVE RIGHTS

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

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

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

DIRECTORS

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

Executive Directors

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

Non-executive Director

Ms. Yang XiaoFeng

Independent Non-executive Directors

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

Pursuant to Article 88 of the Company's Articles of Association, Mr. Wong Danny F., Mr. Char Shik Ngor, Stephen, Mr. Wong Sin Lai shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

DIRECTORS' AND CHIEF EXECUTIVE INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 December 2012, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as below:

Name of Director	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Wong Danny F.	Interest of controlled corporation	48,980,520 (1)	
	Beneficial owner	137,840 (2)	26.66%
Mr. Wu Tse Wai, Frederick	Beneficial owner	137,840 (2)	0.07%
Mr. Fong Chi Wah	Beneficial owner	137,840 (2)	0.07%
Ms. Yang XiaoFeng	Beneficial owner	137,840 (2)	0.07%
Mr. Char Shik Ngor, Stephen	Beneficial owner	137,840 (2)	0.07%
Mr. Liu Jin	Beneficial owner	137,840 (2)	0.07%
Mr. Wong Sin Lai	Beneficial owner	116,000 (2)	0.06%

All of the above interests in the Company held by the Directors were long positions.

Notes:

(1) The interest is held by CCM Asia Investment Corporation, a company which is wholly and beneficially owned by Mr. Wong Danny F..

(2) There represent the underlying shares in respect of the share options granted to the Directors pursuant to the Share Option Scheme of the Company adopted on 27 August 2007. The details are set out in the section headed "Interests in Share Options" below.

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

INTERESTS IN SHARE OPTIONS

Pursuant to the Share Option Scheme ("Share Option Scheme") adopted by the Company on 27 August 2007, the Company has granted certain options to eligible participants, including the Directors and employees of the Company, as incentive or rewards for their contribution to the Company.

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

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

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

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

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

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

Details of movement of the share options during the year ended 31 December 2012 under the Share Option Scheme were as follows:

	Number of share options										
	Outstanding at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	Adjustment during the year	Outstanding at 31 December 2012	Exercise price at 1 January 2012 *(HK$)*	Exercise price at 31 December 2012 *(HK$)*	Date of grant	Exercisable period *(Note 1)*
Directors											
Mr. Wong Danny F.	218,400	–	–	–	–	(196,560)	21,840	1.9	19	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	1,160,000					(1,044,000)	116,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Wu Tse Wai Frederick	218,400	–	–	–	–	(196,560)	21,840	1.9	19	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	1,160,000					(1,044,000)	116,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Fong Chi Wah	218,400	–	–	–	–	(196,560)	21,840	1.9	19	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	1,160,000					(1,044,000)	116,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Ms. Yang Xiaofeng	218,400	–	–	–	–	(196,560)	21,840	1.9	19	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	1,160,000					(1,044,000)	116,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Char Shik Ngor, Stephen	218,400	–	–	–	–	(196,560)	21,840	1.9	19	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	1,160,000					(1,044,000)	116,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Liu Jin	218,400	–	–	–	–	(196,560)	21,840	1.9	19	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	1,160,000					(1,044,000)	116,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Lui Tin Nang *(Note 2)*	1,160,000	–	–	–	(1,160,000)	–	–	0.189	–	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Wong Sin Lai	1,160,000	–	–	–	–	(1,044,000)	116,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
	10,590,400	–	–	–	(1,160,000)	(8,487,360)	943,040				
Employees	33,270,000	–	–		–	(29,943,000)	3,327,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Resigned director	436,800	–	–	–	–	(393,120)	43,680	1.9	19	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
(Note 2)	–	–	–	–	1,160,000	(1,044,000)	116,000	–	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Other eligible participants	74,150,000	–	–	–	–	(66,735,000)	7,415,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Total	118,447,200	–	–	–	–	(106,602,480)	11,844,720				

Notes:

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

2. On 13 January 2012, Mr. Lui Tin Nang has resigned as independent non-executive director of the Company. The share options held by Mr. Lui Tin Nang was then reclassified as share options held by resigned directors.

* Pursuant to the terms of the Share Option Scheme, the exercise price and the number of new shares to be allotted and issued upon full exercise if the subscription rights attaching to the outstanding share options were adjusted to reflect the Share Consolidation, Capital Reduction and Share Subdivison which come into effect on 27 March 2012.

Save as disclosed above, none of the Company's directors and chief executive, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the twelve months ended 31 December 2012.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 December 2012, so far as is known to the directors, the following shareholders (other than the Directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity	Number of ordinary shares	Percentage of the Company's issued share capital
CCM Asia Investment Corporation *(Note 1)*	Beneficial owner	48,980,520	26.58%
CCM Financial Corporation *(Note 1)*	Corporate owner	48,980,520	26.58%
Sino Portfolio International Limited *(Note 2)*	Security owner	48,980,520	26.58%
Ms. Angela Chen *(Note 3)*	Interest through controlled corporation	48,980,520	26.58%
Ms. Qiu Jing	Beneficial owner	18,200,000	9.88%

All of the above interests in the Company held by Shareholders were long positions.

Notes:

1. Mr. Wong Danny F., an executive director and the chairman of the Company, is the sole shareholder of CCM Financial Corporation which in turn is the sole shareholder of CCM Asia Investment Corporation, CCM Financial Corporation and Mr. Wong Danny F. are therefore deemed to be interested in the shares and underlying shares of the Company held by CCM Asia Investment Corporation under the SFO.

2. Sino Portfolio International Limited, a company incorporated in the Republic of Seychelles ("Sino Portfolio") has a security interest in 48,980,520 shares of the Company. (Note: On 5 April 2013, Sino Portfolio ceased to be interested in 48,980,520 shares of the Company.)

3. Sino Portfolio is wholly-owned by Ms. Angela Chen. Ms. Angela Chen is therefore deemed to be interested in 48,980,520 shares of the Company which Sino Portfolio has a security interest in under the SFO. (Note: On 5 April 2013, Ms. Angela Chen ceased to be interested in 48,980,520 shares of the Company held by Sino Portfolio pursuant to Part XV of the SFO.)

Other than disclosed above, the Company has not been notified of any other interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company as at 31 December 2012.

MANAGEMENT CONTRACT

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

MAJOR CUSTOMERS AND SUPPLIERS

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

CONNECTED TRANSACTION

Placing Agreement

The Company entered into a placing agreement with Beijing Securities Limited (the "Placing Agent") on 12 July 2012 and 20 December 2012 respectively, pursuant to which the Company had agreed to place, an aggregate principal amount HK$70,000,000 and HK$30,000,000 in the denomination of HK$10,000,000 each placing notes to individuals, institutional or other professional investors, through the Placing Agent. Mr. Wong Danny F., the chairman and an executive director of the Company, holds 75.28% of the shareholdings of the holding company of the Placing Agent. Mr. Wong Danny F. is also a director of the Placing Agent and the holding company of the Placing Agent. Hence, the Placing Agent is an associated company of Mr. Wong Danny F. and is therefore a connected person of the Company within the meaning of the Listing Rules. As at 31 December 2012, the Company has subscribed for a convertible note in the principal amount of HK$17,000,000 at an interest rate of 2% per annum issued by the holding company of the Placing Agent. The acting as the Placing Agent is a connected transaction under Chapter 14A of the Listing Rules.

The Board in view of that the placing commission of 2% on the gross proceeds of the placing was determined within arm's length negotiation between the parties with regard to the prevailing market practice and the placing commission is on normal commercial terms, fair and reasonable. As the relevant percentage ratios in respect of the placing commission under Rule 14.07 of the Listing Rules exceeds 5% but are less than 25%, the transaction is only subject to the report and announcement requirements and is exempt from independent shareholder's approval requirements under Chapter 14A of the Listing Rules. The transaction also constitutes a discloseable transaction under Chapter 14 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Investment Advising Service Agreement

On 16 May 2011, the Company and Beijing Capital Partners Limited ("Beijing Capital") had mutually agreed to terminate the Investment Management Agreement and there was no penalty and/or compensation to any parties in relation to the early termination of the agreement. At the meantime, the Company and Beijing Capital entered into an Investment Advising Service Agreement (the "IAS Agreement") whereby Beijing Capital was appointed to act as investment adviser of the Company and agree to provide investment advising services and present suitable investment opportunities to the Company commencing from 16 May 2011. Pursuant to Rule 21.13 of the Listing Rules, an investment adviser shall be regarded as a connected person of the Company. Therefore, the entering into of the IAS Agreement with Beijing Capital Constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. According to the terms and condition of the IAS Agreement, the Company shall pay to Beijing Capital a monthly investment adviser fee of HK$33,333. Therefore, it is exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Investment Management Agreement

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

The Directors (including the independent non-executive Directors), who do not have any material interest in the New IM Agreement, are of the view that the terms of the New IM Agreement was on normal commercial terms in the ordinary and usual course of business of the Company on terms that was fair and reasonable and in the interest of the Company and its independent shareholders as a whole.

