中國投資基金有限公司

CHINA INVESTMENT FUND COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability) Stock Code : 00612

ANNUAL REPORT 2012

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Luk Hong Man, Hammond *(Financial Controller)*
Ye Yinggang
Zhang Xi

Independent Non-executive Directors

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

COMPANY SECRETARY

Hong Lai Ping

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INVESTMENT MANAGER

Asia Investment Management Limited
14B, Vulcan House
21–23 Leighton Road
Causeway Bay
Hong Kong

CUSTODIAN

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

PRINCIPAL BANKER

Bank of Communications Company Limited
20 Pedder Street
Central
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

AUDITOR

HLM CPA Limited
Room 305, 3rd Floor
Arion Commercial Centre
2–12 Queen's Road West
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK CODE

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

WEBSITE

www.cifund.com.hk

BUSINESS REVIEW

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

Under the above situation, the Group had a net loss of approximately HK$20,937,000 (2011: net loss of approximately HK$12,071,000). The loss was mainly due to the loss on disposal of available-for-sale financial assets of approximately HK$3,304,000 (2011: gain of approximately HK$1,283,000) and increase in the administrative expenses. Therefore, the Group recorded a net loss in the year 2012.

Securities Investments

The Board exercised caution when managing the investment process during the year. For the year ended 31 December 2012, the Group recorded audited revenue of approximately HK$1,191,000 (2011: approximately HK$2,363,000), decreased by approximately 50% over the previous year. The Group made a realised loss on disposal of available-for-sale financial assets of approximately HK$3,304,000 (2011: gain of approximately HK$1,283,000).

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$31,153,000 as at 31 December 2012 (2011: approximately HK$114,519,000).

The Group's gearing ratio, representing the total debt divided by equity attributable to equity holders of the Company, was not applicable as the Group did not have any bank loans or borrowings as at 31 December 2012 and 2011.

There were no capital commitments as at 31 December 2012 which would require a substantial use of the Group's present cash resources or external funding.

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

ESTABLISHMENT OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES

Total 19 subsidiaries were established and 1 subsidiary was disposed during the year ended 31 December 2012.

3 subsidiaries, (namely Conqueringly Victory Investments Limited and its 2 wholly owned subsidiaries), will be disposed before the end of March 2013 as a part of the Group's investment planning changed.

CAPITAL STRUCTURE

The shares of the Company were listed on the Stock Exchange. During the year, there is no movement in the Company's share capital.

EMPLOYEE INFORMATION

As at 31 December 2012, the Company had 18 employees (2011: 10), including executive Directors and independent non-executive Directors. The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

PROSPECTS

For the year 2012, the Euro Zone sovereign debt crisis and the economic problem in United States downturn the global economic growth, it is expected the global market to be challenging and volatile in the year 2013. The Directors will cautiously approach and analyse the market to safely monitor the portfolio of investments of the Group. Most importantly, we will attentively look out for investment opportunities which offer reasonable returns and within the acceptable risk profile of the Group.

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

During the year ended 31 December 2012, the Company has not purchased, sold nor redeemed any of the Company's listed securities.

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

All the financial and other related information of the Group required by the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange will be dispatched to our shareholders on or before 27 April 2013 and published on the websites of the Stock Exchange and the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from Tuesday, 25 June 2013 to Thursday, 27 June 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending the AGM to be held on Thursday, 27 June 2013, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Monday, 24 June 2013.

EXECUTIVE DIRECTORS

Mr. Luk Hong Man, Hammond ("Mr. Luk"), aged 32, is currently a member of the Certified General Accountants Association of Canada and the Hong Kong Institute of Directors. Mr. Luk is also an associated member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Mr. Luk obtained a degree of bachelor of laws from University of London and a degree of bachelor of commerce from University of Alberta. Mr. Luk has about ten years of experience in management accounting, financial control, internal audit and compliance through his previous employment with different companies in Canada and Hong Kong. Prior to joining the Company, Mr. Luk had worked as an executive director and compliance officer in Rojam Entertainment Holdings Limited (now know as Media Asia Group Holdings Limited, stock code: 8075) and an executive officer in charge of the accounting and finance department in Sunny Global Holdings Limited (now known as China Public Procurement Limited, stock code: 1094).

Mr. Ye Yinggang ("Mr. Ye"), aged 39, is a Chartered Financial Analyst (CFA) charterholder and has over 13 years of experience in the PRC finance and securities industry. Mr. Ye has been the director of investment, head office of asset management branch, Central China Securities Co. Ltd. since April 2011. Mr. Ye was a member of the QFII team of Power Corporation of Canada, a company incorporated in Canada and listed on the Toronto Stock Exchange (POW. TO), from July 2004 to March 2011. He was responsible for research and investment on equity market in the PRC and Hong Kong. Mr. Ye obtained a master of Business Administration from Guanghua Management College, Peking University in 2005 and a bachelor's degree in finance from The College of Economics, Minzu University of China in 1998. Mr. Ye currently holds a licence as Securities Industry General Practitioner with the Securities Association of China.

Mr. Zhang Xi ("Mr. Zhang"), aged 44, has over 12 years of experience in the financial sector. He is currently a Chartered Financial Analyst (CFA) charterholder. Mr. Zhang graduated with a Bachelor's degree in Science (Electrical Engineering) from Shanghai Jiao Tong University in July 1991. Mr. Zhang obtained an International Master's degree of Business Administration from York University in Canada in 1998. Mr. Zhang was appointed as an independent non-executive Director of Asia Energy Logistics Group Limited (stock code: 351) and Media Asia Group Holdings Limited (stock code: 8075) in March 2006 and September 2009 respectively.

Biographical Details of Directors

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chung Kin, Quentin ("Mr. Wong"), aged 41, is a fellow member of Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong and Association of Chartered Certified Accountants. He is also a member of The Society of Chinese Accountants & Auditors and The Institute of Chartered Accountants in England and Wales. He holds a bachelor of Arts degree in Accounting and Financial Management from University of Essex and a master degree of Science in Internal Auditing and Management from The City University, London. He has over 10 years working experience in audit and accounting gained from a sizeable international firm. He has set up his own practice, Quentin Wong & Co. Certified Public Accountants (Practising) since 1 January 2005 and has had over 8 years of practicing experience. He also taught the master degree course at the Open University of Hong Kong in 2005 and 2006. Mr. Wong was appointed as an independent non-executive director of Value Convergence Holdings Limited (Stock Code: 821) in March 2012.

Mr. Tsang Kwok Wa, Edward ("Mr. Tsang"), aged 47, is a member of the Hong Kong Institute of Certified Public Accountants, a member of the CPA Australia and a fellow member of the Taxation Institute of Australia. He holds a master degree of commerce with major in accounting from Charles Sturt University in Australia. He has over 21 years of experience in accounting area. Mr. Tsang was appointed as an independent non-executive director of Asia Energy Logistics Group Limited (stock code: 351) in July 2007 and resigned in June 2010.

Mr. Ng Man Fai, Matthew ("Mr. Ng"), aged 45, is a member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a provisional member of the Institute of Certified Public Accountants of Singapore. He is also an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, and an associate member/certified tax adviser of The Taxation Institute of Hong Kong. Mr. Ng holds a Master of Accountancy from Charles Sturt University, Australia, and a Bachelor of Business Administration from the University of East Asia, Macau. Mr. Ng has over 21 years working experience in audit and accounting, gained from international firms and companies listed on the Stock Exchange. He is currently a deputy financial controller of Burwill Holdings Limited (Stock Code: 24).

The Directors of the Company (the "Directors") are pleased to present their annual report and the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 73. The Directors do not recommend the payment of a final dividend for the year.

SHARE CAPITAL

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

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company during the year are set out on page 67. Under the Companies Law of the Cayman Islands, share premium of the Company is available for distributions or paying dividends to the shareholders subject to the provisions of its Memorandum ("Memorandum") and Articles of Association ("Articles") and a statutory solvency test. In accordance with Article 143 of the Articles, dividends may be declared and paid out of the profit of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. There were no reserves available for distribution in both years ended 31 December 2012 and 2011.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

Executive Directors

Mr. William Robert Majcher (resigned on 15 January 2013)
Mr. Wan Chuen Hing, Alexander (resigned on 1 June 2012)
Mr. Luk Hong Man, Hammond (Financial Controller)
Mr. Ye Yinggang (appointed on 3 July 2012)
Mr. Zhang Xi (appointed on 15 February 2013)

Independent Non-executive Directors

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

At the forthcoming annual general meeting of the Company ("AGM"), two Directors will retire as Directors by rotation and, being eligible, offer themselves for re-election in accordance with the Articles. Two Directors appointed by the Board to fill casual vacancies, shall hold office only until the conclusion of the forthcoming AGM, being eligible, offer themselves for re-election at the forthcoming AGM in accordance with the Articles.

