



**MASTERMIND CAPITAL LIMITED**

**慧德投資有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code : 905)**

# **Annual Report 2012**

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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors:

Mr. Mung Kin Keung (*Chairman*)  
Mr. Tang Hao (*Chief Executive Officer*)  
Mr. Ha Wing Ho, Peter  
Mr. Chee Man Sang, Eric  
Mr. Michael Stockford  
Mr. Mung Bun Man, Alan

#### Independent Non-executive Directors:

Mr. Lo Tak Kin  
Ms. Yu Tin Yan, Winnie  
Mr. Patrick Lee

### COMPANY SECRETARY

Mr. Ma Man Pong

### INVESTMENT MANAGER

OP Investment Management Limited

### PRINCIPAL BANKER

Shanghai Commercial Bank Ltd.

### AUDITOR

BDO Limited  
*Certified Public Accountants*  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

### LEGAL ADVISERS

#### Hong Kong Law

Mason Ching & Associates

#### Cayman Islands Law

Maples and Calder Asia

### PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust  
Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### REGISTERED OFFICE

Ugland House  
P.O. Box 309  
Grand Cayman, KY1-1104  
Cayman Islands

### PRINCIPAL PLACE OF BUSINESS

Room 1102C, 11th Floor  
Tower 1, Admiralty Centre  
18 Harcourt Road, Hong Kong

### STOCK CODE

The Stock Exchange of Hong Kong Limited: 905

### COMPANY WEBSITE

[www.mastermindcapitalhk.com](http://www.mastermindcapitalhk.com)

## Chairman's Statement



Dear Shareholders,

On behalf of the board of directors (the "Board") of Mastermind Capital Limited (the "Company"), I presented to you the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

During the year, the revenue of the Group was approximately HK\$1,030,000 (2011: approximately HK\$1,033,000) and recorded a loss of approximately HK\$63,677,000 (2011: approximately HK\$21,841,000) after deducting provision for impairment on deposits paid of approximately HK\$53,400,000 (2011: Nil) and administrative expenses and other operating expenses of approximately HK\$7,802,000 (2011: approximately HK\$20,176,000). The increase in loss was mainly due to the provision for impairment mentioned above.

An investment in Kaisun Energy Group Limited was added into our portfolio of listed equity securities during the year.

### PROSPECTS

Looking ahead, global economy is expected to improve in 2013 compared to 2012. However, the anxiety over the Eurozone, the anaemic recovery in the US, challenging operating conditions and the uncertainty will persist in 2013.

We believe that the PRC has a more optimistic outlook among other emerging economies as the Chinese government accelerated the transformation of the economic growth model, reinforced and improved macro control in time and will continue the improvement of the quality and efficiency of economic growth. We will focus to identify suitable investment opportunities in PRC companies with potential of asset appreciation to bring about better return to the Group and the shareholders of the Company (the "Shareholders").

### APPRECIATION

On behalf of the Board, I would like to express my deepest gratitude and appreciation to business partners, fellow directors, the investment manager, employees and the Shareholders.

**Mung Kin Keung**

*Chairman and Executive Director*

Hong Kong, 27 March 2013



## Management Discussion and Analysis

### INVESTMENT REVIEW

As at 31 December 2012, the major investments of the Group were HK\$12,311,000 of a portfolio of listed equity securities and HK\$24,696,000 of direct investment in unlisted equity securities. The investment portfolio of the Group comprises equity securities in Hong Kong, Canada and China.

The listed equity securities held by the Group during the year were shares in Shougang Concord Technology Holdings Limited, APAC Resources Limited, Medifocus Inc., National Arts Holdings Limited and Kaisun Energy Group Limited.

The Group had made a direct investment in unlisted equity securities in Ruyan Yao Autonomous Country hydro-electricity power plants (the "Power Plants") in the PRC and GOGC Petroleum (China) Limited (formerly known as "Genting Oil & Gas (China) Limited"). Dividend from the Power Plants during the year was approximately HK\$1,000,000.

### FINANCIAL REVIEW

During the year, the Group recorded a loss of approximately HK\$63,677,000 (2011: approximately HK\$21,841,000) after deducting provision for impairment on deposits paid of approximately HK\$53,400,000 (2011: Nil) and administrative expenses and other operating expenses of approximately HK\$7,802,000 (2011: approximately HK\$20,176,000). The increase in loss was mainly due to the provision for impairment mentioned above.

### FINANCIAL POSITION

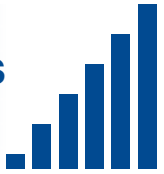
As at 31 December 2012, the Group had cash and cash equivalents approximately HK\$2,857,000 (2011: approximately HK\$19,675,000).

The Group had no borrowing as at 31 December 2012 (2011: Nil).

As at 31 December 2012, the Group had net current assets of approximately HK\$4,655,000, as compared to approximately HK\$24,627,000 as at 31 December 2011.

As at 31 December 2012, the current ratio of the Group was 5.21 compared to 23.25 at 31 December 2011.

# Management Discussion and Analysis



## CHARGES ON ASSETS

As at 31 December 2012, there were no charges on the Group's assets (2011: Nil).

## FOREIGN EXCHANGE EXPOSURE

Most of the investments and the business transactions of the Group are denominated in Hong Kong dollars. The Board believes the foreign exchange exposure is minimal.

## CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2012 (2011: Nil).

## EMPLOYEES AND REMUNERATION POLICY

The Group ensured that its employees are remunerated according to the prevailing manpower market conditions and individual performance and the remuneration policies are reviewed on a regular basis.

There are four employees, six executive directors and three independent non-executive directors. Remuneration policies are reviewed by the remuneration committee in accordance with the market situation and the performance of individual directors from time to time.

The Group's total staff costs (including directors' emoluments) for the year under review amounted to approximately HK\$3,572,000 (2011: approximately HK\$14,574,000).



## Biographical Details of Directors and the Investment Manager

### EXECUTIVE DIRECTORS

**Mr. Mung Kin Keung** (“Mr. Mung”), aged 52, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Mung holds a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. In November 2007, Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has extensive experience in areas of business management, strategic planning and development. Mr. Mung was appointed as an executive director of Shougang Concord Technology Holdings Limited (“SCT”) (Stock Code: 521) on 16 February 2009. He was re-designated as the vice-chairman of SCT on 10 May 2010. He was also an executive director of Hong Kong Resources Holdings Company Limited (Stock Code: 2882) from 31 October 2008 to 7 November 2012.

**Mr. Tang Hao** (“Mr. Tang”), aged 49, has been appointed as an executive director and the chief executive officer of the Company with effect from 12 November 2010. Mr. Tang graduated from the department of laws of East China University of Political Science (華東政法大學), majored in economic laws, in 1986 and obtained the legal qualification in the PRC in 1988. Mr. Tang has extensive experience in strategic planning. He has been working as a lawyer in Shanghai No. 1 Law Firm (上海第一律師事務所), the manager of investment department in Huachen Auto Group (華晨集團), the general manager of Shanghai Huachen Shiye Company (上海華晨實業公司), the supervisor of Jinbei Vehicle Manufacturing Co., Ltd (金杯汽車股份有限公司), the director of Shenzhen Kangda Co., Ltd (深圳康達爾股份有限公司) and the director of Shanghai Zhongxi Pharmaceutical Co., Ltd (上海中西藥業股份有限公司). Mr. Tang was appointed as a non-executive director of Jian ePayment Systems Limited (Stock Code: 8165) on 29 March 2011.

**Mr. Ha Wing Ho, Peter** (“Mr. Ha”), aged 50, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Ha obtained LLB from the University of Wales in 1984 and PCLL from The University of Hong Kong in 1985. He is a partner of Messrs. Kok and Ha, Solicitors which was founded in 1989. He is also a director of Hong Kong Express Airways Limited.

**Mr. Chee Man Sang, Eric** (“Mr. Chee”), aged 51, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007 and has been re-designated as an executive director of the Company with effect from 13 May 2010. Mr. Chee is a practising Certified Public Accountant in Hong Kong and a senior partner of Chan Chee Cheng & Co., a firm of certified public accountants. Mr. Chee holds a Bachelor Degree in Commerce (majoring in Accounting) from Birmingham University. He had worked in two international accounting firms in Canada and Hong Kong. Mr. Chee is an associate member of the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Chee was appointed as an independent non-executive director of Hop Fung Group Holdings Limited (Stock Code: 2320) on 4 September 2003. Mr. Chee was appointed as a non-executive director of Bestway International Holdings Limited (Stock Code: 718) on 10 January 2013. He was also an independent non-executive director of Coolpoint Energy Limited (now known as Viva China Holdings Limited (Stock Code: 8032)) from 18 February 2009 to 23 June 2010.

## Biographical Details of Directors and the Investment Manager

### EXECUTIVE DIRECTORS (Continued)

**Mr. Michael Stockford** (“Mr. Stockford”), aged 53, has been appointed as an executive director of the Company with effect from 13 May 2010. Mr. Stockford is the Head of Asset Management Operations of OP Financial Investments Limited (“OPFI”), a listed company in Hong Kong (Stock Code: 1140), the parent company of OP Investment Management Limited (formerly known as OP Calypso Capital Limited) (“OPIM”). He graduated with a bachelor degree in accounting and finance in 1981. Mr. Stockford is a full member of Hong Kong Securities Institute, member of the Committee of Inspection for Peregrine Derivatives Limited and member of Global Association of Risk Professionals. Mr. Stockford was the co-founder of the OPIM.

**Mr. Mung Bun Man, Alan** (“Mr. Alan Mung”), aged 26, has been appointed as an executive director of the Company with effect from 12 November 2010. Mr. Alan Mung is a managing partner of First Beijing Investment Limited. Mr. Alan Mung obtained a Bachelor of Art in Business Economics from University of California – Santa Barbara in 2007 and a Master of Finance from Peking University in 2009.

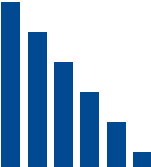
### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lo Tak Kin** (“Mr. Lo”), aged 46, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007. Mr. Lo is a practising Certified Public Accountant in Hong Kong and an associate member of the HKICPA. Mr. Lo is currently a director of M Square CPA Limited, Certified Public Accountants and has extensive experience in auditing, tax planning and finance.

**Ms. Yu Tin Yan, Winnie** (“Ms. Yu”), aged 38, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007. Ms. Yu was admitted as a Solicitor of the High Court of Hong Kong in 1999. Ms. Yu is currently an Associate of Messrs. Tony Kan & Co. She is also currently a Full Member and Director of the Association of Hong Kong Professionals Limited.

**Mr. Patrick Lee** (“Mr. Lee”), aged 47, has been appointed as an independent non-executive director of the Company with effect from 13 May 2010. Mr. Lee is a practicing Certified Public Accountant and he has over 20 years of experience in accounting and auditing. He started his career in auditing with PricewaterhouseCoopers since his graduation from the Polytechnic University in 1989. After about 3 years of service in auditing, he then joined a number of commercial organizations, taking up positions as finance manager, financial controller, and chief financial officer. Mr. Lee has a wide spectrum of commercial experiences in organizations like trading conglomerate, fast moving consumer products manufacturing and retail, gold and jewelry trading and retail, travel agency, media, and vehicle dealer. Mr. Lee also has plenty of experiences with listed companies listed in Hong Kong, US and Malaysia. Mr. Lee graduated from the Polytechnic University, major in accountancy. He is an associate member of the HKICPA.





## Biographical Details of Directors and the Investment Manager

### INVESTMENT MANAGER

The Company entered into an investment agreement (the “Existing Agreement”) with OP Calypso Capital Limited (now known as OP Investment Management Limited) (“OPIM”) on 30 April 2010, whereby OPIM has agreed to provide asset management services for the Company for an initial term of one year from 13 May 2010. While the Company was negotiating a new investment management agreement (the “New Agreement”) with OPIM, the Board has approved the appointment of OPIM as the Company’s investment manager for an interim period commencing on the expiry of the Existing Agreement, effectively from 13 May 2011 to 30 September 2011. The terms of the appointment during the interim period are substantially the same as those contained in the Existing Agreement. As the New Agreement was not finalized as at 30 September 2011, the Board has further approved the appointment of OPIM (the “Further Appointment”) as the Company’s investment manager for a period from 1 October 2011 to 30 September 2012 or the date of finalization of the New Agreement, whichever is earlier. The terms of the Further Appointment are substantially the same as those contained in the Existing Agreement. During the year, the Board has approved OPIM as the Company’s investment manager for a period from 1 October 2012 to 30 June 2013. The terms of the said appointment are substantially the same as those contained in the Existing Agreement.

OPIM, a company incorporated in Hong Kong with limited liability under the Companies Ordinance in 2003 and licensed since 18 February 2004 under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), is principally engaged in the business of provision of asset management services to clients and is a licensed corporation to carry out Type 9 (asset management) regulated activities under the SFO.

OPIM has a strong team of professionals with extensive investment and analytical experience. They provide asset management services for several funds in Asia with a focus on China. OPIM has access to investment opportunities and emphasizes the identification of sources of value creation at the investee level. OPIM selects its investment carefully with a fully explicit decision making process.