Custodian Agreement

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

The Board, including the independent non-executive directors, is of the view that the above continuing connected transaction has been entered into on normal commercial terms, on an arm's length basis and in the ordinary and usual course of business of the Company, and that the terms of the above connected transaction are fair and reasonable to the shareholders and the Company as a whole. According to the terms and conditions of the custodian agreement, the Company shall pay to the Bank of Communications Trustee Limited an annual fee of HK$77,530 for the year ended 31 December 2012. Therefore, the entering into of the custodian agreement with the Bank of Communications Trustee Limited is exempted from the reporting, announcements and independent shareholders‘ approval requirements under Chapter 14A of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this annual report, there was a sufficient prescribed public float of the issued share of the Company under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee, comprising three independent non-executive directors, together with the management, has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters, including a review of the audited consolidated financial statements for the year ended 31 December 2012.

SUBSEQUENT EVENTS

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2011 were audited by HLB Hodgson Impey Cheng.

In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited which has been appointed as the auditors of the Company by the shareholders at the annual general meeting held on 4 May 2012.

The consolidated financial statements for the year ended 31 December 2012 were audited by HLB Hodgson Impey Cheng Limited who will retire at the conclusion of the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wong Danny F.
Chairman

Hong Kong, 22 March 2013

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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

Chartered Accountants
Certified Public Accountants

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

We have audited the consolidated financial statements of National Investments Fund Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 79, which comprise the consolidated and the Company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

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

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 22 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	7	**63,591**	(152,825)
Other income	8	**1**	1,003
Change in fair value of conversion options embedded in convertible notes		**–**	(5,560)
Impairment loss on available-for-sale financial assets		**(5,184)**	(293)
Net fair value gain on derecognition of available-for-sale financial assets		**–**	5,462
Loss on disposal of a subsidiary		**–**	(2,083)
Other operating expenses		**(27,077)**	(24,188)
Finance costs	9	**(679)**	–
Share of result of an associate	20	**(518)**	(67)
Share of result of a jointly controlled entity	19	**–**	(6,917)
Profit/(loss) before income tax		**30,134**	(185,468)
Income tax expense	10	**–**	–
Profit/(loss) for the year	11	**30,134**	(185,468)
Other comprehensive income/(loss), net of income tax			
– Net gain/(loss) on revaluation of available-for-sale financial assets during the year		**3,317**	(6,832)
– Reclassification relating to derecognition of available-for-sale financial assets		**412**	(76)
– Share of changes in other comprehensive income in an associate		**36**	11
Other comprehensive income/(loss) for the year, net of income tax		**3,765**	(6,897)
Total comprehensive income/(loss) for the year		**33,899**	(192,365)
Profit/(loss) for the year attributable to:			
Owners of the Company		**30,134**	(185,468)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**33,899**	(192,365)
Earnings/(loss) per share			
Basic	16	**HK$0.16**	HK$(1.26)
Diluted	16	**HK$0.16**	HK$(1.26)

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

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Assets:			
Non-current assets			
Property, plant and equipment	17	**5,102**	3,663
Interests in an associate	20	**5,461**	5,944
Available-for-sale financial assets	21	**42,413**	54,451
		52,976	64,058
Current assets			
Available-for-sale financial assets	21	**15,638**	5,411
Financial assets at fair value through profit or loss	23	**183,290**	44,617
Prepayments, deposits and other receivables	24	**5,572**	4,157
Cash and bank balances		**22,287**	59,133
		226,787	113,318
Total assets		**279,763**	177,376
Equity:			
Capital and reserves attributable to owners of the Company			
Share capital	26	**1,843**	92,133
Reserves		**208,035**	84,341
Total equity		**209,878**	176,474
Liabilities:			
Current liabilities			
Accrued charges and other payables		**1,254**	902
Non-current liabilities			
Promissory notes	28	**68,631**	–
Total liabilities		**69,885**	902
Total equity and liabilities		**279,763**	177,376
Net current assets		**225,533**	112,416
Total assets less current liabilities		**278,509**	176,474

Approved by the Board of Directors on 22 March 2013 and signed on its behalf by:

Wong Danny F.
Director

Wu Tse Wai, Frederick
Director

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

Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Assets:			
Non-current assets			
Property, plant and equipment	*17*	**5,102**	3,663
Interests in subsidiaries	*18*	**47,739**	47,722
Available-for-sale financial assets	*21*	**–**	12,670
		52,841	64,055
Current assets			
Available-for-sale financial assets	*21*	**15,638**	5,411
Financial assets at fair value through profit or loss	*23*	**183,290**	44,617
Prepayments, deposits and other receivables	*24*	**5,572**	4,157
Cash and bank balances		**22,287**	59,133
		226,787	113,318
Total assets		**279,628**	177,373
Equity:			
Capital and reserves attributable to owners of the Company			
Share capital	*26*	**1,843**	92,133
Reserves	*27*	**206,742**	83,175
Total equity		**208,585**	175,308
Liabilities:			
Current liabilities			
Accrued charges and other payables		**1,251**	899
Non-current liabilities			
Amount due to a subsidiary		**1,161**	1,166
Promissory notes	*28*	**68,631**	–
		69,792	1,166
Total liabilities		**71,043**	2,065
Total equity and liabilities		**279,628**	177,373
Net current assets		**225,536**	112,419
Total assets less current liabilities		**278,377**	176,474

Approved by the Board of Directors on 22 March 2013 and signed on its behalf by:

Wong Danny F.
Director

Wu Tse Wai, Frederick
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to the owners of the Company							
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Share option reserve** *(Note i)* *HK$'000*	**Warrants reserve** *(Note ii)* *HK$'000*	**Available -for-sale financial asset equity reserve** *(Note iii)* *HK$'000*	**Exchange reserve** *(Note iv)* *HK$'000*	**Accumulated losses** *HK$'000*	**Total equity** *HK$'000*
At 1 January 2011	59,278	270,860	921	23,073	(4,733)	–	(48,202)	301,197
Loss for the year	–	–	–	–	–	–	(185,468)	(185,468)
Other comprehensive income for the year, net of income tax	–	–	–	–	(6,908)	11	–	(6,897)
Total comprehensive income for the year	–	–	–	–	(6,908)	11	(185,468)	(192,365)
Recognition of equity settled share-based payments	–	–	3,637	–	–	–	–	3,637
Issue of shares	32,855	33,386	–	–	–	–	–	66,241
Share issuing expenses	–	(2,325)	–	–	–	–	–	(2,325)
Issue of warrants	–	–	–	359	–	–	–	359
Warrants issuing expenses	–	–	–	(270)	–	–	–	(270)
At 31 December 2011 and 1 January 2012	92,133	301,921	4,558	23,162	(11,641)	11	(233,670)	176,474
Profit for the year	–	–	–	–	–	–	30,134	30,134
Other comprehensive income for the year, net of income tax	–	–	–	–	3,729	36	–	3,765
Total comprehensive income for the year	–	–	–	–	3,729	36	30,134	33,899
Capital reduction	(90,290)	(495)	–	–	–	–	90,290	(495)
Release upon expiry of warrants	–	–	–	(22,664)	–	–	22,664	–
At 31 December 2012	**1,843**	**301,426**	**4,558**	**498**	**(7,912)**	**47**	**(90,582)**	**209,878**

Notes:

(i) Share option reserve relates to share options granted under the Company's share option scheme and which are reclassified to share capital and share premium when the share options were exercised and to accumulated losses when the share options were lapsed or expired.

(ii) Warrants reserve relates to warrants issued in previous years and which are reclassified to share capital and share premium when the warrants were exercised and released to accumulated losses when the warrants were lapsed or expired.

(iii) Available-for-sale financial asset equity reserve relates to the cumulative gains or losses arising on the change in fair values of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those financial assets are disposed or impaired.

