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**OPES ASIA**  
**DEVELOPMENT LIMITED**  
**Annual Report 2011**

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors:

Mr. Yang Yongdong (*Chief Executive Officer*)

Mr. Chu Wai Lim

Ms. Fong Son Wa

### Non-executive Director:

Mr. Wang Shiyang

### Independent Non-executive Directors:

Mr. Chan Yuk Sang

Professor Chen Yamin

Mr. Ku Siu Fun Alex

## AUDIT COMMITTEE

Mr. Ku Siu Fun Alex (*Chairman*)

Mr. Chan Yuk Sang

Professor Chen Yamin

## REMUNERATION COMMITTEE

Mr. Chan Yuk Sang (*Chairman*)

Professor Chen Yamin

Mr. Ku Siu Fun Alex

## NOMINATION COMMITTEE

Mr. Ku Siu Fun Alex (*Chairman*)

Mr. Chan Yuk Sang

Professor Chen Yamin

## INVESTMENT COMMITTEE

Mr. Chu Wai Lim

Ms. Fong Son Wa

Mr. He Weiqing

## COMPANY SECRETARY

Mr. Tsang Wai Wa

## AUDITOR

FTW & Partners CPA Limited

## INVESTMENT MANAGER

China International Capital Limited

## PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

## CUSTODIAN

Standard Chartered Bank (Hong Kong) Limited

## SOLICITORS

### As to Hong Kong Law

Sidley Austin

DLA Piper Hong Kong

### As to Bermuda Law

Appleby Hunter Bailhache

## REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3102-3105, 31/F.,

China Merchants Tower,

Shun Tak Centre,

168-200 Connaught Road Central,

Hong Kong

## REGISTRARS IN HONG KONG

Tricor Tengis Limited

26/F., Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

## WEBSITE

<http://www.irasia.com/listco/hk/opesasia>

## STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

810

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Opes Asia Development Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL RESULTS

For the year ended 31 December 2011, the Group recorded a revenue of approximately HK\$19.68 million (2010: HK\$16.20 million), representing an increase of approximately 21.48% as compared with that of last year. The net loss attributable to shareholders for the year ended 31 December 2011 was approximately HK\$42.47 million (2010: profit of approximately HK\$12.50 million).

## DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

## BUSINESS REVIEW

The Company is an investment company pursuant to the Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). During the year under review, the Group remains principally engaged in listed investments in Hong Kong and in other main stock markets around the world and also in unlisted companies.

The increase in the losses attributable to the shareholders for the year ended 31 December 2011 were because

- (i) the fair value of the financial assets at fair value through profit or loss was decreased by approximately HK\$32.05 million,
- (ii) the impairment loss on available-for-sale financial assets was increased by HK\$9.36 million,
- (iii) the valuation of the share options granted during the year was approximately HK\$1.84 million,
- (iv) the legal expenses of approximately 3.33 million was increased due to legal advices and
- (v) the administrative expenses increased in line with the expansion of the Group's operation.

## FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2011, the Group had cash and cash equivalents of approximately HK\$30.20 million (2010: HK\$22.18 million). The net current assets for the year ended 31 December 2011 was approximately HK\$86.07 million (2010: HK\$58.15 million), indicating that the Group had adequacy of liquidity. The indebtedness of the Group as at 31 December 2011 was HK\$Nil (2010: HK\$Nil).

## FOREIGN EXCHANGE EXPOSURE

Most of the business transactions of the Group are denominated in Hong Kong dollars, Renminbi and Australian dollars. Management of the Group will closely monitor the fluctuation in Renminbi and Australian dollars and take appropriate actions when needed. As at 31 December 2011, the Group does not have any hedging activities its foreign exchange exposure nor does it adopt any formal hedging policies. The Group had not entered into any financial derivatives during the year.

# Management's Statement

## **MANAGEMENT DISCUSSION AND ANALYSIS — continued** **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

During the year under review, there was no material acquisition or disposal of subsidiaries occurred.

## **SHARE CAPITAL STRUCTURE**

On 28 April 2011, 32,600,000 Placing shares at a price of HK\$0.112 per Placing share were issued pursuant to the Placing Agreement dated 8 April 2011 entered into the Company and the Placing Agent.

On 20 June 2011, 831,400,000 shares were issued at a price of HK\$0.07 per share pursuant to the Underwriting Agreement dated 6 May 2011.

On 1 December 2011, the Company's shares had been consolidated for every 10 shares into 1 Consolidated Share.

## **CHARGES ON THE COMPANY'S ASSETS AND CONTINGENT LIABILITIES**

As at 31 December 2011, there were no charges on the Company's assets and the Company did not have any significant contingent liabilities.

## **HUMAN RESOURCES**

As at 31 December 2011, the Company has eight full time employees.

The Company places high value on the staffs as they are the most valuable assets to grow with the Company. The Company encourages the staffs to be the best in their roles by providing training in diversified fields and address both personal development and work skills. The Company also provides workshops for staffs at different levels to build team spirit and morale. The staffs are rewarded based on Company performance as well as their performance and contribution to the Company.

## **STAFF COSTS**

The Company's total staff costs (including directors' emoluments) for the year under review amounted to HK\$5.6 million (2010: HK\$2.7 million).