The investment management fee to OPIM is HK\$500,000 per annum.

## Directors' Report



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

### PRINCIPAL ACTIVITY

The principal activity of the Company is to act as an investment holding company. The principal activities of the Company's subsidiaries are set out in Note 14 to the financial statements. The Group principally invests in listed and unlisted companies in Hong Kong and in other parts of the PRC.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 31 to 33.

### FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the year (2011: Nil).

### SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in Note 21 to the financial statements.

### RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Note 24 to the financial statements and in the consolidated statement of changes in equity, respectively.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company are set out in Note 13 to the financial statements.

### PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 86.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.



## Directors' Report

### DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

#### Executive Directors:

Mr. Mung Kin Keung (*Chairman*)  
Mr. Tang Hao (*Chief Executive Officer*)  
Mr. Ha Wing Ho, Peter  
Mr. Chee Man Sang, Eric  
Mr. Michael Stockford  
Mr. Mung Bun Man, Alan

#### Independent Non-executive Directors:

Mr. Lo Tak Kin  
Ms. Yu Tin Yan, Winnie  
Mr. Patrick Lee

The term of office of each director are subject to retirement by rotation in accordance with the Company's articles of association.

In accordance with Article 157 of the Company's Articles of Association, Mr. Mung Kin Keung, Mr. Ha Wing Ho, Peter and Mr. Lo Tak Kin will retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election at the forthcoming AGM.

All other remaining directors shall continue in office.

### BIOGRAPHICAL DETAILS OF DIRECTORS AND INVESTMENT MANAGER

Brief biographical details of directors and investment manager are set out on pages 6 to 8.

### DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company which is not terminable within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' INTERESTS IN CONTRACT

During the year, OPIM, of which Mr. Michael Stockford is director, received from the Group investment management fee of HK\$500,000 in connection with a management agreement signed between the Company and OPIM.

Saved as disclosed above, no other contract of significance to which the Company and any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Directors' Report

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2012, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as follows:

#### Interests in Shares and underlying Shares of the Company

Name of directors	Capacity	Number of shares held		Number of share options held		Percentage of total issued shares as at		Note
		Personal interests	Corporate interests	Personal interests	Total interests	31 December 2012		
Mung Kin Keung	Interest in controlled corporation	-	780,000,000	-	780,000,000	35.49%	1	
	Beneficial owner	-	-	21,000,000	21,000,000	0.96%	2	
Tang Hao	Beneficial owner	155,200,000	-	17,000,000	172,200,000	7.83%	2	
Ha Wing Ho, Peter	Beneficial owner	-	-	15,000,000	15,000,000	0.68%	2	
Chee Man Sang, Eric	Beneficial owner	-	-	15,000,000	15,000,000	0.68%	2	
Michael Stockford	Beneficial owner	-	-	15,000,000	15,000,000	0.68%	2	
Mung Bun Man, Alan	Beneficial owner	-	-	15,000,000	15,000,000	0.68%	2	
Lo Tak Kin	Beneficial owner	-	-	1,500,000	1,500,000	0.07%	2	
Yu Tin Yan, Winnie	Beneficial owner	-	-	1,500,000	1,500,000	0.07%	2	
Patrick Lee	Beneficial owner	-	-	1,500,000	1,500,000	0.07%	2	

#### Notes:

- 1 These shares were registered in the name of and were beneficially owned by China Tian Di Xing Logistics Holdings Limited ("TDX"), a company in which Mr. Mung Kin Keung ("Mr. Mung"), an executive director and chairman of the Company, holds 99.99% equity interests. Therefore, Mr. Mung is deemed to have an interest in the shares in which TDX is interested.
- 2 These represented the share options granted by the Company to the respective directors, the details of which are provided in the section headed "Share Option Scheme" in this report.



## Directors' Report

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS (Continued)

Save as disclosed above, at no time during the year ended 31 December 2012 was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the directors or the chief executives of the Company, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporation.

Save as disclosed above, none of the directors or the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the 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 contained in the Listing Rules.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Other than the interests disclosed under the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and associated corporations", at 31 December 2012, so far as was known to the Directors, the Company had been notified of the following substantial shareholders' interests and short position, being 5% or more of the Company's shares and underlying shares to record in the register of substantial shareholders maintained under Section 336 of the SFO:

Name of substantial shareholder	Capacity	Number of shares held	Note	Percentage of issued shares as at 31 December 2012
Link Chance Investment (Hong Kong) Limited	Beneficial owner	300,000,000	1	13.65%
Searainbow Holding Corporation	Interest in controlled corporation	300,000,000	1	13.65%

*Notes:*

- These shares were registered in the name of and were beneficially owned by Link Chance Investment (Hong Kong) Limited ("Link Chance"), a company in which Searainbow Holding Corporation ("Searainbow"), a company listed on The Shenzhen Stock Exchange, is the parent company of Link Chance. Therefore, Searainbow is deemed to have an interest in the shares in which Link Chance is interested.

## Directors' Report



### SHARE OPTION SCHEME

By passing of an ordinary resolution at the extraordinary general meeting on 12 January 2009, the Board adopted a new share option scheme (the "New Scheme") and simultaneously terminated the share option scheme adopted on 23 May 2002 (the "Old Scheme"). An ordinary resolution was passed by the shareholders at the annual general meeting of the Company held on 30 June 2010 to amend the New Scheme.

The purpose of the New Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Participants include (a) any full-time employee, directors (including any non-executive director or independent non-executive director) and part time employee with weekly working hours of 15 hours or above of the Company or of any of its subsidiaries; (b) any adviser or consultant (in the areas of financial or corporate managerial) to the Company or to any of its subsidiaries; and (c) any adviser, consultant, agent, business affiliates or any person or entity who provides research or other support directly or indirectly to the Group, and any employee, adviser or consultant to the investment management company for the Company.

The directors may, at their absolute discretion, make an offer to any participant to take up the options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee and paying HK\$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the New Scheme shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange on the date on which an option is granted, (ii) the average closing prices of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is granted, and (iii) the nominal value of a share of the Company on the date on which an option is granted.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 144,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the New Scheme. An option may be exercised during a period to be notified by the directors but may not be exercised after the expiry of 10 years after the date of grant of the option.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant under the New Scheme in any 12-month period must not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders' approval in general meeting with such participant and his associates abstaining from voting. The New Scheme will remain in force for a period of 10 years from 12 January 2009.

## Directors' Report

### SHARE OPTION SCHEME (Continued)

The particulars of movement of the share options under the New Scheme outstanding during the year are as follows:

Grantees	Date of grant of share options	Expiry date of share options	Exercise price	Number of share options			Balance as at 31 December 2012	
				Balance as at 1 January 2012	Granted	Exercised		Cancelled
<b>Directors</b>								
Mung Kin Keung	15.4.2011	14.04.2021	HK\$0.27	21,000,000	-	-	-	21,000,000
Tang Hao	15.4.2011	14.04.2021	HK\$0.27	17,000,000	-	-	-	17,000,000
Ha Wing Ho, Peter	15.4.2011	14.04.2021	HK\$0.27	15,000,000	-	-	-	15,000,000
Chee Man Sang, Eric	15.4.2011	14.04.2021	HK\$0.27	15,000,000	-	-	-	15,000,000
Michael Stockford	15.4.2011	14.04.2021	HK\$0.27	15,000,000	-	-	-	15,000,000
Mung Bun Man, Alan	15.4.2011	14.04.2021	HK\$0.27	15,000,000	-	-	-	15,000,000
Lo Tak Kin	15.4.2011	14.04.2021	HK\$0.27	1,500,000	-	-	-	1,500,000
Yu Tin Yan, Winnie	15.4.2011	14.04.2021	HK\$0.27	1,500,000	-	-	-	1,500,000
Patrick Lee	15.4.2011	14.04.2021	HK\$0.27	1,500,000	-	-	-	1,500,000
				102,500,000	-	-	-	102,500,000
<b>Employees</b>								
In aggregate	15.4.2011	14.04.2021	HK\$0.27	30,000,000	-	-	-	30,000,000
<b>Other grantees</b>								
In aggregate	15.4.2011	14.04.2021	HK\$0.27	11,500,000	-	-	-	11,500,000
<b>TOTAL</b>				144,000,000	-	-	-	144,000,000

Note: On 15 April 2011, the Company granted 144,000,000 share options to the grantees under the New Scheme at the exercise price of HK\$0.27 each. The share options are exercisable for the period from 15 April 2011 to 14 April 2021 (both dates inclusive).

The grant of 21,000,000 share options to Mr. Mung was approved by the independent shareholders of the Company at an extraordinary general meeting of the Company held on 15 June 2011.

## Directors' Report



### CONNECTED TRANSACTIONS

The following connected transactions occurred during the year.

#### 1. Investment management agreement

The Company has appointed OPIM as its investment manager with effect from 13 May 2010. During the year, OPIM is regarded as a connected person of the Company under the Listing Rules. Accordingly, the investment management agreement constitutes a continuing connected transaction of the Company.

The investment management fee to OPIM is HK\$500,000 per annum.

The aggregate investment management fee paid/payable to OPIM for the year ended 31 December 2012 amounted to HK\$500,000.

#### 2. Custodian agreement

The Company has appointed Bank of Communications Trustee Limited (the "Custodian") as its custodian. The custodian agreement has no fixed term and shall continue in force until terminated by either party giving to the other not less than 30 days' notice in writing. During the year, the Custodian is regarded as a connected person of the Company under the Listing Rules. Accordingly, the custodian constitutes a continuing connected transaction of the Company.

The custodian fee paid to the Custodian for the year ended 31 December 2012 amounted to HK\$19,200.

### PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the directors at the date of this report, the Company has complied with the public float requirement of the Listing Rules for the year ended 31 December 2012.

### AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") provides an important link between the Board and the Company's auditors in matters coming within the scope of audit of the Group. It also reviews the effectiveness of both the external and internal controls and risk evaluation. As at 31 December 2012, the committee members comprised Mr. Patrick Lee (chairman of Audit Committee), Mr. Lo Tak Kin and Ms. Yu Tin Yan, Winnie.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of annual results for the year ended 31 December 2012.





## Directors' Report

### AUDITORS

The financial statements for the year ended 31 December 2009 were audited by Grant Thornton (“GTHK”) now known as JBPB & Co.. Due to a merger of the practices of GTHK with BDO Limited (“BDO”), the member firm of the global BDO network. GTHK resigned and BDO was appointed as auditor of the Company effective from 26 November 2010. The financial statements for the years ended 31 December 2010, 2011 and 2012 were audited by BDO.

BDO retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of BDO as auditor of the Company is to be proposed at the forthcoming AGM.

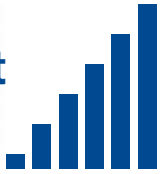
By order of the Board

**Ma Man Pong**

*Secretary*

Hong Kong, 27 March 2013

# Corporate Governance Report



The Company is dedicated to maintain a credible framework of corporate governance with a view to being transparent, open and accountable to the shareholders of the Company (the "Shareholders").

## CORPORATE GOVERNANCE PRACTICES

With effect from 1 January 2005, the Company has applied the principles and adopted code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its own code on corporate governance practices. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

In the opinion of the Board, the Company has complied with the code provisions of the CG Code during the year, except for the following deviations: -

- The code provision A.4.1 of the CG Code states that non-executive directors should be appointed for a specific term, subject to re-election.

After the expiry of the service contract, the appointment of the independent non-executive directors of the Company (the "INEDs") shall continue with no specific term. They are, however, subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company (the "Articles of Association").

Each INED has, pursuant to the guidelines set out in Rule 3.13 of the Listing Rules, confirmed he/she is independent of the Company and the Company also considers that they are independent. The term of office of each INED is not more than three years from date of appointment subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Articles of Association.

- The code provision A.6.7 of the CG Code states that independent non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders.

Due to personal commitment, an INED was unable to attend the annual general meeting of the Company held on 22 June 2012 (the "Annual General Meeting").

- The code provision E.1.2 of the CG Code states that the chairman of the Board should attend the annual general meeting of the Company.

Due to other business commitment, the chairman of the Board was unable to attend the Annual General Meeting. However, arrangements including the attendance of another member of the Board had been in place to ensure the Annual General Meeting was in order.



## Corporate Governance Report

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code during the year.

### THE BOARD

The Board currently consists of six executive directors and three INEDs.

#### Composition

Executive Directors

Mr. Mung Kin Keung (*Chairman*)

Mr. Tang Hao (*Chief Executive Officer*)

Mr. Ha Wing Hao, Peter

Mr. Chee Man Sang, Eric

Mr. Michael Stockford

Mr. Mung Bun Man, Alan

Independent Non-executive Directors

Mr. Lo Tak Kin

Ms. Yu Tin Yan, Winnie

Mr. Patrick Lee

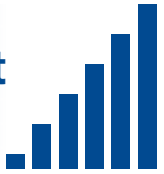
Two of the INEDs have the appropriate professional accounting experience and expertise. One INED has the appropriate professional legal experience and expertise. The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The names and biographical details of each director are disclosed on pages 6 to 7 of this Annual Report. Over 77% of the Board members has recognised professional legal, securities or accounting qualification. Mr. Mung Kin Keung is the father of Mr. Mung Bun Man, Alan. Saved as disclosed, there is no other relationship (including financial, business, family or other material/relevant relationship) among Board members.

