CIAM Group Limited

事安集團有限公司 HKSE 0378

Subsidiary of CITIC International Assets Management Limited

GREEN & GROWTH

ANNUAL REPORT 2012

Contents

Corporate Information

Board of Directors

Dou Jianzhong *(Chairman)*
Lo Wing Yat Kelvin
(Executive Vice-chairman and Chief Executive Officer)
Chan Peng Kuan*
(appointed on 20 April 2012)
Hung Chi Yuen Andrew**
Lu Zhicheng*
Sit Fung Shuen Victor**
Toh Hock Ghim**
Wong Yau Kar David*

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

Audit Committee

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

Nomination and Remuneration Committee

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

Conflict Committee

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

Company Secretary

Wong Yuen Ching Kyna

Auditors

KPMG

Registered Office

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

Principal Place of Business in Hong Kong

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

Principal Share Registrar in Bermuda

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street, Hamilton HM 11, Bermuda.

Branch Share Registrar and Transfer Office in Hong Kong

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

Stock Code

378

Website

www.ciamgroup.com

Board of Directors

Dou Jianzhong
Chairman

- Has extensive experience in the banking and finance industry, and was granted the prestigious title of "Senior Economist" by CITIC Group Corporation
- Aged 58. Appointed as Director and elected as the Chairman on 31 May 2008, and also a member of the Nomination and Remuneration Committee of the Company
- Executive Director of CITIC Group Corporation
- Executive Director and Vice President of CITIC Limited
- Chairman of CITIC Holdings Limited
- Non-executive Director of China CITIC Bank Corporation Limited, shares of which are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange
- Executive Director and Chief Executive Officer of CITIC International Financial Holdings Limited
- Director of CITIC International Assets Management Limited and CITIC Capital Holdings Limited
- Vice Chairman of CITIC Prudential Life Insurance Co., Ltd.
- Former Chairman of CITIC Bank International Limited (now known as China CITIC Bank International Limited)
- Graduated from the University of International Business and Economics, Beijing in 1979 and obtained a Master's Degree in Economics from Liao Ning University

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

- Has a well-seasoned legal background which specialised in banking and project financing primarily in the PRC
- Aged 54. Appointed as an Executive Director on 23 April 2008, and also designated as the Executive Vice-chairman and Chief Executive Officer of the Company on 31 May 2008
- Director and Chief Executive Officer of CITIC International Assets Management Limited
- Director and Managing Director of CITIC International Financial Holdings Limited
- Executive Director of Sinopoly Battery Limited and previously an Independent Non-executive Director of Winteam Pharmaceutical Group Limited, both being companies whose shares are listed on the Hong Kong Stock Exchange
- Worked in the Bank of China Hongkong-Macau Regional Office as an in-house Counsel and was a partner of Messrs Linklaters
- Graduated from The University of Hong Kong with a Bachelor's Degree in Laws and obtained his legal qualification in 1984 as a Solicitor of the Supreme Court of Hong Kong and subsequently, as a Solicitor of the Supreme Court of England and Wales in 1989

Chan Peng Kuan
Non-executive Director

- Has about 20 years of experience in corporate finance and investment banking
- Aged 49. Appointed as the Company's Non-executive Director on 20 April 2012
- Currently the Chief Operating Officer of CITIC Merchant Co., Limited, in which the parent company of the Company, CITIC International Assets Management Limited, owns 51% interest
- Held senior positions in various international investment banks before joining CITIC Merchant Co., Limited
- Obtained his Master's Degree of Applied Finance from Macquarie University, Australia in 1998
- Chartered Accountant of the Institute of Chartered Accountants of New Zealand and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants

Hung Chi Yuen Andrew
Independent Non-executive Director

- Practising Certified Public Accountant, an associate member of Hong Kong Institute of Certified Public Accountants, a fellow member of The Chartered Association of Certified Accountants
- Aged 44. Appointed as the Company's Independent Non-executive Director, the Chairman of the Audit Committee, a member of the Conflict Committee and a member of the Nomination and Remuneration Committee on 1 July 2008
- Currently the director of Norton Rowland CPA Limited
- Appointed as an independent non-executive director of AKM Industrial Company Limited (listed on the Hong Kong Stock Exchange) in October 2011
- Previously worked in UBS Investment Bank for 7 years as business unit controller
- Received his professional training in Deloitte Touche Tohmatsu during the period from 1991 to 1993
- Holds a Bachelor's Degree of Arts (Hons) in Accountancy from The Hong Kong Polytechnic University and a Master's Degree in Applied Finance from University of Western Sydney

Lu Zhicheng
Non-executive Director

- Has over 30 years' experience in professional teaching, management and investment
- Aged 64. Appointed as a Non-executive Director of the Company on 15 July 2009
- Currently the Vice Chairman and President of Tsinghua Tongfang Co., Ltd. ("THTF") (listed on the Shanghai Stock Exchange), in charge of the high level management functions including strategic planning, financing, investment and coordination with the government authorities
- Chairman and Non-executive Director of Technovator International Limited (listed on Hong Kong Stock Exchange)
- Chairman of Tellhow Sci-Tech Co. Ltd (listed on the Shanghai Stock Exchange) and Tongfang Guoxin Electronics Co., Ltd. (formerly "Tangshan Jingyuan Yufeng Electronics Co., Ltd.") (listed on the Shenzhen Stock Exchange)
- Started his professional career in Tsinghua University, in both education and scientific research in the field of computer-controlled artificial environment, and his research results had been confirmed by winning various provincial, ministerial and national technological progress awards during the period
- One of the founders of Beijing Tsinghua Artificial Environmental Engineering Co. which was established in 1989. In 1997, this company was restructured with some other companies held by Tsinghua University and formed THTF which has now become a comprehensive company engaging in the business of computer, information applications, environmental protection and digital media
- Obtained his Bachelor's and Master's degrees in Thermal Engineering from Tsinghua University and was a professor of Tsinghua University

Sit Fung Shuen Victor
Independent Non-executive Director

- Aged 65. Appointed as the Company's Independent Non-executive Director, the Chairman of the Conflict Committee, a member of the Audit Committee and a member of the Nomination and Remuneration Committee on 1 July 2008
- Independent Non-executive Director of Asia Energy Logistics Group Limited, whose shares are listed on the Hong Kong Stock Exchange
- Professor of the Department of Geography from 1977 to 2007 and the Head of Department of Geography and Geology from 1993 to 1998 of The University of Hong Kong
- Founding Director of the Advanced Institute for Contemporary China Studies of Hong Kong Baptist University from 2008 to 2012
- The Honorary Professor of a number of renowned universities including Peking University, Zhongshan University, Jinan University and Xian Jiaotung University in mainland China
- Professional and community services:
  - Advisor to City Planning Commission of Shenzhen Municipal Government of the PRC (since 1988)
  - Advisor to City Planning Commission of Sanmin Municipal Government of Fujian Province of the PRC (since 1991)
  - Deputy of the National People's Congress of the PRC (1993-2008)
  - Advisor to the Governor of Guangdong Province of the PRC (2000-2005)
  - Former Member of the Preparatory Committee of the Hong Kong Special Administrative Region ("SAR") of the National People's Congress of the PRC; Port and Marine Board, Committee on Port and Harbour Development, the Port Development Board of the Hong Kong SAR Government

Toh Hok Ghim

Independent Non-executive Director

- Aged 70. Appointed as the Company's Independent Non-executive Director, the Chairman of the Nomination and Remuneration Committee, a member of the Audit Committee and a member of the Conflict Committee on 1 July 2008
- Joined the Ministry of Foreign Affairs of Singapore in October 1966 with diplomatic postings to Malaysia, the Philippines, Thailand, Vietnam and the Hong Kong Special Administrative Region ("SAR") and Macau SAR
- Ambassador to Vietnam from January 1994 to January 2002 and the Consul-General of the Consulate Generals in the Hong Kong SAR and the Macau SAR from February 2002 to December 2007
- Appointed as the Senior Advisor to the Ministry of Foreign Affairs upon retirement from the foreign service at the end of 2007
- Chairman, Non-executive and Independent Director of Equation Corp Limited whose shares are listed on the Singapore Exchange Securities Trading Limited
- Obtained his Bachelor's Degree of Arts (Political Science) from National University of Singapore

Wong Yau Kar David

Non-executive Director

- Has extensive experience in direct investments and corporate finance
- Aged 55. Appointed as a Non-executive Director of the Company on 15 July 2009
- Currently the Managing Director of United Overseas Investments Limited, an Independent Non-executive Director of Media China Corporation Limited and China WindPower Group Limited (both companies are listed on the Hong Kong Stock Exchange)
- Appointed as an independent non-executive director of ReOrient Group Limited (listed on the Hong Kong Stock Exchange) in December 2012
- Hong Kong Deputy of the 12th National People's Congress of the People's Republic of China, participates actively in public services, currently the Permanent Honorary President of The Chinese Manufacturers' Association of Hong Kong, Chairman of each of The Business and Professionals Federation of Hong Kong, Protection of Wages on Insolvency Fund Board, Land and Development Advisory Committee and The Societal Engagement Task Force for the Commission on Poverty, etc.
- Appointed as a Justice of Peace (JP) in 2010 and awarded a Bronze Bauhinia Star (BBS) in 2012 for his valuable contribution to the society
- Obtained his Ph. D in Economics from University of Chicago and previously served as an Economist at the Federal Reserve Bank of Philadelphia

Changes in Information of Directors

Pursuant to Rule 13.51(B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong, the changes in information of Directors of the Company subsequent to the date of the 2012 Interim Report of the Company are set out below:

Name of Director	Details of Changes
Dou Jianzhong	– Resigned as the director and the chairman of CITIC Bank International Limited (now known as China CITIC Bank International Limited) on 28 August 2012
Lo Wing Yat Kelvin	– Resigned as the independent non-executive director of Winteam Pharmaceutical Group Limited[(1)] on 28 February 2013
Toh Hock Ghim	– Resigned as the independent director and non-executive chairman of WE Holdings Ltd.[(2)] on 11 March 2013
Wong Yau Kar David	– Appointed as an independent non-executive director of ReOrient Group Limited[(1)] on 31 December 2012 – Elected as a Hong Kong Deputy of the 12th National People's Congress of the People's Republic of China in March 2013

Notes:

(1) A company whose shares are listed on The Stock Exchange of Hong Kong Limited

(2) A company whose shares are listed on the Singapore Exchange Securities Trading Limited

Chairman's Statement

On behalf of the Board of Directors and the Management, I would like to present the annual report with the final results and the audited financial statements of CIAM Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2012.

In 2012, the international economic environment remains complex and difficult. With the persistent impact of the financial crisis and coupled with the change of administration in major economic powers, the economic development around the globe was still subject to various uncertainties. Under such uncertainties, the Group sought mature projects with a view to maintaining stability while making progress in our investing activities. While making strenuous efforts in solidifying its pragmatic business foundation, the Group introduced China Energy Conservation and Environmental Protection Group ("CECEP") as a strategic shareholder of the Group. Commanding substantial resources and possessing extensive network in the area of energy conservation and environmental protection, CECEP has further strengthened the Group's foundation for business development in tandem with its investment strategies in the areas of energy conservation, environmental protection and clean energy.