## **LITIGATION**

After the year end date, on 13 March 2012, the Company and the Executive Directors of the Company received an Originating Summons issued on 12 March 2012 under action number HCMP 447 of 2012 by Mr. Cheung Tung Lan Tony, a Non-executive Director of the Company, who applied, among other things, an order for inspection of documents of the Company under sections 121 and 152FA of the Companies Ordinance (Cap. 32 of Laws of Hong Kong) ("the Application"). The Application had been heard on 17 May 2012 and the Court dismissed the Application made by Mr. Cheung, and ordered him to pay the legal costs of the Application to (i) the Company on a party and party basis; and (ii) the three Executive Directors of the Company on a common fund basis which is a higher scale than party and party basis.

Mr. Cheung has a right to appeal under the Rules of the High Court of Hong Kong. The deadline for Mr. Cheung to file a Notice of Appeal in the Court of Appeal is 14 June 2012 unless he gets an extension of time from the Court.

## PROSPECTS

We believe that with the U.S. economy not yet recovered and European debt crisis not effectively solved, the continuing upheaval of international economic environment will sustain for a certain period and prices of international bulk commodities and resource merchandise will suffer significant fluctuation, resulting the prospect of world economy remains uncertain. For the domestic economy, the significant increase in labour costs, continuing inflation, downturn in international demand and exchange rate appreciation have seriously hindered the exporting industries. Its domestic demand has still not become the main driving force in facilitating economic development due to historical problems such as defects in social security system and economic structure. The stimulating effect in investment can no longer achieve its original momentum after its previous round of large-scale implementation. Hence, in view of highly external dependence of China economy, we prudently estimate that the development of China economy will slow down gradually.

Nevertheless, we still believe that the economies of emerging countries, including China, can sustain their growth when compared with the developed countries, and will bring more investment opportunities. Therefore, we are actively looking into different investment opportunities in those sectors that are closely related to the economic development in the Mainland, such as energy, financial services and high-end consumables, and have already conducted feasibility studies and negotiations for specific projects in those sectors. The management of the Company believes that the investment performance of the Group will significantly enhance once they are finalised.

Under the macro environment of unstable global economy and international finance, it is inevitable that uncertainties of investments and investment instruments will increase, resulting greater difficulties in making investment decisions. At the same time, however, it will bring new challenges to the Company's capabilities in managing assets. As a result, the Group will continue to enhance its efforts in risk control, pay close attention to the changes of various factors affecting its investment portfolio projects, adjust the investment portfolio effectively and in a timely manner and prudently select and review investment projects, thereby striving to gain better investment returns despite operating in complicated environment and further achieve the objective of long-term capital increase for the benefit of investors ultimately.

On behalf of the Board

**Yang Yongdong**

*Chief Executive Officer*

Hong Kong, 4 June 2012

# Biographical Details of Directors And Senior Management

## EXECUTIVE DIRECTORS

**Mr. Yang Yongdong (“Mr. Yang”)**, aged 43, joined the Company on 15 April 2011, graduated from Xiamen University and was awarded a Bachelor’s Degree of Electronic Engineering. He obtained a Master’s Degree of Economics from the Department of International Economic and Trade at Nankai University. Mr. Yang is currently a Doctoral candidate of the Institute of Finance and Banking in the Chinese Academy of Social Sciences. Mr. Yang has over 19 years of experience in financial investment business. He has held senior management positions at a number of investment companies in Mainland China and Hong Kong. Mr. Yang is considerably familiar with the capital investment markets in both Mainland China and Hong Kong, and has in-depth knowledge of the operation of A-shares, B-shares and H-shares. He excels in identifying potential strategic investment opportunities and has extensive experience in equity investments in unlisted companies. He has advanced insight into strategic investments, definitely a sophisticated investment expert in the capital investment markets in Mainland China and Hong Kong.

**Mr. Chu Wai Lim (“Mr. Chu”)**, aged 34, joined the Company as an Executive Director in January 2005. Prior to that, Mr. Chu was a Chief Financial Officer and Company Secretary of ViaGOLD Capital Limited, a listed company in Australia. Mr. Chu had also been working in a company whose shares are listed on the Stock Exchange, as an executive assistant responsible for the group’s administration, accounting, finance and information technology related management activities for 3 years. Mr. Chu holds a Bachelor of Arts degree in Economics from San Francisco State University.

**Ms. Fong Son Wa (“Ms. Fong”)**, aged 32, joined the analytical team of the Company in August 2006 and became an Executive Director in October 2007. Ms. Fong holds a Postgraduate Diploma in Development Finance from The University of Manchester, UK; and a dual honours degree in Business Administration and Finance at University of Keele, UK. Her selected research focused on business development in emerging and developing countries. Her career started at the research tour to Sri Lanka performing research analysis in its financial monetary system. She has also served in The Universal.com Technology Ltd as business analyst. In early 2003, she joined one of the largest state-owned banking institutes, Bank of China Group, toured through various positions, such as research analysis, financial products, etc. She has gained extensive knowledge in the field of business incubation and development in the emerging markets.

## NON-EXECUTIVE DIRECTOR

**Mr. Wang Shiyan (“Mr. Wang”)**, aged 48, joined the Company on 28 July 2011. Mr. Wang holds a Master’s Degree in Engineering from Dalian University of Technology. He is currently a Doctoral candidate at the Institute of Finance and Banking in the Chinese Academy of Social Sciences in the People’s Republic of China (the “PRC”). Mr. Wang has long been engaged in the businesses of finance, investment and culture communication in China. He has a profound sense of professionalism, extensive experience in investment and management, and keen industry insight. Mr. Wang also holds many public positions in China, such as membership in the WuHu City Political Consultative Conference (蕪湖市政協) and vice-presidency of WuHu Young Entrepreneurs’ Association (蕪湖市青年企業家協會), and has considerable social influence.