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

DIRECTORS' AND EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 December 2012, none of the Directors, the executive of the Company or any of their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its subsidiaries or other associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTIONS

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

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, the register of substantial shareholders maintained by the Company pursuant to section 336 of SFO shows that other than being a Director or the executive of the Company, the following shareholders had notified the Company of the relevant interests amounting to 5% or more of the ordinary shares in issue:

Long positions

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

Note:

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

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

CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

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

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

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

(iv) Pursuant to the financial advisory agreement dated 8 July 2011 (the "Old Financial Advisory Agreement") entered into between the Company and Baron Capital Limited ("Baron Capital"). Baron Capital provided corporate financial advisory services to the Company for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. On 3 October 2012, the Company entered into the new financial advisory agreement (the "New Financial Advisory Agreement") with Baron Capital for the provision of corporate financial advisory services to the Company for a period of one year commencing from 4 October 2012 and expiring on 3 October 2013. Baron Capital is indirectly wholly owned by Ms. Wan who is a niece of Mr. Wan Chuen Hing, Alexander, who was an executive Director of the Company during the year and resigned on 1 June 2012. Baron Capital is hence a connected person of the Company. Under the Old Financial Advisory Agreement and the New Financial Advisory Agreement, the aggregate fee payable to Baron Capital shall not exceed HK$2,000,000 per annum and HK$4,000,000 per annum respectively.

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

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

During the year ended 31 December 2012, the Company has not purchased, sold nor redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2012, the Directors had not aware of any business or interest of the Directors and their associates that compete or may compete with the business of the Group and any conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

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

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with the management of the Company including a review on the consolidated financial statements of the Group for the year ended 31 December 2012.

CODE OF BEST PRACTICE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float as required under the Listing Rules throughout the year ended 31 December 2012.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 74.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent.

AUDITOR

The consolidated financial statements for the years ended 31 December 2010 and 31 December 2011 were audited by HLM & Co.. On 16 January 2013, HLM & Co. resigned as the auditor due to the change of entity status from partnership to limited company.

The consolidated financial statements for the year ended 31 December 2012 were audited by HLM CPA Limited who will retire and seek for re-election at the forthcoming AGM.

On behalf of the Board
China Investment Fund Company Limited

Luk Hong Man, Hammond
Hong Kong, 27 March 2013

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices (the "Old Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") was amended and revised as the Corporate Governance Code (the "CG Code") which became effective on 1 April 2012. We have, throughout the year ended 31 December 2012, complied with the code provisions of the Old Code and the CG Code as and when they were/are applicable and in force, except for the deviations from code provisions A.2.1 and E.1.2 set out as below:

Code Provision A.2.1

In accordance with Code Provision A.2.1, it stipulates that the roles of the Chairman and the Chief Executive are segregated and assumed by two separate individuals who have no relationship with each other to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual.

The Board has not appointed individuals to the posts of Chairman and Chief Executive. The Board is in the process of identifying suitable candidates to fill in the vacancies for Chairman and Chief Executive in compliance with the requirement of the Code Provision A.2.1. Further announcement will be made by the Company with regard to the new appointment of Chairman and Chief Executive of the Company in due course.

Code Provision E.1.2

In accordance with Code Provision E.1.2, it stipulates that the Chairman of the Board and the Chairman of the Audit Committee should attend the Annual General Meeting ("AGM"). The Chairman of the Board and the Chairman of the Audit Committee had not attended the AGM of the Company held on 28 June 2012 as they were engaged in an important business meeting. The said AGM was chaired by an executive Director.

We will periodically review and improve our corporate governance practices with reference to the latest corporate governance developments. The key corporate governance principles and practices of our Company are summarised below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2012.

BOARD OF DIRECTORS

Composition and role

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

Executive Directors:	William Robert Majcher, Chairman (resigned on 15 January 2013)
	Wan Chuen Hing, Alexander (resigned on 1 June 2012)
	Luk Hong Man, Hammond
	Ye Yinggang (appointed on 3 July 2012)
	Zhang Xi (appointed on 15 February 2013)

Independent Non-executive Directors:	Cheng Wing Keung, Raymond (resigned on 23 March 2012) Yeung Chun Yue, David (resigned on 29 March 2012) Siu Hi Lam, Alick (resigned on 1 February 2012) Wong Chung Kin, Quentin Tsang Kwok Wa, Edward (appointed on 1 February 2012) Ng Man Fai, Matthew (appointed on 23 March 2012)

There is no relationship between members of the Board.

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

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

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

The Board comprises of three executive Directors and three independent non-executive Directors. The biographical details of all Directors are presented on page 5 and 6 of this annual report. Two Directors are subject to retirement by rotation and re-election at the forthcoming AGM to be held on 27 June 2013. Two Directors appointed by the Board to fill casual vacancies shall hold office only until the conclusion of the forthcoming AGM, being eligible, offer themselves for re-election at the forthcoming AGM.

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

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

The full Board meets regularly and on other occasions when a Board decision is required on major issues. Details of Directors' attendance at the AGM and board meeting held in 2012 are set out in the following table:

Directors	Meeting attended/held Board meeting	AGM held on 28 June 2012
Executive Directors		
William Robert Majcher (resigned on 15 January 2013)	79/79	0/1
Wan Chuen Hing, Alexander (resigned on 1 June 2012)	21/79	0/1
Luk Hong Man, Hammond	74/79	1/1
Ye Yinggang (appointed on 3 July 2012)	47/79	N/A
Independent Non-executive Directors		
Cheng Wing Keung, Raymond (resigned on 23 March 2012)	1/79	1/1
Yeung Chun Yue, David (resigned on 29 March 2012)	1/79	N/A
Siu Hi Lam, Alick (resigned on 1 February 2012)	0/79	N/A
Wong Chung Kin, Quentin	28/79	0/1
Tsang Kwok Wa, Edward (appointed on 1 February 2012)	27/79	1/1
Ng Man Fai, Matthew (appointed on 23 March 2012)	25/79	1/1

During the year, all Directors participated in continuous professional development to develop and refresh their knowledge and skill by way of attending seminars, briefings or training courses and reading the relevant materials. The Company has arranged in-house trainings for Directors on roles, functions and duties of a listed company.

In addition, every newly appointed Director will receive an introduction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and his responsibilities under the Listing Rules and relevant regulatory requirements.

According to the records maintained by the Company, the Directors received the training in compliance with the requirement of the Code on continuous professional development during the period from 1 April 2012 to 31 December 2012:

Directors	Reading materials	Attending seminars/ briefings/ training courses
Executive Directors		
William Robert Majcher	v	v
Wan Chuen Hing, Alexander	v	v
Luk Hong Man, Hammond	v	v
Ye Yinggang	v	v
Independent Non-executive Directors		
Wong Chung Kin, Quentin	v	v
Tsang Kwok Wa, Edward	v	v
Ng Man Fai, Matthew	v	v

Chairman and Chief Executive

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

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

The Board has not appointed individuals to the posts of Chairman and Chief Executive. The Board is in the process of identifying suitable candidates to fill in the vacancies for Chairman and Chief Executive in compliance with the requirement of the Code Provision A.2.1. Further announcement will be made by the Company with regard to the new appointment of Chairman and Chief Executive of the Company in due course.

Appointments, Re-election and Removal

In accordance with Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, all independent non-executive Directors have been appointed for a specific term of 3 years but are subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

In accordance with our articles of association, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, Remuneration Committee and Nomination Committee for overseeing particular aspects of the affairs of our Company. These committees are established with written terms of reference. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are available on our website and on the website of The Stock Exchange of Hong Kong Limited.

Audit Committee

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

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management including a review of the consolidated financial statements for the year ended 31 December 2012.