#### Roles and functions of the Board and the management

The Board is responsible both for how the Company is managed and the Company's direction. Approval of the Board is required for the strategy of the Group, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters. In addition, the Board has also delegated various responsibilities to the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Company. Further details of these committees are set out in this report.

During the year, the management had provided all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance and position to enable the Board as a whole and each director to discharge their duties under the Listing Rules.

# Corporate Governance Report



## THE BOARD (Continued)

### Role and function of the Board and the management (Continued)

During regular meetings of the Board, the Board discusses and formulates the overall strategies of the Group, monitors financial performances and discusses the annual and interim results, as well as discusses and decides on other significant matters.

The Board is also responsible for performing the corporate governance duties as required under the CG Code. The major roles and functions of the Board in respect of the corporate governance are:

- to develop and review the Company's policy and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

The Board had considered the following corporate governance matters for the financial year 2012:

- adoption of corporate governance duties under the CG Code;
- adoption of revised CG Code as the Company's corporate governance practices;
- review of the compliance with the CG Code; and
- review of the effectiveness of the internal controls and risk management systems of the Company through the Audit Committee.

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the directors and officers of the Company.



## Corporate Governance Report

### THE BOARD (Continued)

The Board held four regular Board meetings during the year 2012. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the CG Code. The Company Secretary of the Company (the “Company Secretary”) assists the Chairman in drawing up the agenda of each Board meeting and each director may request inclusion of matters in the agenda. Generally, at least 14-day notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company Secretary is responsible for taking minutes of Board meetings and Board committee meetings. Minutes of Board meetings and Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member. Details of individual attendance of directors are set out below:

#### Attendance of individual directors at Board meetings in 2012

Number of meetings	4
<b>Executive Directors:</b>	
Mr. Mung Kin Keung ( <i>Chairman</i> )	4/4
Mr. Tang Hao ( <i>Chief Executive Officer</i> )	3/4
Mr. Ha Wing Ho, Peter	3/4
Mr. Chee Man Sang, Eric	4/4
Mr. Michael Stockford	4/4
Mr. Mung Bun Man, Alan	4/4
<b>Independent Non-executive Directors:</b>	
Mr. Lo Tak Kin	4/4
Ms. Yu Tin Yan, Winnie	4/4
Mr. Patrick Lee	4/4

The Board has established procedures to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances at the Company’s expense.

There was no change in directorship during the year.

# Corporate Governance Report



## THE BOARD (Continued)

### Directors' training and professional development

Director's training is an ongoing process. Directors are continually updated on the latest development of the Listing Rules and other regulatory requirements to ensure compliance and upkeep of good corporate governance practice. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

The Company had received record of trainings from each director relating to development and refreshment of their knowledge and skills. The participation by individual directors in the continuous professional development is recorded in the table below:

	<b>Reading regulatory updates</b>	<b>Attending trainings/ briefings/ seminars</b>
<b>Executive Directors</b>		
Mr. Mung Kin Keung	✓	×
Mr. Tang Hao	✓	×
Mr. Ha Wing Ho, Peter	✓	✓
Mr. Chee Man Sang, Eric	✓	✓
Mr. Michael Stockford	✓	✓
Mr. Mung Bun Man, Alan	✓	×
<b>Independent Non-executive Directors</b>		
Mr. Lo Tak Kin	✓	✓
Ms. Yu Tin Yan, Winnie	✓	✓
Mr. Patrick Lee	✓	✓

### Chairman and Chief Executive Officer

The roles of Chairman and chief executive officer are separate and are not held by the same individual exercised by different individuals to ensure their independence, accountability and responsibility. Mr. Mung Kin Keung is the Chairman and Mr. Tang Hao serves as the chief executive officer of the Company (the "Chief Executive Officer"). The Chairman provides leadership for the Board and the direction of the Group. The Chief Executive Officer has overall chief executive responsibility for the Group's business development.

During the year, the Chairman met with the INEDs without the presence of the executive directors.



## Corporate Governance Report

### THE BOARD (Continued)

#### Appointment and re-election of directors

Appointment of new directors is a matter for consideration by the Nomination Committee. The Nomination Committee will review the profiles of the candidates and make recommendations to the Board on the appointment, nomination and retirement of directors.

According to the Articles of Association, any director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for reelection at such general meeting. Every director is subject to retirement by rotation at least once every three years.

The Company has formal appointment letters of appointment for directors setting out the key terms and conditions of their appointment.

#### Non-executive Directors

All non-executive directors (including INEDs) of the Company are appointed for a term of one year. After the expiry of the service contract, the appointment of INEDs shall continue with no specific term. The term of office of each INED is not more than three years from date of appointment subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Articles of Association.

### BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are three Board committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee formed under the Board, with each performing different functions. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the websites of the Company and the Stock Exchange.

# Corporate Governance Report



## AUDIT COMMITTEE

The Audit Committee has been established with written terms of reference and currently comprises three INEDs. The Audit Committee is chaired by an INED with appropriate professional qualifications or accounting or related financial management expertise. The current members of the Audit Committee are Mr. Patrick Lee (Chairman), Mr. Lo Tak Kin and Ms. Yu Tin Yan, Winnie.

The major roles and functions of the Audit Committee include:

- to serve as a focal point for communication between other directors and the auditors in respect of the duties relating to financial and other reporting, internal controls, audits, and such other matters as the Board may determine from time to time.
- to review the appointment of auditors on an annual basis including the review of the audit scope and approval of the audit fees.
- to review the annual and interim financial statements prior to their approval by the Board, and recommend application of accounting policies and changes to the financial reporting requirements.
- to review the auditor's management letters (if any) and management's responses.
- to assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the audits.

Set out below is the major work performed by the Audit Committee during the year included, among other things, the following:

- to review the financial statements for the year ended 31 December 2011 and for the six months ended 30 June 2012;
- to review the effectiveness of the internal controls system; and
- to review and discuss with the external auditor over the financial reporting of the Company.

The Audit Committee held two meetings during the year. Details of individual attendance of its members are set out below:

### Attendance of individual members at Audit Committee meetings in 2012

#### Number of meetings

2

#### INEDs

Mr. Patrick Lee ( <i>Chairman of Audit Committee</i> )	2/2
Mr. Lo Tak Kin	2/2
Ms. Yu Tin Yan, Winnie	2/2





## Corporate Governance Report

### REMUNERATION COMMITTEE

The Board has established a Remuneration Committee with written terms of reference, comprising three INEDs and the Chairman of the Company, which meets at least once a year.

The major roles and functions of the Remuneration Committee include formulation of the remuneration policy, reviewing and recommending to the Board the annual remuneration policy; ensuring no director is involved in deciding his own remuneration; and consideration of the remuneration of the directors and senior management of the Group.

The Remuneration Committee held one meeting during the year. Details of individual attendance of its members are set out below:

#### Attendance of individual members at Remuneration Committee meeting in 2012

**Number of meetings** **1**

#### Executive Director

Mr. Mung Kin Keung (ceased to act as the chairman from 28 March 2012) 1/1

#### INEDs

Mr. Lo Tak Kin (*Chairman of Remuneration Committee*)  
(served as the chairman of the Committee from 28 March 2012) 1/1

Ms. Yu Tin Yan, Winnie 1/1

Mr. Patrick Lee 1/1

### NOMINATION COMMITTEE

The Board has established a Nomination Committee with written terms of reference, comprising three INEDs and the Chairman of the Company, which meets at least once a year.

The major roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, to assess the independence of INEDs and recommend to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors.

In considering the nomination of a new director, the Nomination Committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of directors, the Board follows the requirements set out in the Listing Rules. According to Articles of Association, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board subject to the recommendation of the Nomination Committee.

There was no change in directorship during the year.

# Corporate Governance Report



## NOMINATION COMMITTEE (Continued)

The Nomination Committee held one meeting during the year. Details of individual attendance of its members are set out below:

### Attendance of individual members at Nomination Committee meeting in 2012

**Number of meetings** **1**

#### Executive Director

Mr. Mung Kin Keung (ceased to act as the chairman from 28 March 2012) 1/1

#### INEDs

Ms. Yu Tin Yan, Winnie (*Chairman of Nomination Committee*)  
(served as the chairman of the Committee from 28 March 2012) 1/1

Mr. Lo Tak Kin 1/1

Mr. Patrick Lee 1/1

## REMUNERATION POLICY

The remuneration policy of the Company is to ensure that all employees, including all directors, are sufficiently compensated for their efforts and time dedicated to the Company and remuneration offered is appropriate for their duties and in line with market practice. No director, or any of his associates, and executive is involved in deciding his own remuneration.

### Remuneration of Directors and Senior Management

The executive directors are closely involved in and are directly responsible for all activities of the Group. The Board considers that the senior management comprises the executive directors.

Particulars regarding senior management and other directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in Note 9 to the financial statements.

## COMPANY SECRETARY

The Company Secretary supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is also responsible for advising the Board through the Chairman on corporate governance and the implementation of the CG Code. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affairs.

The Company Secretary reports to the Chairman and the Chief Executive Officer. All directors also have access to the advice and services of the Company Secretary to ensure that all applicable laws, rules and regulations are followed. The selection, appointment and dismissal of the Company Secretary is subject to the Board approval.

The Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training during the year.



## Corporate Governance Report

### AUDITORS' REMUNERATION

During the year, total fees paid/payable to BDO Limited, the Company's auditor amounted to HK\$290,000 for audit service.

### CONSTITUTIONAL DOCUMENTS

There is no any changes in the Company's constitutional documents during the year ended 31 December 2012.

The memorandum and articles of association of the Company are available on the websites of the Company and the Stock Exchange.

### INTERNAL CONTROL

The Board is responsible for ensuring a sound and effective system of internal control which is designed for (i) safeguarding the interests of the shareholders; (ii) safeguarding assets of the Company and its subsidiaries against misappropriation; (iii) ensuring proper maintenance of accounting records for the provision of reliable financial information; and (iv) ensuring compliance with relevant legislation and regulations. Such system of internal control is aimed at limiting the risks faced by the Company to an acceptable level but not at eliminating all the risks. Hence, such system can only provide reasonable but not absolute assurance that there will not be any material misstatement in the financial information and there will not be any financial loss or fraud.

The key procedures established by the Board to provide effective internal control include (i) a defined management structure with clear lines of responsibility; (ii) an appropriate organizational structure which adequately provides the necessary information flow for management decisions; (iii) effective financial reporting control to ensure the recording of complete, accurate and timely accounting and management information; and (iv) assurance through the Audit Committee that appropriate internal control policies are in place and functioning effectively.

Through the Audit Committee, the Board continues to review the effectiveness of the internal control system which includes financial, operational, compliance and risk management controls. The review process consists of (i) operational management's assurance of the maintenance of control; and (ii) control issues identified by external auditors during statutory audit. The Audit Committee, supported by reviews the adequacy of resources, qualifications and experiences of staff responsible for the accounting and financial reporting functions.

For the year under review, the Board had conducted a review of the effectiveness of the system of internal control of the Company and its subsidiaries, including financial, operational and compliance controls and risk management functions.

The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders and employees, and the Group's assets.

# Corporate Governance Report



## COMMUNICATION WITH SHAREHOLDERS

The Company had established a shareholders' communication policy and shall review it on a periodic basis to ensure its effectiveness.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include AGM, annual report, various notices, announcements and circulars. The Company has also maintained a corporate website which enables shareholders, investors and the public to receive timely and updated information on the Company.

Separate resolutions are proposed at the general meetings for such substantial issues, including the re-election of retiring directors.

The Company's notices to Shareholders for the annual general meeting held in 2012 were sent to Shareholders at least 20 clear business days or 21 clear days before the meeting, whichever is the longest.

An executive director, chairman/members of the Audit Committee, Remuneration Committee and Nomination Committee and the representative of external auditor were available at the Annual General Meeting to answer questions from the Shareholders. The chairman of the Annual General Meeting had explained the procedures for conducting a poll during the meeting. All resolutions proposed at the Annual General Meeting were voted separately by way of poll. All the votes cast at the said meeting were properly counted and recorded.

### Attendance of individual directors at the Annual General Meeting in 2012

	Attendance
<b>Executive Directors:</b>	
Mr. Mung Kin Keung ( <i>Chairman</i> )	x
Mr. Tang Hao ( <i>Chief Executive Officer</i> )	x
Mr. Ha Wing Ho, Peter	√
Mr. Chee Man Sang, Eric	x
Mr. Michael Stockford	x
Mr. Mung Bun Man, Alan	x
<b>Independent Non-executive Directors:</b>	
Mr. Lo Tak Kin	√
Ms. Yu Tin Yan, Winnie	x
Mr. Patrick Lee	√



## Corporate Governance Report

### SHAREHOLDERS' RIGHTS

#### Procedures for requisitioning an extraordinary general meeting and for putting forward proposals at general meetings

Shareholder(s) 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 may, by written requisition to the Board or the Company Secretary signed and deposited in accordance with the Article 89 of the Articles of Association, require a general meeting to be called by the directors for the transaction of any business specified in the requisition.