(iv) Exchange reserve relates to the net assets of the Group's associate's foreign operations from their functional currency to the associate's presentation currency.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Cash flows from operating activities		
Bank interest income received	**1**	1
Interest income from available-for-sales financial assets received	**–**	1,170
Proceeds from sale of financial assets at fair value through profit or loss	**31,804**	79,660
Dividend income received	**179**	–
Cash payments to acquire financial assets at fair value through profit or loss	**(108,328)**	(45,555)
Cash payments to employees	**(7,990)**	(5,919)
Cash payments to investment managers	**(1,650)**	(148)
Cash payments to custodian	**(81)**	(81)
Cash payments to other suppliers	**(16,263)**	(14,925)
Net cash (outflow)/inflow from operating activities	**(102,328)**	14,203
Cash flows from investing activities		
Purchase of property, plant and equipment	**(3,423)**	(1,866)
Cash payments to acquire convertible notes	**–**	(30,000)
Proceed from disposal/redemption of convertible notes	**800**	40,000
Cash payments to acquire unlisted shares	**–**	(49,200)
Amount advance to an associate	**–**	(6,000)
Net cash outflow from investing activities	**(2,623)**	(47,066)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	**–**	66,241
Share issuing expenses	**–**	(2,325)
Net proceeds from issue of warrants	**–**	89
Payment for transaction costs attributable to capital reorganisation	**(495)**	–
Net proceeds from issue of promissory notes	**68,600**	–
Net cash inflow from financing activities	**68,105**	64,005
Net (decrease)/increase in cash and cash equivalents	**(36,846)**	31,142
Cash and cash equivalents at beginning of the year	**59,133**	27,991
Cash and cash equivalents at end of the year	**22,287**	59,133
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**22,287**	59,133

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

1. CORPORATE INFORMATION

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

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

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal office of the Company is located at Suite 1401, 14/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

These consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company. All values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

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

(a) Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost basis except for certain financial assets and financial liabilities that are measured at fair value, as explained in the accounting policies set out below.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (Continued)

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

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

(c) Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefit* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of acquirer's previous held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Business combination (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specific in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

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

(d) Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Investments in subsidiaries

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

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

(f) Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Interests in jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interest that, if any and in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

(h) Property, plant and equipment

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

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

Leasehold improvement	33%
Furniture and fixtures	10-50%
Motor vehicles	20%
Office equipment	20%
Computer	50%

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments

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

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

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

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

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

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

A financial asset is classified as held for trading if:

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

Financial assets(Continued)

Financial assets at FVTPL (Continued)

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

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

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

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

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

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

Other financial liabilities

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

Effective interest method

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

Derecognition

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

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

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

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

(j) Warrants

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

The fair value of warrants on the date of issue is recognised in equity (warrants reserve). The warrants reserve will be transferred to share capital and share premium upon exercise of the warrants. Where the warrants remain unexercised at the expiry date, the amount previously recognised in warrants reserve will be released to the retained profits or accumulated losses.

(k) Cash and cash equivalents

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Revenue

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

Revenue represents dividend income from securities investments, bank interest income, other interest/dividend income from financial assets and net gain/loss on financial assets at FVTPL.

(m) Revenue recognition

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

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

ii. Interest income from financial assets including financial assets at FVTPL are recognised on a time basis, by reference to the principal outstanding and at the effective interest rates applicable, which are the rates that exactly discounts and the estimated future cash receipts through the expected life of the financial assets to that assets' net carrying amount on initial recognition.

iii. Net gain/loss on financial assets at FVTPL is recognised on the transaction dates when the relevant contracts are executed.

(n) Taxation

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

(p) Provisions

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Contingent liabilities and contingent assets

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

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

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

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

(r) Employee benefits

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

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

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

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

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

(s) Equity settled share-based payment transactions

For grants of share options which are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Operating lease

The Group as lessee

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

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

(u) Related parties

A party is considered to be related to the Group if:

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

- (a) has control or joint control over the Group;
- (b) has significant influence over the Group; or
- (c) is a member of the key management personnel of the Group or of a parent of the reporting entity.

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

- (a) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (c) Both entities are joint ventures of the same third party.
- (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (e) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (f) The entity is controlled or jointly controlled by a person identified in (i).
- (g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Foreign currencies

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

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

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

(w) Segment reporting

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

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

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied, for the first time, the following new standard, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial period beginning 1 January 2012. A summary of the new HKFRSs are set out as below:

HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKAS 12	Deferred Tax – Recovery of Underlying Assets
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets

The application of these new HKFRSs has not had any material impact on the amounts reported for the current period and prior years but may affect the accounting for future transactions or arrangements. The impact of the application of the new HKFRSs is discussed below.

Under the amendments to HKAS 12, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes under the presumption is rebutted. This does not impact the Group because the Group did not own any investment property.

The amendments to HKFRS 7 *Disclosure – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets in order to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The Group did not enter into any types of transfers of financial assets during the year. The amendments to HKFRS 7 have had no material impact on the disclosure requirements in the consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[3]
HKFRS (Amendments)	Annual Improvements 2009-2011 Cycle[2]
HKFRS 1 (Amendments)	Government Loans[2]
HKFRS 7 and HKFRS 9 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 10, 11 & 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: transition Guidance[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) – Int 20	Stripping costs in the Production Phase of a Surface Mine[2]

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

3. APPLICATION OF NEW AND REVISED HKFRSs (CONTINUED)

Annual Improvements to HKFRSs 2009-2011 Cycle include a number of amendments to various HKFRSs. The amendments to HKFRSs include:

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

– The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise.

– The amendments to HKAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) apply to a particular class of business that qualify as investment entities. The term 'investment entity' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

3. APPLICATION OF NEW AND REVISED HKFRSs (CONTINUED)

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

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

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

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

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

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

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

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

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

3. APPLICATION OF NEW AND REVISED HKFRSs (CONTINUED)

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

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

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

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

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

The directors of the Company is in the process of assessing the potential impact of the new HKFRSs but is not yet in a position to determine whether the new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. The new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and factors that are considered to be relevant. Actual results may differ from these estimates.

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Critical judgement in applying accounting policies

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

Impairment of available-for-sale financial assets

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

Impairment of other receivables

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

Critical accounting estimates and assumptions

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

Income taxes

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

Share-based payment

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

Fair value of available-for-sale financial assets

The fair value of available-for-sale financial assets that are note traded in active market is determined by valuation techniques. Valuation techniques that include inputs that are not based on observable market data and make assumptions that are primarily based on market conditions existing at the end of each reporting period. Note 21 provide detailed information about key assumptions used in the determination of the fair value.

Useful lives of property, plant and equipment

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

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

The Group

	2012 HK$'000	2011 HK$'000
Financial assets		
Available-for-sale financial assets	**58,051**	59,862
Financial assets at FVTPL	**183,290**	44,617
Loans and receivables (including cash and cash equivalent)	**29,964**	66,038
	271,305	170,517
Financial liabilities		
At amortised cost	**69,885**	902

The Company

	2012 HK$'000	2011 HK$'000
Financial assets		
Available-for-sale financial assets	**15,638**	18,081
Financial assets at FVTPL	**183,290**	44,617
Loans and receivables (including cash and cash equivalent)	**72,242**	107,816
	271,170	170,514
Financial liabilities		
At amortised cost	**71,043**	2,065

(b) Financial risk management objectives and policies

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

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

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

Market risk exposures are measured by sensitivity analysis.

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

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

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

Market risks (Continued)

Foreign currency risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group carries out its business mainly in Hong Kong and all of the transactions are denominated in HK$. The Group's assets and liabilities are mainly denominated in HK$, except certain bank balances and financial assets at FVTPL are denominated in United State dollar. As Hong Kong dollar are pegged to United State dollar, it is assumed that there would be no material currency risk exposure between these two currencies. The Group does not have any formal hedging policies.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to the Group's variable interest bearing bank balances, fixed interest bearing financial assets at FVTPL and promissory notes. The exposure to cash flow interest rate risk is minimal. The Group did not enter into interest rate swap to hedge against its exposures.

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

Sensitivity analysis

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

If the fair value interest rate had been 50 basis points (2011: 50 basis point) higher or lower and all other variable held constant, the Group's:

- available-for-sale financial asset equity reserve would increase or decrease by approximately HK$78,000 (2011: approximately HK$90,000) as a result of the changes in fair value of available-for-sale financial assets.

The Group has no exposure to interest rate on financial liabilities except for the promissory notes.

Price risk

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

Sensitivity analysis

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

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

– profit before tax for the year ended 31 December 2012 would increase/decrease by approximately HK$9,165,000 (2011: HK$2,230,000). This is mainly due to change in fair value of held for trading investments.

– available-for-sale financial asset equity reserve would increase/decrease by approximately HK$2,120,000 (2011: HK$2,089,000). This is mainly due to change in fair value of available-for-sale financial assets.