The Group's 2012 audited financial statements had been duly reviewed by the Audit Committee with the Auditor. The members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that is satisfied with the professional performance of the Auditor and therefore recommends the Board that HLM CPA Limited be re-appointed as our auditor in the AGM.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2012 consolidated financial statements of the Company, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

HLM CPA Limited (the "Auditor") was appointed as Auditor of the Company until conclusion of the AGM. During the year, the remuneration paid for the services provided by the Auditor is as follows:

Audit services	HK$140,000
Non-audit services	HK$10,000

The Audit Committee held two meetings during 2012 and has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management including a review of the consolidated financial statements for the period ended 30 June 2012 and the year ended 31 December 2011.

The attendance of each member at the Audit Committee meetings is as follows:-

Audit Committee member	**Meetings attended/held**
Independent Non-executive Directors	
Cheng Wing Keung, Raymond (resigned on 23 March 2012)	N/A
Yeung Chun Yue, David (resigned on 29 March 2012)	N/A
Siu Hi Lam, Alick (resigned on 1 February 2012)	N/A
Wong Chung Kin, Quentin, Chairman	2/2
Tsang Kwok Wa, Edward (appointed on 1 February 2012)	2/2
Ng Man Fai, Matthew (appointed on 23 March 2012)	2/2

Remuneration Committee

Remuneration Committee currently comprised solely of independent non-executive Directors, namely, Mr. Ng Man Fai, Matthew (Chairman), Mr. Wong Chung Kin, Quentin and Mr. Tsang Kwok Wa, Edward.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and making recommendations to the Board on the remuneration packages of individual executive Director and senior management.

The Remuneration Committee held four meetings during 2012 to discuss about the remuneration package of Directors and make recommendation to the Board on the remuneration of newly appointed Directors of the Company.

The attendance of each member at the Remuneration Committee meetings is as follows:

Remuneration Committee member	Meetings attended/held
Independent Non-executive Directors	
Cheng Wing Keung, Raymond (resigned on 23 March 2012)	N/A
Yeung Chun Yue, David (resigned on 29 March 2012)	1/4
Siu Hi Lam, Alick (resigned on 1 February 2012)	N/A
Wong Chung Kin, Quentin (appointed on 29 February 2012)	3/4
Tsang Kwok Wa, Edward (appointed 1 February 2012)	4/4
Ng Man Fai, Matthew, Chairman (appointed on 23 March 2012)	3/4

Nomination Committee

The Nomination Committee comprised of executive Director, namely, Mr. Luk Hong Man, Hammond, independent non-executive Directors, Mr. Ng Man Fai, Matthew and Mr. Tsang Kwok Wa, Edward. Mr. Tsang Kwok Wa, Edward is the Chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee held one meeting during 2012 to identify individual suitably qualified to become Board member and make recommendation to the Board on the appointment of newly appointed Director.

The attendance of each member at the Nomination Committee meeting is as follows:

Nomination Committee member	Meetings attended/held
Executive Director	
Luk Hong Man, Hammond (appointed on 30 March 2012)	1/1
Independent Non-executive Directors	
Tsang Kwok Wa, Edward, Chairman (appointed on 30 March 2012)	1/1
Ng Man Fai, Matthew (appointed on 30 March 2012)	1/1

INTERNAL CONTROLS

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

COMPANY SECRETARY

Ms. Hong Lai Ping was appointed as the Company Secretary of the Company on 5 February 2010 and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the Chairman of the Company and is responsible for advising the Board on governance matters. According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibility for preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The responsibilities of the Directors are to prepare the financial accounts for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Directors also acknowledge that the publication of the financial statements should be distributed to the shareholders of the Company in a timely manner. In preparing the accounts for the year ended 31 December 2012, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent, fair and reasonable and prepared accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

Procedures for convening an extraordinary general meeting and putting forward proposals at general meeting

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company at the principal place of business in Hong Kong situated at 23/F., Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's articles of association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

ENQUIRIES TO THE BOARD

The Board always welcomes shareholders' views and input. Shareholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary of the Company and the contact details are as follows:

Company Secretary
China Investment Fund Company Limited
23/F., Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong
Email: info@cifund.com.hk
Tel. No.: (852) 2838 9806
Fax No.: (852) 2838 6782

CONSTITUTIONAL DOCUMENTS

In 2012, certain amendments to the articles of association of the Company have been made in light of the amendments made to the Listing Rules. All these amendments are disclosed on page 5 to 6 of the circular of the Company dated on 30 April 2012.

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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2-12 Queen's Road West, Hong Kong.
香港皇后大道西2-12號聯發商業中心305室
Tel 電話: (852) 3103 6980
Fax 傳真: (852) 3104 0170
E-mail 電郵: hlm@hlm.com.hk

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

We have audited the consolidated financial statements of China Investment Fund Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 73, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 the 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 and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 Group as at 31 December 2012, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM CPA Limited
Certified Public Accountants
Yuen Suk Ching
Practicing Certificate Number P01107

Hong Kong, 27 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	2012 HK$	2011 HK$
Revenue	6	**1,191,439**	2,363,375
Net realised (loss) gain on disposal of available-for-sale financial assets		**(3,304,002)**	1,283,018
Net realised gain on disposal of financial assets designated as held for trading		**2,551,329**	1,527,700
Net unrealised gain on financial assets designated as held for trading		**3,361,631**	—
Loss on disposal of a subsidiary/subsidiaries	8	**—**	(9,457,609)
		3,800,397	(4,283,516)
Other income	6	**150,000**	1,280,134
Administrative expenses		**(24,872,414)**	(9,067,128)
Finance costs	9	**(15,171)**	—
Loss before tax		**(20,937,188)**	(12,070,510)
Income tax expense	10	**—**	—
Loss for the year	12	**(20,937,188)**	(12,070,510)
LOSS PER SHARE	14		
— Basic (HK cents)		**(2.74) cents**	(1.72) cents
— Diluted (HK cents)		**(2.74) cents**	(1.72) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 HK$	2011 HK$
Loss for the year	**(20,937,188)**	(12,070,510)
Other comprehensive expenses:		
Exchange (loss) gain on translating available-for-sale financial assets	**(12,590)**	5,565
Exchange difference arising on translation of foreign operation	**15,400**	—
Net loss arising on revaluation of available-for-sale financial assets during the year	**(11,990,900)**	(5,861,213)
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year	**1,988,340**	(1,321,169)
Other comprehensive expenses for the year, net of income tax	**(9,999,750)**	(7,176,817)
Total comprehensive expenses attributable to owners of the Company	**(30,936,938)**	(19,247,327)

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	2012 HK$	2011 HK$
Non-current assets			
Property, plant and equipment	15	**6,512,285**	22,337
Available-for-sale financial assets	16	**117,117,922**	116,805,674
		123,630,207	116,828,011
Current assets			
Available-for-sale financial assets	16	**5,523,640**	—
Prepayments, deposits and other receivables	17	**7,932,496**	502,451
Financial assets designated as held for trading	18	**20,424,000**	—
Cash and cash equivalents	19	**31,152,802**	114,518,958
		65,032,938	115,021,409
Current liability			
Accruals, deposit received and other payables	20	**843,545**	13,092,882
Net current assets		**64,189,393**	101,928,527
Total assets less current liability		**187,819,600**	218,756,538
Capital and reserves			
Share capital	21	**38,256,000**	38,256,000
Reserves	22	**149,563,600**	180,500,538
Total equity		**187,819,600**	218,756,538
Net asset value per share	14	**0.25**	0.29

The consolidated financial statements on pages 22 to 73 were approved and authorised for issue by the Board of Directors on 27 March 2013 and are signed on its behalf by:

Luk Hong Man, Hammond
Director

Zhang Xi
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital HK$	Share premium HK$	Exchange reserve HK$	Investment revaluation reserve HK$	Retained earnings (Accumulated losses) HK$	Total HK$
At 1 January 2011	11,152,000	131,291,525	1,466,515	(145,346)	1,094,558	144,859,252
Issue of shares for cash by subscription	1,600,000	17,260,000	—	—	—	18,860,000
Issue of shares for cash by open offer	25,504,000	48,780,613	—	—	—	74,284,613
Other comprehensive expenses	—	—	(1,460,950)	(5,715,867)	—	(7,176,817)
Loss for the year	—	—	—	—	(12,070,510)	(12,070,510)
At 31 December 2011	38,256,000	197,332,138	5,565	(5,861,213)	(10,975,952)	218,756,538
Other comprehensive expenses	**—**	**—**	**2,810**	**(10,002,560)**	**—**	**(9,999,750)**
Loss for the year	**—**	**—**	**—**	**—**	**(20,937,188)**	**(20,937,188)**
At 31 December 2012	**38,256,000**	**197,332,138**	**8,375**	**(15,863,773)**	**(31,913,140)**	**187,819,600**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$	2011 HK$
Cash flows from operating activities		
Loss for the year	**(20,937,188)**	(12,070,510)
Adjustments for:		
Depreciation of property, plant and equipment	**991,484**	23,789
Amortisation of prepaid lease payments	**—**	50,255
Interest income	**(900,539)**	(1,009,716)
Dividend income	**(290,900)**	(1,353,659)
Interest expenses	**15,171**	—
Loss on disposal of a subsidiary/subsidiaries	**—**	9,457,609
Net realised loss (gain) on disposal of available-for-sale financial assets	**3,304,002**	(1,283,018)
Net realised gain on disposal of financial assets designated as held for trading	**(2,551,329)**	(1,527,700)
Net foreign exchange loss	**—**	1,221
Net unrealised gain on financial assets designated as held for trading	**(3,361,631)**	—
Operating cash flows before movements in working capital	**(23,730,930)**	(7,711,729)
(Increase) decrease in prepayments, deposits and other receivables	**(7,430,045)**	204,175
(Decrease) increase in accruals, deposit received and other payables	**(12,249,337)**	10,579,902
Cash (used in) generated from operating activities	**(43,410,312)**	3,072,348
Interest paid	**(15,171)**	—
Net cash (used in) generated from operating activities	**(43,425,483)**	3,072,348
Cash flows from investing activities		
Interest received	**900,539**	1,009,716
Dividend received	**290,900**	1,353,659
Purchase of property, plant and equipment	**(7,481,432)**	(24,430)
Proceeds on disposal of a subsidiary/subsidiaries	**31,000,000**	24,773,275
Purchase of financial assets designated as held for trading	**(38,316,340)**	—
Purchase of available-for-sale financial assets	**(92,906,090)**	(79,485,636)
Proceeds on disposal of financial assets designated as held for trading	**23,805,300**	11,400,100
Proceeds on disposal of available-for-sale financial assets	**42,751,050**	17,659,966
Net cash used in investing activities	**(39,956,073)**	(23,313,350)
Cash flow from financing activity		
Net proceeds on issue of shares	**—**	93,144,613
Net cash generated from financing activity	**—**	93,144,613
Net (decrease) increase in cash and cash equivalents	**(83,381,556)**	72,903,611
Effect of foreign exchange rate changes	**15,400**	—
Cash and cash equivalents at the beginning of year	**114,518,958**	41,615,347
Cash and cash equivalents at the end of year (Note 19)	**31,152,802**	114,518,958

1. GENERAL

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

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

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

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of these new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior years.

New and revised HKFRSs issued but not yet effective

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

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

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

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

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

Annual Improvements to HKFRSs 2009 — 2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009 — 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The Directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The Directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

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

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

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

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

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

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

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

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

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

New and revised standards on consolidation, joint arrangements, associates and disclosures *(continued)*

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC) — Int 12 Consolidation — Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) — Int 13 Jointly Controlled Entities — Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

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

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The Directors anticipate that the application of these five standards may not have a significant impact on amounts reported in the consolidated financial statements.

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments may have an impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

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

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Directors anticipate that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

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

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

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The Directors anticipate that the application of the amendments to HKAS 19 may have an impact on the amounts reported in respect of the Group's defined benefit plans.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

The principal accounting policies are set out below.

(a) Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Revenue recognition

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

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

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

(c) Property, plant and equipment

Property, plant and equipment held for use in the supply of services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

(d) Prepaid lease payments

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

(e) Foreign currencies

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Foreign currencies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

(f) Leasing

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

The Group as lessee

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Leasing *(continued)*

The Group as lessee (continued)

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

Leasehold land for own use

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

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

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(h) Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Taxation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

(k) Provisions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments *(continued)*

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with change in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "revenue" line item in the consolidated income statement. Fair value is determined in the manner described in note 5 to the consolidated financial statements.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments *(continued)*

Financial assets (continued)

Held-to-maturity investments

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated certain items as available-for-sale financial assets on initial recognition of those item.

Equity and debt securities held by the Group that are classified as available-for-sale and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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

Impairment of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

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

Financial liabilities and equity instruments

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

Equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

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

Derivative financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

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

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

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

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

(m) Cash and cash equivalents

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3 to the consolidated financial statements, the Directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumption are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Depreciation

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

Key sources of estimation uncertainty

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

Fair value of financial instruments

As described in note 5.2 to the consolidated financial statements, the Directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted equity instruments includes some assumptions not supported by observable market prices or rates. The carrying amounts of the debt and equity instruments as at 31 December 2012 are HK$5,523,640 and HK$137,541,922 respectively (31 December 2011: HK$nil and HK$116,805,674 respectively). Details of the assumptions used are disclosed in note 5.2 to the consolidated financial statements. The Directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

5. FINANCIAL RISKS MANAGEMENT

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

The Group's major financial instruments include financial assets designated as held for trading, and other investments in available-for-sale financial assets. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk, credit risk, liquidity risk, interest rate risk, foreign currency risk and operational risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

5.1 Risk Management

(a) Market risk

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

Sensitivity analysis

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

If financial assets prices had been 15% higher/lower (2011: 15% higher/lower), loss for the year ended 31 December 2012 would decrease/increase by HK$3,063,600 (2011: decrease/increase by HK$nil). This is mainly due to the changes in fair value of financial assets designated as held for trading. Also, if the fair value of the available-for-sale financial assets had higher/lower by 15% (2011: 15% higher/lower) and all other variables were held constant, the investment revaluation reserve would increase/decrease by HK$18,396,234 (2011: increase/decrease by HK$17,520,851).

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.1 Risk Management *(continued)*

(b) Credit risk

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

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

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

(c) Liquidity risk

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

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

	2012			
	On demand	**Within 1 year**	**1–3 years**	**Total**
	HK$	**HK$**	**HK$**	**HK$**
Accruals, deposit received and other payables	**843,545**	**—**	**—**	**843,545**
	843,545	**—**	**—**	**843,545**

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

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.1 Risk Management *(continued)*

(d) Interest rate risk

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

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2011: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2011: 100 basis points) higher/lower and all other variables were held constant, the Group's:

- post-tax loss for the year ended 31 December 2012 would decrease/increase by HK$311,313 (2011: decrease/increase by HK$1,145,190). This is mainly attributable to the Group's exposure to interest rates on its cash and cash equivalents.

(e) Foreign currency risk

The Group has foreign currency on financial assets, which expose the Group to foreign currency risk. Approximately 17% (2011: 19%) of the Group's financial assets are denominated in currencies other than the functional currency.

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

	ASSETS	
	2012	2011
	HK$	HK$
EUR	**9,096**	9,556
RMB	**49,865**	70
CAD	**—**	72,931
USD	**26,102,496**	31,689,286

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.1 Risk Management *(continued)*

(e) Foreign currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD. For the currency risk of the Group's monetary assets, the exposure is mainly in HKD against USD. If the exchange rate of HKD against USD has been increased/decreased by 5% (2011: 5%), the Group's loss for the year would increase/decrease by HK$1,305,125 (2011: increase/decrease by HK$1,584,464).

(f) Operational risk

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

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

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

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

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

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.2 Fair Value Estimation

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market closing price; and

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

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

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

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

	2012			
	Level 1	Level 2	Level 3	Total
	HK$	HK$	HK$	HK$
Available-for-sale financial assets				
Equity securities	117,117,922	—	—	117,117,922
Debt securities	—	—	5,523,640	5,523,640
	117,117,922	—	5,523,640	122,641,562
Financial assets designated as held for trading				
Equity securities	20,424,000	—	—	20,424,000

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.2 Fair Value Estimation *(continued)*

Level 3 movement tables **Financial assets**	**Available-for-sale financial assets**	
	Unquoted equity securities HK$	**Unquoted debt securities HK$**
At 1 January 2012	**50,200,000**	**—**
Additions	**—**	**5,523,640**
Disposals	**(50,200,000)**	**—**
At 31 December 2012	**—**	**5,523,640**
Total gain recognised in the consolidated income statement relating to assets held at 31 December 2012	**—**	**—**

There were no transfers among all levels in 2012.