2013 is a critical year in China's implementation of its Twelfth Five-year Plan in terms of consolidating past experience and preparing for future steps. The Group will strive to leverage upon the strengths of its major shareholders and grasp the opportunities brought by the new government's planned initiatives for economic development. The Group will seek new breakthroughs under the premise of manageable risks and carry out the quality investments incubated over the past two years which have vast potentials for capital appreciation, and seek to create sustainable value for shareholders and reward shareholders and stakeholders for their support.

Dou Jianzhong
Chairman

Management Discussion and Analysis

Business review for 2012

As the western developed economies continued to face different pressing financial issues while many developing countries were striving to mitigate a slowdown in growth, 2012 remained a difficult year for investment business. Over the past year the spread of debt woes continued in Europe and the euro area found itself in recession again after the last one in 2009. Although the U.S. economy has seen some improvement, the fiscal cliff and the debt ceiling issues have posted significant disturbance on its road of recovery. Meanwhile, China's GDP growth slowed down to 7.8% in 2012, the lowest since 1999, mainly attributable to a weaker export sector and a sluggish real estate market when the country continued its structural adjustment process toward a more balanced economy. In the course of a global slowdown, CIAM Group Limited (the "Company") and its subsidiaries (collectively the "Group") endeavored to maintain its business performance, and the Group has taken a conservative stand in investing new project during the period under review. Nevertheless certain investments in its existing portfolio have been adversely affected amid a challenging operating environment.

Investment in environmental friendly businesses

華能壽光風力發電有限公司 ("Huaneng Shouguang"), a wind farm operator with a 49.5MW wind farm in Shandong Province in the People's Republic of China ("PRC"), is one of the Group's investments in environmental friendly businesses. Huaneng Shouguang contributed approximately HK$2 million of profit to the Group in 2012, down from HK$11 million in 2011 mainly due to weaker wind resources and hence lower electricity output.

Other than Huaneng Shouguang, the Group also invested in UPC Renewables China Holdings Ltd. ("UPC"), a renewable energy producer specifically focusing in wind energy development. With 150MW wind projects in operation, 75.5MW in construction and a 1.8GW development pipeline, investment plan on UPC remains unchanged although time table has been affected by the wind industry segment consolidation and funding liquidity in the PRC.

The Group's investment portfolio includes listed shares of Sun.King Power Electronics Group Limited ("Sun.King"), a company specialising in the manufacturing of high-end electronic components mainly used in railway electric locomotives and power transmission and distribution sectors in the PRC.

Short-term financing/investment

Other than long-term investments, the Group also invested in projects with shorter investment time frame to earn short-term profit and better manage its liquidity. A short-term financing project of the Group was a RMB50 million loan made to a mining company in Yunnan, PRC through entrusted loan and other financing arrangements. The loan contributed approximately HK$16 million of revenue including interest and advisory fee to the Group in 2012.

During 2012, the Group has also invested a small portion of funds in a relatively liquid fund managed by an independent asset manager that focuses on product investment in capital markets and treasury products. The management considers continuing this investment in the year ahead in order to enhance the yield of the Group's idle fund while it continues to seek for appropriate opportunities at the same time.

2012 Financial results

For the year ended 31 December 2012, the Group's loss attributable to equity shareholders of the Company amounted to HK$15 million (2011: HK$131 million) and loss per share was HK$0.0330 (2011: HK$0.2956).

During the year under review, investment income of HK$14 million and advisory fee income of HK$9 million was reported, of which HK$19 million of revenue was contributed from two entrusted loans investments in the PRC. As a result of the deterioration of wind condition, the Group's shared profit from Huaneng Shouguang was reduced to HK$2 million. The share price of the listed shares of Sun.King stabilised and the unrealised loss was narrowed to HK$2 million. There was a reduction in staff costs and general operating expenses, attributable to the cost efficiency and effectiveness from the leverage of resources with the Company's ultimate holding company, CITIC International Assets Management Limited ("CIAM Parent"), after the implementation of the new Inter-companies Services and Cost Allocation Agreements ("New Services Agreements") with CIAM Parent with effect from 1 December 2011.

Financial position

As at 31 December 2012, the Group's total assets were HK$574 million, including HK$247 million free cash available for any investment opportunities in our pipeline. Secured bank loan, which was arranged for entrusted loan investment, was fully repaid during the year under review and current liabilities reduced to HK$24 million. Net assets amounted to HK$550 million and net asset per share was HK$1.24 (31 December 2011: HK$1.26).

Currency and interest rate risk exposure

As at 31 December 2012, the Group had no material exposure to interest rate risk. The majority of the Group's assets were denominated in its functional currency of either Hong Kong Dollars or Renminbi. Management will closely monitor the risk exposure level on Renminbi and consider if hedging is needed for such exposure.

Contingent liabilities and pledge of assets

As at 31 December 2012, the Group had no contingent liabilities identified.

As at 31 December 2012, the Group has no pledged asset. The pledged bank deposit of HK$65 million as at 31 December 2011 was released upon full repayment of the secured bank loan for entrusted loan investment.

Human resources

The Group continues to maintain minimal headcount to conduct investment activities, including portfolio monitoring, as well as assessing and executing investment opportunities in the pipeline. The service agreement engaged with our major shareholder, CIAM Parent, providing most of the other functional supports. Accordingly, the Group can leverage quality support from a bigger platform with minimal overhead and operational scale. This planned arrangement has come into effect since end of 2011. It helped the Group to reduce considerable operating costs in this difficult period. Nevertheless, management will review the situation when we grow our investment portfolio.

There was no change on compensation approach to staff. General reward level changes were aligned with inflation and market peers. We are reviewing the long term incentive level to key personnel following the expiry of approximately half of outstanding share options in 2012.

Internal control

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

Our “Green” road map

In 2013, the Group will continue its “Green and Growth” investment approach. China and the world are getting more serious on their journey towards a clean energy future. Nonetheless, there are still lots of uncertainties especially on when and where these green developments can be sensible from an investment perspective. We appreciate making the right strategic investment at the right time are far more important than making plain investment decision by simple risk and return analysis with all those challenges at the backdrop. We also believe choosing the right entrepreneurship partner(s) under our investment portfolio, together with our business resources and network, can increase the chance of success and amplifying our market presence in selected investing industry. We are confident that this should be the right approach in making investments and will bring in more sustainable returns to shareholder in longer term.

Corporate Governance Report

CIAM Group Limited (the "Company") is committed to maintaining high standards of corporate governance. Throughout the year ended 31 December 2012, the Company has complied with all the applicable Code Provisions of the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and of the new Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the period from 1 April 2012 to 31 December 2012, save for the deviations discussed in the relevant paragraphs below.

(A) Directors' Securities Transactions

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry of the Directors of the Company, all Directors of the Company have complied with the required standard as set out in the aforesaid model code throughout the year of 2012.

(B) Board of Directors

Composition and Role

The Board of Directors (the "Board") currently comprised of eight members, consisting of the Chairman, the Executive Vice-chairman, three Non-executive Directors and three Independent Non-executive Directors. This is in compliance with the requirements of new Rule 3.10A of the Listing Rules which requires independent non-executive directors to represent at least one-third of the Board. The name and brief biographical details of the Directors are shown in the "Board of Directors" section of this Annual Report. All the Independent Non-executive Directors confirmed that they have met the criteria of Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence and none of them has served the Company for more than nine years.

Directors give sufficient time and attention to the Company's affairs. The Company also requests each Director to disclose to the Company at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organizations and other significant commitments with an indication of time involved.

Independent Non-executive Directors and other Non-executive Directors provide the Board with diversified skills, expertise and experience. Their views and participation in Board and committee meetings bring independent, constructive and informed comments on issues relating to the Company's strategies and policies to ensure that the interests of all shareholders are taken into account.

Independent Non-executive Directors are identified as such in all corporate communications containing the name of the Directors. An updated list of the Directors identifying the Independent Non-executive Directors and the roles and functions of the Directors is maintained on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

The Company has arranged appropriate liability insurance for its Directors and officers.

Delegation by the Board

The Board is responsible for overseeing the strategic development of the Company and its subsidiaries (the "Group") and for determining the objectives, strategies, policies and business plan of the Group. Given the diversity and volume of the Company, responsibilities for execution and daily operations are delegated to the management. In addition to its overall supervisory role, the Board retains specific responsibilities such as approving specific senior appointments, approving financial accounts, recommending dividend payments, approving capital raising activities, approving policies and codes as required by regulators, etc.

The Board gives clear directions as to the management's power, and periodically reviews the delegations to the management to ensure that they are appropriate and continue to be beneficial to the Group as a whole. The management are required 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 action.

To comply with the requirement under the CG Code, the Board is also responsible for performing the corporate governance duties or it may delegate the responsibility to a committee or committees.

Board Meetings

The Board meets at least four times each year at approximately quarterly intervals to discuss the Group's overall strategy, operation and financial performance. A tentative meetings schedule of the Board and the Board committee for the whole year is prepared at the beginning of a year. In addition, at least 14 days' notice of all regular Board meetings and an agenda with supporting Board papers no less than 3 days prior to the meeting are given to all Directors and all Directors are given the opportunity to include matters for discussion in the agenda. The Chairman also ensures that all Directors are supplied with adequate information in a timely manner before each meeting and that all Directors are properly briefed on issues arising at Board meetings. Senior executives of the Group are invited to attend the Board meetings to present and answer any enquiries raised by the Directors. At all time the Board and each Director have separate and independent access to the Company's senior executives for the purpose of obtaining additional information.

During the year ended 31 December 2012, four board meetings were held. The attendance record of individual Directors is set out below. Figure in brackets indicates maximum number of meetings in the period in which the individual was a Director of the Company.

Directors	**Attendance**
Chairman	
Dou Jianzhong	3/(4)
Executive Vice-chairman and Chief Executive Officer	
Lo Wing Yat Kelvin	4/(4)
Non-executive Directors	
Lu Zhicheng	3/(4)
Wong Yau Kar David	4/(4)
Chan Peng Kuan (appointed on 20 April 2012)	3/(3)
Independent Non-executive Directors	
Hung Chi Yuen Andrew	4/(4)
Sit Fung Shuen Victor	3/(4)
Toh Hock Ghim	4/(4)
Ex-directors	
Zhao Tieliu (resigned on 20 April 2012)	0/(1)
Scott Anderberg Callon (resigned on 31 December 2012)	4/(4)
Graham Roderick Walker (resigned on 31 December 2012)	3/(4)

Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors at the Company's expense to assist them perform their duties if necessary. They can also access to the advice and services of the Company Secretary, who is responsible for providing Directors with Board papers and related materials and ensuring that Board procedures are followed. Directors are given sufficient time for discussion at the Board meetings. Where queries are raised by Directors, management will provide prompt and full responses as much as possible.

Should a potential conflict of interest involving a substantial shareholder or a Director arises which the Board has determined to be material, the matter will be discussed in a physical Board meeting, as opposed to being dealt with by written resolution. Independent Non-executive Directors with no material interest in the transaction will be present at meetings to deal with such conflict issues.