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

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

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

Credit risk

As at 31 December 2012 and 2011, the Group and the Company's maximum exposure to credit risk is bank balances, other receivables and amount due from subsidiaries, arises from default of the counterparty.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group and the Company also have credit policies in place and exposures to credit risks regards other receivables are mentioned on an ongoing basis.

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

Liquidity risk

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

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

The Group

	Weighted average effective interest rate *%*	**Within 1 year** *HK$'000*	**2 to 5 years** *HK$'000*	**Over 5 years** *HK$'000*	**Total undiscounted amount** *HK$'000*	**Total carrying amount** *HK$'000*
2012						
Non-derivative financial liabilities						
Accrued charges and other payables	**–**	**606**	**–**	**–**	**606**	**606**
Promissory notes	**5.35**	**3,500**	**14,000**	**77,000**	**94,500**	**69,279**
		4,106	**14,000**	**77,000**	**95,106**	**69,885**

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

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

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

Liquidity risk (Continued)

The Company

	Weighted average effective interest rate %	Within 1 year HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted amount HK$'000	Total carrying amount HK$'000
2012						
Non-derivative financial liabilities						
Accrued charges and other payables	–	603	–	–	603	603
Amount due to a subsidiary	–	–	1,161	–	1,161	1,161
Promissory notes	5.35	3,500	14,000	77,000	94,500	69,279
		4,103	15,161	77,000	96,264	71,043

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

(c) Fair value estimation

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

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

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

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

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

Fair value measurements recognised in the consolidated statement of financial position

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

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2012	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
Financial assets				
Financial assets at FVTPL	**183,290**	**–**	**–**	**183,290**
Available-for-sale financial assets				
Unlisted debt securities	**–**	**–**	**15,638**	**15,638**
Unlisted equity securities	**–**	**–**	**42,413**	**42,413**
Total	**183,290**	**–**	**58,051**	**241,341**

2011	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial assets				
Financial assets at FVTPL	44,617	–	–	44,617
Available-for-sale financial assets				
Unlisted debt securities	–	–	18,081	18,081
Unlisted equity securities	–	–	41,781	41,781
Total	44,617	–	59,862	104,479

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

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

2012	**Unlisted equity securities** *HK$'000*	**Unlisted debt securities** *HK$'000*	**Conversion options embedded in convertible notes** *HK$'000*	**Total** *HK$'000*
Opening balance	**41,781**	**18,081**	**–**	**59,862**
Gains or losses recognised in:				
– profit or loss	**–**	**(4,328)**	**–**	**(4,328)**
– other comprehensive income	**632**	**2,685**	**–**	**3,317**
Purchases	**–**	**–**	**–**	**–**
Disposal	**–**	**(800)**	**–**	**(800)**
Closing balance	**42,413**	**15,638**	**–**	**58,051**

2011	Unlisted equity securities *HK$'000*	Unlisted debt securities *HK$'000*	Conversion options embedded in convertible notes *HK$'000*	Total *HK$'000*
Opening balance	–	26,668	1,001	27,669
Gains or losses recognised in:				
– profit or loss	–	5,385	(5,560)	(175)
– other comprehensive income	(7,419)	587	–	(6,832)
Purchases	49,200	25,441	4,559	79,200
Disposal	–	(40,000)	–	(40,000)
Closing balance	41,781	18,081	–	59,862

The gains or losses include in the consolidated statement of comprehensive income for the years related to recognition of interest income, derecognition and impairment loss of unlisted debt securities.

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

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2011.

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

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

	2012 ***HK$'000***	2011 *HK$'000*
Debt *(Note (i))*	**69,885**	902
Equity *(Note (ii))*	**209,878**	176,474
Gearing ratio	**33.3%**	0.5%

Notes:

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

6. SEGMENT INFORMATION

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

Business segment

The Group operates one segment for the years ended 31 December 2012 and 2011. All of the Group's revenue was derived from investment income from investments in listed securities and unlisted securities. Accordingly, the Group does not have separately reportable segment.

Geographical Information

The Group's operations are mainly located in Hong Kong, Singapore and Australia. The following table provides an analysis of the Group's revenue by geographical market:

	Revenue by geographical market	
	2012 ***HK$'000***	2011 *HK$'000*
Hong Kong	**63,797**	(153,307)
Singapore	**(206)**	–
Australia	**–**	482
	63,591	(152,825)

6. SEGMENT INFORMATION (CONTINUED)

Geographical Information (Continued)

The following is an analysis of the carrying amount of non-current assets (excluding available-for-sale financial assets and conversion options embedded in convertible notes) analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**10,563**	9,607

No single customer of the Group contributed 10% or more to the Group's revenue.

7. REVENUE

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

	2012	2011
	HK$'000	*HK$'000*
Net gain/(loss) on financial assets at fair value through profit or loss ("FVTPL") *(Note)*	**62,149**	(155,263)
Bank interest income	**1**	1
Interest income from available-for-sale financial assets	**1,005**	2,437
Interest income from financial assets at FVTPL	**257**	–
Dividend income from financial assets at FVTPL	**179**	–
	63,591	(152,825)

Note:

Net gain/(loss) on financial assets at FVTPL represented:

	2012	2011
	HK$'000	*HK$'000*
Proceeds on sales	**31,804**	79,660
Less: cost of sales	**(32,193)**	(90,983)
Net realised loss on financial assets at FVTPL	**(389)**	(11,323)
Unrealised gain/(loss) on financial assets at FVTPL	**62,538**	(143,940)
Net gain/(loss) on financial assets at FVTPL	**62,149**	(155,263)

8. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Exchange gain	–	10
Sundry income	1	993
	1	1,003

9. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest expenses on promissory notes	679	–

10. INCOME TAX EXPENSE

Current taxation

No provision of Hong Kong profits tax has been made as the Group utilised the tax losses previously not recognised for the year ended 31 December 2012.

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

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

	2012 HK$'000	2012 %	2011 HK$'000	2011 %
Profit/(loss) before income tax	30,134		(185,468)	
Tax at Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	4,972	16.5	(30,602)	(16.5)
Estimated tax effect on income that is not taxable in determining taxable profit	(208)	(0.7)	(332)	(0.2)
Estimated tax effect on expenses that are not deductible in determining taxable profit	1,076	3.6	2,119	1.1
Estimated tax effect of unrecognised temporary difference	(65)	(0.2)	(29)	(0.1)
Estimated tax effect of unrecognised tax losses	–	–	28,844	15.7
Estimated tax effect of tax losses utilised	(5,775)	(19.2)	–	–
Tax income and effective tax rate for the year	–	–	–	–

11. PROFIT/(LOSS) FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Profit/(loss) for the year has been arrived after charging:		
Auditors' remuneration	**180**	150
Directors' emoluments *(Note 13)*	**3,976**	4,510
Total staff costs, excluding directors' emoluments	**4,932**	4,477
Depreciation of property, plant and equipment	**1,769**	1,333
Legal and professional fee	**288**	439
Operating lease rental in respect of land and building	**4,692**	1,299
Equity-settled share-based payment expenses	**–**	3,349
Impairment loss on other receivables	**580**	188
Loss on disposal of a subsidiary	**–**	2,083

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

The consolidated profit (2011: loss) attributable to owners of the Company includes a profit of approximately HK$30,675,000 (2011: loss of approximately HK$194,042,000) which has been dealt with in the financial statements of the Company.

13. DIRECTORS' EMOLUMENTS

The emoluments of every director for the year ended 31 December 2012 is set out below:

	Fee HK$'000	Salary HK$'000	Other benefits HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Mr. Wong Danny F.	–	720	1,680	14	2,414
Mr. Wu Tse Wai, Frederick *(Chief Executive Officer)*	–	360	–	–	360
Mr. Fong Chi Wah	–	264	–	13	277
Ms. Yang XiaoFeng	–	360	–	14	374
Mr. Liu Jin	–	180	–	–	180
Mr. Char Shik Ngor, Stephen	–	180	–	–	180
Mr. Lui Tin Nang *(Note 2)*	–	13	–	–	13
Mr. Wong Sin Lai *(Note 1)*	–	178	–	–	178
	–	2,255	1,680	41	3,976

13. DIRECTORS' EMOLUMENTS (CONTINUED)

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

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

Notes:

1. Mr. Wong Sin Lai formerly named as Mr. Wong Tam Yee, appointed on 3 January 2011.
2. Mr. Lui Tin Nang resigned on 13 January 2012.