If the Board does not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

To put forward proposals at a general meeting of the Company, a Shareholder should lodge a written request, duly signed by the Shareholder concerned, setting out the proposals at the Company's principal place of business in Hong Kong for the attention of the Board and the Company Secretary. The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary will pass the request to the Board. Whether a proposal will be put to a general meeting will be decided by the Board in its discretion.

The procedures for Shareholders to propose a person for election as director is posted on the Company's website at [www.mastermindcapitalhk.com](http://www.mastermindcapitalhk.com).

#### Procedures by which enquiries may be put to the Board

General meetings of the Company provide a direct forum of communication between Shareholders and the Board. Shareholders may at any time send their enquiries in writing to the Board through the Company Secretary at the principal place of business in Hong Kong.

The Company Secretary shall forward the Shareholders' enquiries to the Board, where appropriate to answer the Shareholders' questions.

In addition, Shareholders can contact Tricor Secretaries Limited, the share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings, share registration and related matters.

### DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the Financial Statements. The statement of the auditors about their reporting responsibilities on the Financial Statements is set out in the Independent Auditor's Report on pages 29 to 30.

# Independent Auditor's Report



Tel : +852 2218 8288  
Fax: +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

香港干諾道中111號  
永安中心25樓

## To the shareholders of Mastermind Capital Limited

*(incorporated in Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Mastermind Capital Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 31 to 85, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Directors' responsibility for the consolidated financial statements

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

## Auditor's responsibility

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 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.



## Independent Auditor's Report

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

### Opinion

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

### **BDO Limited**

*Certified Public Accountants*

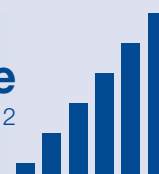
Li Wing Yin

Practising Certificate number P05035

Hong Kong, 27 March 2013

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012



	Notes	2012 HK\$'000	2011 HK\$'000
<b>Revenue</b>	6	<b>1,030</b>	1,033
Other revenue	6	–	586
Fair value loss on financial assets at fair value through profit or loss		<b>(3,504)</b>	(3,284)
Impairment provision on deposits paid	16	<b>(53,400)</b>	–
Administrative expenses and other operating expense		<b>(7,802)</b>	(20,176)
<b>Loss before income tax</b>	7	<b>(63,676)</b>	(21,841)
Income tax expense	10	<b>(1)</b>	–
<b>Loss for the year, attributable to owners of the Company</b>	11	<b>(63,677)</b>	(21,841)
<b>Other comprehensive income</b>			
Gain/(Loss) on change in fair value of available-for-sale financial assets		<b>726</b>	(768)
Exchange difference on translation of financial statements of foreign subsidiaries		<b>7</b>	34
<b>Other comprehensive income for the year</b>		<b>733</b>	(734)
<b>Total comprehensive income for the year, attributable to owners of the Company</b>		<b>(62,944)</b>	(22,575)
<b>Losses per share attributable to owners of the Company during the year</b>	12		
<b>Basic (HK cents)</b>		<b>(2.90)</b>	(1.02)
<b>Diluted (HK cents)</b>		<b>(2.90)</b>	(1.02)



# Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	500	797
Available-for-sale financial assets	15	37,007	26,282
Deposits paid	16	–	53,400
		<b>37,507</b>	80,479
<b>Current assets</b>			
Deposits paid	16	–	–
Prepayments		42	43
Other receivables		2,248	1,897
Financial assets at fair value through profit or loss	17	615	4,119
Cash and cash equivalents	18	2,857	19,675
		<b>5,762</b>	25,734
<b>Current liabilities</b>			
Accruals and other payables	19	982	909
Amount due to a related company	20	125	125
Provision for tax		–	73
		<b>1,107</b>	1,107
<b>Net current assets</b>		<b>4,655</b>	24,627
<b>Total assets less current liabilities/Net assets</b>		<b>42,162</b>	105,106
<b>EQUITY</b>			
<b>Equity attributable to the Company's owners</b>			
Share capital	21	54,947	54,947
Reserves	24(a)	(12,785)	50,159
<b>Total equity</b>		<b>42,162</b>	105,106
<b>Net asset value per share (HK\$)</b>	22	<b>0.02</b>	0.05

Mung Kin Keung  
Director

Ha Wing Ho, Peter  
Director

# Statement of Financial Position

As at 31 December 2012



	Notes	2012 HK\$'000	2011 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	304	495
Interests in subsidiaries	14	12,010	12,010
Deposits paid	16	–	53,400
		<b>12,314</b>	65,905
<b>Current assets</b>			
Prepayments		42	43
Other receivables		4	7
Amounts due from subsidiaries	14	28,782	20,788
Deposits paid	16	–	–
Cash and cash equivalents	18	2,785	19,599
		<b>31,613</b>	40,437
<b>Current liabilities</b>			
Accruals and other payables	19	607	657
Amount due to a related company	20	125	125
Amounts due to subsidiaries	14	1,053	650
		<b>1,785</b>	1,432
<b>Net current assets</b>		<b>29,828</b>	39,005
<b>Total assets less current liabilities/Net assets</b>		<b>42,142</b>	104,910
<b>EQUITY</b>			
Share capital	21	54,947	54,947
Reserves	24(b)	(12,805)	49,963
<b>Total equity</b>		<b>42,142</b>	104,910

Mung Kin Keung  
Director

Ha Wing Ho, Peter  
Director

## Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
<b>Cash flows from operating activities</b>			
Loss before income tax		(63,676)	(21,841)
Adjustments for:			
Depreciation	7	307	305
Fair value loss on financial assets at fair value through profit or loss		3,504	3,284
Dividend income from available-for-sale financial assets	6	(1,000)	(1,000)
Interest income on financial assets carried at amortised costs	6	(30)	(33)
Impairment provision on deposits paid	16	53,400	–
Gain on disposal of financial assets at fair value through profit or loss		–	(586)
Equity-settled share-based payment expenses		–	11,807
Operating loss before working capital changes		(7,495)	(8,064)
Decrease in prepayments		1	282
Decrease in other receivables		649	535
Increase in accruals and other payables		73	150
Net proceeds from disposal of financial assets at fair value through profit or loss		–	5,583
<i>Cash used in operations</i>		(6,772)	(1,514)
Income tax paid		(74)	–
<i>Net cash used in operating activities</i>		(6,846)	(1,514)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(10)	(6)
Investment deposits paid		–	(23,400)
Acquisition of available-for-sale financial assets		(9,999)	–
Interest received		30	33
<i>Net cash used in investing activities</i>		(9,979)	(23,373)
<b>Net decrease in cash and cash equivalents</b>		(16,825)	(24,887)
<b>Cash and cash equivalents at 1 January</b>		19,675	44,528
<b>Effect of foreign exchange rate changes</b>		7	34
<b>Cash and cash equivalents at 31 December</b>		2,857	19,675

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2012



	Attributable to owners of the Company						
	Share capital	Share premium*	Share option reserve*	Translation reserve*	Available-for-sale financial assets revaluation reserve*	Accumulated losses*	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2012</b>	54,947	190,363	11,807	75	(220)	(151,866)	105,106
<b>Loss for the year</b>	-	-	-	-	-	(63,677)	(63,677)
<b>Other comprehensive income</b>							
Change in fair value of available-for-sale financial assets	-	-	-	-	726	-	726
Exchange difference on translation of financial statements of foreign subsidiaries	-	-	-	7	-	-	7
<b>Total comprehensive income for the year</b>	-	-	-	7	726	(63,677)	(62,944)
<b>At 31 December 2012</b>	54,947	190,363	11,807	82	506	(215,543)	42,162

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company						
	Share capital	Share premium*	Share option reserve*	Translation reserve*	Available-for-sale financial assets revaluation reserve*	Accumulated losses*	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2011</b>	53,280	178,563	-	41	548	(130,025)	102,407
<b>Transactions with owners</b>							
Shares issued for acquisition of available-for-sale financial asset (Note 21(ii))	1,667	11,800	-	-	-	-	13,467
Recognition of share-based payments (Note 23)	-	-	11,807	-	-	-	11,807
	1,667	11,800	11,807	-	-	-	25,274
<b>Loss for the year</b>	-	-	-	-	-	(21,841)	(21,841)
<b>Other comprehensive income</b>							
Change in fair value of available-for-sale financial assets	-	-	-	-	(768)	-	(768)
Exchange difference on translation of financial statements of foreign subsidiaries	-	-	-	34	-	-	34
<b>Total comprehensive income for the year</b>	-	-	-	34	(768)	(21,841)	(22,575)
<b>At 31 December 2011</b>	54,947	190,363	11,807	75	(220)	(151,866)	105,106

\* These reserve accounts comprise the consolidated reserves of deficit of approximately HK\$12,785,000 in the consolidated statement of financial position as at 31 December 2012 (2011: surplus of approximately HK\$50,159,000).

# Notes to the Financial Statements

For the year ended 31 December 2012



## 1. GENERAL INFORMATION

Mastermind Capital Limited (the “Company”) was domiciled in Hong Kong and incorporated in the Cayman Islands on 21 April 1998, as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the Company’s registered office is Ugland House, P.O. Box 309, Grand Cayman, KY1-1104, Cayman Islands. Its principal place of business is situated at Room 1102C, 11th Floor, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong.

The principal activity of the Company is to act as an investment holding company. The principal activities of the Company’s subsidiaries are set out in Note 14 to the financial statements. The Company and its subsidiaries (collectively referred to as the “Group”) principally invest in listed and unlisted companies.

These financial statements for the year ended 31 December 2012 were approved for issue by the board of directors on 27 March 2013.

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

### (a) Adoption of new/revised HKFRSs – effective on 1 January 2012

Amendments to HKFRS 1	Severe Hyper Information and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosure – Transfers of Financial Assets
Amendments to HKAS 12	Income Taxes – Deferred tax: Recovery of Underlying Assets

Except as explained below, the adoption of these amendments has no material impact on the Group’s financial statements.

#### ***Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets***

The amendments to HKFRS 7 expand the disclosure requirements for transfer transactions of financial assets, in particular where the reporting entity has continuing involvement in financial assets that it has derecognised. The newly required disclosures allow users of financial statements to better understand the risks to which the reporting entity remains exposed. And such information is relevant in assessing the amount, timing and uncertainty of the entity’s future cash flows.

# Notes to the Financial Statements

For the year ended 31 December 2012

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

### (b) New/revised HKFRSs that have been issued but are 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 HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 19 (2011)	Employee Benefits <sup>2</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>2</sup>
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine <sup>2</sup>
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle <sup>2</sup>
HKAS 32 (Amendments)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities <sup>3</sup>
HKFRS 9	Financial instruments <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

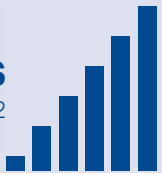
Except as explained below, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the financial statements.

### **Amendments to HKAS 1 (Revised) Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income**

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

# Notes to the Financial Statements

For the year ended 31 December 2012



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

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### ***Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities***

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity’s business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

#### ***HKFRS 9 Financial Instruments***

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





# Notes to the Financial Statements

For the year ended 31 December 2012

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

### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

#### ***HKFRS 10 – Consolidated Financial Statements***

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

#### ***HKFRS 12 – Disclosure of Interests in Other Entities***

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

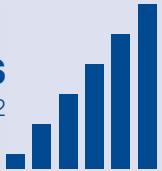
#### ***HKFRS 13 Fair Value Measurement***

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

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs.

# Notes to the Financial Statements

For the year ended 31 December 2012



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation

The financial statements on pages 31 to 85 have been prepared in accordance with Hong Kong Financial Reporting Standards which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for certain available-for-sale financial assets and financial assets at fair value through profit or loss, which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### 3.2 Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year (if any) are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates 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.



# Notes to the Financial Statements

For the year ended 31 December 2012

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.3 Subsidiaries

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

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

### 3.4 Foreign currency translation

The financial statements are presented in Hong Kong Dollars ("HK\$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$'000) unless otherwise stated.

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2012



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.5 Property, plant and equipment

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

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

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

Depreciation is provided to write off the cost of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method, at 20% per annum.

The assets' depreciation methods, estimated useful lives and estimated residual values are reviewed, and adjusted if appropriate, at each reporting date.

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

### 3.6 Financial assets

The Group's accounting policies for financial assets other than interests in subsidiaries are set out below.

Financial assets are classified into the categories of loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

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

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



# Notes to the Financial Statements

For the year ended 31 December 2012

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.6 Financial assets (Continued)

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) *Loans and receivables*

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

(ii) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts as defined by HKAS 39.

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or
- the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or
- the financial asset contains an embedded derivative that would need to be separately recorded.

# Notes to the Financial Statements

For the year ended 31 December 2012



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.6 Financial assets (Continued)

#### (ii) *Financial assets at fair value through profit or loss (Continued)*

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

Dividend income and interest income is recognised in accordance with the policies set out in Note 3.14 below.