# Biographical Details of Directors And Senior Management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Yuk Sang (“Mr. Chan”)**, aged 66, joined the Company on 21 April 2011. Mr. Chan is an independent non-executive director of Four Seas Mercantile Holdings Limited, GOME Electrical Appliances Holding Limited and Imagi International Holdings Limited, all of their shares are listed on the main board of the Stock Exchange. Mr. Chan has over 30 years of experience in the banking and finance industry. He also served as a senior general manager of a local bank and an executive director of a Sino-foreign bank in Shenzhen. Mr. Chan was the chairman of Century Legend (Holdings) Limited from September 1999 to July 2002 and a director of Hong Kong Building & Loan Agency Limited from 1993 to 1995, the shares of both of which are listed on the Stock Exchange.

**Professor Chen Yamin (“Professor Chen”)**, aged 59, joined the Company on 9 May 2011. Professor Chen obtained a Master’s Degree in Economics from Shanghai University of Finance and Economics and a Doctoral Degree in Economics in International Accounting from Renmin University of China (also known as the People’s University of China). Currently, Professor Chen serves as the Director of Department of Accounting at Antai College of Economics and Management, Shanghai Jiao Tong University. He is an Accounting Standards consultant in the Ministry of Finance of the PRC, a member of the Expert Committee for Digital City Construction of the PRC and an executive director of the Accounting Society of China. He is an independent director of Shanghai Kaikai Industrial Company Limited, whose A shares and B shares are listed on the Shanghai Stock Exchange, and also a director of Shanghai Jielong Group Industry Corporation Limited, whose A shares are listed on the Shanghai Stock Exchange. Professor Chen was an independent director of China Haisum Engineering Company Limited and Jiangsu Jiangnan High Polymer Fiber Company Limited, whose respective A shares are listed on the Shenzhen Stock Exchange and the Shanghai Stock Exchange respectively. He was also an executive director of the Chinese Institute of Corporate Finance and Cost (Youth and Mid-Aged). Professor Chen, a renowned PRC expert in accounting, participated in the drafting of the First Draft of Chinese Accounting Standards for Business Enterprises, and was in charge of setting examination papers for the subjects of “Accounting” and “Financial Management” for the first examination of registered accountants in the PRC. In addition to accounting, Professor Chen also participates in the PRC capital markets. He is one of the founders of China Chengxin Credit Rating Company, the first professional credit rating agency in the PRC. Professor Chen was involved in more than sixty domestic and overseas IPO projects and more than ten large-scale international acquisitions.

**Mr. Ku Siu Fun Alex (“Mr. Ku”)**, aged 56, joined the Company on 11 January 2012. Mr. Ku graduated with a Master degree of Business Administration from the Open University and a Bachelor degree of Business Administration from the Chinese University of Hong Kong. He is currently a Fellow of the Society of Register of Financial Planners (FRFP), a Fellow of the Institute of Financial Accountants (FFA), a Fellow of the Hong Kong Institute of Marketing (FHKIM) and a Certified Professional Marketer (CPM). Mr. Ku has gained broad experience in banking and finance with United Overseas Bank, Standard Chartered Bank, Crédit Agricole (formerly known as Banque Indosuez), Citibank N.A. and Citic Bank International (formerly known as Citic Ka Wah Bank). He also worked as a Management Consultant in CCIF CPA for over 5 years with diverse experience and network in business development, enterprise management, merger and acquisition covering investment advisory, fundraising and strategic financial management. Mr. Ku has also been engaged as a trainer and lecturer in various business training programs offered by the Hong Kong Institute of Bankers, Hong Kong Management Association, Hong Kong Polytechnic University, Hong Kong Productivity Council, and Macau Management Association.

# Biographical Details of Directors And Senior Management

## DEPUTY CHIEF EXECUTIVE OFFICER AND INVESTMENT MANAGER

**Mr. He Weiqing (“Mr. He”)**, aged 47, joined the Company on 1 July 2011, holds a bachelor degree in Science and a master degree in Economics from Sun Yat-sen University and has extensive experience in financial and corporate management as well as project investment management. Mr. He has held senior management positions at various investment companies in Mainland China and is familiar with the investment markets in Mainland China and Hong Kong and was principally responsible for studying the feasibility of potential investment projects, analyzing and advising the securities investment strategies and decisions. Mr. He has also been awarded the HKSI Practising Certificate (On Securities and Asset Management) by the Hong Kong Securities Institute and the passing certificate for the eligibility examination for securities practitioners (on Securities Investment Funds) by the Securities Association of China.

## FINANCIAL CONTROLLER AND COMPANY SECRETARY

**Mr. Tsang Wai Wa (“Mr. Tsang”)**, aged 51, joined the Company as Financial Controller and Company Secretary on 18 January 2012. Mr. Tsang is a holder of a Bachelor degree in Finance and Accounting and a Master degree in Business Administration. He is a fellow member of the Chartered Association of Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in auditing, accounting, company secretary and corporate finance.

The Directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2011.

## **PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS**

The Company is principally engaged in investment in listed and unlisted companies established in the People's Republic of China (the "PRC"), Hong Kong, Macau and Australia.