During the year, there was no arrangement under which a director waived or agreed to waive any emolument for the year (2011: HK$Nil).

For the years ended 31 December 2012 and 2011, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

The number of the directors fell within the following bands:

	Number of directors	
	2012	2011
Nil to HK$1,000,000	**7**	7
HK$1,000,000 or above	**1**	1
	8	8

14. EMPLOYEES' EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year included three executive directors (2011: one) whose emoluments were reflected in the analysis presented in Note 13 to the consolidated financial statements. The emoluments of the remaining two individuals (2011: four individuals) were as follows:

	2012 ***HK$'000***	2011 *HK$'000*
Salaries and other short-term employee benefits	**1,612**	2,049
Employer's contribution to pension scheme	**14**	25
	1,626	2,074

The emoluments of the two (2011: four) highest paid employees were within the following bands:

	Number of employees	
	2012	2011
Nil to HK$1,000,000	**2**	4

For the years ended 31 December 2012 and 2011, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

15. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend in respect of the year ended 31 December 2012 (2011: HK$Nil).

16. EARNINGS/(LOSS) PER SHARE

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

Earnings/(loss)	2012 HK$'000	2011 HK$'000
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	**30,134**	(185,468)

Number of shares	2012 '000	2011 '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**184,266**	146,983

The weighted average of ordinary shares for the purpose of calculating basic earnings/(loss) per share for the years ended 31 December 2012 and 2011 have been adjusted for the effect of share consolidation completed in 27 March 2012.

For the years ended 31 December 2012 and 2011, the Company's outstanding share options and warrants were not included in the calculation of diluted earnings/(loss) per share because the effects of the Company's outstanding share options and warrants were anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

The Group and the Company

	Leasehold improvement HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor computer HK$'000	Vehicle HK$'000	Total HK$'000
At cost						
At 1 January 2011	1,931	2,038	265	436	–	4,670
Additions	70	–	2	14	1,780	1,866
At 31 December 2011 and 1 January 2012	2,001	2,038	267	450	1,780	6,536
Additions	3,343	13	34	33	–	3,423
Disposals	(2,001)	–	–	–	–	(2,001)
At 31 December 2012	3,343	2,051	301	483	1,780	7,958
Accumulated depreciation						
At 1 January 2011	858	277	102	303	–	1,540
Charge for the year	649	402	53	140	89	1,333
At 31 December 2011 and 1 January 2012	1,507	679	155	443	89	2,873
Charge for the year	1,012	341	51	9	356	1,769
Written back upon disposal	(1,786)	–	–	–	–	(1,786)
At 31 December 2012	733	1,020	206	452	445	2,856
Net book value						
At 31 December 2012	**2,610**	**1,031**	**95**	**31**	**1,335**	**5,102**
At 31 December 2011	494	1,359	112	7	1,691	3,663

18. INTERESTS IN SUBSIDIARIES

	2012 HK$'000	2011 HK$'000
The Company		
Unlisted investment, at cost	–	–
Amounts due from subsidiaries	55,239	55,222
Less: Impairment loss recognised in respect of advances to subsidiaries	(7,500)	(7,500)
	47,739	47,722
Amount due to a subsidiary	1,161	1,166

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

	2012 HK$'000	2011 HK$'000
At the beginning of the year	7,500	5
Impairment loss recognised	–	7,500
Amount written off upon disposal of a subsidiary	–	(5)
	7,500	7,500

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

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

Particulars of the Group's subsidiary as at 31 December 2012 are as follows:

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

19. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	2012 HK$'000	2011 HK$'000
Investment costs in a jointly controlled entity	–	9,000
Share of loss and other comprehensive income in jointly controlled entities	–	(6,917)
	–	2,083
Release upon disposal of a subsidiary *(Note 31)*	–	(2,083)
	–	–

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

	2012 HK$'000	2011 HK$'000
Income	–	1,959
Expenses	–	23,730
Non-current assets	–	4,945
Current assets	–	3,021
Current liabilities	–	1,404

20. INTERESTS IN AN ASSOCIATE

	2012 HK$'000	2011 HK$'000
Investment costs in an associate	23	23
Share of loss and other comprehensive income in an associate *(Note (ii))*	(23)	(23)
	–	–
Amount due from an associate *(Note (i))*	5,977	5,977
Share of loss and other comprehensive income in an associate *(Note (ii))*	(516)	(33)
	5,461	5,944

Notes:

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

(ii) On 14 November 2011, Chance Luck, a wholly-owned subsidiary of the Group, has entered into an agreement with Rui Shing Holdings Limited, and Long Holdings Limited to establish Tumas Holdings Limited ("Tumas Holding"), incorporated under the laws of British Virgin Islands. The principal activities of Tumas Holding and it subsidiaries are development and manufacturing of yacht. The investment cost amount to approximately HK$23,000 and the Group's share of loss of associate for the year 31 December 2011 amounted to approximately HK$23,000.

According to HKAS 28, the amount due from an associate form part of the Group's net investment and the Group's share the excess part of loss of associate for the years ended 31 December 2012 and 2011 were amount to approximately HK$483,000 and HK$33,000 respectively.

20. INTERESTS IN ASSOCIATES (CONTINUED)

Details of the Group's associates which are held indirectly by the Company at 31 December 2012 and 2011 are as follows:

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

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

	2012 **HK$'000**	2011 HK$'000
Revenue	**–**	–
Loss for the year	**(1,727)**	(225)
Loss attributable to the Group	**(518)**	(67)
Other comprehensive income attributable to the Group	**36**	11
Total assets	**10,554**	12,004
Total liabilities	**(12,204)**	(12,113)
Net liabilities	**(1,650)**	(109)
Net assets attributable to the Group	**–**	–

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 **HK$'000**	2011 HK$'000
The Group		
Unlisted securities		
– debt securities	**15,638**	18,081
– equity securities	**42,413**	41,781
	58,051	59,862
Analysed for reporting purposes as:		
Non-current assets	**42,413**	54,451
Current assets	**15,638**	5,411
	58,051	59,862

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

	2012 HK$'000	2011 HK$'000
The Company		
Unlisted securities		
– debt securities	**15,638**	18,081
Analysed for reporting purposes as:		
Non-current assets	–	12,670
Current assets	**15,638**	5,411
	15,638	18,081

The following is a list of available-for-sale financial assets as at 31 December 2012 and 31 December 2011:

Name of equity/ debt securities	Proportion share capital owned as at 31 December 2012 (%)	Net assets attributable to the Group as at 31 December 2012 HK$'000	Cost of investment HK$'000	Fair value as at 31 December 2012 HK$'000	Fair value as at 31 December 2011 HK$'000
Equity securities issued by:					
– Cordoba Homes Limited ("Cordoba")	N/A	N/A	24,600	–	20,822
– Hennabun Capital Group Limited ("HCG")	N/A	N/A	24,600	–	20,959
– HEC Capital Limited ("HEC")	0.92	53,057	49,283	42,413	–
Debt securities issued by:					
– Premium Castle Limited ("Premium Castle")	N/A	N/A	17,000	15,638	12,670
– Unismart Investment Limited ("Unismart")	N/A	N/A	6,000	–	5,411
				58,051	59,862

Notes:

(i) The unlisted equity securities and unlisted debt securities are measured at fair value and are classified as Level 3 fair value measurement. The fair value of unlisted equity securities is estimated by applying price-to-book ratios for similar listed companies and adjusted to reflect the specific circumstance of the investments. The fair value of debt element of the unlisted debt securities is calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit rating of the issuers of the unlisted debt securities and the maturity terms. The effective interest rate is 14.10% (2011: 20.70%)

(ii) Cordoba and its subsidiaries are principally engaged in investment holding, loan financing, trading of investments and properties investment. The cost of investment was HK$24,600,000. The Group held 1.08% equity interest of Cordoba and net assets value attributable to the Group of approximately HK$22,517,000 at 31 December 2011. No dividend was entitled to the Group for the year ended 31 December 2012 (2011: HK$Nil).

(iii) HCG and its subsidiaries are principally engaged in investment holding, money lending, trading of investments, securities brokerage, investment advisory and management. The cost of investment was HK$24,600,000. The Group held 0.86% equity interest of HCG (2011:0.86%) and net assets value attributable to the Group of approximately HK$28,547,000 at 31 December 2011. No dividend was entitled to the Group for the year ended 31 December 2012 (2011: HK$Nil).