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

Level 3 movement tables Financial assets	Available-for-sale financial assets	
	Unquoted equity securities HK$	Unquoted debt securities HK$
At 1 January 2011	50,200,000	5,574,018
Disposals	—	(5,574,018)
At 31 December 2011	50,200,000	—
Total gain recognised in the consolidated income statement relating to assets held at 31 December 2011	—	—

There were no transfers among all levels in 2011.

5. FINANCIAL RISKS MANAGEMENT *(continued)*

5.3 Classifications and Fair Value of Financial Assets and Liabilities

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

	Available-for-sale HK$	Held for trading HK$	Loan and receivables HK$	Other assets/ liabilities HK$	Total carrying amount HK$
At 31 December 2012					
Available-for-sale financial assets	**122,641,562**	**—**	**—**	**—**	**122,641,562**
Prepayments, deposits and other receivables	**—**	**—**	**7,932,496**	**—**	**7,932,496**
Financial assets designated as held for trading	**—**	**20,424,000**	**—**	**—**	**20,424,000**
Cash and cash equivalents	**—**	**—**	**31,152,802**	**—**	**31,152,802**
	122,641,562	**20,424,000**	**39,085,298**	**—**	**182,150,860**
Accruals, deposit received and other payables	**—**	**—**	**—**	**843,545**	**843,545**
	—	**—**	**—**	**843,545**	**843,545**
At 31 December 2011					
Available-for-sale financial assets	116,805,674	—	—	—	116,805,674
Prepayments, deposits and other receivables	—	—	502,451	—	502,451
Cash and cash equivalents	—	—	114,518,958	—	114,518,958
	116,805,674	—	115,021,409	—	231,827,083
Accruals, deposit received and other payables	—	—	—	13,092,882	13,092,882
	—	—	—	13,092,882	13,092,882

6. REVENUE AND OTHER INCOME

Revenue represents interest income and dividend income from financial assets for the year. An analysis of the Group's revenue and other income for the year is as follows:

	2012 HK$	2011 HK$
Revenue		
Interest income from:		
— Deposits in financial institutions	415,607	812,386
— Available-for-sale financial assets	484,932	197,330
Dividend income from:		
— Financial assets designated as held for trading	290,900	—
— Available-for-sale financial assets	—	1,353,659
	1,191,439	2,363,375
Other income		
— Option fee income	150,000	1,280,134

7. SEGMENT INFORMATION

During the years ended 31 December 2012 and 2011 respectively, the Group's revenue were mainly derived from the interest income and dividend income from investments. The Directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating profits. The Group's segment revenue, assets and liabilities for the year, analysed by geographical market, are as follows:

	Hong Kong		Others		Consolidated	
	2012 HK$	2011 HK$	2012 HK$	2011 HK$	2012 HK$	2011 HK$
Segment revenue:						
Interest income from deposits in financial institutions	415,454	812,386	153	—	415,607	812,386
Interest income from available-for-sale financial assets	—	—	484,932	197,330	484,932	197,330
Dividend received	290,900	—	—	1,353,659	290,900	1,353,659
	706,354	812,386	485,085	1,550,989	1,191,439	2,363,375
Segment assets	178,907,553	169,297,446	9,755,592	62,551,974	188,663,145	231,849,420
Unallocated assets					—	—
Total assets					188,663,145	231,849,420
Total liabilities					843,545	13,092,882
Other information						
Additions to non-current assets					7,481,432	24,430

8. LOSS ON DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed of its entire interest in On Kong Group Limited.

The net asset of the subsidiary at the date of disposal is as follow:

	Total HK$
Net asset disposal of:	
Available-for-sale financial asset	31,000,000
Net asset	31,000,000
Total consideration	(31,000,000)
Loss on disposal	—
Net cash inflow arising on disposal	
Cash consideration	31,000,000

9. FINANCE COSTS

	2012 **HK$**	2011 HK$
Interest on bank and securities broker overdrafts wholly repayable within five years	**15,171**	—

10. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the year. Tax losses carried forward amount to approximately HK$60,197,585.

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

	2012 **HK$**	2011 HK$
Loss before tax	**(20,937,188)**	(12,070,510)
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	**(3,454,636)**	(1,991,634)
Tax effect of income not taxable for tax purpose	**(671,217)**	(427,378)
Tax effect of expenses not deductible for tax purpose	**3,614,495**	1,757,993
Tax effect of deductible temporary differences previously not recognised	**(660,457)**	8,015
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(209,843)**	—
Tax effect of tax losses not recognised	**1,381,658**	653,004
Tax expense for the year	**—**	—

Note: The domestic tax rate (which is Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

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

11. DIRECTORS' REMUNERATION

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

	2012			
	Directors' fees HK$	Salaries, allowances and benefits in kind HK$	Mandatory provident fund contributions HK$	Total HK$
Executive Directors				
William Robert Majcher (Note 1)	—	120,000	6,000	126,000
Wan Chuen Hing, Alexander (Note 2)	—	151,250	6,250	157,500
Luk Hong Man, Hammond	—	580,909	13,750	594,659
Ye Yinggang (Note 3)	—	94,968	—	94,968
Independent non-executive Directors				
Cheng Wing Keung, Raymond (Note 4)	22,500	—	—	22,500
Yeung Chun Yue, David (Note 5)	22,500	—	—	22,500
Siu Hi Lam, Alick (Note 6)	7,500	—	—	7,500
Tsang Kwok Wa, Edward (Note 7)	91,674	—	—	91,674
Ng Man Fai, Matthew (Note 8)	75,006	—	—	75,006
Wong Chung Kin, Quentin	100,008	—	—	100,008
	319,188	947,127	26,000	1,292,315

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

11. DIRECTORS' REMUNERATION *(continued)*

(a) *(continued)*

Notes:

(1) Resigned on 15 January 2013
(2) Resigned on 1 June 2012
(3) Appointed on 3 July 2012
(4) Resigned on 23 March 2012
(5) Resigned on 29 March 2012
(6) Resigned on 1 February 2012
(7) Appointed on 1 February 2012
(8) Appointed on 23 March 2012

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

During the year, no emoluments were paid by the Group to any of the Directors of the Company or the five highest paid individuals of the Group (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a Director waived or agreed to waive any remuneration during both years ended 31 December 2012 and 2011.

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, one (2011: two) was Director of the Company whose emoluments are included in the disclosures in note 11(a) above. The emolument of the remaining four employees (2011: three) were as follows:

	2012	2011
	HK$	HK$
Basic salaries and other benefits	**2,063,773**	849,992
Mandatory provident fund contributions	**52,000**	26,000
Total emoluments	**2,115,773**	875,992

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

12. LOSS FOR THE YEAR

	2012 HK$	2011 HK$
The Group's loss for the year has been arrived at after charging:		
Directors' remuneration (Note 11):		
Fees	**319,188**	278,334
Other emoluments	**947,127**	865,323
Provident fund contributions	**26,000**	20,500
Staff costs:		
Salaries	**4,953,160**	849,992
Provident fund contributions	**147,033**	26,000
Total staff costs (including Directors' remuneration)	**6,392,508**	2,040,149
Auditor's remuneration		
Current year	**140,000**	110,000
Investment management fee	**900,000**	1,800,000
Depreciation on property, plant and equipment	**991,484**	23,789
Amortisation of prepaid lease payments	**—**	50,255
Financial advisory fee	**3,000,000**	1,000,000
Net foreign exchange losses	**71,511**	120,944
Operating lease rentals of land and buildings	**4,111,939**	2,448,540

13. DIVIDEND

No dividend was paid or proposed during 2012, nor has any dividend been proposed since the end of the reporting period (2011: nil).

14. NET ASSET VALUE PER SHARE AND LOSS PER SHARE

Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of HK$187,819,600 (2011: HK$218,756,538) by the number of shares in issue as at 31 December 2012, being 765,120,000 (2011: 765,120,000).