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

Chairman and Chief Executive Officer

Mr. Dou Jianzhong is the Chairman and Mr. Lo Wing Yat Kelvin is the Chief Executive Officer ("CEO") of the Company. The roles of Chairman and CEO are segregated. The Chairman is responsible for the leadership and effective running of the Board, and for ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner. Directors are encouraged to participate actively in all Board and committee meetings of which they are member. The Chairman holds meetings with the Non-executive Directors (including Independent Non-executive Directors) at least annually to exchange views and comments further to those discussed at the Board meeting. The CEO, supported by other Board members and the senior management, is responsible for the day-to-day management of the Group's business, including developing and proposing the Group's strategies and policies for the Board's consideration and the implementation of major strategies and policies approved by the Board and its committees.

Non-executive Directors

Pursuant to Code Provision A.4.1 of the CG Code, the non-executive directors should be appointed for a specific term, subject to re-election. The Non-executive Directors of the Company are not appointed for a specific term. Instead, same as for all other Directors of the Company, the Non-executive Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at the annual general meetings in accordance with the Bye-laws of the Company. The Board believes that subjecting the Non-executive Directors to retirement by rotation and re-election achieves the intended aims of the CG Code. Due to the same rationale, there is no formal letter of appointment governing the terms of appointment of the Directors who are subject to the same terms under the Bye-laws of the Company.

Directors' Continuous Professional Development

Every newly appointed Director is provided with a comprehensive induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. Since April 2012, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year, the Company has arranged an in-house training for the Directors which covered topics on corporate governance and the latest development on the specific regulatory requirements including the disclosure of price sensitive information/inside information and insider dealing, etc.

According to the records provided by the Directors, a summary of training received by the Directors during the year is as follows:

Directors	**Training relevant to corporate governance, regulatory updates and director's duties and responsibility**
Chairman	
Dou Jianzhong	√
Executive Vice-chairman and Chief Executive Officer	
Lo Wing Yat Kelvin	√
Non-executive Directors	
Lu Zhicheng	√
Wong Yau Kar David	√
Chan Peng Kuan (appointed on 20 April 2012)	√
Independent Non-executive Directors	
Hung Chi Yuen Andrew	√
Sit Fung Shuen Victor	√
Toh Hock Ghim	√
Ex-directors	
Graham Roderick Walker (resigned on 31 December 2012)	√
Scott Anderberg Callon (resigned on 31 December 2012)	√

Company Secretary

The Company Secretary is responsible for facilitating the Board's processes and communisations among Board members, with Shareholders and with management.

Pursuant to Code Provision F.1.1 of the CG Code, the company secretary should be an employee of the Company. The Company Secretary of the Company is an employee of the Company's substantial shareholder and serves as the company secretary of this substantial shareholder and its group of companies underneath. She participates in daily operation of the Company with full support and assistance from the professionally qualified staff members of the Company in discharging her duties as company secretary.

(C) Nomination and Remuneration Committee

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

The roles and responsibilities of the N&R Committee, as set out in its terms of reference, are published on the websites of the Company and HKEx. These primarily include: identifying and nominating qualified individuals to the Board for appointment as Directors and the CEO of the Company; making recommendations to the Board on directors' fees; reviewing and approving the policies and mechanism in relation to the appointment or termination of, remuneration or compensation to, and the succession plans for the senior executives of the Company; and reviewing and approving performance based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. The N&R Committee consults with the Chairman and/or Chief Executive Officer on its proposals and recommendations if necessary, and also has access to independent professional advice if necessary. The N&R Committee is also provided with sufficient resources enabling it to perform its duties.

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

During the year ended 31 December 2012, one N&R Committee meeting was held which was attended by all its members as shown in the table below. Figure in brackets indicates maximum number of meetings in the period in which the individual was a member of the N&R Committee.

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

Further particulars regarding Directors' remuneration and individuals with highest emoluments are set out in notes 10 and 11 to the Financial Statements.

(D) Internal control

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

BDO Financial Services Limited has been engaged as the internal auditors of the Company to conduct independent examination and evaluation on the adequacy and effectiveness of the Group's internal control system on an on-going basis. The internal auditors develop a risk-based annual audit plan for regular audits for each calendar year. Such audit plan is reviewed and approved by the Audit Committee. The audits cover all material controls, including financial, operational and compliance controls as well as risk management functions. Special audit may be conducted when necessary. The internal auditors report regularly to the Audit Committee about the audit work done as compared with the annual audit plan and highlight any significant findings or issues to the Audit Committee. The Audit Committee will then review the findings and report to the Board for attention and appropriate action. The Board assessed the effectiveness of internal control by considering reviews performed by the Audit Committee. The annual review also considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function. The Board conducted a review of the Company's internal control system for the year ended 31 December 2012, including financial, operational and compliance controls, and risk management functions.

(E) Audit Committee

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

No former partner of the Company's existing auditing firm acted as a member of the Audit Committee.

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

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

During the year ended 31 December 2012, three Audit Committee meetings were held. The attendance record of individual members is set out below. Figure in brackets indicates maximum number of meetings in the period in which the individual was a member of the Audit Committee.

Committee members	**Attendance**
Hung Chi Yuen Andrew *(Chairman)*	3/(3)
Sit Fung Shuen Victor	3/(3)
Toh Hock Ghim	3/(3)
Graham Roderick Walker (resigned on 31 December 2012)	2/(3)

The Audit Committee is provided with sufficient resources enabling it to perform its duties. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

(F) Accountability and Audit

The Directors are responsible for overseeing the preparation of the financial statements for each financial period and for ensuring that they give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the accounts for the year ended 31 December 2012, the Directors, with the assistance of the Management and the external auditors, selected the suitable accounting policies and applied them consistently, approved the adoption of all Hong Kong Financial Reporting Standards which are in conformity to the International Financial Reporting Standards, made judgements and estimates that are prudent, and prepared the accounts on the going concern basis.

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

The financial statements of the Company for the year ended 31 December 2012 have been audited by KPMG. For 2012, fees charged by KPMG for audit services amounted to HK$700,000 and for non-audit services (i.e. review of interim financial statements) was HK$240,000.

(G) Communication with Shareholders

The Board has established a shareholders' communication policy on 22 May 2012 and posted it on the website of the Company setting out the principles of the Company in relation to shareholders' communications, with the objective of ensuring that shareholders are informed of balanced and understandable information about the Company (including the Group's strategies, businesses, major developments and financial performance) in a factual and timely manner and to enable them to exercise their rights as shareholders in an informed manner. The Company aims to be open and transparent with its shareholders and encourage shareholders' active participation at the Company's general meetings.

Information would be communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), annual general meetings and other general meetings, as well as disclosure on the website of the Company. Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are also available on the website of the Company. The Company's website provides shareholders with the corporate information.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

The Company's AGM allows the Directors to meet and communicate with shareholders. Pursuant to Code Provision A.6.7 and E.1.2 of the CG Code, the independent non-executive directors, non-executive directors and the chairman of the board should attend the annual general meeting. At the annual general meeting of the Company held on 14 June 2012, it was attended by Mr. Lo Wing Yat, the Executive Vice-chairman and Chief Executive Officer, and Mr. Hung Chi Yuen Andrew, the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committee. Although other Directors were unable to attend that meeting due to other business engagement or travel schedule, the Board believes that the presence of Mr. Lo and Mr. Hung together with our external auditors KPMG was able to answer all the questions raised by the Company's shareholders at that annual general meeting.

The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. Separate resolution is proposed for each issue to be considered at the meeting. The chairman of the AGM exercises his power under the Bye-laws of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website on the day of the AGM.

(H) Shareholders' Rights

Pursuant to Bye-law 58 of the Bye-laws of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the special general meeting. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Shareholders may at any time send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at 23rd Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong by post or email to ciam.info@ciamgroup.com for the attention of the Company Secretary of the Company. The Company Secretary will be responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and enquiries, to the Chief Executive Officer of the Company. Shareholders may also raise their enquiries in general meetings.

Shareholders may also propose a person for election as director, the procedures for which are available on the Company's website.

(I) Constitutional Documents

The Company's Memorandum of Association and Bye-laws are available on both the websites of the Company and HKEx. During 2012, there is no change to the Company's Memorandum of Association and Bye-laws.

Report of the Directors

The directors present their annual report together with the audited financial statements for the year ended 31 December 2012.

Principal place of business

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

Principal activities

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

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

Financial statements

The result of the Group for the year ended 31 December 2012 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 39 to 123.

Transfer from reserves

Loss attributable to shareholders, before dividends, of HK$14,691,000 (2011: HK$131,453,000) have been transferred from reserves. Details of movements in reserves are set out in the consolidated statement of changes in equity.

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

Charitable donations

Charitable donations made by the Group during the year amounted to HK$45,000 (2011: HK$180,000).

Bank loan

As at 31 December 2012, there was no bank loan outstanding since the bank loan was fully repaid during the year.

Property, plant and equipment

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

Share capital

Details of the movements in share capital of the Company during the year are set out in note 29(c) to the financial statements. No shares were issued for the year ended 31 December 2012.

Pre-emptive rights

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

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

During the year ended 31 December 2012, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

Directors

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

Chairman
Dou Jianzhong

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

Non-executive directors
Lu Zhicheng
Wong Yau Kar David
Chan Peng Kuan (appointed on 20 April 2012)

Independent non-executive directors
Hung Chi Yuen Andrew
Sit Fung Shuen Victor
Toh Hock Ghim

Mr. Zhao Tieliu resigned as a Non-executive Director of the Company on 20 April 2012. Mr. Graham Roderick Walker resigned as a Non-executive Director and a member of the Audit Committee of the Company and Mr. Scott Anderberg Callon resigned as a Non-executive Director of the Company, both with effect from 31 December 2012.

In accordance with Bye-law 86(2) of the Bye-laws of the Company, Mr. Chan Peng Kuan retired from office and has been re-elected as Director of the Company at the annual general meeting of the Company held on 14 June 2012.

In accordance with Bye-law 87 of the Bye-laws of the Company, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and shall be eligible for re-election. Accordingly, Messrs. Sit Fung Shuen Victor, Lu Zhicheng and Wong Yau Kar David shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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

Confirmation of independence

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

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

As at 31 December 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 associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange, or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed issuers ("Model Code") set out in the Appendix 10 to the Listing Rules were as follows:

Name of director/ chief executive	Number of shares Personal interests	Number of underlying shares held under equity derivative (Note)	Total	Approximate percentage of issued share capital
Dou Jianzhong	–	1,250,000	1,250,000	0.28%
Hung Chi Yuen Andrew	–	200,000	200,000	0.04%
Lo Wing Yat Kelvin	35,000	1,900,000	1,935,000	0.44%
Lu Zhicheng	–	200,000	200,000	0.04%
Sit Fung Shuen Victor	–	200,000	200,000	0.04%
Toh Hock Ghim	–	200,000	200,000	0.04%
Wong Yau Kar David	–	200,000	200,000	0.04%

Note: These interests represented the interest in underlying shares in respect of the share options granted by the Company under its share options scheme adopted on 12 October 2007 to these directors as beneficial owners, further details of which are set out in note 30 to the financial statements.