An analysis of the Group's performance for the year by operating segment is set out in note 5 to the financial statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31 December 2011 and the state of affairs at that date are set out in the financial statements on pages 20 to 23.

The Directors do not recommend the payment of a dividend.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

## **SHARE CAPITAL**

Details of the movements in the share capital of the Company are set out in note 23 to the financial statements.

## **RESERVES**

Details of the movements in the reserves of the Group during the year are set out in the statement of changes in equity on page 24.

## **DISTRIBUTABLE RESERVES**

Under the Companies Act of the Bermuda, the share premium of the Company is available for paying distributions or dividends to the shareholders subject to the provisions of its Bye-Laws and a statutory solvency test. In accordance with Bye-Law 143 the dividends may be declared and paid out of the profits of the Company or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared or paid out of share premium account. The Company's reserves available for distribution amounted to HK\$111,808,582 as at 31 December 2011.

## **FIVE YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 72. This summary does not form part of the audited consolidated financial statements.

## **PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY**

The Company has not purchased, sold or redeemed any of its own shares during the year.

# Report of the Directors

## SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 30 to the financial statements.

As at 31 December 2011, details of the share options granted under the share option scheme of the Company adopted pursuant to a resolution passed on 8 February 2002, and revised pursuant to a resolution passed on 6 December 2002 are as follows:

Grantee	Position	As at 1/1/2011	Lapsed and cancelled during the year	Adjustment for open offer on 16 June 2011	Granted during the year	Adjustment for share consolidation	Transferred	As at 31/12/2011	Exercised price after adjustment for open offer and share consolidation HK\$	Grant date	Exercisable period
CHEUNG Tung Lan Tony*	Non-executive Director	-	-	-	24,940,000	(22,446,000)	-	2,494,000	0.65	26/7/2011	26/7/2011 to 25/7/2021
YANG Yongdong	Executive Director	-	-	-	24,940,000	(22,446,000)	-	2,494,000	0.65	26/7/2011	26/7/2011 to 25/7/2021
CHU Wai Lim	Executive Director	-	-	-	6,000,000	(5,400,000)	-	600,000	0.65	26/7/2011	26/7/2011 to 25/7/2021
FONG Son Wa	Executive Director	6,000,000	-	827,586	-	(6,144,827)	-	682,759	1.538	30/1/2008	30/1/2008 to 29/01/2018
		1,000,000	-	137,931	-	(1,024,138)	-	113,793	1.494	10/6/2009	10/6/2009 to 9/6/2019
		-	-	-	3,000,000	(2,700,000)	-	300,000	0.65	26/7/2011	26/7/2011 to 25/7/2021
CHEN Yamin	Independent Non-executive Director	-	-	-	3,000,000	(2,700,000)	-	300,000	0.65	26/7/2011	26/7/2011 to 25/7/2021
CHAN Yuk Sang	Independent Non-executive Director	-	-	-	3,000,000	(2,700,000)	-	300,000	0.65	26/7/2011	26/7/2011 to 25/7/2021
Former directors		15,000,000	(15,000,000)	-	-	-	-	-	1.538	30/1/2008	30/1/2008 to 29/01/2018
Former directors		25,000,000	(25,000,000)	-	-	-	-	-	1.494	10/6/2009	10/6/2009 to 9/6/2019
Former Independent Non- executive Director		1,000,000	(1,000,000)	-	-	-	-	-	1.494	10/6/2009	10/6/2009 to 9/6/2019
Former Independent Non- executive Director		-	-	-	3,000,000	(2,700,000)	(300,000)	-	0.65	26/7/2011	26/7/2011 to 25/7/2021
LOOK Andrew	Former substantial shareholder	45,000,000	-	6,206,897	-	(46,086,207)	-	5,120,690	1.494	10/6/2009	10/6/2009 to 9/6/2019
Employees		1,000,000	-	137,931	-	(1,024,138)	-	113,793	1.538	30/1/2008	30/1/2008 to 29/01/2018
Employees		1,000,000	-	137,931	-	(1,024,138)	-	113,793	1.494	10/6/2009	10/6/2009 to 9/6/2019
Employees		-	-	-	-	-	300,000	300,000	0.65	26/7/2011	26/7/2011 to 25/7/2021
Consultants		64,900,000	(49,900,000)	2,068,966	-	(15,362,070)	-	1,706,896	1.538	30/1/2008	30/1/2008 to 29/01/2018
Consultants		53,460,000	(3,000,000)	6,960,000	-	(51,678,000)	-	5,742,000	1.494	10/6/2009	10/6/2009 to 9/6/2019
		<u>213,360,000</u>	<u>(93,900,000)</u>	<u>16,477,242</u>	<u>67,880,000</u>	<u>(183,435,518)</u>	<u>-</u>	<u>20,381,724</u>			

\* Subsequent to the year ended date, the share options granted to Mr. Cheung Tung Lan Tony was lapsed due to his removal by the Shareholders on 16 May 2012.