#### (iii) *Available-for-sale financial assets*

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Dividend income from these investments is recognised in profit or loss and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

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

# Notes to the Financial Statements

For the year ended 31 December 2012

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.6 Financial assets (Continued)

#### *Impairment of financial assets*

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

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

(i) *Financial assets carried at amortised cost*

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

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

# Notes to the Financial Statements

For the year ended 31 December 2012



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.6 Financial assets (Continued)

#### ***Impairment of financial assets (Continued)***

##### *(ii) Available-for-sale financial assets*

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss were recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

##### *(iii) Financial assets carried at cost*

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.





# Notes to the Financial Statements

For the year ended 31 December 2012

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7 Impairment of non-financial assets

Property, plant and equipment, deposits paid and the Company's interests in subsidiaries are subject to impairment testing and are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

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

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

### 3.8 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

# Notes to the Financial Statements

For the year ended 31 December 2012



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.9 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### 3.10 Share capital

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

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

### 3.11 Employee benefits

#### *Retirement benefits*

Retirement benefits to employees are provided through defined contribution plans.

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

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

#### *Short-term employee benefits*

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

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



# Notes to the Financial Statements

For the year ended 31 December 2012

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.12 Share-based payment

The Group operates equity-settled share-based compensation plans for remuneration of its directors, employees, advisers and consultants.

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

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

### 3.13 Financial liabilities

The Group's financial liabilities include accruals and other payables and amount due to a related company.

Financial liabilities are recognised when, and only when the Group becomes a party to the contractual provisions of the instrument.

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

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

Accruals and other payables, amounts due to subsidiaries and amount due to a related company are recognised initially at their fair values and subsequently measured at amortised costs, using the effective interest method.

# Notes to the Financial Statements

For the year ended 31 December 2012



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.14 Revenue recognition

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

- (i) Dividend income is recognised when the right to receive the dividend is established.
- (ii) Interest income is recognised on a time-proportion basis using the effective interest method.

### 3.15 Lease

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

#### ***Operating lease charges as the lessee***

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

### 3.16 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.



# Notes to the Financial Statements

For the year ended 31 December 2012

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.16 Related parties (Continued)

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

### 3.17 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. All of the Group's turnover and contribution to operating results are attributable to its investment activities.

The measurement policies the Group uses for internal reporting to the executive directors are the same as those used in its financial statements prepared under HKFRSs.

# Notes to the Financial Statements

For the year ended 31 December 2012



## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.18 Provisions and contingent liabilities

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

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

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

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

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### ***Depreciation***

The Group's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets.

The Group depreciates the property, plant and equipment in accordance with the accounting policies stated in Note 3.5. The carrying amount of the property, plant and equipment is disclosed in Note 13.



## Notes to the Financial Statements

For the year ended 31 December 2012

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

#### 4.1 Critical accounting estimates and assumptions (Continued)

##### *Impairment of interests in subsidiaries*

The Group's management follows the guidance of HKAS 36 Impairment of Assets, in determining whether interests in subsidiaries are impaired requires the assumption made regarding the financial health of near-term business outlook for the investment, including factor such as industry and sector performance, changes in technology and operational and financing cash flow.

Based on the Group's assessment there is no requirement to provide for any allowance for impairment in value of interests in subsidiaries. The Company's carrying amount of interests in subsidiaries at 31 December 2012 was approximately HK\$12,010,000 (2011: HK\$12,010,000).

#### 4.2 Critical judgements in applying the entity's accounting policies

##### *Impairment on deposits paid*

Determining whether a deposit paid as disclosed in note 16 is impaired requires directors' estimation and assessment on possibility of repayment the deposits from the counterparties and the directors' assessment on creditworthiness of the counterparties. If the actual future cash inflows are less than expected, a material impairment loss may arise.

##### *Impairment of available-for-sale financial assets*

The directors follow the guidance of HKAS 39 to review available-for-sale investments at the end of each reporting period to assess whether they are impaired. This determination requires significant judgement. In making this judgement, the directors evaluate, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

### 5. SEGMENT INFORMATION

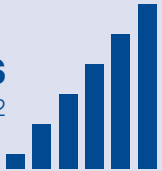
The chief operating decision-maker has been identified as the Company's executive directors. The Group's principal activity is investment in listed and unlisted companies. The executive directors regard it as a single business segment and no segment information is presented.

At the reporting date, non-current assets included the property, plant and equipment of approximately HK\$500,000 (2011: HK\$797,000) and deposits paid of nil (2011: HK\$53,400,000) which are located in Hong Kong (domicile) and the People's Republic of China, except Hong Kong (the "PRC") respectively. The place of domicile is determined based on the location of central management.

The Group's dividend income and interest income are derived from the PRC and Hong Kong (domicile) respectively.

# Notes to the Financial Statements

For the year ended 31 December 2012



## 6. REVENUE AND OTHER REVENUE

The Group's principal activities are disclosed in Note 1 to these financial statements. Turnover of the Group is the revenue from these activities.

	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
<u>Revenue</u>		
Dividend income	<b>1,000</b>	1,000
Interest income	<b>30</b>	33
	<b>1,030</b>	1,033
<u>Other revenue</u>		
Gain on disposal of financial assets at fair value through profit or loss	-	586

## 7. LOSS BEFORE INCOME TAX

	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
Loss before income tax is arrived at after charging:		
Auditor's remuneration	<b>275</b>	270
Depreciation	<b>307</b>	305
Operating lease charges on office premises	<b>137</b>	281

## 8. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
Salaries	<b>3,470</b>	3,617
Pension costs – defined contribution plans	<b>102</b>	93
Equity-settled share-based payment expenses (Note 23)	-	10,864
	<b>3,572</b>	14,574



# Notes to the Financial Statements

For the year ended 31 December 2012

## 9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefits scheme contributions HK\$'000	Share- based payments HK\$'000	Total HK\$'000
<b>2012</b>					
<b>Executive directors</b>					
Mr. Mung Kin Keung ( <i>Note (i)</i> )	960	–	14	–	974
Mr. Ha Wing Ho, Peter ( <i>Note (i)</i> )	360	–	14	–	374
Mr. Tang Hao ( <i>Note (ii)</i> )	–	–	–	–	–
Mr. Chee Man Sang, Eric ( <i>Note (iii)</i> )	180	–	9	–	189
Mr. Michael Stockford ( <i>Note (iii)</i> )	180	–	9	–	189
Mr. Mung Bun Man, Alan ( <i>Note (iv)</i> )	390	–	14	–	404
<b>Independent non-executive directors</b>					
Mr. Lo Tak Kin	60	–	–	–	60
Ms. Yu Tin Yan, Winnie	60	–	–	–	60
Mr. Patrick Lee	60	–	–	–	60
	<b>2,250</b>	<b>–</b>	<b>60</b>	<b>–</b>	<b>2,310</b>

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefits scheme contributions HK\$'000	Share- based payments HK\$'000	Total HK\$'000
<b>2011</b>					
<b>Executive directors</b>					
Mr. Mung Kin Keung ( <i>Note (i)</i> )	960	–	12	1,722	2,694
Mr. Ha Wing Ho, Peter ( <i>Note (i)</i> )	360	–	12	1,230	1,602
Mr. Tang Hao ( <i>Note (ii)</i> )	–	–	–	1,394	1,394
Mr. Chee Man Sang, Eric ( <i>Note (iii)</i> )	180	–	9	1,230	1,419
Mr. Michael Stockford ( <i>Note (iii)</i> )	90	–	5	1,230	1,325
Mr. Mung Bun Man, Alan ( <i>Note (iv)</i> )	390	–	12	1,230	1,632
<b>Independent non-executive directors</b>					
Mr. Lo Tak Kin	60	–	–	123	183
Ms. Yu Tin Yan, Winnie	60	–	–	123	183
Mr. Patrick Lee	60	–	–	123	183
	<b>2,160</b>	<b>–</b>	<b>50</b>	<b>8,405</b>	<b>10,615</b>

# Notes to the Financial Statements

For the year ended 31 December 2012



## 9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

### (a) Directors' emoluments (Continued)

Notes:

- (i) The director fees for Mr. Mung Kin Keung and Mr. Ha Wing Ho, Peter were HK\$80,000 and HK\$30,000 per month respectively.
- (ii) Mr. Tang Hao was appointed as an executive director on 12 November 2010.
- (iii) The director fees for Mr. Chee Man Sang, Eric and Mr. Michael Stockford were HK\$15,000 per month each.
- (iv) The director fee for Mr. Mung Bun Man, Alan was HK\$30,000 per month.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

No emoluments were paid by the Group to the directors or any of the five highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office (2011: Nil).

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2011: two) highest paid individuals are as follows:

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Salaries	<b>614</b>	870
Pension costs – defined contribution plans	<b>22</b>	24
Equity-settled share-based payment expenses	<b>–</b>	2,460
	<b>636</b>	3,354

## Notes to the Financial Statements

For the year ended 31 December 2012

### 9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

#### (b) Five highest paid individuals (Continued)

The remunerations paid to the above non-director individuals for the year fell within the following bands:

	<b>2012</b>	2011
	<b>Number of employees</b>	<i>Number of employees</i>
Nil to HK\$500,000	<b>2</b>	–
HK\$1,500,001 to HK\$2,000,000	–	2

The emoluments paid or payable to members of senior management were within the following bands:

	<b>2012</b>	2011
	<b>Number of individuals</b>	<i>Number of individuals</i>
Nil to HK\$500,000	<b>8</b>	3
HK\$500,001 to HK\$1,000,000	<b>1</b>	–
HK\$1,000,001 to HK\$1,500,000	–	3
HK\$1,500,001 to HK\$2,000,000	–	2
HK\$2,500,001 to HK\$3,000,000	–	1

### 10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the year (2011: Nil). Also, the Group has no profits subject to the PRC enterprise income tax during the year (2011: Nil).

	<b>2012</b>	2011
	<b>HK\$'000</b>	<i>HK\$'000</i>
Hong Kong Profits Tax		
– Under-provision in respect of prior year	<b>1</b>	–

# Notes to the Financial Statements

For the year ended 31 December 2012



## 10. INCOME TAX EXPENSE (Continued)

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

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Loss before income tax	<b>(63,677)</b>	(21,841)
Tax on loss before income tax, calculated at the rates applicable to the tax jurisdictions concerned	<b>(10,475)</b>	(3,608)
Tax effect of non-deductible expense	<b>8,916</b>	2,062
Tax effect of non-taxable revenue	<b>(134)</b>	(5)
Tax effect of temporary difference not recognised	<b>24</b>	22
Tax losses not recognised as deferred tax assets	<b>1,678</b>	1,622
Others	<b>(9)</b>	(93)
Under-provision in respect of prior year	<b>1</b>	–
Income tax expense	<b>1</b>	–

No deferred tax liability has been provided as the Group did not have material temporary differences which gave rise to a deferred tax liability as at 31 December 2012 (2011: Nil).

The Group has tax losses arising in Hong Kong of approximately HK\$76,526,000 (2011: HK\$66,355,000), subject to the agreement of the Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses which arose in companies with unpredictability of future profit streams.

## 11. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated losses for the year attributable to owners of the Company of HK\$63,677,000 (2011: HK\$21,841,000), a loss of HK\$62,768,000 (2011: HK\$22,309,000) has been dealt with in the financial statements of the Company.

## 12. LOSSES PER SHARE

The calculation of the basic losses per share is based on the loss for the year attributable to owners of the Company of HK\$63,677,000 (2011: HK\$21,841,000) and the weighted average number of 2,197,866,000 (2011: 2,131,383,000) ordinary shares in issue during the year.