Save as disclosed above, as at 31 December 2012, none of the directors or chief executive of the Company or their associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share option scheme

Details of the share option scheme adopted by the Company on 12 October 2007 (the "Scheme") and movements of the share options during the year are set out in note 30 to the financial statements.

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

Directors' rights to acquire shares or debentures

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

Directors' interests in contracts of significance

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

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

As at 31 December 2012, so far as was known to the directors and the chief executive of the Company, the following persons (other than any director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name of shareholder	**Capacity**	**Number of shares held**	**Approximate percentage of issued share capital** (Note (a))
Right Precious Limited ("RPL")	Beneficial owner	300,878,860	67.67%
CITIC International Assets Management Limited ("CIAM Parent")	Beneficial owner	920,000	0.21%
	Interest held by controlled corporation (Note (b))	300,878,860	67.67%
CITIC International Financial Holdings Limited ("CIFH")	Interest held by controlled corporation (Note (b))	301,798,860	67.88%
China CITIC Bank Corporation Limited ("CNCB")	Interest held by controlled corporation (Note (b))	301,798,860	67.88%
CITIC Limited	Interest held by controlled corporation (Note b)	301,798,860	67.88%
CITIC Group Corporation ("CITIC Group")	Interest held by controlled corporation (Note (b))	301,798,860	67.88%
Dundee Greentech Limited ("Dundee Greentech")	Beneficial owner	44,000,000	9.90%

Name of shareholder	Capacity	Number of shares held	Approximate percentage of issued share capital (Note (a))
Liu Hailong	Interest held by controlled corporation (Note (c))	44,000,000	9.90%
Carbon Reserve Investment Limited ("Carbon Reserve")	Beneficial owner	22,676,294	5.10%
China Energy Conservation and Environmental Protection (Hong Kong) Investment Co., Limited ("CECEP HK")	Interest held by controlled corporation (Note (d))	22,676,294	5.10%
China Energy Conservation and Environmental Protection Group ("CECEP Group")	Interest held by controlled corporation (Note (d))	22,676,294	5.10%

Notes:

(a) The percentages are calculated based on the total number of issued shares of the Company of 444,633,217 shares as at 31 December 2012.

(b) By virtue of the SFO, CIAM Parent, CIFH, CNCB, CITIC Limited and CITIC Group are deemed to be interested in 301,798,860 shares of the Company. RPL is a wholly-owned subsidiary of CIAM Parent which CIFH owns 40%. CIFH is 70.32% owned by CNCB which, in turn is 61.85% owned by CITIC Group Corporation through its wholly-owned subsidiary, CITIC Limited.

(c) Dundee Greentech is 100% owned by Liu Hailong. By virtue of the SFO, Liu Hailong is deemed to be interested in 44,000,000 shares of the Company.

(d) Carbon Reserve is a wholly-owned subsidiary of CECEP HK which, in turn, is 100% owned by CECEP Group. By virtue of the SFO, CECEP HK and CECEP Group are all deemed to be interested in 22,676,294 shares of the Company.

Save as disclosed above, the Company had not been notified and is not aware of any other persons who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2012.

Major customers and suppliers

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

Continuing connected transactions

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

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

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

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

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

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

Annual Caps for the Parent Group Services Fee:

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

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

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

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

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

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

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

Annual Caps for the Listed Group Services Fee:

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

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

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

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

For the year ended 31 December 2012, the Parent Group Services Fee payable by the Company to CIAM Parent was approximately HK$755,000 (for one month ended 31 December 2011: HK$42,000) while the Listed Group Services Fee payable by CIAM Parent to the Company was approximately HK$1,902,000 (for one month ended 31 December 2011: HK$162,000), both of which did not exceed the Annual Caps mentioned above.

(2) Annual Review of Continuing Connected Transactions

Pursuant to Rule 14A.38 of the Listing Rules, the external auditors of the Company were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants in respect of the transactions under the Parent Group Services Agreement and the Listed Group Services Agreement entered into by the Group during the year ended 31 December 2012. The external auditors have reported their factual findings arising from these procedures to the Board of Directors.

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

Related party transactions

Details of the related party transactions undertaken in normal course of business are set out in note 36 to the financial statements. In relation to those related party transactions that constituted connected transactions under the Listing Rules, they have complied with applicable requirements in accordance with the Listing Rules.

Disclosure under Rules 13.13 and 13.20 of the Listing Rules

During the year ended 31 December 2012, the Group has the following loan outstanding, each of which constituted an advance to an entity discloseable under Rules 13.13 and 13.20 of the Listing Rules as the transaction amount exceeded 8% under the asset ratio as defined under Rule 14.07 of the Listing Rules as at 31 December 2012.

Pursuant to the Entrusted Loan Agreement dated 27 September 2010 executed between 逸百年投資諮詢（深圳）有限公司 (YBN Investment Consulting Limited) ("YBN"), a wholly owned subsidiary of the Company, and 雲龍縣鴻信礦業有限責任公司 (Yun Long Xian Hong Xin Mining Limited) ("Yun Long"), YBN has provided to Yun Long a loan in the principal amount of RMB50,000,000 (the "Loan") through entrusted arrangement. Details of the loan have been disclosed in the Company's circular dated 6 October 2010. As at 31 December 2012, the total outstanding balance of the Loan together with the interest accrued amounted to RMB63,458,000.

Sufficiency of public float

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

Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 124 of the financial statements.

Retirement schemes

The Group operates a Mandatory Provident Fund scheme and an Occupational Retirement Scheme. Particulars of these retirement schemes are set out in note 31 to the financial statements.

Management contract

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

Auditors

KPMG were appointed as auditors of the Company to fill the casual vacancy following the retirement of Deloitte Touche Tohmatsu as the auditors of the Company with effect from 1 June 2010.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Dou Jianzhong
Chairman

Hong Kong, 22 March 2013

Independent Auditor's Report

KPMG

To the shareholders of CIAM Group Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of CIAM Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 123, which comprise the consolidated and company statements of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

Auditor's responsibility (continued)

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

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

Opinion

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

KPMG
Certified Public Accountants

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

22 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Revenue			
Net gain on held-for-trading investments		**56**	1,290
Net loss on financial assets designated at fair value through profit or loss		**(1,109)**	(46,087)
Net gain on sale of available-for-sale investment	3, 36(d)	**–**	28,027
Investment income	4	**14,239**	28,103
Advisory fee income	5	**8,881**	16,267
Assets under management fee income	6	**–**	1,507
		22,067	29,107
Management fee income	36(a)	**–**	29,300
Other net income		**208**	150
Administrative expenses		**(32,459)**	(57,205)
(Loss)/profit from operations before impairment		**(10,184)**	1,352
Impairment loss on loan and other receivables	7	**–**	(134,496)
Finance costs	8(a)	**(2,445)**	(5,391)
Gain on disposal of subsidiaries	32	**63**	4,940
Gain on disposal of an associate	36(d)	**–**	1,319
Share of profits of an associate	18	**–**	199
Share of profits less losses of jointly controlled entities	19	**2,154**	11,269
Loss before taxation	8	**(10,412)**	(120,808)
Income tax	9	**(4,279)**	(10,645)
Loss for the year		**(14,691)**	(131,453)

	Note	2012 HK$'000	2011 HK$'000
Other comprehensive income for the year (after tax and reclassification adjustments)	13		
Exchange differences on translation of financial statements of foreign operations		**3,882**	7,966
Available-for-sale investment: net movement in the fair value reserve		**–**	(12,642)
		3,882	(4,676)
Total comprehensive income for the year		**(10,809)**	(136,129)
Loss for the year attributable to:			
– Equity shareholders of the Company	12	**(14,687)**	(131,455)
– Non-controlling interests		**(4)**	2
		(14,691)	(131,453)
Other comprehensive income for the year attributable to:			
– Equity shareholders of the Company		**3,882**	(4,676)
– Non-controlling interests		**–**	–
		3,882	(4,676)
Total comprehensive income for the year attributable to:			
– Equity shareholders of the Company		**(10,805)**	(136,131)
– Non-controlling interests		**(4)**	2
		(10,809)	(136,129)
Loss per share			
Basic and diluted (HK cents)	14	**(3.30)**	(29.56)

The notes on pages 49 to 123 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**1,525**	3,522
Interest in jointly controlled entities	19	**122,850**	118,631
Financial asset at fair value through profit or loss	20	**28,287**	28,346
Loan and other receivables	21	**38,791**	1,551
Other non-current assets	22	**1,104**	1,104
		192,557	153,154
Current assets			
Financial assets at fair value through profit or loss	20	**43,820**	44,232
Amount due from ultimate holding company	36(b)	**79**	13,693
Loan and other receivables	21	**90,907**	119,483
Pledged bank deposit	24	**–**	65,000
Cash and cash equivalents	25	**246,820**	267,824
		381,626	510,232
Current liabilities			
Accruals and other payables	26	**17,651**	12,816
Amount due to ultimate holding company	36(b)	**–**	14,057
Loans from non-controlling shareholders	36(b)	**31**	202
Secured bank loan	27	**–**	61,251
Current taxation	28(a)	**6,077**	14,009
		23,759	102,335
Net current assets		**357,867**	407,897
NET ASSETS		**550,424**	561,051

At 31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
CAPITAL AND RESERVES			
Share capital	29(c)(i)	**444,633**	444,633
Reserves		**105,751**	116,556
Total equity attributable to equity shareholders of the Company		**550,384**	561,189
Non-controlling interests		**40**	(138)
TOTAL EQUITY		**550,424**	561,051

Approved and authorised for issue by the board of directors on 22 March 2013.

Dou Jianzhong
Director

Lo Wing Yat Kelvin
Director

The notes on pages 49 to 123 form part of these financial statements.

Statement of Financial Position

At 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**1,129**	2,620
Investments in subsidiaries	17	**541,503**	541,503
Financial asset at fair value through profit or loss	20	**28,287**	28,346
Other non-current assets	22	**979**	979
		571,898	573,448
Current assets			
Financial assets at fair value through profit or loss	20	**33,232**	35,520
Amount due from ultimate holding company	36(b)	**79**	13,693
Amounts due from subsidiaries	23	**125,365**	129,676
Other receivables	21	**1,345**	3,105
Pledged bank deposit	24	**–**	65,000
Cash and cash equivalents	25	**235,009**	259,173
		395,030	506,167
Current liabilities			
Accruals and other payables	26	**15,519**	11,719
Amounts due to subsidiaries	23	**683,903**	684,949
Amount due to a related company	36(b)	**–**	89,985
		699,422	786,653
Net current liabilities		**(304,392)**	(280,486)
NET ASSETS		**267,506**	292,962

At 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
CAPITAL AND RESERVES			
Share capital	29(c)(i)	**444,633**	444,633
Reserves	29(a)	**(177,127)**	(151,671)
TOTAL EQUITY		**267,506**	292,962

Approved and authorised for issue by the board of directors on 22 March 2013.