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Notes: (Continued)

(iv) HEC is an exempted company incorporated in Cayman Islands with limited liability on 11 April 2012. It is principally engaged in investment holding. After forming the HEC, there was a capital reorganisation among HEC, Cordoba and HCG ("the Reorganisation"). During the Reorganisation, the Group received the same number of equity securities in HEC in exchange for the equity securities in Cordoba and HGC. The Reorganisation was completed on 30 April 2012. On that date, the Group held 1.30% equity interest of HEC which directly and indirectly owned 100% equity interest of Cordoba and HCG respectively. No dividend was entitled to the Group for the year ended 31 December 2012.

(v) On 14 October 2010, the Group subscribed a convertible note issued by Premium Castle ("Premium Castle CN) with a principal amount of HK$27,000,000 with interest at 2% per annum with maturity of three years from the date of subscription. Full conversion of the Premium Castle CN will result in conversion into 19.59% of ordinary shares of the issued share capital of Premium Castle as of the conversion date. Premium Castle and its subsidiaries are principally engaged in investment holding, securities brokerage and financial advisory.

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

As at 31 December 2012, the principal amount of the Premium Castle CN is HK$17,000,000. (2011:17,000,000). There was no disposal or redemption during the year ended 31 December 2012. No dividend was entitled to the Group during the year ended 31 December 2012 (2011: HK$Nil).

During the year ended 31 December 2011, the principal amount of HK$10,000,000 of the Premium Castle CN was repurchased by Premium Castle on 20 September 2011 at the agreed price of HK$10,000,000. The Group recognised a net fair value gain on derecognition of available-for-sale financial asset of approximately HK$350,000 in the consolidated statement of comprehensive income.

(vi) On 21 October 2010, the Group subscribed a convertible note issued by Unismart ("Unismart CN") with a principal amount of HK$6,000,000 with interest at 5% per annum with maturity of two years from the date of subscription. Full conversion of the Unismart Convertible Note will result in conversion into approximately 27.50% of ordinary shares and 4,900,000 preference shares of the issued share capital of Unismart as of the conversion date. Unismart is principally engaged in investment holding.

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

The directors considered the recoverability of the principal amount and accrued interest of Unismart CN is very low with reference to the current financial performance of Unismart. The Group recognised an impairment loss of approximately HK$5,184,000 (2011: HK$Nil) in profit or loss. The Unismart CN was disposed to an independent third party on 26 September 2012 with principal amount of HK$6,000,000 at a cash consideration of HK$800,000. The cumulative loss on Unismart CN was previously recognised in the available-for-sale financial assets equity reserve was reclassified to profit or loss of approximately HK$412,000 (2011: HK$Nil) is included in the impairment loss. No dividend was entitled to the Group during the year ended 31 December 2012 (2011: HK$Nil).

(vii) On 26 April 2011, Victory Eternal, a wholly owned subsidiary, subscribed a convertible note issued by Hugo Luxury Limited ("Hugo") with a principal amount to HK$30,000,000 ("Hugo CN"). Hugo is a private company with limited liability incorporated in British Virgin Islands.

On 6 July 2011, Victory Eternal and Hugo mutually agreed to enter into a termination deed to terminate the Hugo CN and immediately after the signing of the termination deed, Hugo delivered a new convertible note issued by Smooth Union Limited ("Smooth Union") with a principal amount of HK$30,000,000 ("Smooth Union CN") in exchange for Hugo CN.

On 30 December 2011, Victory Eternal and Smooth Union entered into an agreement for early redemption of Smooth Union CN at a redemption price of approximately HK$31,170,000. The Group recognised a net fair value gain on derecognition of available-for-sale financial asset of approximately HK$5,112,000 in the consolidated statement of comprehensive income.

(viii) During the year ended 31 December 2011, the convertible bond issued by Eiuoo Pte Ltd in 2008 was matured on 9 November 2011, with cost of investment of approximately HK$4,000,000. The accumulated loss recognised in previous years was approximately HK$3,707,000. The Group recognised an impairment loss of approximately HK$293,000 in profit or loss. No carrying value as at 31 December 2011.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

The following is the analysis of fair value change of available-for-sale financial assets for the years ended 31 December 2012 and 2011:

	Change in fair value for the year ended	
Name of unlisted equity/debt securities	**31 December 2012** ***HK$'000***	31 December 2011 *HK$'000*
Unlisted equity securities issued by:		
– Cordoba	**8,166**	(3,778)
– HCG	**(664)**	(3,640)
– HEC	**(6,871)**	–
Unlisted debt securities issued by:		
– Premium Castle	**2,685**	(858)
– Unismart	**–**	(467)

22. CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE NOTES

	2012 ***HK$'000***	2011 *HK$'000*
The Group and the Company		
Conversion options embedded in convertible notes	**–**	–

Notes:

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

(ii) For the year ended 31 December 2012, the Group disposed Unismart CN on 26 September 2012 and the carrying amount of the conversion option embedded in Unismart CN was zero at that date. At 31 December 2012, the carrying amount of conversion option in Premium Castle CN is zero (2011: HK$Nil).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 HK$'000	2011 HK$'000
The Group and the Company		
Held-for-trading:		
Equity securities, at fair value		
– listed in Hong Kong	160,445	44,617
Debt securities, at fair value		
– listed in Singapore	22,845	–
	183,290	44,617

The following is a list of the held-for-trading investments as at 31 December 2012:

Equity securities listed in Hong Kong:

Name of equity securities	Place of incorporation and kind of legal entity	Number of shares held	Interest held (%)	Net assets attributable to the Company '000	Cost of investment HK$'000	Fair value HK$'000	Change in fair value HK$'000
Radford Capital Investment Limited	Cayman Islands, limited liability company	5,000,000 ordinary shares	0.3065	HK$531	912	530	(382)
Mascotte Holdings Limited	Bermuda, limited liability company	2,968,750 ordinary shares	0.6754	HK$10,456	10,830	555	(10,275)
Willie International Holdings Limited	Bermuda, limited liability company	44,000 ordinary shares	0.0351	HK$562	85	48	(37)
Freeman Financial Corporation Limited	Cayman Islands, limited liability company	3,600,000 ordinary shares	0.4896	HK$10,413	2,970	400	(2,570)
New Island Printing Holdings Limited	Bermuda, limited liability company	125,380,000 ordinary shares	4.7042	HK$22,081	36,872	102,811	65,939
Heritage International Holdings Limited	Bermuda, limited liability company	60,000 ordinary shares	0.0032	HK$22	39	31	(8)
Forefront Group Limited	Cayman Islands, limited liability company	550,000 ordinary shares	0.1368	HK$1,240	556	220	(336)
Huili Resources (Group) Limited	Cayman Islands, limited liability company	19,300,000 ordinary shares	1.9300	RMB9,408	32,810	41,302	8,492
China Merchants Bank Co., Ltd.	the PRC, limited liability company	850,000 ordinary shares	0.0039	RMB7,144	12,340	14,518	2,178
Renhe Commercial Holdings Company Limited	Cayman Islands, limited liability company	4,100,000 bonds	N/A	N/A	23,338	22,875	(463)

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

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

Equity securities listed in Hong Kong:

Name of equity securities	Place of incorporation and kind of legal entity	Number of shares held	Interest held (%)	Net assets attributable to the Company '000	Cost of investment HK$'000	Fair value HK$'000	Change in fair value HK$'000
Radford Capital Investment Limited	Cayman Islands, limited liability company	4,000,000 ordinary shares	1.8634	HK$2,296	2,040	912	(1,128)
Mascotte Holdings Limited	Bermuda, limited liability company	47,500,000 ordinary shares	1.0401	HK$28,136	22,087	10,830	(11,257)
Willie International Holdings Limited	Bermuda, limited liability company	440,000 ordinary shares	0.0605	HK$1,286	2,354	85	(2,269)
Freeman Financial Corporation Limited	Cayman Islands, limited liability company	90,000,000 ordinary shares	1.9093	HK$40,204	30,600	2,970	(27,630)
New Island Printing Holdings Limited	Bermuda, limited liability company	112,404,000 ordinary shares	4.2173	HK$20,305	129,265	29,225	(100,040)
Heritage International Holdings Limited	Bermuda, limited liability company	300,000 ordinary shares	0.0046	HK$31	231	39	(192)
Forefront Group Limited	Cayman Islands, limited liability company	5,500,000 ordinary shares	0.1505	HK$1,778	1,980	556	(1,424)

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

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

The unaudited net loss attributable to the owners of Radford Capital Investment Limited for the six months ended 30 June 2012 was approximately HK$82,298,057 (2011: approximately HK$110,331,521).