## DIRECTORS

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

### *Executive Directors:*

Mr. Yang Yongdong (Chief Executive officer)	(appointed on 15 April 2011)
Mr. Chu Wai Lim	
Ms. Fong Son Wa	
Mr. Shiu Kwok Keung	(resigned on 15 April 2011)
Dr. Wai Chung Fai	(resigned on 11 March 2011)

### *Non-executive Directors:*

Mr. Wang Shiyan	(appointed on 28 July 2011)
Mr. Cheung Tung Lan Tony	(appointed on 18 March 2011 and removed on 16 May 2012)

### *Independent Non-executive Directors:*

Mr. Chan Yuk Sang	(appointed on 21 April 2011)
Professor Chen Yamin	(appointed on 9 May 2011)
Mr. Ku Siu Fun Alex	(appointed on 11 January 2012)
Mr. Tsang Wai Wa	(resigned on 20 December 2011)
Mr. Choi Shek Chau	(resigned on 9 May 2011)
Mr. Chen Man Lung	(resigned on 21 April 2011)

In accordance with the Company's Bye-laws, Ms. Fong Son Wa, Professor Chen Yamin and Mr. Wang Shiyan will retire at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2011, the interest and short positions of the Directors in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

### Long position in the ordinary shares of HK\$0.01 each (the "Shares") in the Company

Name of Director	Number of Shares	Type of interest	Percentage of issued share capital
Mr. Cheung Tung Lan Tony	27,994,000 (note 1)	Beneficial	11.22%
Mr. Chu Wai Lim	1,950,000 (note 2)	Beneficial	0.78%
Ms. Fong Son Wa	1,396,551 (note 3)	Beneficial	0.56%
Mr. Yang Yongdong	2,494,000 (note 4)	Beneficial	1.00%
Mr. Chan Yuk Sang	300,000 (note 4)	Beneficial	0.12%
Professor Chen Yamin	300,000 (note 4)	Beneficial	0.12%

# Report of the Directors

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION — continued

Notes:

- (1) 2,494,000 are the share options granted by the Company and 25,500,000 are shares of the Company. Subsequent to the year ended date, the share options granted to Mr. Cheung Tung Lan Tony was lapsed due to his removal by the Shareholders on 16 May 2012;
- (2) 600,000 are the share options granted by the Company and 1,350,000 are shares of the Company;
- (3) 1,096,551 are the share options granted by the Company and 300,000 are shares of the Company;
- (4) This represented the shares options granted by the Company.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 30 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, the register of substantial shareholders maintained by the Company under Section 336 of Part XV of the SFO showed that the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital or share options.

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheung Tung Lan Tony	beneficial	27,994,000*	11.22%

Save as disclosed above, as at 31 December 2011, no person, other than the Director whose interests are set out in the section "Directors' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of Part XV of the SFO.

- \* 2,494,000 are the share options granted by the Company and 25,500,000 are shares of the Company. Subsequent to the year ended date, the share options granted to Mr. Cheung Tung Lan Tony was lapsed due to his removal by the Shareholders on 16 May 2012.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## **EVENTS AFTER THE REPORTING PERIOD**

Events after the reporting period are set out in note 31 to the financial statements.

## **PRE-EMPTIVE RIGHTS**

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

## **CONNECTED TRANSACTIONS**

Details of the connected transactions are set out in note 29 to the financial statements.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No contracts of significance in relation to the Company's business to which the Company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **MANAGEMENT CONTRACTS**

Except as detailed in note 29 to the financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## **AUDITOR**

The financial statement have been audited by FTW & Partners CPA Limited who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Chu Wai Lim**

*Executive Director*

Hong Kong, 4 June 2012

# Corporate Governance Report

The Board is committed to maintain sound corporate governance standard and formulate and implement procedures to ensure integrity, transparency and quality of disclosure in order to promote the ongoing development of the best long term interest of the Company and enhance value for all of its shareholders.

The Board has reviewed the Code on Corporate Governance Practices (the "CG Code") issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has adopted the same as the Company's own code of corporate governance practices. During the financial year ended 31 December 2011, the Company has complied with all of the provisions under the CG Code.

## THE BOARD

The Board has overall responsibility for the management of the Company and the implementation of the investment policy of the Company, which includes, inter alia, the adoption of long term corporate strategies, assessment of investment projects, supervision of the management of the Company to ensure that the Company's investments are conducted in accordance with the objectives of the Company, and reviewing financial performance. The Company's investment portfolio is managed by China International Capital Limited (2010: Up Way Asia Fund Management Limited) as Investment Manager of the Company during the year ended 31 December 2011 in accordance with the terms and conditions of an investment management and administration agreement entered into between the Company and the Investment Manager.

The Board currently has seven Directors, among them, three are Executive Directors, one is Non-executive Director and three are Independent Non-executive Directors.

The Board held 37 meetings during the year ended 31 December 2011 and the attendance of each Director is set out below:

### Board meeting

#### *Executive Directors:*

Mr. Yang Yongdong (appointed on 15 April 2011)	24/26
Mr. Chu Wai Lim	37/37
Ms. Fong Son Wa	35/37
Mr. Shiu Kwong Keung (resigned on 15 April 2011)	5/5
Dr. Wai Chung Fai (resigned on 11 March 2011)	0/1

#### *Non-executive Directors:*

Mr. Cheung Tung Lan Tony (appointed on 18 March 2011 and removed on 16 May 2012)	22/22
Mr. Wang Shiyang (appointed on 28 July 2011)	2/4

#### *Independent Non-executive Directors:*

Mr. Chan Yuk Sang (appointed on 21 April 2011)	10/10
Professor Chen Yamin (appointed on 9 May 2011)	4/9
Mr. Tsang Wai Wa (resigned on 20 December 2011)	15/15
Mr. Choi Shek Chau (resigned on 9 May 2011)	0/7
Mr. Chen Man Lung (resigned on 21 April 2011)	2/4

To the best knowledge of the Board, there is no financial, business or family relationship among members of the Board as at 31 December 2011. All of them are free to exercise their individual judgment.