Loss per share

The calculation of the basic and diluted loss per share is based on the net loss for the year of HK$20,937,188 (2011: net loss of HK$12,070,510) and the weighted average number of 765,120,000 (2011: 703,693,337) ordinary shares in issue during the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	Buildings HK$	Office equipment HK$	Motor vehicles HK$	Total HK$
COST					
At 1 January 2011	36,580	746,935	—	—	783,515
Derecognised on disposal of subsidiaries	(36,580)	(746,935)	—	—	(783,515)
Additions	—	—	24,430	—	24,430
At 31 December 2011 and at 1 January 2012	—	—	24,430	—	24,430
Additions	446,360	—	231,801	6,803,271	7,481,432
At 31 December 2012	**446,360**	**—**	**256,231**	**6,803,271**	**7,505,862**
DEPRECIATION AND IMPAIRMENT					
At 1 January 2011	20,119	84,652	—	—	104,771
Eliminated on disposal of subsidiaries	(24,387)	(102,080)	—	—	(126,467)
Charge for the year	4,268	17,428	2,093	—	23,789
At 31 December 2011 and at 1 January 2012	—	—	2,093	—	2,093
Charge for the year	50,365	—	34,716	906,403	991,484
At 31 December 2012	**50,365**	**—**	**36,809**	**906,403**	**993,577**
CARRYING VALUES					
At 31 December 2012	**395,995**	**—**	**219,422**	**5,896,868**	**6,512,285**
At 31 December 2011	—	—	22,337	—	22,337

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

Buildings	4%
Leasehold improvements	20%
Office equipment	20%
Motor vehicles	20%

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 HK$	2011 HK$
Overseas convertible notes, at cost (Note a)	6,000,000	—
Less: fair value adjustment (Note e)	(476,360)	—
	5,523,640	—
Unlisted equity securities, at cost (Note b)	—	50,200,000
Less: fair value adjustment (Note e)	—	—
	—	50,200,000
Equity securities listed in overseas, at cost (Note c)	19,080,813	19,080,813
Less: fair value adjustment	(15,159,433)	(6,728,839)
	3,921,380	12,351,974
Equity securities listed in Hong Kong, at cost (Note d)	113,431,547	53,380,509
(Less) add: fair value adjustment	(235,005)	873,191
	113,196,542	54,253,700
Total	122,641,562	116,805,674
Analysed for reporting purpose as:		
Current assets	5,523,640	—
Non-current assets	117,117,922	116,805,674
Total	122,641,562	116,805,674

Notes:

(a) In 2012, the Group acquired convertible notes in AIM Resources Investment Limited ("ARIL"), Skill Tact Limited ("STL") and Perfect Action Limited ("PAL") at HK$2,000,000 each due 2013. ARIL, STL and PAL are the companies incorporated in British Virgin Islands on 11 May 2006, 13 April 2010 and 23 January 2003 respectively. One of the terms and conditions in the convertible notes agreements stated that ARIL, STL and PAL shall pay the full redemption amount, including the outstanding principal, interest and any premium, to the Group on the day immediately preceding the first anniversary date from the date of the issue of the convertible notes or upon voluntary redemption by the issuer prior to the maturity date unless previously redeemed or converted or purchased and cancelled as provided. The Group has the right to convert the entire outstanding principal amount of the convertible notes into such number of conversion shares at any time during the conversion period at subscription price which shall be the principal amount of the convertible notes and used as the consideration for the issuance of the conversion shares. The convertible notes shall bear interest at the rate of 25% per annum. The overseas convertible notes investments are stated at fair value because the market of these financial assets are not active, the Group establishes the value by reference provided by Grant Sherman Appraisal Limited ("Grant Sherman"), independent qualified professional valuer not connected to the Group. Grant Sherman is a member of The Hong Kong Institute of Surveyors. In March 2013, the Group has further received HK$234,247 for repayment of interest of convertible notes.

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

Notes: *(continued)*

(b) On 21 and 29 March 2012, the Group disposed all entire interest of Bollex Development Limited and Fame Oriented Holdings Limited at a cash consideration of HK$31,000,000 and HK$19,200,000 respectively.

(c) In 2011, the Group disposed all entire interest of listed equity securities being 38,450 shares of 8.125% preferred shares in The Hongkong and Shanghai Banking Corporation Limited for a consideration of USD1,006,179.

In 2012, the Group hold overseas listed equity securities being 4,818,515 shares of 6.32% equity interest in China Private Equity Investment Holdings Limited ("CPE") for a consideration of USD2,457,443 (approximately HK$19,080,813). The company was set up with an intention to position itself to be a Chinese and Asian focused AIM listed private equity investment holding group.

For the year ended 31 December 2011, the audited consolidated loss from ordinary activities attributable to owners of CPE was approximately USD2,882,000 and the basic loss per share was US4.11 cents. At 31 December 2011, the audited consolidated net asset value attributable to owners of CPE was approximately USD33,423,000. No dividend was received during the year.

(d) In 2012, the Group held listed equity securities being 33,904,000 shares of 8.47% equity interest in the Value Convergence Holdings Limited ("Value Convergence") for a consideration of HK$32,893,520 and which is principally engaged in the provision of financial services.

For the year ended 31 December 2012, the audited consolidated loss from ordinary activities attributable to owners of Value Convergence was approximately HK$37,243,000 and the basic loss per share was HK9.21 cents. At 31 December 2012, its audited consolidated net assets value attributable to owners of Value Convergence was approximately HK$538,920,000. No dividend was received during the year.

In 2012, the Group held listed equity securities being 119,864,000 shares of 0.91% equity interest in the Media Asia Group Holdings Limited ("Media Asia") for a consideration of HK$16,952,057 and which is principally engaged in providing film production and distribution; organisation, management and production of concerts and live performances; artiste management; production and distribution of television drama series; music production and publishing; cinema investment and operation; provision of consultancy services in planning and management of cultural, entertainment and live performance projects; provision of contents to new media; operation of new media and related businesses and licensing of software and technology for use in connection with provision of value-added telecommunications services.

For the year ended 31 July 2012, the audited consolidated loss from ordinary activities attributable to owners of Media Asia was approximately HK$290,175,000 and the basic loss per share was HK2.262 cents. At 31 July 2012, its audited consolidated net assets value attributable to owners of Media Asia was approximately HK$542,116,000. No dividend was received during the year.

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

Notes: *(continued)*

(d) *(continued)*

In 2012, the Group acquired listed equity securities being 12,682,000 shares of 1.19% equity interest in the China Nuclear Industry 23 International Corporation Limited ("China Nuclear") for a consideration of HK$24,133,120 and which is principally engaged in restaurant operations, property investments and hotel operations.

For the period ended 31 December 2012, the audited consolidated profit from ordinary activities attributable to owners of China Nuclear was approximately HK$37,598,000 and the basic earnings per share was HK4 cents. At 31 December 2012, its audited consolidated net assets value attributable to owners of China Nuclear was approximately HK$436,069,000. No dividend was received during the year.

In 2012, the Group acquired listed equity securities being 5,256,000 shares of 6.12% equity interest in the Same Time Holdings Limited ("Same Time") for a consideration of HK$31,295,760 and which is principally engaged in the manufacturing and selling of printed circuit boards.

For the year ended 31 March 2012, the audited consolidated loss from ordinary activities attributable to owners of Same Time was HK$38,977,502 and the basic loss per share was HK57.6 cents. At 31 March 2012, its audited consolidated net assets value attributable to owners of Same Time was HK$505,426,655. No dividend was received during the year.

In 2012, the Group acquired listed equity securities being 3,946,000 shares of 0.12% equity interest in the China Fortune Financial Group Limited ("China Fortune") for a consideration of HK$422,170 and which is principally engaged in securities, futures and insurance brokerage, margin financing, provision of corporate finance services and money lending services.

For the year ended 31 March 2012, the audited consolidated loss from ordinary activities attributable to owners of China Fortune was approximately HK$69,602,000 and the basic loss per share was HK2.29 cents. At 31 March 2012, its audited consolidated net assets value attributable to owners of China Fortune was approximately HK$359,902,000. No dividend was received during the year.

In 2012, the Group acquired listed equity securities being 6,376,000 shares of 1.53% equity interest in the Fornton Group Limited ("Fornton Group") for a consideration of HK$7,734,920 and which is principally engaged in manufacturing and trading of knitwear.