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

The unaudited net loss attributable to the owners of Mascotte Holdings Limited for the six months ended 30 September 2012 was approximately HK$2,360,525,000 (2011: approximately HK$350,723,000).

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

The unaudited net loss attributable to the owners of Willie International Holdings Limited for the six months ended 30 June 2012 was approximately HK$176,981,000 (2011: approximately HK$162,560,000).

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

The unaudited net loss attributable to the owners of Freeman Financial Corporation Limited for the six months ended 30 September 2012 was approximately HK$39,847,000 (2011: approximately HK$400,378,000).

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

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

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

The unaudited net loss (2011: profit) attributable to the owners of New Island Printing Holdings Limited for the six months ended 30 September 2012 was approximately HK$20,304,000 (2011: approximately HK$10,086,000).

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

The unaudited net loss attributable to the owners of Heritage International Holdings Limited for the six months ended 30 September 2012 was approximately HK$90,314,000 (2011: approximately HK$268,068,000).

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

The unaudited net loss attributable to the owners of Forefront Group Limited for the six months ended 30 June 2012 was approximately HK$86,508,000 (2011: approximately HK$102,465,000.

(viii) Huili Resources (Group) Limited principally engaged in the mining, ore processing and sales of nickel, copper, lead and zinc metal products in the PRC.

The unaudited net profit attributable to the owners of Huili Resources (Group) Limited for the six months ended 30 June 2012 was approximately RMB7,730,000.

(xi) China Merchants Bank Co., Ltd principally engaged in finance lease, banking and financial advisory services in the Shanghai and Hong Kong.

The unaudited net profit attributable to the owners of China Merchants Bank Co., Ltd for the six months ended 30 June 2012 was approximately RMB23,377,000,000.

(x) Renhe Commercial Holdings Company Limited principally engaged in the shopping mall operating business in the PRC.

The unaudited net profit attributable to the owners of Renhe Commercial Holdings Company Limited for the six months ended 30 June 2012 was approximately RMB933,009,000.

The followings are the analysis of realised gain/(loss) of each held-for-trading investments (excluding the transaction cost of approximately HK$373,000 for the acquisition of those held-for-trading investment which was not yet disposed) for the year ended 31 December 2012 and 2011:

2012

Name of equity securities	Selling price *HK$'000*	Cost of investment *HK$'000*	Realised gain/(loss) *HK$'000*
Jianxi Copper Company Limited	1,475	1,500	(25)
Bank of China Limited	871	878	(7)
China Merchants Bank Co.,Ltd	1,557	1,606	(49)
CNOOC Limited	16,530	16,462	68
Aluminum Corporation of China Limited	2,990	2,888	102
Maanshan Iron & Steel Company Limited	3,515	3,823	(308)
CITIC Securities Company Limited	4,866	4,663	203

During the year ended 31 December 2012, dividend income of approximately HK$116,000 and HK$63,000 was received from China Merchants Bank Co., Ltd. and CNOOC Limited respectively.

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

2011

Name of equity securities	Selling price HK$'000	Cost of investment HK$'000	Realised gain/(loss) HK$'000
China Merchants Bank Co.,Ltd	30,682	29,801	881
New Island Printing Holdings Limited	1,950	5,193	(3,243)
Brightoil Petroleum (Holdings) Limited	3,006	4,915	(1,909)
China Kingston Mining Holdings Limited	34,516	40,640	(6,124)

Name of warrant issuer	Selling price HK$'000	Cost of investment HK$'000	Realised gain/(loss) HK$'000
BOCI Asia Limited	1,554	1,206	348
Barclays Bank plc	1,560	1,512	48
Macquarie Bank Limited	206	1,094	(888)
Barclays Bank plc	2,614	2,573	41
Merrill Lynch International & Co. C.V.	360	620	(260)
Nomura International plc	1,731	1,566	165
BNP Paribas Arbitrage Issuance B.V.	1,481	1,863	(382)

No dividend income was entitled to the Group from the held-for-trading investments.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group and the Company

	2012 HK$'000	2011 HK$'000
Prepayments	825	795
Other receivables	2,216	961
Rental deposits and other deposits	2,531	2,401
	5,572	4,157

Note:

Other receivables mainly include interest receivables from avaliable-for-sale financial assets of approximately HK$942,000 and financial assets at FVTPL of approximately HK$1,274,000.

25. WARRANTS

On 27 March 2012, the share consolidation was effective. The number and exercise price of outstanding convertible note warrants ("Outstanding CN Warrants") and warrants ("Outstanding Warrants") has been adjusted. The 55,705,262 Outstanding CN Warrants issued on 13 July 2009 and 22 April 2010 with an exercise price of HK$0.25 immediately before the share consolidation has been adjusted to 5,570,526 with an exercise price of HK$2.5. The 179,484,913 Outstanding Warrants issued on 8 April 2011 with an exercise price of HK$0.45 immediately before the share consolidation has been adjusted to 17,948,491 with an exercise price of HK$4.5. Details of the adjustment of Outstanding CN Warrants and Outstanding Warrants have been disclosed in the announcement dated on 15 March 2012.

25. WARRANTS (CONTINUED)

During the year ended 31 December 2012, 5,360,000 Outstanding CN Warrants issued on 31 July 2009 were expired. The fair value of approximately HK$22,664,000 was reclassified from warrant reserve to accumulated losses.

At 31 December 2012, the Company had outstanding warrants of approximately 18,159,000 (2011 restated: approximately 23,519,000) and their exercise in full would result in the issuance of approximately 18,159,000 shares (2011 restated: approximately 23,519,000).

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

26. SHARE CAPITAL

	Number of shares		Amount	
	2012	2011	**2012**	2011
	'000	*HK$'000*	***'000***	*HK$'000*
The Group and the Company				
Authorised ordinary shares:				
At 1 January	**4,000,000**	4,000,000	**200,000**	200,000
Capital reorganisation *(Note (a))*	**16,000,000**	–	**–**	–
At 31 December	**20,000,000**	4,000,000	**200,000**	200,000
Issued and fully paid ordinary shares:				
At 1 January	**1,842,661**	1,185,551	**92,133**	59,278
Issue of shares *(Note (b))*	**–**	350,000	**–**	17,500
Issue of shares *(Note (c))*	**–**	307,110	**–**	15,355
Capital reorganisation *(Note (a))*	**(1,658,395)**	–	**(90,290)**	–
At 31 December	**184,266**	1,842,661	**1,843**	92,133

Notes:

(a) On 27 March 2012, a capital reorganisation (the "Capital Reorganisation") became effective in which every ten issued and unissued share of HK$0.05 each in the share capital of the Company was consolidated (the "Share Consolidation") into one consolidated share of HK$0.50 (the "Consolidated Share"). Following the Share Consolidation, the issued and paid up share capital of the Company was reduced (the "Capital Reduction") by cancelling the paid-up capital to the extent of HK$0.49 on each Consolidated Share in issue so that each issued Consolidated Share of HK$0.50 each of the Company be treated as one fully paid-up share of HK$0.01 par value each ("New Share(s)") in the share capital of the Company and any liability of the holders of such shares to make any further contribution to the capital of the Company on each such share shall be treated as satisfied and that the amount of issued capital thereby cancelled be made available for issue of new shares of the Company. Immediately following the Capital Reduction, each authorised but unissued share of the Company of par value of HK$0.50 each was sub-divided into fifty New Shares of par value of HK$0.01 each ("Share Subdivision").

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

(c) On 27 November 2011, 307,110,175 shares of HK$0.05 were issued at a price of HK$0.055 per share. A share premium of approximately HK$1,535,000 had credited to share premium account. The gross proceeds of approximately HK$16,891,000 are intended to be used for investments in listed and unlisted securities and/or as general working capital of the Group. Details of these transactions were set out in the Company's announcement dated 12 April 2011.