Each of the Independent Non-executive Directors has given the Company an annual confirmation of his/her independence. The Company considers such Directors to be independent under the guidelines set out in rule 3.13 of The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Under the code provision A.4.1, Non-executive Directors should be appointed for a specific term, subject to re-election. The current Independent Non-executive Directors of the Company are not appointed for a specific term. However, all Directors (including Executive and Non-executive) of the Company are subject to retirement by rotation at the annual general meeting as specified in the by-laws of the Company.

## THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code A.2.1 stipulates the role of Chairman and Chief Executive Officer (the "CEO") should be separate and should not be performed by the same individual.

The position of the Chairman and the CEO are distinct and separate. A clean separation is maintained between the responsibilities of the Chairman and the CEO with the former, Mr. Cheung Tung Lan Tony ("Mr. Cheung"), being mainly responsible for the leadership of the Board while the latter, Mr. Yang Yongdong, is responsible for the overall performance of the Company.

Subsequent to the year ended date, on 13 January 2012, the Company received an anonymous complaint ("Complaint") from a shareholder of the Company ("Shareholder"). In the Complaint, the Shareholder claimed that by a random search on the internet, he/she came across a news article dated 23 July 2010 ("News Article") in respect of Mr. Cheung in breach of the Securities and Futures Ordinance, Mr. Cheung among other people was liable for failing to give notification for disposing shares in another listed company during the period of July to August 2009. Further, it was stated that Mr. Cheung pleaded guilty to the charge and was convicted and fined ("Conviction") on 22 July 2010.

Immediately upon receiving the Complaint, the Company sought Hong Kong and Bermuda legal advice on the effect of the Complaint on the Company and the actions which the Company should take.

Mr. Cheung was appointed as a Non-executive Director as well as the Chairman of the Company ("Director") on 18 March 2011. Prior to or at the time of his appointment, Mr. Cheung had not disclosed to the Company that he has any conviction required to be disclosed under any rules and/or regulations. It was on 13 January 2012 when the Company first became aware of the Conviction.

On 18 January 2012, the Company convened a Board Meeting ("Board Meeting") to, among other things, clarify with Mr. Cheung whether the Conviction was true, and to consider whether Mr. Cheung's chairmanship needs to be temporarily suspended. At the Board Meeting, Mr. Cheung admitted that the Conviction was true, and the Court sentenced a fine in the sum of HK\$8,000 against Mr. Cheung on 22 July 2010. However, Mr. Cheung considered that the Conviction was minor and of a technical nature. When the Board asked Mr. Cheung why he did not disclose the Conviction to the Company as required under Rule 13.51(2)(m)(ii) of the Listing Rules at the time of his appointment as a Director, Mr. Cheung explained that he failed to do so as he did not have knowledge of such requirement under the Listing Rules.

To strengthen the Company's CG, at the Board Meeting, the Board resolved to (i) publish an announcement in accordance with Rules 2.07C and 13.51B(1) as soon as practicable setting out the Conviction; (ii) seek a formal explanation from Mr. Cheung as to his failure to comply with the Listing Rules for disclosing the Conviction prior to his appointment; (iii) temporarily suspend the chairmanship of Mr. Cheung with immediate effect, and to appoint a deputy chairman in his stead as soon as practicable; and (iv) report the non-disclosure of the Conviction to the relevant regulatory bodies.

The temporary suspension of Mr. Cheung's chairmanship has no adverse effect to the day to day operation of the Group.

On 19 April 2012, three shareholders ("Requisition Shareholders") noted from the announcements of the Company that Mr. Cheung was convicted under the SFO and that the conviction was not disclosed to the Board at the time of his appointment as a Director and took the view that his failure to disclose such conviction had adversely affected the image of the Company. The Requisition Shareholders had therefore requested the Board to convene a special general meeting ("SGM") for the purpose of removing Mr. Cheung as a Director.

The SGM was held on 16 May 2012 and the resolution for removal of Mr. Cheung as Director was passed.

Because of the above, the Company does not have a Chairman after the suspension of Mr. Cheung's chairmanship up to the date of this report.

# Corporate Governance Report

## THE BOARD COMMITTEES

### Audit Committee

The Company established an Audit Committee on 25 January 2002 with its written terms of reference formulated in accordance with the requirements of the Listing Rules. The Audit Committee currently consists of three Independent Non-executive Directors: Mr. Ku Siu Fun Alex, Mr. Chan Yuk Sang and Professor Chen Yamin. Mr. Ku Siu Fun Alex is the Chairman of the Audit Committee.

The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee met two times during the year to review the completeness, accuracy and fairness of the Company's financial statements, the Company's financial reporting system and internal control procedures, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Audit Committee is also responsible for reviewing the Company's interim and annual financial statements and making recommendations as to the approval of the Company's interim and annual financial statements by the Board. The attendance of each member during the year ended 31 December 2011 is set out below:

Name of Director	Number of meetings attended
Mr. Chan Yuk Sang (appointed on 21 April 2011)	1/1
Professor Chen Yamin (appointed on 9 May 2011)	0/1
Mr. Tsang Wai Wa (resigned on 20 December 2011)	2/2
Mr. Choi Shek Chau (resigned on 9 May 2011)	0/1
Mr. Chen Man Lung (resigned on 21 April 2011)	1/1

### Remuneration Committee

The Board established a Remuneration Committee on 30 August 2005 to review and make recommendations to the Board on matters relating to the remuneration of the Directors and the senior management of the Company. The Remuneration Committee currently consists of three Independent Non-executive Directors: Mr. Chan Yuk Sang (Independent Non-executive Director), Professor Chen Yamin (Independent Non-executive Director) and Mr. Ku Siu Fun Alex (Independent Non-executive Director). Mr. Chan Yuk Sang is the Chairman of the Remuneration Committee.