Dou Jianzhong
Director

Lo Wing Yat Kelvin
Director

The notes on pages 49 to 123 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Note	Attributable to equity shareholders of the Company										
		Share capital HK$'000 Note 29(c)(i)	**Share premium** HK$'000 Note 29(d)(i)	**Contributed surplus** HK$'000 Note 29(d)(ii)	**Exchange reserve** HK$'000 Note 29(d)(iii)	**Share option reserve** HK$'000 Note 29(d)(iv)	**Available-for-sale fair value reserve** HK$'000 Note 29(d)(v)	**Other reserve** HK$'000 Note 29(d)(vi)	**Retained profits/ (accumulated losses)** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
Balance at 1 January 2012		444,633	31,970	82,445	14,772	13,033	–	4,403	(30,067)	561,189	(138)	561,051
Changes in equity for 2012:												
Loss for the year		–	–	–	–	–	–	–	(14,687)	(14,687)	(4)	(14,691)
Other comprehensive income	13	–	–	–	3,882	–	–	–	–	3,882	–	3,882
Total comprehensive income		–	–	–	3,882	–	–	–	(14,687)	(10,805)	(4)	(10,809)
Profit appropriation to statutory surplus reserve (note 29(d)(vi))		–	–	–	–	–	–	898	(898)	–	–	–
Equity-settled share-based transactions – transfer to retained earnings upon forfeiture		–	–	–	–	(5,939)	–	–	5,939	–	–	–
Acquisition of interest from non-controlling shareholders		–	–	–	–	–	–	–	–	–	182	182
Balance at 31 December 2012		444,633	31,970	82,445	18,654	7,094	–	5,301	(39,713)	550,384	40	550,424
Balance at 1 January 2011		444,633	31,970	82,445	6,806	11,252	12,642	1,581	103,653	694,982	(140)	694,842
Changes in equity for 2011:												
Loss for the year		–	–	–	–	–	–	–	(131,455)	(131,455)	2	(131,453)
Other comprehensive income	13	–	–	–	7,966	–	(12,642)	–	–	(4,676)	–	(4,676)
Total comprehensive income		–	–	–	7,966	–	(12,642)	–	(131,455)	(136,131)	2	(136,129)
Profit appropriation to statutory surplus reserve (note 29(d)(vi))		–	–	–	–	–	–	2,822	(2,822)	–	–	–
Equity-settled share-based transactions – amortisation for the year		–	–	–	–	2,338	–	–	–	2,338	–	2,338
– transfer to retained earnings upon forfeiture		–	–	–	–	(557)	–	–	557	–	–	–
Balance at 31 December 2011		444,633	31,970	82,445	14,772	13,033	–	4,403	(30,067)	561,189	(138)	561,051

The notes on pages 49 to 123 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	**2012 HK$'000**	2011 HK$'000
Operating activities			
Loss before taxation		**(10,412)**	(120,808)
Adjustments for:			
Impairment loss on loan and other receivables	7	**–**	134,496
Depreciation of property, plant and equipment	16(a)	**2,004**	2,971
Gain on disposal of property, plant and equipment	8(c)	**–**	(22)
Gain on disposal of subsidiaries	32	**(63)**	(4,940)
Share of profits of an associate	18	**–**	(199)
Share of profits less losses of jointly controlled entities	19	**(2,154)**	(11,269)
Net loss on financial assets designated at fair value through profit or loss		**1,109**	46,087
Net gain on sale of available-for-sale investment	3	**–**	(28,027)
Gain on disposal of associates		**–**	(1,319)
Finance costs	8(a)	**2,445**	5,391
Equity-settled share-based payment expenses	8(b)	**–**	2,338
Adjusted operating (loss)/profit before changes in working capital		**(7,071)**	24,699
Increase in other receivables		**(17,402)**	(8,756)
Decrease in held-for-trading investments		**69**	4,724
Decrease in amount due from ultimate holding company		**13,614**	1,303
Increase/(decrease) in accruals and other payables		**4,835**	(42,534)
(Decrease)/increase in amount due to ultimate holding company		**(13,994)**	14,057
Cash used in operations		**(19,949)**	(6,507)
Tax paid in Hong Kong		**(845)**	–
Tax paid outside Hong Kong		**(11,402)**	(1,095)
Interest paid		**(2,445)**	(5,391)
Net cash used in operating activities		**(34,641)**	(12,993)

For the year ended 31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Investing activities			
Payment for purchase of property, plant and equipment	16(a)	**–**	(630)
Proceeds from disposal of property, plant and equipment		**–**	31
Proceeds from disposal of subsidiaries	32	**–**	5,300
Proceeds from disposal of an associate		**–**	16,683
Investment in a jointly controlled entity		**–**	(1,325)
Investments in held-for-trading investments		**(2,584)**	–
Proceeds from disposal of held-for-trading investments		**1,877**	–
Proceeds from disposal of available-for-sale investment		**–**	88,322
Payment for purchase of financial assets designated at fair value through profit or loss		**–**	(28,378)
Loans repaid by third parties		**36,212**	12,339
Loans to a third party		**(34,198)**	–
Decrease in pledged bank deposit		**65,000**	41,500
Dividend distribution from a jointly controlled entity		**7,618**	–
Net cash generated from investing activities		**73,925**	133,842

For the year ended 31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
Financing activities			
Repayment of secured bank loan		**(60,966)**	(35,409)
Repayment to a fellow subsidiary		**–**	(15,793)
Net cash used in financing activities		**(60,966)**	(51,202)
Net (decrease)/increase in cash and cash equivalents		**(21,682)**	69,647
Cash and cash equivalents at 1 January		**267,824**	197,882
Effect of foreign exchange rate changes		**678**	295
Cash and cash equivalents at 31 December	25	**246,820**	267,824

The notes on pages 49 to 123 form part of these financial statements.

Notes to the Financial Statements

1 Significant accounting policies

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries and the Group's interest in jointly controlled entities.

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

– financial instruments classified as financial assets at fair value through profit or loss (see note 1(e)(ii))

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 38.

1 Significant accounting policies (continued)

(c) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

1 Significant accounting policies (continued)

(d) Jointly controlled entities

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

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

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

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

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

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

1 Significant accounting policies (continued)

(e) Financial instruments

(i) Initial recognition

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

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

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

(ii) Categorisation

Financial assets at fair value through profit or loss

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

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

1 Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Categorisation (continued)

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

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

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

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

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

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

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

Loans and receivables

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

1 Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Categorisation (continued)

Loans and receivables (continued)

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

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

Available-for-sale investments

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

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

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

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

1 Significant accounting policies (continued)

(e) Financial instruments (continued)

(iii) Fair value measurement principles

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

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

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

(iv) Derecognition

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

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

(v) Embedded derivatives

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

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

1 Significant accounting policies (continued)

(f) Property, plant and equipment

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

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

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

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

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

(g) Intangible assets

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

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

1 Significant accounting policies (continued)

(h) Operating lease charges

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

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

(i) Impairment of assets

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

– significant financial difficulty of the debtor;

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

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

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

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

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

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

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(i) Loans and receivables

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

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

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

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

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

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

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

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(ii) Available-for-sale investments

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

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

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

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

(iii) Other assets

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

- property, plant and equipment;
- investments in subsidiaries and jointly controlled entities; and
- other non-current assets.

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(iii) Other assets (continued)

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

1 Significant accounting policies (continued)

(i) Impairment of assets (continued)

(iv) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the year to which the interim period relates.

(j) Interest-bearing borrowings

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

(k) Accruals and other payables

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

(l) Cash and cash equivalents

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

(m) Employee benefits

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

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

1 Significant accounting policies (continued)

(m) Employee benefits (continued)

(ii) Carried interest

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

(iii) Share-based payments

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

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

(n) Income tax

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

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

1 Significant accounting policies (continued)

(n) Income tax (continued)

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

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

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

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

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

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

1 Significant accounting policies (continued)

(o) Provisions and contingent liabilities

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

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

(p) Revenue recognition

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

(i) Interest income

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

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

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

1 Significant accounting policies (continued)

(p) Revenue recognition (continued)

(ii) Fee income

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

(iii) Dividend income

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

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

(q) Translation of foreign currencies

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

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

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

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

1 Significant accounting policies (continued)

(q) Translation of foreign currencies (continued)

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

(r) Borrowing costs

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

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

(s) Related parties

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

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

(2) has significant influence over the Group; or

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

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

(1) 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).

(2) 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).

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

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

1 Significant accounting policies (continued)

(s) Related parties (continued)

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

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

(6) The entity is controlled or jointly controlled by a person identified in note 1(s)(i).

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

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

(t) Segment reporting

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

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

2 Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments have material impact to the Group's financial statements.

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period (note 39).

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

	2012 **HK$'000**	2011 HK$'000
Net revaluation gain reclassified from reserves on disposal (note 13(b))	**–**	16,856
Net gain arising in current year	**–**	11,171
	–	28,027

4 Investment income

	2012 **HK$'000**	2011 HK$'000
Interest income from financial assets that are not at fair value through profit or loss	**13,736**	27,732
Dividend income from:		
– listed securities	**87**	31
– unlisted funds	**416**	340
	14,239	28,103

5 Advisory fee income

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

6 Assets under management fee income

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

7 Impairment loss on loan and other receivables

	2012 **HK$'000**	2011 HK$'000
Impairment losses charged on loan and other receivables (note 21(b))	**–**	134,496

8 Loss before taxation

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

		2012 **HK$'000**	2011 HK$'000
(a)	**Finance costs**		
	Interest on secured bank loan wholly repayable within five years	**2,445**	5,391
(b)	**Staff costs**		
	Contributions to defined contribution retirement plan *	**841**	2,225
	Equity-settled share-based payment expenses (note 30)	**–**	2,338
	Salaries, carried interest and other benefits *	**15,934**	23,829
		16,775	28,392
(c)	**Other items**		
	Depreciation of property, plant and equipment *	**972**	2,864
	Gain on disposal of property, plant and equipment	**–**	(22)
	Operating lease charges in respect of land and buildings *	**3,035**	7,941
	Net foreign exchange (gain)/loss	**(204)**	1
	Auditor's remuneration	**685**	771
	Directors' fees	**3,200**	3,300

* For the year ended 31 December 2012, these amounts represented the net amount after expenses reimbursement arrangement under the two new Inter-companies Services and Cost Allocation Agreements ("New Services Agreements") signed between the Company and its ultimate holding company, CITIC International Assets Management Limited ("CIAM Parent") effective from 1 December 2011, which replaced the Inter-companies Service and Cost Allocation Agreement dated 14 October 2008 ("Former Service Agreement") upon its expiry on 30 November 2011.

For the year ended 31 December 2011, these amounts represented the sum of (i) net amount after expenses reimbursement arrangement under the New Services Agreements, and (ii) gross expenses amounts incurred by the Group from 1 January 2011 to 30 November 2011, which were partially reimbursed by CIAM Parent under the Former Service Agreement by means of management fee (note 36(a)). The management fee income was reimbursed through the provision of certain services including the investment and asset management services, business development and management services, administration, finance, compliance and operational services (the "General Service") by the Group to CIAM Parent on normal commercial terms determined at arm's length negotiations having considered the estimated utilisation of staff time and number of headcount of the Group providing the General Services.