For the year ended 31 December 2012, the audited consolidated profit from ordinary activities attributable to owners of Fornton Group was approximately HK$13,738,000 and the basic earnings per share was HK3.3 cents. At 31 December 2012, its audited consolidated net assets value attributable to owners of Fornton Group was approximately HK$139,241,000. No dividend was received during the year.

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

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012 HK$	2011 HK$
Prepayments	339,298	447,602
Rental and utility deposits	969,571	—
Deposit paid for acquisition on financial assets	3,822,050	—
Due from brokers	1,442,403	—
Interest receivables	484,932	54,849
Other receivables	874,242	—
	7,932,496	502,451

18. FINANCIAL ASSETS DESIGNATED AS HELD FOR TRADING

	2012 HK$	2011 HK$
Non-pledged financial assets at fair value through profit or loss		
Held for trading assets:		
— Equity securities listed in Hong Kong, at market value	20,424,000	—

Fair values are determined by the Directors' review with reference to quoted market closing price.

As at 31 December 2012, financial assets designated as held for trading included the following investments:

Name of investee company	Number of shares held	Proportion of investee's company capital owned	Carrying value HK$	Market value HK$	Unrealised gain arising on revaluation HK$	Dividend received/ receivable during the year HK$
(a) Credit China Holdings Limited	27,600,000	1.30%	17,062,369	20,424,000	3,361,631	—

A brief description of the business and financial information of the listed investee companies which represents all of the Group's assets, which are extracted from their latest published annual reports is as follows:

Note:

(a) In 2012, the Group held listed equity securities being 27,600,000 shares of 1.30% equity interest in the Credit China Holdings Limited ("Credit China") for a consideration of HK$17,062,369 and which is principally engaged in providing financial consulting services and entrusted loans business.

For the year ended 31 December 2012, the audited consolidated profit from ordinary activities attributable to owners of Credit China was approximately RMB149,534,000 and the basic earnings per share was RMB7.05 cents. At 31 December 2012, its audited consolidated net assets value attributable to owners of Credit China was approximately RMB743,862,000. No dividend was received during the year.

19. CASH AND CASH EQUIVALENTS

	2012	2011
	HK$	HK$
Deposits with banks and other financial institutions	**—**	90,744,723
Cash at bank and in hand	**31,152,802**	23,774,235
	31,152,802	114,518,958

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

	2012	2011
EUR Dollars	**EUR952**	EUR950
US Dollars	**USD3,367,956**	USD4,079,360
CAD Dollars	**—**	CAD9,589
RMB	**RMB40,090**	RMB57

20. ACCRUALS, DEPOSIT RECEIVED AND OTHER PAYABLES

	2012	2011
	HK$	HK$
Accrued expenses	**646,831**	461,708
Deposit received in respect of subscription of the Company's shares	**—**	150,000
Due to brokers	**3,706**	12,481,174
Other payables	**193,008**	—
	843,545	13,092,882

21. SHARE CAPITAL

	Number of ordinary share of HK$0.01 each	Number of ordinary share of HK$0.05 each	Nominal value HK$
Authorised:			
At 1 January 2011	3,000,000,000	—	30,000,000
Share consolidation (5 in 1)	(3,000,000,000)	600,000,000	—
Increase in authorised share capital	—	3,400,000,000	170,000,000
At 31 December 2011, 1 January 2012 and 31 December 2012	**—**	**4,000,000,000**	**200,000,000**
Issued and fully paid:			
At 1 January 2011	1,115,200,000	—	11,152,000
Issue of shares for cash by subscription	160,000,000	—	1,600,000
Share consolidation (5 in 1)	(1,275,200,000)	255,040,000	—
Issue of shares for cash by open offer	—	510,080,000	25,504,000
At 31 December 2011, 1 January 2012 and 31 December 2012	**—**	**765,120,000**	**38,256,000**

There was no change in share capital during the year.

22. RESERVES

(a) The Group

	Share premium HK$	Exchange reserve HK$	Investment revaluation reserve HK$	Retained earnings (Accumulated losses) HK$	Total HK$
At 1 January 2011	131,291,525	1,466,515	(145,346)	1,094,558	133,707,252
Issue of shares for cash by subscription	17,260,000	—	—	—	17,260,000
Issue of shares for cash by open offer	48,780,613	—	—	—	48,780,613
Other comprehensive expenses:					
— Exchange gain on translating available-for-sale financial assets	—	5,565	—	—	5,565
— Net loss arising on revaluation of available-for-sale financial assets	—	—	(5,861,213)	—	(5,861,213)
— Reclassification adjustments relating to available-for-sale financial assets disposed of	—	(1,466,515)	145,346	—	(1,321,169)
Loss for the year	—	—	—	(12,070,510)	(12,070,510)
At 31 December 2011 and at 1 January 2012	197,332,138	5,565	(5,861,213)	(10,975,952)	180,500,538
Other comprehensive expenses:					
— Exchange gain on translating available-for-sale financial assets	**—**	**(12,590)**	**—**	**—**	**(12,590)**
— Exchange difference arising on translation of foreign operation	**—**	**15,400**	**—**	**—**	**15,400**
— Net loss arising on revaluation of available-for-sale financial assets	**—**	**—**	**(11,990,900)**	**—**	**(11,990,900)**
— Reclassification adjustments relating to available-for-sale financial assets disposed of	**—**	**—**	**1,988,340**	**—**	**1,988,340**
Loss for the year	**—**	**—**	**—**	**(20,937,188)**	**(20,937,188)**
At 31 December 2012	**197,332,138**	**8,375**	**(15,863,773)**	**(31,913,140)**	**149,563,600**

22. RESERVES *(continued)*

(b) The Company

	Share premium HK$	Exchange reserve HK$	Investment revaluation reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2011	131,291,525	1,466,515	(145,346)	(44,024,266)	88,588,428
Issue of shares for cash by subscription	17,260,000	—	—	—	17,260,000
Issue of shares for cash by open offer	48,780,613	—	—	—	48,780,613
Other comprehensive expenses:					
— Net loss arising on revaluation of available-for-sale financial assets	—	—	(1,988,340)	—	(1,988,340)
— Reclassification adjustments relating to available-for-sale financial assets disposed of	—	(1,466,515)	145,346	—	(1,321,169)
Loss for the year	—	—	—	(9,067,322)	(9,067,322)
At 31 December 2011 and at 1 January 2012	197,332,138	—	(1,988,340)	(53,091,588)	142,252,210
Other comprehensive expense:					
— Reclassification adjustments relating to available-for-sale financial assets disposed of	**—**	**—**	**1,988,340**	**—**	**1,988,340**
Loss for the year	**—**	**—**	**—**	**(10,400,684)**	**(10,400,684)**
At 31 December 2012	**197,332,138**	**—**	**—**	**(63,492,272)**	**133,839,866**

23. SHARE OPTION SCHEME

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

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceeding 30% of the shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 1% of the shares of the Company in issue during the twelve-month period before the date of grant, without prior approval from the Company's shareholders.

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

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

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

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

24. RETIREMENT BENEFITS SCHEME

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its employees makes monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a maximum contribution of HK$1,250 per month and thereafter contributions are voluntary.

25. DEFERRED TAXATION

At the end of the reporting period, the Group has unused tax losses of approximately HK$60,197,585 (2011: HK$51,823,896) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The tax losses do not expire under the current tax legislation and may be carried forward indefinitely.

The Group and the Company had no material unprovided deferred tax liabilities at the end of the reporting period (2011: nil).

26. RELATED PARTY AND CONNECTED TRANSACTIONS

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

(a)

	Notes	2012 HK$	2011 HK$
Investment management fee paid to Baron Asset Management Limited	(i)	**900,000**	1,800,000
Sharing of administrative office fee paid to Baron Asia Limited	(ii)	**1,200,000**	2,400,000
Consultancy fee paid to Ms. Wan Ho Yan, Letty	(iii)	**—**	173,000
Brokerage fee paid to Ping An Securities Limited	(iv)	**25,697**	60,973
Financial advisory fee paid to Baron Capital Limited	(v)	**3,000,000**	1,000,000
Option fee income received from Baron Capital Limited	(vi)	**—**	155,134

Notes:

(i) The investment management fee was paid under the investment management agreements entered into between the Company and Baron Asset Management Limited who acted as the Investment Manager of the Company. Under the relevant investment management agreement and supplemental agreement, the investment management fee payable to the Investment Manager was HK$150,000 per month.