No adjustment has been made to the basic losses per share amount presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the impact of the exercise of the share options has an anti-dilutive effect on the basic losses per share amount presented.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 13. PROPERTY, PLANT AND EQUIPMENT – THE GROUP AND THE COMPANY

### The Group

	<b>Motor vehicle</b> <i>HK\$'000</i>	<b>Office equipment</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>At 1 January 2011</b>			
Cost	1,500	24	1,524
Accumulated depreciation	(425)	(3)	(428)
<b>Net carrying amount</b>	<b>1,075</b>	<b>21</b>	<b>1,096</b>
<b>Year ended 31 December 2011</b>			
Opening net carrying amount	1,075	21	1,096
Additions	–	6	6
Depreciation	(300)	(5)	(305)
<b>Closing net carrying amount</b>	<b>775</b>	<b>22</b>	<b>797</b>
<b>At 31 December 2011 and at 1 January 2012</b>			
Cost	1,500	30	1,530
Accumulated depreciation	(725)	(8)	(733)
<b>Net carrying amount</b>	<b>775</b>	<b>22</b>	<b>797</b>
<b>Year ended 31 December 2012</b>			
Opening net carrying amount	<b>775</b>	<b>22</b>	<b>797</b>
Additions	–	<b>10</b>	<b>10</b>
Depreciation	<b>(300)</b>	<b>(7)</b>	<b>(307)</b>
<b>Closing net carrying amount</b>	<b>475</b>	<b>25</b>	<b>500</b>
<b>At 31 December 2012</b>			
Cost	<b>1,500</b>	<b>40</b>	<b>1,540</b>
Accumulated depreciation	<b>(1,025)</b>	<b>(15)</b>	<b>(1,040)</b>
<b>Net carrying amount</b>	<b>475</b>	<b>25</b>	<b>500</b>

# Notes to the Financial Statements

For the year ended 31 December 2012



## 13. PROPERTY, PLANT AND EQUIPMENT – THE GROUP AND THE COMPANY (Continued)

### The Company

	<b>Motor vehicle</b> <i>HK\$'000</i>	<b>Office equipment</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>At 1 January 2011</b>			
Cost	950	8	958
Accumulated depreciation	(269)	(2)	(271)
<b>Net carrying amount</b>	<b>681</b>	<b>6</b>	<b>687</b>
<b>Year ended 31 December 2011</b>			
Opening net carrying amount	681	6	687
Depreciation	(190)	(2)	(192)
<b>Closing net carrying amount</b>	<b>491</b>	<b>4</b>	<b>495</b>
<b>At 31 December 2011 and at 1 January 2012</b>			
Cost	950	8	958
Accumulated depreciation	(459)	(4)	(463)
<b>Net carrying amount</b>	<b>491</b>	<b>4</b>	<b>495</b>
<b>Year ended 31 December 2012</b>			
Opening net carrying amount	<b>491</b>	<b>4</b>	<b>495</b>
Depreciation	<b>(190)</b>	<b>(1)</b>	<b>(191)</b>
<b>Closing net carrying amount</b>	<b>301</b>	<b>3</b>	<b>304</b>
<b>At 31 December 2012</b>			
Cost	<b>950</b>	<b>8</b>	<b>958</b>
Accumulated depreciation	<b>(649)</b>	<b>(5)</b>	<b>(654)</b>
<b>Net carrying amount</b>	<b>301</b>	<b>3</b>	<b>304</b>

## Notes to the Financial Statements

For the year ended 31 December 2012

### 14. INTERESTS IN SUBSIDIARIES – THE COMPANY

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Unlisted shares, at costs	<b>12,010</b>	12,010
Amounts due from subsidiaries	<b>35,182</b>	24,268
Less: provision for impairment loss	<b>(6,400)</b>	(3,480)
	<b>28,782</b>	20,788

The directors of the Company had assessed for impairment in value of interests in subsidiaries.

During the year ended 31 December 2012, the directors are of opinion that the recoverability of certain receivables are in doubt and accordingly, provision has been made for those balances to reduce their carrying values to recoverable amounts.

The amounts due from/(to) subsidiaries are in the nature of current accounts and are unsecured, interest-free and have no fixed terms of repayment.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 14. INTERESTS IN SUBSIDIARIES – THE COMPANY (Continued)

Particulars of the Company's subsidiaries at 31 December 2012 are as follows:

Name of company	Place/ Country of incorporation/ establishment	Type of legal entity	Particular of issued/ paid up capital	Percentage of issued/paid up capital held by the Company		Principal activities and place of operations
				Directly	Indirectly	
Mega Way International Limited	Hong Kong	Limited liability company	10,000 ordinary shares of HK\$1 each	100%	–	Investment holding in Hong Kong
Excellent Base Development Limited	Hong Kong	Limited liability company	1 ordinary share of HK\$1	100%	–	Investment holding in Hong Kong
Ocean Power Limited	Hong Kong	Limited liability company	1 ordinary share of HK\$1	100%	–	Investment holding in Hong Kong
Billion City Investment Limited	Hong Kong	Limited liability company	1 ordinary share of HK\$1	100%	–	Investment holding in Hong Kong
Speedy Zone Limited	British Virgin Islands ("BVI")	Limited liability company	1 ordinary share of US\$1	100%	–	Inactive
Yiu Wah Trading Co.	Hong Kong	Unlimited liability company	–	–	100%	Holding of vehicle license in Hong Kong
韶關興港電力服務有限公司	The PRC	Limited liability company	Paid up capital of HK\$3,000,000	–	100%	Investment holding in the PRC
韶關海譽電力服務有限公司	The PRC	Limited liability company	Paid up capital of HK\$5,000,000	–	100%	Investment holding in the PRC

The financial statements of the above subsidiaries were audited by BDO Limited, for the statutory purpose and/or for the purpose of the Group consolidation.



## Notes to the Financial Statements

For the year ended 31 December 2012

### 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP

	2012 HK\$'000	2011 HK\$'000
Listed equity securities, at fair value		
– In Hong Kong	11,378	1,338
– Outside Hong Kong	933	248
	<b>12,311</b>	1,586
Unlisted equity securities, at cost	27,760	27,760
Accumulated impairment losses	(3,064)	(3,064)
	<b>24,696</b>	24,696
	<b>37,007</b>	26,282

(a) Particulars of available-for-sale financial assets in respect of listed equity securities as at 31 December 2012 are as follows:

Name	Place of incorporation/ listing	Particulars of equity interest held	Percentage of equity interest held	Market value as at 31 December		Percentage of the Group's net assets as at 31 December 2012
				Cost HK\$'000	2012 HK\$'000	
Shougang Concord Technology Holding Limited ("SCTHL")	Hong Kong	1,888,000 ordinary shares (2011: 1,888,000 ordinary shares)	Less than 1% (2011: Less than 1%)	614 (2011: 614)	925 (2011: 585)	0.97% (2011: 0.56%)
APAC Resources Limited ("APAC")	Bermuda/ Hong Kong	2,280,000 ordinary shares (2011: 2,280,000 ordinary shares)	Less than 1% (2011: Less than 1%)	692 (2011: 692)	454 (2011: 753)	1.08% (2011: 0.72%)
Medifocus Inc.	Ontario, Canada/ Toronto, Canada	400,000 ordinary shares (2011: 400,000 ordinary shares)	Less than 2% (2011: Less than 2%)	1,334 (2011: 1,334)	933 (2011: 248)	2.21% (2011: 0.24%)
Kaisun Energy Group Limited ("KEGL")	Cayman Islands/ Hong Kong	55,550,000 ordinary shares	Less than 3%	9,999	9,999	23.72%

## Notes to the Financial Statements

For the year ended 31 December 2012



### 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP (Continued)

- (a) Particulars of available-for-sale financial assets in respect of listed equity securities as at 31 December 2012 are as follows: (Continued)

SCTHL is principally engaged in manufacture and sale of digital television and provision of digital television technical services, manufacture and distribution of telephone accessories, power cords and adapters, development and provision of system integration solutions, system design and sale of system hardware. No dividend was received during the year (2011: Nil). Based on the latest published annual results of SCTHL, the audited consolidated net assets as at 31 December 2012 were approximately HK\$1,122 million. Mr. Mung Kin Keung, a director of the Company, is an executive director and a substantial shareholder of SCTHL.

APAC is principally engaged in trading in base metals and commodities and trading and investment in listed securities. No dividend was received during the year (2011: Nil). Based on the latest published interim results of APAC, the unaudited consolidated net assets as at 31 December 2012 were approximately HK\$4,760 million.

Medifocus Inc. is a Canada-based company. The Company is focused on development and commercialisation of minimally invasive, focused-heat tumor targeted cancer treatment devices and systems. No dividend was received during the year (2011: Nil). Based on the latest published interim results of Medifocus Inc., the unaudited consolidated net assets as at 31 December 2012 were approximately HK\$58,900 million (Canadian dollar (“CAD”) 7,651 million).

During the year, the Group acquired 55,550,000 ordinary shares of KEGL at a consideration of HK\$9,999,000. KEGL is principally engaged in the trading of coal and provision for supply chain management services for mineral business. No dividend was received during the year. Based on the latest published interim results of KEGL, the unaudited consolidated net assets as at 31 December 2012 were approximately HK\$682 million.

Fair value of the Group's investments in listed equity securities has been measured as described in Note 26.7.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP (Continued)

(b) Particulars of available-for-sale financial assets in respect of unlisted equity securities are as follows:

Name	Notes	Place of establishment/ incorporation	Percentage of equity interest held	Cost		Accumulated impairment losses		Carrying value		Percentage of the Group's net assets as at 31 December 2012
				2012	2011	2012	2011	2012	2011	
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
乳源瑤族自治縣二灣水電站	(i)	The PRC	30%	2,746	2,746	-	-	2,746	2,746	6.51% (2011: 2.61%)
乳源瑤族自治縣坪坑仔水電站	(i)	The PRC	30%	4,306	4,306	-	-	4,306	4,306	10.21% (2011: 4.10%)
乳源瑤族自治縣天泉水電站	(i)	The PRC	30%	1,886	1,886	-	-	1,886	1,886	4.47% (2011: 1.79%)
乳源瑤族自治縣上山水電站	(i)	The PRC	30%	2,291	2,291	-	-	2,291	2,291	5.43% (2011: 2.18%)
GOGC Petroleum (China) Limited (formerly known as Genting Oil & Gas (China) Limited) ("GOGC") 雲頂石油天然氣(中國)有限公司	(ii)	The Isle of Man	7%	13,467	13,467	-	-	13,467	13,467	31.94% (2011: 12.81%)
Koffman Asset Holding Limited ("Koffman Asset")	(iii)	BVI	9.1%	3,064	3,064	(3,064)	(3,064)	-	-	-
				<b>27,760</b>	27,760	<b>(3,064)</b>	(3,064)	<b>24,696</b>	24,696	

# Notes to the Financial Statements

For the year ended 31 December 2012

## 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS – THE GROUP (Continued)

- (b) Particulars of available-for-sale financial assets in respect of unlisted equity securities are as follows:  
(Continued)

*Notes:*

- (i) These companies are principally engaged in the operation of hydro-electricity power plants in the PRC. In the opinion of the directors of the Company, the Group has not been in a position to exercise any significant influence over the financial and operating policies of these four companies as the Group has no representative in the board of directors of these companies. Accordingly, they are accounted for as available-for-sale financial assets.

As at 31 December 2012, the unaudited net asset values of 乳源瑤族自治縣二灣水電站, 乳源瑤族自治縣坪坑仔水電站, 乳源瑤族自治縣天泉水電站 and 乳源瑤族自治縣上山水電站 were approximately HK\$5,899,000 (2011: HK\$6,166,000), HK\$8,895,000 (2011: HK\$8,901,000), HK\$3,793,000 (2011: HK\$4,558,000) and HK\$4,727,000 (2011: HK\$4,989,000) respectively.

During the year ended 31 December 2012, dividends receivable/received from 乳源瑤族自治縣二灣水電站, 乳源瑤族自治縣坪坑仔水電站, 乳源瑤族自治縣天泉水電站 and 乳源瑤族自治縣上山水電站 were approximately HK\$250,000 (2011: HK\$250,000), HK\$250,000 (2011: HK\$250,000), HK\$250,000 (2011: HK\$250,000) and HK\$250,000 (2011: HK\$250,000) respectively. The directors of the Company are of the opinion that no allowance for impairment in value of these investments is required as the present value of the estimated future cash flow of these investments was higher than the carrying value.

- (ii) Pursuant to a sale and purchase agreement entered into on 13 April 2011 with Parkdale Limited, the Group agreed to acquire 7% of the issued share capital of Genting Oil & Gas (China) Limited ("Genting") (the "Acquisition"). The consideration of the Acquisition is approximately HK\$20 million and was satisfied as to (i) HK\$200 million by cash and (ii) approximately HK\$20 million by issuing 66,666,000 new ordinary shares of the Company at an issue price of HK\$0.3 per share (the "Consideration Shares"). The Company paid the cash consideration of HK\$200 million, issued the Consideration Shares with fair value of approximately HK\$13,467,000 and formally completed the Acquisition on 30 December 2011. Genting is principally engaged in the business of oil & gas development and production in the PRC. In the opinion of the directors of the Company, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Genting as the Group has no representative in the board of directors of Genting. Accordingly, the investment is accounted for as an available-for-sale financial asset.

During the year, the company name of Genting was changed to GOGC by a resolution of shareholders. As at 31 December 2012, the audited net asset value of GOGC was approximately RMB634 million (equivalent to approximately HK\$778 million) (2011: approximately RMB454 million (equivalent to approximately HK\$560 million)). No dividend was received during the year (2011: Nil). The directors of the Company are of opinion that no impairment provision is required for this investment as the present value of the estimated future cash flow of this investment was higher than the carrying value. Mr. Mung Kin Keung, a director of the Company, was appointed as a director of GOGC during the year and has an indirect equity interest in GOGC.

- (iii) Koffman Asset is a company principally involved in an insurance brokerage business which operated in Hong Kong. The company was in financial difficulties and had ceased operations since 2004. Accordingly, an impairment loss was made against the full investment cost in 2004.