9 Income tax in the consolidated statement of comprehensive income

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

	2012 HK$'000	2011 HK$'000
Current tax – Hong Kong Profits Tax		
Over-provision in respect of prior years	–	(374)
Current tax – Outside Hong Kong		
Provision for profits tax for the year (note 28(a))	4,279	10,816
Provision for withholding tax for the year (note 28(a))	–	1,634
Over-provision for withholding tax in respect of prior years	–	(1,431)
	4,279	11,019
	4,279	10,645

No provision for Hong Kong Profits Tax has been made as the Group does not have any assessable profits in Hong Kong for the years ended 31 December 2012 and 2011. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

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

	2012 HK$'000	2011 HK$'000
Loss before taxation	(10,412)	(120,808)
Notional tax on loss before taxation, calculated at the rates applicable to profits in the countries concerned	(481)	(15,554)
Tax effect of non-deductible expenses	1,731	22,096
Tax effect of non-taxable income	(1,140)	(4,432)
Tax effect of unused tax losses not recognised	4,181	10,574
Utilisation of tax losses previously not recognised	(12)	(234)
Over-provision in prior years	–	(1,805)
Actual tax expense	4,279	10,645

10 Directors' remuneration

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

For the year ended 31 December 2012

Name of director	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses and carried interest HK$'000	Retirement scheme contributions HK$'000	Sub-Total HK$'000	Share-based payments HK$'000	2012 Total HK$'000
Dou Jianzhong	600	–	–	–	600	–	600
Hung Chi Yuen Andrew	400	–	–	–	400	–	400
Lo Wing Yat Kelvin	250	1,949	160	175	2,534	–	2,534
Lu Zhicheng	200	–	–	–	200	–	200
Sit Fung Shuen Victor	400	–	–	–	400	–	400
Toh Hock Ghim	400	–	–	–	400	–	400
Wong Yau Kar David	200	–	–	–	200	–	200
Chan Peng Kuan (appointed on 20 April 2012)	139	–	–	–	139	–	139
Zhao Tieliu (resigned on 20 April 2012)	61	–	–	–	61	–	61
Scott Anderberg Callon (resigned on 31 December 2012)	250	–	–	–	250	–	250
Graham Roderick Walker (resigned on 31 December 2012)	300	–	–	–	300	–	300
	3,200	1,949	160	175	5,484	–	5,484

10 Directors' remuneration (continued)

For the year ended 31 December 2011

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

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(m)(iii). The details of share-based payments, including the principal terms and number of options granted, are disclosed in note 30.

For the year ended 31 December 2012, the amounts represented the net amount after expenses reimbursement arrangement under the New Services Agreements.

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

11 Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, one (2011: two) is director of the Company whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other four (2011: three) individuals are as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other emoluments	**2,907**	1,577
Discretionary bonuses	**1,124**	141
Share-based payments	**–**	338
Retirement scheme contributions	**165**	135
	4,196	2,191

The emoluments of the four (2011: three) individuals with the highest emoluments are within the following bands:

	2012 Number of individuals	2011 Number of individuals
Nil – HK$1,000,000	**1**	3
HK$1,000,001 – HK$1,500,000	**3**	–
HK$1,500,001 – HK$2,000,000	**–**	–
HK$2,000,001 – HK$2,500,000	**–**	–

For the year ended 31 December 2012, the amounts represented the net amount after expenses reimbursement arrangement under the New Services Agreements.

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

12 Loss attributable to equity shareholders of the Company

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$25,456,000 (2011: HK$165,493,000) which has been dealt with in the financial statements of the Company.

13 Other comprehensive income

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

	2012			2011		
	Before-tax amount HK$'000	**Tax expense HK$'000**	**Net-of-tax amount HK$'000**	Before-tax amount HK$'000	Tax credit HK$'000	Net-of-tax amount HK$'000
Exchange differences on translation of financial statements of foreign operations	**3,882**	**–**	**3,882**	7,966	–	7,966
Available-for-sale investment: net movement in fair value reserve	**–**	**–**	**–**	(16,856)	4,214	(12,642)
Other comprehensive income	**3,882**	**–**	**3,882**	(8,890)	4,214	(4,676)

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

	2012 HK$'000	2011 HK$'000
Available-for-sale investment		
Reclassification adjustments for amounts transferred to profit or loss on disposal (note 3)	**–**	(16,856)
Tax credit	**–**	4,214
Net movement in the fair value reserve during the year recognised in other comprehensive income	**–**	(12,642)

14 Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$14,687,000 (2011: HK$131,455,000) and on the ordinary shares of 444,633,217 (2011: 444,633,217) shares in issue during the year (note 29(c)(i)).

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2012 and 2011 were equal to the basic loss per share as the potential ordinary shares outstanding during the year had no dilutive effect on the basic loss per share for the years.

15 Segment reporting

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

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

15 Segment reporting (continued)

(a) Segment results

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2012 and 2011 is set out below:

	Direct investments		AUM		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	**22,067**	(428)	**–**	29,535	**22,067**	29,107
Segment results	**14,926**	4,053	**–**	30,955	**14,926**	35,008
Impairment loss on loan and other receivables	**–**	(134,496)	**–**	–	**–**	(134,496)
Finance costs	**(2,445)**	(5,391)	**–**	–	**(2,445)**	(5,391)
Share of profits of an associate	**–**	–	**–**	199	**–**	199
Share of profits less losses of jointly controlled entities	**2,154**	11,269	**–**	–	**2,154**	11,269
Unallocated corporate income					**3,494**	34,390
Central administrative costs and directors' remuneration					**(28,541)**	(61,787)
Loss before taxation					**(10,412)**	(120,808)

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

Segment results represent loss attributable to each segment without allocation of corporate income, central administrative costs and directors' remuneration.

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

15 Segment reporting (continued)

(b) Segment assets and liabilities

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

	2012 HK$'000	2011 HK$'000
Segment assets		
Direct investments	**320,560**	306,510
AUM	**–**	1,402
Total segment assets	**320,560**	307,912
Cash and cash equivalents and pledged bank deposit	**246,820**	332,824
Unallocated assets	**6,803**	22,650
Consolidated assets	**574,183**	663,386
Segment liabilities		
Direct investments	**31**	61,656
AUM	**–**	–
Total segment liabilities	**31**	61,656
Unallocated liabilities	**23,728**	40,679
Consolidated liabilities	**23,759**	102,335

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

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

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

15 Segment reporting (continued)

(c) Geographical information

The Group's operations are mainly located in Hong Kong and the PRC.

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

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

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

	Revenue		**Non-current assets (Note)**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**681**	(42,163)	**2,452**	3,976
PRC	**19,900**	60,452	**123,027**	119,281
Others	**1,486**	10,818	**–**	–
	22,067	29,107	**125,479**	123,257

Note: Non-current assets excluded financial instruments.

16 Property, plant and equipment

(a) The Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2012	3,735	3,704	3,144	10,583
Exchange adjustments	–	11	18	29
At 31 December 2012	3,735	3,715	3,162	10,612
At 1 January 2011	3,735	3,310	3,148	10,193
Additions	256	374	–	630
Disposals	(256)	–	(42)	(298)
Exchange adjustments	–	20	38	58
At 31 December 2011	3,735	3,704	3,144	10,583
Accumulated depreciation:				
At 1 January 2012	2,717	1,919	2,425	7,061
Charge for the year (Note)	1,006	484	514	2,004
Exchange adjustments	–	8	14	22
At 31 December 2012	3,723	2,411	2,953	9,087
At 1 January 2011	1,473	1,258	1,620	4,351
Charge for the year	1,500	655	816	2,971
Written back on disposals	(256)	–	(33)	(289)
Exchange adjustments	–	6	22	28
At 31 December 2011	2,717	1,919	2,425	7,061
Net book value:				
At 31 December 2012	12	1,304	209	1,525
At 31 December 2011	1,018	1,785	719	3,522

Note: For the year ended 31 December 2012, these amounts represented the gross amount before expenses reimbursement arrangement under the New Services Agreements, effective from 1 December 2011 (note 8).

16 Property, plant and equipment (continued)

(b) The Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2012 and 31 December 2012	3,735	3,108	1,387	8,230
At 1 January 2011	3,735	2,904	1,387	8,026
Additions	–	204	–	204
At 31 December 2011	3,735	3,108	1,387	8,230
Accumulated depreciation:				
At 1 January 2012	2,717	1,678	1,215	5,610
Charge for the year	1,006	313	172	1,491
At 31 December 2012	3,723	1,991	1,387	7,101
At 1 January 2011	1,473	1,180	868	3,521
Charge for the year	1,244	498	347	2,089
At 31 December 2011	2,717	1,678	1,215	5,610
Net book value:				
At 31 December 2012	12	1,117	–	1,129
At 31 December 2011	1,018	1,430	172	2,620

17 Investments in subsidiaries

	The Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**541,503**	541,503

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

Name of company	Place of incorporation and operations	Class of share capital	Issued and paid up share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Bowen Limited	Hong Kong	Ordinary	HK$2	100%	100%	–	Investment holding
逸百年投資諮詢(深圳)有限公司 (Note)	PRC	Registered	Renminbi ("RMB") 60,000,000	100%	–	100%	Investment consultancy services
信安通(北京)投資顧問有限公司 ("信安通") (Note)	PRC	Registered	HK$3,000,000	100%	100%	–	Investment consultancy services
事安(天津)投資顧問有限公司 (Note)	PRC	Registered	HK$2,000,000	100%	–	100%	Investment consultancy services

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

18 Interest in an associate

Summary financial information on the associate for the year ended 31 December 2011:

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenue HK$'000	Profit HK$'000
2011					
100 per cent	–	–	–	2,368	662
Group's effective interest	–	–	–	710	199

The interest in an associate was classified as assets held for sale in May 2011 and was subsequently disposed of in October 2011 (note 36(d)).

19 Interest in jointly controlled entities

	The Group 2012 HK$'000	The Group 2011 HK$'000
Share of net assets	**122,850**	118,631

Details of the principal jointly controlled entity are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Issued and paid up share capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
華能壽光風力發電有限公司	Incorporated	PRC	RMB186,730,000	45%	–	45%	Investment, construction and operation of wind power electricity facility, development, generation and sale of wind power electricity; provision of consultancy and related services in respect of electricity projects

19 Interest in jointly controlled entities (continued)

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

	2012 **HK$'000**	2011 HK$'000
Non-current assets	**262,450**	257,923
Current assets	**58,739**	55,634
Non-current liabilities	**(162,360)**	(159,589)
Current liabilities	**(35,979)**	(35,337)
Net assets	**122,850**	118,631

	2012 **HK$'000**	2011 HK$'000
Income	**32,424**	38,869
Expenses	**(30,270)**	(27,600)
Profit for the year	**2,154**	11,269

20 Financial assets at fair value through profit or loss

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current				
Securities designated at fair value through profit or loss:				
Unlisted debt securities with embedded options	**28,287**	28,346	**28,287**	28,346
Current				
Securities designated at fair value through profit or loss:				
Listed equity securities in Hong Kong	**12,180**	14,280	**12,180**	14,280
Unlisted fund	**19,479**	18,429	**19,479**	18,429
	31,659	32,709	**31,659**	32,709
Held-for-trading investments:				
Listed equity securities				
– in Hong Kong	**1,573**	2,811	**1,573**	2,811
– outside Hong Kong	**183**	61	**–**	–
Unlisted private equity funds	**10,405**	8,651	**–**	–
	12,161	11,523	**1,573**	2,811
	43,820	44,232	**33,232**	35,520

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

21 Loan and other receivables

(a) Loan and other receivables less impairment allowances

	The Group	
	2012	2011
	HK$'000	HK$'000
Property investments	**37,185**	29,059
Manufacturing	**114,410**	114,410
Assets management	**–**	10,290
Mining	**61,089**	60,056
Gross loan receivables (Note)	**212,684**	213,815
Prepayments, deposits and other receivables	**53,010**	43,215
	265,694	257,030
Individually assessed impairment allowances (note 21(b))	**(135,996)**	(135,996)
	129,698	121,034
Presented by:		
Non-current assets	**38,791**	1,551
Current assets	**90,907**	119,483
	129,698	121,034

	The Company	
	2012	2011
	HK$'000	HK$'000
Prepayments, deposits and other receivables	**1,345**	3,105

Note: Included in the balance were loans of HK$95,985,000 (2011: HK$85,978,000) granted by licensed banks incorporated in the PRC on behalf of the Group to external customers under entrusted arrangements which the Group bears the risk and reward.