The Remuneration Committee has adopted terms of reference which are in line with the CG Code. Six meetings were held during the year ended 31 December 2011 to review the remuneration policy and remuneration packages of the Executive Directors. The attendance of each member is set out below:

Name of Director	Number of meetings attended
Mr. Chu Wai Lim	5/6
Mr. Chan Yuk Sang (appointed on 21 April 2011)	1/1
Mr. Tsang Wai Wa (resigned on 20 December 2011)	6/6
Mr. Choi Shek Chau (resigned on 9 May 2011)	0/2
Mr. Chen Man Lung (resigned on 21 April 2011)	2/3

## Nomination Committee and Nomination Procedures

On 23 March 2012, the Company had established Nomination Committee ("Committee") which consists of three Independent Non-executive Directors, namely, Mr. Ku Siu Fun, Alex (Chairman of the Committee), Professor Chen Yamin and Mr. Chan Yuk Sang.

Current practice of appointment of new Directors is that all valid nomination of candidates, accompanied with related details of their biographies for directorships in the Company would be brought before the Committee for consideration as soon as practicable. Consideration would be given to factors such as the candidate's experience and qualifications relevant to the Company's business. It is believed that members of the Committee would collectively have the required professional knowledge and skills in discharging the Committee responsibility in identifying, recruiting and evaluating new nominees to the Board and the assessment of qualifications of nominated candidates for directorship.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by Directors.

On specific enquires made, all Directors have confirmed that, in respect of the year ended 31 December 2011, they have complied with the required standard as set out in the Model Code.

## INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls and risk management of the Company and the review of its effectiveness. During the year, the Board has reviewed and ensured the internal control process was properly carried out in making investment or divestment decision with the Investment Manager of the Company; documents and records were properly maintained; and the investment or divestment was in compliance with relevant legislations and regulations.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements.

The statement of the external auditors of the Company, FTW & Partners CPA Limited, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditor's Report on pages 18 to 19.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

## AUDITOR'S REMUNERATION

For the year ended 31 December 2011, services provided to the Company by its external auditor, FTW & Partners CPA Limited, the fees paid/payable were as follows:

	HK\$
Audit services	370,000
Taxation services	12,500
	<hr/>
	382,500
	<hr/>

The Company continues to improve its corporate governance and believes it is fundamental for the development of the Company as well as for the benefits of the shareholders. The Board is pleased to confirm that the Company has complied with the Code applicable during the year.

# Independent Auditor's Report

**FTW & Partners CPA Limited**  
港駿會計師行有限公司



## **FTW & Partners CPA Limited**

Rooms 1001–1003, 10/F.  
Manulife Provident Funds Place  
345 Nathan Road  
Kowloon, Hong Kong

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OPES ASIA DEVELOPMENT LIMITED**

*(continued into Bermuda with limited liability)*

We have audited the consolidated financial statements of Opes Asia Development Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 20 to 71, which comprise the consolidated and Company statements of financial position as at 31 December 2011, and the consolidated income statement, 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 and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

## **AUDITOR'S RESPONSIBILITY** — continued

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

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

## **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## **FTW & Partners CPA Limited**

*Certified Public Accountants*

Hong Kong, 4 June 2012

HO Cheung Kong

Practising Certificate Number P05214

# Consolidated Income Statement

For the year ended 31 December 2011

	Note	2011 HK\$	2010 HK\$
<b>Turnover</b>	6	<b>19,686,234</b>	16,207,050
Cost of equity securities disposed of		<b>(17,029,332)</b>	(9,125,233)
Unrealised fair value (losses)/gains on financial assets at fair value through profit or loss		<b>(20,616,567)</b>	11,441,436
Impairment loss on available-for-sale financial assets		<b>(9,360,000)</b>	–
<b>Gross (loss)/profit</b>		<b>(27,319,665)</b>	18,523,253
Other income	7	<b>479,638</b>	107,456
Administrative expenses		<b>(13,133,048)</b>	(4,985,261)
Other operating expenses		<b>(2,500,088)</b>	(1,141,550)
Finance costs	10	<b>(18)</b>	(15)
<b>(Loss)/profit before income tax</b>	8	<b>(42,473,181)</b>	12,503,883
Income tax	11	–	–
<b>(Loss)/profit for the year</b>		<b>(42,473,181)</b>	12,503,883
<b>Attributable to:</b>			
Equity holders of the Company	12	<b>(42,473,181)</b>	12,503,883
<b>Earnings per share for (loss)/profit attributable to the equity holders of the Company during the year</b>	13		Restated
– basic		<b>HK cents (19.2)</b>	HK cents 6.7
– diluted		<b>HK cents (19.2)</b>	HK cents 6.7