These investments are stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 16. DEPOSITS PAID – THE GROUP AND THE COMPANY

	<b>2012</b> <b>HK\$'000</b>	2011 <i>HK\$'000</i>
At 1 January	<b>53,400</b>	30,000
Additions	–	23,400
Less: provision for impairment loss	<b>(53,400)</b>	–
At 31 December	–	53,400

*Notes:*

- (i) On 16 September 2010, the Company entered into non-binding memorandum of understandings (“MOUs”) with vendors for the acquisition of equity interests in three investment projects in the PRC, with deposits paid of HK\$10,000,000 for each of the investment projects. According to the MOUs, Mr. Mung Kin Keung (“Mr. Mung”), a director and a substantial shareholder of the Company, has a personnel guarantee on the deposits paid as security in the event that the vendors are unable to fulfil their responsibilities under the MOUs.

– *Investment 1*

On 8 April 2011, the Company entered into a letter of intent with the vendor to extend the expiry date of one of the MOUs. On 31 December 2011, the acquisition of equity interest in the investment project has not been executed or completed. On 21 March 2012, the Company and the vendor entered into an agreement to terminate the acquisition, and the vendor agreed to refund the deposit of HK\$10 million with a premium of HK\$3 million to the Company on or before 30 June 2012.

The vendor proposed to introduce other investment projects for the Company’s consideration. Additional time is allowed for the proposal. On 29 June 2012, a supplemental agreement was entered between the Company, Mr. Mung and the vendor to extend the refund of the deposit of HK\$10 million and the premium of HK\$3 million on or before 31 December 2012, which provides that, in the event that the vendor can introduce investment project which is accepted by the Company by 31 December 2012, it will only be required to refund the deposit of HK\$10 million.

On 31 December 2012, another supplemental agreement was entered between the Company, Mr. Mung and the vendor to extend the refund of the deposit of HK\$10 million and the premium of HK\$3 million on or before 30 September 2013. Same as the supplemental agreement dated 29 June 2012, in the event that the vendor can introduce investment project which is accepted by the Company by 30 September 2013, the vendor will only be required to refund the deposit of HK\$10 million.

– *Investment 2*

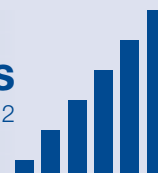
On 8 April 2011, the Company entered into a sale and purchase agreement (the “Agreement 1”) with an individual and the vendor upon the expiry of one of the MOUs. Pursuant to the Agreement 1, the individual provided personal guarantee in favour of the Company the due and punctual performance of the Agreement 1. In the event that completion of Agreement 1 does not take place, the individual shall refund the related deposit of HK\$10 million plus a premium of HK\$3 million in total to the Company. Subsequently, the Agreement 1 was not completed as certain conditions precedents to the execution of the Agreement 1 have not been fulfilled. On 21 March 2012, the Company entered into an agreement with the vendor to terminate the acquisition, and the vendor agreed to refund the deposit of HK\$10 million and the premium of HK\$3 million to the Company on or before 30 June 2012.

The vendor proposed to introduce other investment projects for the Company’s consideration. Additional time is allowed for the proposal. On 29 June 2012, a supplemental agreement was entered between the Company, the individual and the vendor to extend the refund of the deposit of HK\$10 million and the premium of HK\$3 million on or before 31 December 2012, which provides that, in the event that the vendor can introduce investment project which is accepted by the Company by 31 December 2012, it will only be required to refund the deposit of HK\$10 million.

On 31 December 2012, another supplemental agreement was entered between the Company, the individual and the vendor to extend the refund of the deposit of HK\$10 million and the premium of HK\$3 million on or before 30 September 2013. Same as the supplemental agreement dated 29 June 2012, in the event that the vendor can introduce investment project which is accepted by the Company by 30 September 2013, the vendor will only be required to refund the deposit of HK\$10 million.

# Notes to the Financial Statements

For the year ended 31 December 2012



## 16. DEPOSITS PAID – THE GROUP AND THE COMPANY (Continued)

Notes: (Continued)

(i) (Continued)

– Investment 3

On 8 April 2011, the Company entered into four other sale and purchase agreements (the “Agreements 2”) with the vendor upon the expiry of the remaining MOU. According to the Agreements 2, two individuals provided personal guarantees in favour of the Company the due and punctual performance of the Agreements 2. On 31 December 2011, the Agreements 2 was not completed as certain conditions precedents to the execution of the Agreements 2 have not been fulfilled. On 21 March 2012, the Company entered into an agreement with the vendor to terminate the acquisition, and the vendor agreed to refund the deposit of HK\$10 million and the premium of HK\$3 million to the Company on or before 30 June 2012.

The vendor proposed to introduce other investment projects for the Company’s consideration. Additional time is allowed for the proposal. On 29 June 2012, a supplemental agreement was entered between the Company and the vendor to extend the refund of the deposit of HK\$10 million and the premium of HK\$3 million on or before 31 December 2012, which provides that, in the event that the vendor can introduce investment project which is accepted by the Company by 31 December 2012, it will only be required to refund the deposit of HK\$10 million.

On 31 December 2012, another supplemental agreement was entered between the Company, the individual and the vendor to extend the refund of the deposit of HK\$10 million and the premium of HK\$3 million on or before 30 September 2013. Same as the supplemental agreement dated 29 June 2012, in the event that the vendor can introduce investment project which is accepted by the Company by 30 September 2013, the vendor will only be required to refund the deposit of HK\$10 million.

The repayment of the above-mentioned deposits (collectively, the “First Deposit”) is secured by the personal guarantee from Mr. Mung.

(ii) On 11 April 2011, the Company signed a Chinese non-binding framework agreement (the “Framework Agreement”) with two vendors for the acquisition of the petrochemical related business in the PRC, with a refundable deposit paid of US\$3 million (equivalent to approximately HK\$23.4 million) (the “Second Deposit”). As at 31 December 2011, the Framework Agreement has not been completed or executed. On 27 March 2012, the Company entered into an agreement with the vendors to terminate the acquisition, and the vendors agreed to refund the deposit of HK\$23.4 million to the Company on or before 30 June 2012.

On 30 June 2012, a supplemental agreement was entered between the Company and the vendors to extend the deposits refund of HK\$23.4 million on or before 31 December 2012.

On 30 December 2012, another supplemental agreement was entered between the Company and the vendors to further extend the refund on or before 30 April 2013 as the vendors have petrochemical related business in the PRC and the Company intended to continually negotiate with the vendors for the potential opportunity on the investment in the said business. Time is required for negotiation.

As indicated above, there is no interest charged or other compensation payment to the Company for the postponements of the refund of the First Deposit and the Second Deposit (the “Postponements”) as there are potential investment opportunities for the Company. The terms of refund of the First Deposit and the Second Deposit were commercial decisions, which were mutually negotiated and agreed. The management of the Company (the “Management”) considered that the Postponements are fair and reasonable and in the interest of the Company and its shareholders.



## Notes to the Financial Statements

For the year ended 31 December 2012

### 16. DEPOSITS PAID – THE GROUP AND THE COMPANY (Continued)

After consideration of the followings and by reference to the accounting standards in Hong Kong, the Management finally decided to make an impairment provision on the First Deposit and the Second Deposit totaling HK\$53,400,000 in the financial statements for the year ended 31 December 2012:-

- a. the repayment of the First Deposit and the receipt of the personal guarantee provided on the First Deposit by Mr. Mung are assessed individually and cannot be treated as a whole to evaluate the repayment of First Deposit;
- b. Mr. Mung is a shareholder of the Company, any amount received from him under the said guarantee will be treated as capital contribution;
- c. If the default payment of the First Deposit is occurred, Mr. Mung's obligation of his personal guarantee can be considered to recognise; and
- d. The repayment of the First Deposit and the Second Deposit involved uncertainty.

The Company will enforce the personal guarantee given by Mr. Mung, if the repayment of the First Deposit relating to the above-mentioned Investments 1-3 is in default. Mr. Mung also confirmed that he would fulfill the obligations under the personal guarantee.

Due to the proposed acquisitions as described in notes (i) and (ii) above were confirmed and agreed to terminate during the year ended 31 December 2012, the respective deposits paid were classified as current assets as at 31 December 2012.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – THE GROUP

	2012 HK\$'000	2011 HK\$'000
Listed securities held for trading:		
– Equity securities in Hong Kong	<b>615</b>	4,119

Fair value of the Group's investments in listed equity securities has been measured as described in Note 26.7.

Particulars of financial assets at fair value through profit or loss as at 31 December 2012 are as follows:

Name	Place of incorporation/ listing	Particulars of equity interest held	Percentage of equity interest held	Cost HK\$'000	Market value	Market value	Percentage of
					as at 31 December 2012 HK\$'000	as at 31 December 2011 HK\$'000	the Group's net assets as at 31 December 2012
National Arts Holdings Limited ("NAHL")	Bermuda/ Hong Kong	5,970,000 ordinary shares (2011: 5,970,000 ordinary shares)	Less than 1% (2011: less than 2%)	6,567 (2011: 6,567)	<b>615</b>	4,119	1.46% (2011: 3.92%)

NAHL is principally engaged in film production and distribution, the provision of artistes management, advertising and promotion services, the provision of film studio, theme park and hotels, digital solution services. No dividend was received during the year (2011: Nil). Based on the latest published results of NAHL, the audited consolidated net assets as at 31 December 2012 were approximately HK\$794 million.



## Notes to the Financial Statements

For the year ended 31 December 2012

### 18. CASH AND CASH EQUIVALENTS – THE GROUP AND THE COMPANY

Cash and cash equivalents include the following components:

	The Group		The Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Cash at banks and in hand	826	125	754	49
Short-term bank deposits	2,031	19,550	2,031	19,550
	<b>2,857</b>	19,675	<b>2,785</b>	19,599

As at 31 December 2012, the Group has cash and bank balances of approximately HK\$1,000 (2011: HK\$3,000) denominated in Renminbi ("RMB"). The balances of cash at bank denominated in RMB are deposited with bank in the PRC and earn interest at floating rates based on daily bank deposit rates. The Company does not have cash and bank balances denominated in RMB (2011: Nil).

RMB is not freely convertible into foreign currencies under the PRC Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between 28 days and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The directors of the Company considered that the fair values of the cash and bank balances and short-term bank deposits are not materially different from their carrying amounts because of the short maturity period on their inception.

### 19. ACCRUALS AND OTHER PAYABLES – THE GROUP AND THE COMPANY

All amounts are short-term and hence the carrying values of accruals and other payables are considered to be reasonable approximation of their fair values.

### 20. AMOUNT DUE TO A RELATED COMPANY – THE GROUP AND THE COMPANY

The amount due is unsecured, interest free and has no fixed term of repayment.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 21. SHARE CAPITAL

	2012		2011	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
Ordinary shares of HK\$0.025 each				
At 1 January 2011, 31 December 2011 and 31 December 2012	<b>4,000,000,000</b>	<b>100,000</b>	4,000,000,000	100,000

	2012		2011	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Issued and fully paid:				
Ordinary shares of HK\$0.025 each				
At 1 January	<b>2,197,866,000</b>	<b>54,947</b>	2,131,200,000	53,280
Issue of Consideration Shares for acquisition of available-for-sale financial asset	–	–	66,666,000	1,667
At 31 December	<b>2,197,866,000</b>	<b>54,947</b>	2,197,866,000	54,947

### Notes:

- (i) The share capital of the Company comprises only fully paid ordinary shares with a par value of HK\$0.025 each. All shares are equally eligible to receive dividends and to the repayment of capital and represent one vote at shareholders' meetings of the Company.
- (ii) As described in Note 15(b)(ii), the Company issued 66,666,000 ordinary shares as part of the consideration for acquisition of an available-for-sale financial asset during the year ended 31 December 2011. The fair value of the Consideration Shares, determined based on the closing market price of the Company's shares on the acquisition date of HK\$0.202 per share, was HK\$13,467,000. The issue of Consideration Shares has resulted in increases in share capital and share premium account of the Company by HK\$1,667,000 and HK\$11,800,000 respectively.

## 22. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2012 of HK\$42,162,000 (2011: HK\$105,106,000) and the 2,197,866,000 (2011: 2,197,866,000) ordinary shares in issue.



## Notes to the Financial Statements

For the year ended 31 December 2012

### 23. SHARE OPTION SCHEME

The Company has adopted a new share option scheme on 12 January 2009 (with supplementary amendment on 30 June 2010) (the “New Scheme”) which simultaneously terminated the share option scheme adopted on 23 May 2002 (the “Old Scheme”). Under the New Scheme, the directors may, at their absolute discretion, make an offer to any participant to take up the options. An offer is deemed to have been accepted by the grantee upon the duplicate of the offer letter comprising acceptance of the offer being duly signed by the grantee and paying HK\$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the New Scheme shall be no less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange on the date on which an option is granted, (ii) the average closing prices of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date on which an option is granted and (iii) the nominal value of a share of the Company on the date on which an option is granted.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed 144,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the New Scheme. An option may be exercised during a period to be notified by the directors but may not be exercised after the expiry of 10 years after the date of grant of the option.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant under the New Scheme in any 12-month period must not exceed 1% of the total number of shares in issue of the Company. Any further grant of options in excess of the 1% limit shall be subject to shareholders’ approval in general meeting with such participant and his associates abstaining from voting. The New Scheme will remain in force for a period of 10 years from 12 January 2009.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company’s ordinary shares. The share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings. The share options under the New Scheme have no vesting period.