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

21 Loan and other receivables (continued)

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

	The Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**135,996**	1,500
Impairment loss charged to profit or loss (note 7)	**–**	134,496
At 31 December (note 21(a))	**135,996**	135,996

22 Other non-current assets

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Club debentures	**1,104**	1,104	**979**	979

23 Amounts due from/to subsidiaries

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

24 Pledged bank deposit

At 31 December 2011, the pledged bank deposit was used to secure bank loan (note 27). The pledged bank deposit carried interest at prevailing deposit rates ranging from 0.02% to 2.64% per annum.

25 Cash and cash equivalents

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits placed with other financial institutions	**784**	242	**133**	24
Bank balances and cash	**246,036**	267,582	**234,876**	259,149
	246,820	267,824	**235,009**	259,173

26 Accruals and other payables

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

27 Secured bank loan

At 31 December 2011, the bank loan was repayable within one year. The bank loan was secured by bank deposit (note 24) and such bank loan bore interest rates ranging from 5.13% to 6.40% per annum. The bank loan was fully repaid during the year.

28 Income tax in the statement of financial position

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current tax – Hong Kong Profits Tax				
Provision for the year (note 9(a))	**–**	–	**–**	–
Current tax – Outside Hong Kong				
Provision for profits tax for the year (note 9(a))	**4,279**	10,816	**–**	–
Provision for withholding tax for the year (note 9(a))	**–**	1,634	**–**	–
Tax paid	**(734)**	(1,095)	**–**	–
	3,545	11,355	**–**	–
Balance of Profits Tax provision relating to prior years	**2,496**	2,499	**–**	–
Exchange adjustments	**36**	155	**–**	–
	6,077	14,009	**–**	–

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(n), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$482,678,000 (2011: HK$458,108,000), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

29 Capital, reserves and dividends

(a) Movements in components of equity

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

The Company

	Share premium HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2012	31,970	13,033	2,184	(198,858)	(151,671)
Changes in equity for 2012:					
Loss for the year	–	–	–	(25,456)	(25,456)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(25,456)	(25,456)
Equity-settled share-based transactions	–	(5,939)	–	5,939	–
Balance at 31 December 2012	31,970	7,094	2,184	(218,375)	(177,127)

29 Capital, reserves and dividends (continued)

(a) Movements in components of equity (continued)

The Company (continued)

	Share premium HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2011	31,970	11,252	2,184	(33,922)	11,484
Changes in equity for 2011:					
Loss for the year	–	–	–	(165,493)	(165,493)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(165,493)	(165,493)
Equity-settled share-based transactions	–	1,781	–	557	2,338
Balance at 31 December 2011	31,970	13,033	2,184	(198,858)	(151,671)

(b) Dividends

No dividend had been paid or declared during the year in respect of previous financial year. The Board of Directors (the "Board") does not recommend the payment of a dividend for the year ended 31 December 2012.

29 Capital, reserves and dividends (continued)

(c) Share capital

(i) Authorised and issued share capital

	2012 Number of shares	2012 Amount HK$'000	2011 Number of shares	2011 Amount HK$'000
Authorised:				
Ordinary shares of HK$1 each	**750,000,000**	**750,000**	750,000,000	750,000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**444,633,217**	**444,633**	444,633,217	444,633

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

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

Exercise period	Exercise price	2012 Number of shares under the share options	2011 Number of shares under the share options
9 September 2010 to 8 September 2012	HK$1.79	**–**	12,815,000
9 September 2011 to 8 September 2014	HK$1.79	**11,965,000**	12,815,000
		11,965,000	25,630,000

Further details of these options are set out in note 30 to the financial statements.

29 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Contributed surplus

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

(iii) Exchange reserve

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

(iv) Share option reserve

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

(v) Available-for-sale fair value reserve

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

(vi) Other reserve

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

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

29 Capital, reserves and dividends (continued)

(e) Distributability of reserves

At 31 December 2012 and 2011, the Company has no reserves available for distribution to equity shareholders of the Company.

(f) Capital management

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

The Group defines "capital" as including all components of equity. On this basis the amount of capital employed at 31 December 2012 was HK$550,424,000 (2011: HK$561,051,000).

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

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

30 Equity-settled share-based transactions

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

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

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

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

30 Equity-settled share-based transactions (continued)

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

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

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

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

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme must not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. As at 31 December 2012, the total number of shares of the Company that may be issued upon exercise of all share options granted and yet to be exercised was 11,965,000 (2011: 25,630,000) representing approximately 2.7% (2011: 5.8%) of the issued share capital as at that date. The total number of shares issued and to be issued upon exercise of all share options granted to each participant in any 12-month period shall not exceed 1% of the shares of the Company then in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval at a general meeting.

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

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

30 Equity-settled share-based transactions (continued)

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

Name or category of participant	Date of grant	Vesting period	Exercise period	Exercise price	Number of shares under the share options: Outstanding at 1.1.2012	Lapsed during the year	Forfeited during the year	Outstanding at 31.12.2012
Directors								
Dou Jianzhong	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	1,250,000	(1,250,000)	–	–
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	1,250,000	–	–	1,250,000
Hung Chi Yuen Andrew	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	(200,000)	–	–
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	–	200,000
Lo Wing Yat Kelvin	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	1,900,000	(1,900,000)	–	–
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	1,900,000	–	–	1,900,000
Lu Zhicheng	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	(200,000)	–	–
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	–	200,000
Sit Fung Shuen Victor	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	(200,000)	–	–
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	–	200,000
Toh Hock Ghim	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	(200,000)	–	–
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	–	200,000
Wong Yau Kar David	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	200,000	(200,000)	–	–
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	200,000	–	–	200,000
					8,300,000	(4,150,000)	–	4,150,000

30 Equity-settled share-based transactions (continued)

					Number of shares under the share options			
Name or category of participant	**Date of grant**	**Vesting period**	**Exercise period**	**Exercise price**	**Outstanding at 1.1.2012**	**Lapsed during the year**	**Forfeited during the year**	**Outstanding at 31.12.2012**
Employees	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	6,665,000	(6,415,000)	(250,000)	–
	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	6,665,000	–	(850,000)	5,815,000
					13,330,000	(6,415,000)	(1,100,000)	5,815,000
Other participants	9.9.2009	(Note a)	9.9.2010 to 8.9.2012	1.79	2,000,000	(2,000,000)	–	–
(note (c))	9.9.2009	(Note b)	9.9.2011 to 8.9.2014	1.79	2,000,000	–	–	2,000,000
					4,000,000	(2,000,000)	–	2,000,000
Total					25,630,000	(12,565,000)	(1,100,000)	11,965,000

Notes:

(a) The share options are subject to a vesting period of one year from the date of grant and are lapsed during the year.

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

(c) Following the resignations of Mr. Zhao Tieliu and Mr. Graham Roderick Walker as Non-executive Directors of the Company on 20 April 2012 and 31 December 2012 respectively, all share options granted to Mr. Walker and Mr. Zhao were included under "Other participants".

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

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

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

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

30 Equity-settled share-based transactions (continued)

Fair value of share options and assumptions:

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

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

Expenses recognised in the Group's financial statements as a result of granting share options amounted to HK$Nil (2011: HK$2,338,000).

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

31 Employee retirement benefits

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the Occupational Retirement Scheme ("the ORSO scheme") for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF scheme and the ORSO scheme are defined contribution retirement plans administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to June 2012). Contributions to the plan vest immediately. The Group contributes 10% of relevant income to the ORSO scheme, with a vesting scale of 0% –100%, according to the years of service of relevant employees.

32 Disposal of subsidiaries

For the year ended 31 December 2012

During the year ended 31 December 2012, the Group disposed of its interests in certain wholly owned subsidiaries to CIAM Parent at a total consideration of HK$1,000.

	HK$'000
Net assets disposed of:	
Cash and cash equivalents	1
Amounts due to ultimate holding company	(63)
	(62)
Gain on disposal of subsidiaries	63
Total consideration satisfied by cash	1
Net cash inflow arising on disposal of subsidiaries:	
Cash consideration	1
Cash and cash equivalents disposed of	(1)
	–

32 Disposal of subsidiaries (continued)

For the year ended 31 December 2011

During the year ended 31 December 2011, the Group disposed of its interest in a wholly owned subsidiary to an independent third party at a total consideration of HK$9,899,000.

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

33 Financial risk management

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

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

(a) Credit risk

The Group's credit risk is primarily attributable to loan and other receivables and unlisted debt securities. The Group manages this risk as follows:

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

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loan and other receivables and unlisted debt securities are set out in notes 20 and 21.

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

33 Financial risk management (continued)

(a) Credit risk (continued)

(i) Credit quality of loan and other receivables

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

	The Group					
	Loan receivables		Other receivables		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Gross loan and other receivables						
– neither past due nor impaired	**35,734**	82,244	**14,651**	20,956	**50,385**	103,200
– past due but not impaired	**61,040**	15,661	**17,988**	–	**79,028**	15,661
– impaired	**115,910**	115,910	**20,086**	20,086	**135,996**	135,996
	212,684	213,815	**52,725**	41,042	**265,409**	254,857

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

	The Group					
	Loan receivables		Other receivables		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Gross loan and other receivables that are past due but not impaired						
– overdue 3 months or less	**15,530**	5,371	**4,450**	–	**19,980**	5,371
– 6 months or less but over 3 months	**15,579**	–	**3,146**	–	**18,725**	–
– 1 year or less but over 6 months	**15,578**	–	**8,227**	–	**23,805**	–
– over 1 year	**14,353**	10,290	**2,165**	–	**16,518**	10,290
	61,040	15,661	**17,988**	–	**79,028**	15,661

33 Financial risk management (continued)

(a) Credit risk (continued)

(ii) Collateral and other credit enhancements

The Group holds collateral against loan and other receivables in the form of second equitable mortgage, share charge, securities over mining license and assets, and guarantees. The Group considers that the credit risk arising from the loan and other receivables are significantly mitigated by the collaterals, with reference to their estimated market values as at 31 December 2012.