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

27. RESERVES

The Company

	Share premium HK$'000	Share option reserve HK$'000	Warrants reserve HK$'000	Available-for-sale financial asset equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011	270,860	921	23,073	(4,733)	(48,202)	241,919
Loss for the year	–	–	–	–	(194,042)	(194,042)
Other comprehensive income	–	–	–	511	–	511
Total comprehensive income/(loss) for the year	–	–	–	511	(194,042)	(193,531)
Issue of shares	33,386	–	–	–	–	33,386
Share issuing expenses	(2,325)	–	–	–	–	(2,325)
Recognition of equity settled share-based payments	–	3,637	–	–	–	3,637
Issue of warrants	–	–	359	–	–	359
Expense on issue of warrants	–	–	(270)	–	–	(270)
At 31 December 2011 and 1 January 2012	301,921	4,558	23,162	(4,222)	(242,244)	83,175
Profit for the year	–	–	–	–	30,675	30,675
Other comprehensive income	–	–	–	3,097	–	3,097
Total comprehensive income for the year	–	–	–	3,097	30,675	33,772
Capital Reorganisation	(495)	–	–	–	90,290	89,795
Release upon expiry of warrants	–	–	(22,664)	–	22,664	–
At 31 December 2012	**301,426**	**4,558**	**498**	**(1,125)**	**(98,615)**	**206,742**

28. PROMISSORY NOTES

On 21 November 2012, seven promissory notes of HK$10,000,000 each, were issued to seven independent third parties. Each promissory note is issued at 5% interest rate per annum with 7 years maturity from the date of issue. The net proceeds are intended to be used for investment in listed securities and/or general capital of the Group.

The carrying amount and fair value of promissory notes at the end of the reporting period:

The Group and the Company

	Carrying amount		Fair value	
	2012 ***HK$'000***	2011 *HK$'000*	**2012** ***HK$'000***	2011 *HK$'000*
Promissory notes	**68,631**	–	**56,831**	–

The fair value of the promissory notes is calculated based on the present value of contractually determined stream of future cash flow discounted at approximately 8.82%.

29. DEFERRED TAXATION

No provision for deferred taxation has been made as the Group and the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2011: HK$Nil).

At the end of the reporting period, the Group has estimated tax losses of approximately HK$168,265,000 (2011: HK$203,266,000) that are available for offsetting against future taxable profits of the Group. No deferred tax asset has been recognised due to the unpredictability of the future profit streams.

At the end of the reporting period, the Company has estimated tax losses of approximately HK$168,265,000 (2011: approximately HK$203,266,000) that are available for offsetting against future taxable profits of the Group. No deferred tax asset has been recognised due to the unpredictability of the future profit streams.

30. NET ASSETS VALUE PER SHARE

As at 31 December 2012, the net assets value per share is HK$1.19 (2011 restated: HK$0.96).

The calculation of net assets value per share is based on the net assets of approximately HK$209,878,000 (2011: approximately HK$176,474,000) and 184,266,000 (2011 restated: 184,266,000) ordinary shares in issue as at 31 December 2012.

31. DISPOSAL OF A SUBSIDIARY

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

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

	2011 *HK$'000*
Investment in jointly controlled entity	2,083
Cash in hand	–
Accruals	–
Amounts due to the Company	(9,010)
Net liabilities disposed of	(6,927)
Amount due to the Company disposed	9,010
Loss on disposal of a subsidiary	(2,083)
	–
Total consideration satisfied by cash	–
Net cash inflow arising on disposal	–

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

32. OPERATING LEASE COMMITMENTS

The Group and the Company

As lessee

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

	2012 ***HK$'000***	2011 *HK$'000*
Within one year	**5,646**	3,750
In the second to fifth years, inclusive	**7,237**	8,333
	12,883	12,083

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

33. MATERIAL RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, for the years ended 31 December 2012 and 2011, the Group had entered into transactions with, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business.

	2012	2011
	HK$'000	*HK$'000*
Investment management expense to related parties *(Note (a))*	–	148
Consultancy expenses to a related party *(Note (b))*	**400**	252
Expenses paid to a jointly controlled entity *(Note (c))*	–	612
Management service income received from a jointly controlled entity *(Note (c))*	–	993
Interest income from a related party *(Note (d))*	**340**	485
Brokerage fee paid to a related party *(Note (e))*	**19**	–
Commission expenses paid to a related party *(Note (e))*	**1,400**	–
Available-for-sales financial assets issued by a related party *(Note (d))*	**15,638**	12,670
Interest receivable form a related party *(Note (d))*	**924**	602

Notes:

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

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

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

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

(e) Mr. Wong Danny F. is the director of the Company and the shareholder of Beijing Securities Limited's holding company.

Key management compensation

	2012	2011
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**3,935**	4,474
Employer's contribution to pension scheme	**41**	36
	3,976	4,510

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

34. SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

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

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

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

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

On 27 March 2012, the share consolidation was effective. The number and exercise price of outstanding share options ("Outstanding Share Options") has been adjusted. The 1,747,200 and 116,700,000 Outstanding Share Options with an exercise price of HK$1.9 and HK$0.189 granted on 28 November 2007 and 18 April 2011 immediately before the share consolidation has been adjusted to 174,720 and 11,670,000 with an exercise price of HK$19 and HK$1.89 respectively. Details of the adjustment of Outstanding Share Options have been disclosed in the announcement dated on 15 March 2012.

At 31 December 2012, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 11,844,720 (2011 restated: 11,844,720), representing 6.4% (2011: 6.4%) of the shares of the Company in issue at that date.

34. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

Inputs into the model

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

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

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

The following table discloses movements of the Company's share options held by directors and employees during the year ended 31 December 2012:

	Number of share options										
	Outstanding at 1 January 2012	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	Adjustment during the year	Outstanding at 31 December 2012	Exercise price at 1 January 2012 *(HK$)*	Exercise price at 31 December 2012 *(HK$)*	Date of grant	Exercisable period *(Note)*
Directors											
Mr. Wong Danny F.	218,400	–	–	–	–	(196,560)	21,840	1.9	19	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	1,160,000					(1,044,000)	116,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Wu Tse Wai Frederick	218,400	–	–	–	–	(196,560)	21,840	1.9	19	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	1,160,000					(1,044,000)	116,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Fong Chi Wah	218,400	–	–	–	–	(196,560)	21,840	1.9	19	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	1,160,000					(1,044,000)	116,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Ms. Yang Xiaofeng	218,400	–	–	–	–	(196,560)	21,840	1.9	19	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	1,160,000					(1,044,000)	116,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Char Shik Ngor, Stephen	218,400	–	–	–	–	(196,560)	21,840	1.9	19	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	1,160,000					(1,044,000)	116,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Liu Jin	218,400	–	–	–	–	(196,560)	21,840	1.9	19	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
	1,160,000					(1,044,000)	116,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Lui Tin Nang *(Note ii)*	1,160,000	–	–	–	(1,160,000)	–	–	0.189	–	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Mr. Wong Sin Lai	1,160,000	–	–	–	–	(1,044,000)	116,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
	10,590,400	–	–	–	(1,160,000)	(8,487,360)	943,040				
Employees	33,270,000	–	–	–	–	(29,943,000)	3,327,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Resigned director	436,800	–	–	–	–	(393,120)	43,680	1.9	19	28 Nov 2007	28 Nov 2007 to 26 Aug 2017
(Note ii)	–	–	–	–	1,160,000	(1,044,000)	116,000	–	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
Other eligible participants	74,150,000	–	–	–	–	(66,735,000)	7,415,000	0.189	1.89	18 Apr 2011	18 Apr 2011 to 26 Aug 2017
	118,447,200	–	–	–	–	(106,602,480)	11,844,720				
Weighted average exercise price	HK$0.214	–	–	–	HK$0.189	–	HK$2.14				

34. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

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

The options outstanding at 31 December 2012 had the weighted average remaining contractual life of 4.65 years (2011: 5.65 years).

Notes:

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

(ii) On 13 January 2012, Mr. Lui Tin Nang has resigned as independent non-executive director of the Company. The share options held by Mr. Lui Tin Nang was then reclassified as share options held by resigned directors.

35. CAPITAL COMMITMENTS

As at 31 December 2012, the Group and the Company did not have any material capital commitments (2011: Nil).

36. EVENTS AFTER THE REPORTING PERIOD

The Group entered into a placing agreement with a related party, Beijing Securities Limited to place three promissory notes of HK$10,000,000 each. Each promissory note issued at 5% interest rate per annum with 7 years maturity from the date of issue. The placing of promissory notes was completed on 21 March 2013. For details, please refer to the Company's announcement dated 21 March 2013.

37. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 March 2013.

Five Year Financial Summary

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

	For the year ended 31st December,				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Revenue	**63,591**	(152,825)	68,599	(12,449)	(17,936)
Profit/(loss) before income tax	**30,134**	(185,468)	40,760	(33,034)	(27,484)
Income tax expense	**–**	–	–	–	–
Profit/(loss) attributable to owners of the Company	**30,134**	(185,468)	40,760	(33,034)	(27,484)

	As at 31st December,				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**279,763**	177,376	302,959	103,540	27,176
Total liabilities	**(69,885)**	(902)	(1,762)	(379)	(221)
Shareholders' fund	**209,878**	176,474	301,197	103,161	26,955