The Investment Manager is defined as a connected person of the Company pursuant to the Rule 21.13 of the Listing Rules.

(ii) Pursuant to the sharing of administrative office agreement dated 21 December 2009 (the "Sharing of Administrative Office Agreement") and a supplemental agreement entered into between the Company and Baron Asia Limited (the "Baron Asia"), the Company is entitled to share the use of the office premises and facilities with Baron Asia. Under the relevant agreements, the fee payable to Baron Asia was HK$200,000 per month.

Baron Asia is indirectly wholly-owned by Ms. Wan Ho Yan, Letty ("Ms. Wan") who is the niece of Mr. Wan Chuen Hing, Alexander, who was an executive Director of the Company during the year and resigned on 1 June 2012, and therefore Baron Asia is the connected person of the Company.

(iii) Pursuant to the consultancy agreement dated 21 December 2009 (the "Consultancy Agreement") entered into between the Company and Ms. Wan, the Company appointed Ms. Wan as a consultant to the Company to provide consultancy services in relation to the business and operation of the Company commencing from 21 December 2009 to 30 June 2011. This agreement had terminated in 2011 and there was no such fee paid to Ms. Wan for the current year.

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

(a) *(continued)*

Notes: *(continued)*

(iv) Pursuant to a brokerage agreement signed on 5 July 2011 (the "Brokerage Agreement") entered into between the Company and Ping An Securities Limited (the "Ping An Securities"), Ping An Securities provided the Company with brokerage service for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. Under the Brokerage Agreement, the aggregate fee payable to Ping An Securities shall not exceed HK$200,000 per annum.

Ping An Securities is indirectly wholly owned by Ms. Wan who is the niece of Mr. Wan Chuen Hing, Alexander, who was an executive Director of the Company during the year and resigned on 1 June 2012, and therefore Ping An Securities is the connected person of the Company.

(v) Pursuant to the financial advisory agreement dated 8 July 2011 (the "Old Financial Advisory Agreement") entered into between the Company and Baron Capital Limited ("Baron Capital"). Baron Capital provided corporate financial advisory services to the Company for a period of one year commencing from 1 July 2011 and expiring on 30 June 2012. On 3 October 2012, the Company entered into the new financial advisory agreement (the "New Financial Advisory Agreement") with Baron Capital for the provision of corporate financial advisory services to the Company for a period of one year commencing from 4 October 2012 and expiring on 3 October 2013. Under the Old Financial Advisory Agreement and the New Financial Advisory Agreement, the aggregate fee payable to Baron Capital shall not exceed HK$2,000,000 per annum and HK$4,000,000 per annum respectively.

Baron Capital is indirectly wholly owned by Ms. Wan who is the niece of Mr. Wan Chuen Hing, Alexander, who was an executive Director of the Company during the year and resigned on 1 June 2012, and therefore Baron Capital is the connected person of the Company.

(vi) Pursuant to the agreement dated 2 June 2011 between the Company and Baron Capital (the "Placing Agent"), the Company granted an option to the Placing Agent pursuant to which the Placing Agent will procure Placee on a best efforts basis to subscribe the Placing shares for the consideration of SGD24,500 (HK$155,134). The agreement was completed in prior year.

(b) The remuneration of Directors and other members of key management during the year was as follows:

	2012 **HK$**	2011 HK$
Directors' fee	**319,188**	278,334
Salaries, allowance and benefits in kind	**947,127**	865,323
Mandatory provident fund contributions	**26,000**	20,500
	1,292,315	1,164,157

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

27. OPERATING LEASES

The Group as lessee

As at 31 December 2012, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2012 HK$	2011 HK$
Within one year	2,386,892	2,364,960
In the second to fifth years inclusive	3,332,394	873,720
	5,719,286	3,238,680

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

28. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

	2012 HK$	2011 HK$
Unlisted shares, at cost	1,568	1,584
Amounts due from subsidiaries	54,255,192	59,797,486
	54,256,760	59,799,070

Name of subsidiaries	Place/Country of incorporation or registration operation	Class of shares held	Paid up issued/registered ordinary share capital	Proportion ownership interest and voting power held by the Company — Directly 2012	Directly 2011	Indirectly 2012	Indirectly 2011	Principal activities
Long Term Aim Holdings Limited	British Virgin Islands	Ordinary	1 share of US$1	100%	100%	—	—	Investment holdings
Eternity Sky Limited	British Virgin Islands	Ordinary	100 shares of US$1 each	100%	100%	—	—	Investment holdings
Happy Amigo Limited	British Virgin Islands	Ordinary	100 shares of US$1 each	100%	100%	—	—	Investment holdings
Forever Corporate Management Limited	Hong Kong	Ordinary	100 shares of HK$1 each	—	—	100%	100%	Investment holdings
Super Summit Investments Limited	British Virgin Islands	Ordinary	100 shares of US$1 each	—	—	100%	—	Trading of securities
All Famous Limited	Hong Kong	Ordinary	100 shares of HK$1 each	—	—	100%	—	Investment holdings
Rich Lead Corporation Limited	Hong Kong	Ordinary	100 shares of HK$1 each	—	—	100%	—	Investment holdings
Wildfire Sensation Limited	British Virgin Islands	Ordinary	100 shares of US$1 each	—	—	100%	—	Investment holdings
Perpetual Wealth Holdings Limited	British Virgin Islands	Ordinary	1 share of US$1	—	100%	100%	—	Investment holdings
Time Magic Limited	British Virgin Islands	Ordinary	100 shares of US$1 each	—	—	100%	—	Trading of securities
Nobility Bright Limited	British Virgin Islands	Ordinary	100 shares of US$1 each	—	—	100%	—	Investment holdings

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

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2012 HK$	2011 HK$
Non-current assets		
Interests in subsidiaries (Note 28)	54,256,760	59,799,070
Property, plant and equipment	44,505	22,337
Available-for-sale financial assets	—	44,066,712
	54,301,265	103,888,119
Current assets		
Prepayments, deposits and other receivables	4,698,076	502,451
Advance to fellow subsidiaries	107,396,105	—
Cash and cash equivalents	29,700,904	112,578,896
	141,795,085	113,081,347
Current liabilities		
Accrued liabilities and other payables	375,925	12,832,016
Amounts due to subsidiaries	23,624,559	23,629,240
	24,000,484	36,461,256
Net current assets	117,794,601	76,620,091
Total assets less current liabilities	172,095,866	180,508,210
Capital and reserves		
Share capital (Note 21)	38,256,000	38,256,000
Reserves (Note 22b)	133,839,866	142,252,210
Total equity	172,095,866	180,508,210

30. COMPARATIVE FIGURES

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

31. EVENT AFTER THE REPORTING PERIOD

On 31 January 2013, the placing of 153,000,000 Placing Shares under the General Mandate at the price of HK$0.201 per Placing Share has been lapsed. For further details please refer to the announcement dated on 31 January 2013.

Five Years Financial Summary

For the year ended 31 December

	2012 HK$	2011 HK$	2010 HK$	2009 HK$	2008 HK$
Results					
Revenue	**1,191,439**	2,363,375	1,168,424	10,679,063	1,945,647
(Loss) profit before tax	**(20,937,188)**	(12,070,510)	29,728,547	17,943,604	(43,460,242)
Income tax expense	**—**	—	—	—	—
	(20,937,188)	(12,070,510)	29,728,547	17,943,604	(43,460,242)
Assets and Liabilities					
Total assets	**188,663,145**	231,849,420	147,372,232	128,239,402	106,658,250
Total liabilities	**(843,545)**	(13,092,882)	(2,512,980)	(3,487,499)	(16,292,420)
Total assets less current liabilities	**187,819,600**	218,756,538	144,859,252	124,751,903	90,365,830
Share capital	**38,256,000**	38,256,000	11,152,000	10,952,000	10,752,000
Reserves	**149,563,600**	180,500,538	133,707,252	113,799,903	79,613,830
	187,819,600	218,756,538	144,859,252	124,751,903	90,365,830
(Loss) earnings per share					
— Basic and diluted (HK cents)	**(2.74) cents**	(1.72) cents	7.24 cents	6.29 cents	(4.64) cents