(b) Liquidity risk

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

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

33 Financial risk management (continued)

(b) Liquidity risk (continued)

2012

	The Group						
	Repayable on demand HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000	Carrying amount HK$'000
Accruals and other payables	17,548	–	–	–	–	17,548	17,548
Loans from non-controlling shareholders	31	–	–	–	–	31	31
	17,579	–	–	–	–	17,579	17,579
Commitments	5,159	–	–	–	–	5,159	5,159
	22,738	–	–	–	–	22,738	22,738

	The Company						
	Repayable on demand HK$'000	Less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total HK$'000	Carrying amount HK$'000
Accruals and other payables	15,519	–	–	–	–	15,519	15,519
Amounts due to subsidiaries	683,903	–	–	–	–	683,903	683,903
	699,422	–	–	–	–	699,422	699,422

33 Financial risk management (continued)

(b) Liquidity risk (continued)

2011

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

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

33 Financial risk management (continued)

(c) Market risk

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

(i) Interest rate risk

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

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

	The Group		The Company	
	2012	2011	**2012**	2011
	%	%	**%**	%
Loan receivables	**2.00–21.00**	2.00–19.00	**N/A**	N/A
Pledged bank deposit	**N/A**	0.02–2.64	**N/A**	0.02–2.64
Cash and cash equivalents	**0.001–1.53**	0.01–1.80	**0.001–1.53**	0.01–1.80
Secured bank loan	**N/A**	5.13–6.40	**N/A**	N/A

33 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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

2012

	The Group				
	3 months or less (include overdue) HK$'000	Over 3 months to 1 year HK$'000	Over 1 year HK$'000	Non-interest bearing HK$'000	Total HK$'000
Loan receivables	35,684	61,089	–	–	96,773
Cash and cash equivalents	240,700	–	–	6,120	246,820
	276,384	61,089	–	6,120	343,593

	The Company				
	3 months or less (include overdue) HK$'000	Over 3 months to 1 year HK$'000	Over 1 year HK$'000	Non-interest bearing HK$'000	Total HK$'000
Cash and cash equivalents	231,942	–	–	3,067	235,009

33 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

2011

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

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

33 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

At 31 December 2012, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's and the Company's profit after tax by approximately HK$3,131,000 and HK$2,319,000 respectively (2011: HK$3,480,000 and HK$3,139,000 respectively). The extent of decrease in interest rates is expected to be minimal which would decrease the Group's and the Company's profit after tax by an insignificant amount.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or minimal decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis was performed on the same basis for 2011.

(ii) Currency risk

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

33 Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued))

2012

	The Group		The Company	
	United States Dollars HK$'000	**Singapore Dollars HK$'000**	**United States Dollars HK$'000**	**Singapore Dollars HK$'000**
Financial assets at fair value through profit or loss	**37,983**	**765**	**28,287**	**–**
Cash and cash equivalents	**52,106**	**2,040**	**58,038**	**2,040**
Amounts due to subsidiaries	**–**	**–**	**(13,264)**	**(2,073)**
Net exposure arising from recognised assets and liabilities	**90,089**	**2,805**	**73,061**	**(33)**

2011

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

33 Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued))

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

Sensitivity analysis

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

	The Group			
	2012		2011	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit before tax HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax HK$'000
Singapore Dollars	**10%**	**281**	10%	301
	(10)%	**(281)**	(10)%	(301)

	The Company			
	2012		2011	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit before tax HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax HK$'000
Singapore Dollars	**10%**	**(3)**	10%	5
	(10)%	**3**	(10)%	(5)

33 Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued))

Sensitivity analysis (continued)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's and the Company's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next end of the reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars ("USD") would be materially unaffected by any changes in movement in value of the USD against other currencies. The analysis was performed on the same basis for the year ended 31 December 2011.

(d) Equity price risk

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

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

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

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

At 31 December 2012, if the quoted market price of the Group's and Company's listed equity securities had been 10% higher/lower, then profit after tax (and retained profits) for the year would have been HK$1,164,000 (2011: HK$1,432,000) and HK$1,148,000 (2011: HK$1,427,000) higher/lower respectively, the effect of which will be classified as unrealised gain or loss on trading securities.

33 Financial risk management (continued)

(d) Equity price risk (continued)

The sensitivity analysis has been determined assuming that the possible changes had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. The analysis was performed on the same basis for the year ended 31 December 2011.

34 Fair values of financial instruments

(a) Fair values

(i) Financial instruments carried at fair values

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

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

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

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

34 Fair values of financial instruments (continued)

(a) Fair values (continued)

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

2012

	The Group				The Company			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Held-for-trading investments:								
– Listed equity securities	1,756	–	–	1,756	1,573	–	–	1,573
– Unlisted private equity funds	–	10,405	–	10,405	–	–	–	–
Financial assets designated at fair value through profit or loss:								
– Unlisted debt securities with embedded options	–	–	28,287	28,287	–	–	28,287	28,287
– Listed equity securities	12,180	–	–	12,180	12,180	–	–	12,180
– Unlisted funds	–	19,479	–	19,479	–	19,479	–	19,479
	13,936	29,884	28,287	72,107	13,753	19,479	28,287	61,519

34 Fair values of financial instruments (continued)

(a) Fair values (continued)

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

2011

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

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

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. As at 31 December 2012 and 2011, the Group did not adjust the quoted price for these instruments.

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

34 Fair values of financial instruments (continued)

(a) Fair values (continued)

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

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

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

	The Group and the Company HK$'000
At 1 January 2012	**28,346**
Total gain or loss recognised in profit or loss	**(59)**
At 31 December 2012	**28,287**
Total gain or loss for the year included in profit or loss for assets held at the end of the reporting period	**(59)**
Total gain or loss for the year included in available-for-sale fair value reserve of the other comprehensive income for assets held at the end of the reporting period	**–**

34 Fair values of financial instruments (continued)

(a) Fair values (continued)

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

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

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

34 Fair values of financial instruments (continued)

(a) Fair values (continued)

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

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

(ii) Financial instruments carried at other than fair values

All of the carrying amounts of the Group's and the Company's financial instruments carried at costs or amortised costs are not materially different from their fair values as at 31 December 2012 and 2011.

(b) Estimation of fair values

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

(i) Securities investments

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

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

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

34 Fair values of financial instruments (continued)

(b) Estimation of fair values (continued)

(ii) Embedded derivatives

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

(iii) Interest-bearing loans and borrowings

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

35 Commitments

(a) Capital commitments outstanding for investments at 31 December 2012 not provided for in the financial statements were as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted for	**5,159**	16,985	**–**	9,434

(b) At 31 December 2012, total future minimum lease payments under non-cancellable operating lease for properties are payable as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**362**	503	**–**	–
After 1 year but within 5 years	**–**	356	**–**	–
	362	859	**–**	–

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

36 Material related party transactions

(a) Transactions with related companies

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

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Gain on disposal of subsidiaries	**63**	–	**1**	–
Management fee income from ultimate holding company (Note)	**–**	29,300	**–**	29,300

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

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

(b) Balances with related companies

		The Group		The Company	
		2012	2011	**2012**	2011
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Amount due from ultimate holding company	(a)	**79**	13,693	**79**	13,693
Bank deposits with related companies (included in cash and cash equivalents)	(b)	**234,415**	167,716	**230,168**	162,921
Amount due to ultimate holding company	(a)	**–**	14,057	**–**	–
Loans from non-controlling shareholders		**31**	202	**–**	–
Amount due to a jointly controlled entity of the ultimate holding company	(a)	**–**	–	**–**	89,985
Dividend receivable from a jointly controlled entity		**8,813**	16,431	**–**	–

36 Material related party transactions (continued)

(b) Balances with related companies (continued)

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

Notes:

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

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

(c) Key management personnel compensation

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

	2012 **HK$'000**	2011 HK$'000
Short-term employment benefits	**9,759**	8,190
Post-employment benefits	**382**	495
Equity compensation benefits	**–**	796
	10,141	9,481

For the year ended 31 December 2012, the amounts represented the net amount after expenses reimbursement arrangement under the New Services Agreements.

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

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

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

36 Material related party transactions (continued)

(d) Disposal of assets to related parties

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

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

(e) Applicability of the Listing Rules relating to connected transactions

The related party transaction in respect of management fee income from CIAM Parent constituted connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the Report of the Directors.

37 Immediate and ultimate controlling party

At 31 December 2012, the directors consider the immediate parent is Right Precious Limited, a limited company incorporated in the British Virgin Islands, and the ultimate controlling party is CITIC International Assets Management Limited, a limited company incorporated in Hong Kong. These entities do not provide financial statements available for public use.

38 Accounting estimates and judgements

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

38 Accounting estimates and judgements (continued)

Key sources of estimation uncertainty

(i) Loan and other receivables

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

(ii) Unlisted investments

The fair values of unlisted available-for-sale investment and financial assets at fair value through profit or loss are significantly affected by the combination of valuation methodologies employed, the parameters used and, if required, the underlying sample chosen. The valuation methodologies and the source of the parameters adopted by the Group are discussed in note 34(a)(i).

The Group held certain investments with carrying value of HK$29,884,000 (2011: HK$27,080,000) in unlisted funds and unlisted private equity funds. The fair values of these investments were determined by the manager or trustee of the fund in the absence of a readily ascertainable market value. Management was of the opinion that this estimated fair value may differ significantly from the value that would have been used had a ready market existed, and the difference could be material.

(iii) Carried interest provision

Carried interest accruals are calculated based on hypothetical share of profits by eligible employees taking into account the cash already distributed from the Group and the amount of divestment proceeds receivable or to be received upon disposal. The Group recognises a provision based on estimated fair value of its assets at the end of the reporting period in accordance with the methodology as stated in note 34. Carried interest will be distributed to the eligible employees upon realisation of the investments.

39 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements* (2011)	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013
Annual Improvements to HKFRSs 2009-2011 Cycle	1 January 2013
Amendments to HKFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*	1 January 2014
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015

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

Five-year Financial Summary

Results

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Continuing operations					
Revenue	**22,067**	29,107	85,284	36,952	(3,393)
(Loss)/profit before taxation from continuing operations	**(10,412)**	(120,808)	45,890	67,147	(22,962)
Income tax	**(4,279)**	(10,645)	(1,952)	–	(1,129)
(Loss)/profit for the year from continuing operations	**(14,691)**	(131,453)	43,938	67,147	(24,091)
Discontinued operations					
Loss for the year from discontinued operations	**–**	–	–	–	(46,204)
(Loss)/profit for the year	**(14,691)**	(131,453)	43,938	67,147	(70,295)
Attributable to:					
Equity shareholders of the Company	**(14,687)**	(131,455)	44,149	64,332	(70,289)
Non-controlling interests	**(4)**	2	(211)	2,815	(6)
(Loss)/profit for the year	**(14,691)**	(131,453)	43,938	67,147	(70,295)

Assets and liabilities

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Total assets	**574,183**	663,386	869,026	706,447	698,731
Total liabilities	**(23,759)**	(102,335)	(174,184)	(77,575)	(216,042)
	550,424	561,051	694,842	628,872	482,689
Equity attributable to equity shareholders of the Company	**550,384**	561,189	694,982	623,869	479,833
Non-controlling interests	**40**	(138)	(140)	5,003	2,856
Total equity	**550,424**	561,051	694,842	628,872	482,689

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