On 15 April 2011, the Company granted 144,000,000 share options to its directors, employees and other grantees at an exercise price of HK\$0.27 per share. The share options granted pursuant to the New Scheme will be exercisable from 15 April 2011 to 14 April 2021 (both dates inclusive). Particulars of the share options granted under the New Scheme were set forth in the announcement and the circular of the Company dated 15 April 2011 and 30 May 2011 respectively.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 23. SHARE OPTION SCHEME (Continued)

Movements in share options at the reporting date are as follows:

	Number of share option		Weighted average exercise price	
	2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$
Outstanding at 1 January	144,000,000	–	0.27	–
Granted during the year	–	144,000,000	–	0.27
Outstanding at 31 December	144,000,000	144,000,000	0.27	0.27

The options granted on 15 April 2011 which were outstanding at 31 December 2012 had an average exercise price of HK\$0.27 per share (2011: HK\$0.27 per share)

The weighted average remaining contractual life of the share options outstanding at 31 December 2012 was approximately 8.3 years (2011: approximately 9.3 years).

The fair value of options granted was determined using the Binominal Model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

Share price as at the date of grant (per share)	HK\$0.27
Expected volatility*	66.649%
Expected life of option	10 years
Dividend yield	Nil
Risk-free interest rate	2.738%
Fair value at 15 April 2011	HK\$0.082
Exercise price at 15 April 2011 (per option)	HK\$0.27

\* The expected volatility is calculated based on the weight average of the historic volatility of the share prices of the comparable companies.

The fair value of the options granted was approximately HK\$11,807,000 and was recognised by the Group as share option expenses for the year ended 31 December 2011. The corresponding amount has been credited to the share option reserve. No liabilities were recognised as those are equity settled share-based payments transactions.

## Notes to the Financial Statements

For the year ended 31 December 2012

### 24. RESERVES

#### (a) The Group

Movements in the Group's reserves during the year are set out in the consolidated statement of changes in equity to the financial statements.

#### (b) The Company

	Share premium	Share option reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2011	178,563	–	(129,898)	48,665
Issue of Consideration Shares for acquisition of available-for-sale financial asset ( <i>Note 21</i> )	11,800	–	–	11,800
Loss and total comprehensive income for the year	–	–	(22,309)	(22,309)
Recognition of share-based payments	–	11,807	–	11,807
At 31 December 2011 and at 1 January 2012	190,363	11,807	(152,207)	49,963
Loss and total comprehensive income for the year	–	–	(62,768)	(62,768)
<b>At 31 December 2012</b>	<b>190,363</b>	<b>11,807</b>	<b>(214,975)</b>	<b>(12,805)</b>

Under the Companies Law (Revised) of Cayman Islands, the share premium of the Company is available for distributions of paying dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distributions of dividend, the Company is able to pay its debt as they fall due in the ordinary course of business.

In accordance with the Company's Memorandum and Articles of Association, the Company may make a distribution out of share premium subject to the provision of the Companies Law (Revised) of Cayman Islands.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 25. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties.

### (i) Significant transactions with related parties

	Notes	2012 HK\$'000	2011 HK\$'000
Office rental paid/payable to a related company	(a)	137	274
Investment management fees paid/payable to OP Investment Management Limited (formerly known as OP Calypso Capital Limited) ("OPIM")	(b)	500	500

(a) Office rental paid/payable to a related company, in which Mr. Mung Kin Keung is a common director and a shareholder of the related company and the Company. The office rental was charged in accordance with the terms negotiated between the relevant parties. On 1 July 2012, the Group has moved to a new office, therefore no rental paid to a related company since 1 July 2012. In addition, Mr. Mung Kin Keung resigned as director of the related company on 7 November 2012.

(b) During the year ended 31 December 2012, the board of directors has approved the appointment of OPIM as the Company's investment manager for a period effectively from 1 October 2012 to 30 June 2013. The investment management fee was HK\$500,000 per annum. The fee was charged in accordance with the terms negotiated between the relevant parties.

### (ii) Compensation of key management personnel remuneration

The directors are of the opinion that the key management personnel were the executive directors and independent non-executive directors of the Company, details of whose emoluments are set out in Note 9(a).

## 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The Group does not have written risk management policies and guidelines. However, the board of directors of the Company meets periodically to analyse and formulate measures to manage the Group's exposure to market risk (including interest risk, foreign currency risk and other price risk), liquidity risk and credit risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk (including foreign currency risk, interest risk and other price risk), liquidity risk and credit risk are kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed are discussed below.

## Notes to the Financial Statements

For the year ended 31 December 2012

### 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

As at the reporting date, the Group's and the Company's financial instruments mainly consisted of cash and cash equivalents, available-for-sale financial assets, financial assets at fair value through profit or loss, other receivables, amounts due from/(to) subsidiaries, accruals and other payables and amount due to a related company.

#### 26.1 Categories of financial assets and liabilities

The carrying amounts presented in the Group's and the Company's statements of financial position relate to the following categories of financial assets and financial liabilities:

	The Group		The Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Financial assets</b>				
Available-for-sale financial assets	37,007	26,282	–	–
Financial assets at fair value through profit or loss	615	4,119	–	–
Loans and receivables				
– Cash and cash equivalents	2,857	19,675	2,785	19,599
– Other receivables	2,248	1,897	4	7
– Amounts due from subsidiaries	–	–	28,782	20,788
	<b>42,727</b>	51,973	<b>31,571</b>	40,394

	The Group		The Company	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost				
– Accruals and other payables	982	909	607	657
– Amount due to a related company	125	125	125	125
– Amounts due to subsidiaries	–	–	1,053	650
	<b>1,107</b>	1,034	<b>1,785</b>	1,432

# Notes to the Financial Statements

For the year ended 31 December 2012



## 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

### 26.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest-bearing assets in relation to cash at banks and short-term bank deposits carried at effective interest rates with reference to the market. Details of which are disclosed in Note 18. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Group's cash at banks is considered minimal. The Group has no interest bearing borrowings.

The Group does not have any exposure to interest rate risk at the reporting date nor in comparative periods and is not exposed to changes in market interest rates.

The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

The Company does not expose to interest rate risk as no interest-bearing borrowings at the reporting date.

### 26.3 Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is operated in Hong Kong and most of its transactions are settled in HK\$. Deposits invested into various bank deposits are denominated in HK\$ and RMB. As at the reporting date, foreign currencies were translated into HK\$ at the closing rate. As at 31 December 2012, cash and bank balances included RMB1,000 (approximately HK\$1,000) (2011: RMB3,000 (approximately HK\$3,000)) and the remaining balance of HK\$2,856,000 (2011: HK\$19,672,000) is denominated in HK\$.

The foreign currency exchange rate fluctuations in connection with the Group's bank deposits and foreign currency denominated available-for-sale financial assets are not significant.

The Company does not have significant exposure to foreign currency risk at the reporting date.

The policies to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.





## Notes to the Financial Statements

For the year ended 31 December 2012

### 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

#### 26.4 Credit risk

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

The Group's cash at banks are deposited with authorised banks located in Hong Kong and the PRC, therefore the directors consider that credit risk for such is minimal. Other than the deposits paid (note 16) was classified as refundable and under current assets as at 31 December 2012, the Group has no other significant concentration of credit risk.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

#### 26.5 Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices of listed equity in respect of its investments in listed equity classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

To manage its market price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board of directors. Any amount of investment cost over HK\$10,000,000 is subject to the approval of the board of directors.

The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

##### *Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 35% in the current year (2011: 35%) as a result of the volatile financial market.

If equity prices has been 35% higher/lower, loss for the year and other comprehensive income for the year ended 31 December 2012 would decrease and increase/increase and decrease by approximately HK\$209,000 and HK\$4,302,000 respectively (2011: loss for the year and other comprehensive income would decrease and increase/increase and decrease by approximately HK\$1,442,000 and HK\$555,000 respectively). This is due to the change in fair value of listed equity investment classified as financial assets at fair value through profit or loss and available-for-sale financial assets.

The Company is not exposed to other price risk as no listed equity investments held at the reporting date.

# Notes to the Financial Statements

For the year ended 31 December 2012

## 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

### 26.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of accruals and other payables and amount due to a related company, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages its liquidity needs on a consolidated basis by carefully monitoring the cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30 day projection. Long term liquidity needs for a 180-day and 365-day lookout period are identified monthly.

The Group maintains cash and bank deposits to meet its liquidity requirements for 30 day periods at a minimum. The Group finances its working capital requirements by the funds generated from operations and capital placement. Based on the assessment of the directors, liquidity risk encountered by the Group is minimal.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

Analysed below is the Group's and the Company's remaining contractual maturities for its non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group and the Company can be required to pay:

#### The Group

	<b>Within one year or on demand HK\$'000</b>	<b>2012 Total contractual undiscounted cash flow HK\$'000</b>	<b>Carrying amount HK\$'000</b>
<b>Non-derivative financial liabilities:</b>			
Accruals and other payables	982	982	982
Amount due to a related company	125	125	125
	<b>1,107</b>	<b>1,107</b>	<b>1,107</b>

## Notes to the Financial Statements

For the year ended 31 December 2012

### 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

#### 26.6 Liquidity risk (Continued)

##### The Group

	2011		
	Within one year or on demand <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
<b>Non-derivative financial liabilities:</b>			
Accruals and other payables	909	909	909
Amount due to a related company	125	125	125
	1,034	1,034	1,034

##### The Company

	2012		
	Within one year or on demand <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Carrying amount <i>HK\$'000</i>
<b>Non-derivative financial liabilities:</b>			
Accruals and other payables	607	607	607
Amount due to a related company	125	125	125
Amounts due to subsidiaries	1,053	1,053	1,053
	1,785	1,785	1,785

# Notes to the Financial Statements

For the year ended 31 December 2012



## 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

### 26.6 Liquidity risk (Continued)

#### The Company

	2011		Carrying amount HK\$'000
	Within one year or on demand HK\$'000	Total contractual undiscounted cash flow HK\$'000	
<b>Non-derivative financial liabilities:</b>			
Accruals and other payables	657	657	657
Amount due to a related company	125	125	125
Amounts due to subsidiaries	650	650	650
	1,432	1,432	1,432

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

### 26.7 Fair value measurements recognised in the consolidated statement of financial position

The Group followed HKFRS 7 Financial Instruments Disclosure which introduced a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

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

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

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

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

## Notes to the Financial Statements

For the year ended 31 December 2012

### 26. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

#### 26.7 Fair value measurements recognised in the consolidated statement of financial position (Continued)

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	As at 31 December 2012			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Assets</b>				
Available-for-sale financial assets				
– listed equity securities, at fair value	12,311	–	–	12,311
Financial assets at fair value through profit or loss				
– listed equity securities, at fair value	615	–	–	615
	<b>12,926</b>	<b>–</b>	<b>–</b>	<b>12,926</b>

	As at 31 December 2011			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
<b>Assets</b>				
Available-for-sale financial assets				
– listed equity securities, at fair value	1,586	–	–	1,586
Financial assets at fair value through profit or loss				
– listed equity securities, at fair value	4,119	–	–	4,119
	<b>5,705</b>	<b>–</b>	<b>–</b>	<b>5,705</b>

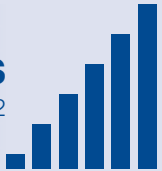
There have been no significant transfers between levels 1 and 2 in the reporting period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

The listed equity securities are denominated in HK\$ and CAD. Fair values have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

# Notes to the Financial Statements

For the year ended 31 December 2012



## 27. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group, prevailing and projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group regards total equity presented on the face of the consolidated statement of financial position as capital, for capital management purpose, which the management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 31 December 2011.

## 28. EVENTS AFTER THE REPORTING DATE

Save as those supplemental agreements entered into after the reporting date as detailed in note 16, the Group and the Company did not have any significant events after the reporting date.

## Financial Summary

A summary of the financial results and the assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				2012 HK\$'000
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	
<b>Results</b>					
Turnover	5	11	1,046	1,033	<b>1,030</b>
Loss from operations	(2,356)	(5,037)	(6,313)	(21,841)	<b>(63,676)</b>
Finance costs	–	–	–	–	–
Loss before income tax	(2,356)	(5,037)	(6,313)	(21,841)	<b>(63,676)</b>
Income tax expense	–	(79)	–	–	<b>(1)</b>
Loss for the year	(2,356)	(5,116)	(6,313)	(21,841)	<b>(63,677)</b>

	As at 31 December				2012 HK\$'000
	2008 HK\$'000	2009 HK\$'000	2010 HK\$'000	2011 HK\$'000	
<b>Assets and liabilities</b>					
Property, plant and equipment	–	1,375	1,096	797	<b>500</b>
Available-for-sale financial assets	189	14,254	13,583	26,282	<b>37,007</b>
Deposits paid	–	–	30,000	53,400	–
Current assets	28,271	13,992	58,685	25,734	<b>5,762</b>
Current liabilities	(555)	(510)	(957)	(1,107)	<b>(1,107)</b>
Net assets	27,905	29,111	102,407	105,106	<b>42,162</b>
Equity	27,905	29,111	102,407	105,106	<b>42,162</b>