The notes on pages 26 to 71 form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 HK\$	2010 HK\$
(Loss)/profit for the year		<b>(42,473,181)</b>	12,503,883
<b>Other comprehensive loss:</b>			
Available-for-sale financial assets: Changes in fair value	3	<b>(1,725,000)</b>	–
Other comprehensive loss for the year, (net of tax)		<b>(1,725,000)</b>	–
<b>Total comprehensive (loss)/income for the year</b>		<b>(44,198,181)</b>	12,503,883
<b>Total comprehensive (loss)/income attributable to:</b> Equity holders of the Company		<b>(44,198,181)</b>	12,503,883

The notes on pages 26 to 71 form an integral part of these financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2011

	Note	2011 HK\$	2010 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	1,682,134	101,697
Financial assets at fair value through profit or loss	19	16,815,000	17,995,000
Available-for-sale financial assets	17	9,735,000	20,820,000
		<b>28,232,134</b>	38,916,697
<b>Current assets</b>			
Financial assets at fair value through profit or loss	19	49,608,810	30,398,457
Deposits for acquisition of investments	18	5,000,000	–
Other receivables, prepayments and deposits	21	4,888,999	5,925,634
Cash and cash equivalents	22	30,206,869	22,187,585
		<b>89,704,678</b>	58,511,676
<b>Total assets</b>		<b>117,936,812</b>	97,428,373
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	23	2,494,200	1,630,200
Share premium	23	–	48,838,530
Contributed surplus		124,403,873	61,305,993
Share-based payment reserves		6,254,718	6,133,463
Available-for-sale fair value reserves		–	–
Accumulated losses		(18,850,009)	(20,840,527)
<b>Total equity</b>		<b>114,302,782</b>	97,067,659
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accrued charges	24	3,634,030	360,714
<b>Total liabilities</b>		<b>3,634,030</b>	360,714
<b>Total equity and liabilities</b>		<b>117,936,812</b>	97,428,373
Net current assets		<b>86,070,648</b>	58,150,962
Total assets less current liabilities		<b>114,302,782</b>	97,067,659

**Yang Yongdong**  
Director

**Chu Wai Lim**  
Director

The notes on pages 26 to 71 form an integral part of these financial statements.

# Statement of Financial Position

As at 31 December 2011

	Note	2011 HK\$	2010 HK\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	1,682,134	101,697
Interests in subsidiaries	15	27	–
Financial assets at fair value through profit or loss	19	16,815,000	17,995,000
Available-for-sale financial assets	17	9,735,000	20,820,000
		<b>28,232,161</b>	<b>38,916,697</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	19	49,608,810	30,398,457
Due from subsidiaries	15	294,050	–
Deposits for acquisition of investments	18	5,000,000	–
Other receivables, prepayments and deposits	21	4,888,999	5,925,634
Cash and cash equivalents	22	29,919,842	22,187,585
		<b>89,711,701</b>	<b>58,511,676</b>
<b>Total assets</b>		<b>117,943,862</b>	<b>97,428,373</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	23	2,494,200	1,630,200
Share premium	23	–	48,838,530
Contributed surplus		124,403,873	61,305,993
Share-based payment reserves		6,254,718	6,133,463
Available-for-sale fair value reserves		–	–
Accumulated losses		(18,842,959)	(20,840,527)
<b>Total equity</b>		<b>114,309,832</b>	<b>97,067,659</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables and accrued charges	24	3,634,030	360,714
<b>Total liabilities</b>		<b>3,634,030</b>	<b>360,714</b>
<b>Total equity and liabilities</b>		<b>117,943,862</b>	<b>97,428,373</b>
<b>Net current assets</b>		<b>86,077,671</b>	<b>58,150,962</b>
<b>Total assets less current liabilities</b>		<b>114,309,832</b>	<b>97,067,659</b>

Yang Yongdong  
Director

Chu Wai Lim  
Director

The notes on pages 26 to 71 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

		Attributable to equity holders of the Company						
		Share capital	Share premium	Contributed surplus	Share-based payment reserves	Available-for-sale fair value reserves	Accumulated losses	Total
Note		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Balance as at 1.1.2010	1,630,200	48,838,530	61,305,993	6,133,463	–	(33,344,410)	84,563,776
	Total comprehensive income for the year	–	–	–	–	–	12,503,883	12,503,883
	Balance as at 31.12.2010	1,630,200	48,838,530	61,305,993	6,133,463	–	(20,840,527)	97,067,659
	Balance as at 1.1.2011	1,630,200	48,838,530	61,305,993	6,133,463	–	(20,840,527)	97,067,659
	Total comprehensive loss for the year	–	–	–	–	(1,725,000)	(42,473,181)	(44,198,181)
	Re-classification adjustment	–	–	–	–	1,725,000	(1,725,000)	–
	Transactions with owners:							
	Share options lapsed and cancelled during the year	30	–	–	(1,725,081)	–	1,725,081	–
	Share options granted during the year	30	–	–	1,846,336	–	–	1,846,336
	Proceeds from placing of new shares	23	32,600	3,422,658	–	–	–	3,455,258
	Proceeds from open offer	23	831,400	55,300,310	–	–	–	56,131,710
	Transfer to contributed surplus	23	–	(107,561,498)	107,561,498	–	–	–
	Elimination of accumulated deficit as at June 30, 2011 against contributed surplus	23	–	–	(44,463,618)	–	44,463,618	–
	<b>Balance as at 31.12.2011</b>	<b>2,494,200</b>	<b>–</b>	<b>124,403,873</b>	<b>6,254,718</b>	<b>–</b>	<b>(18,850,009)</b>	<b>114,302,782</b>

The notes on pages 26 to 71 form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 HK\$	2010 HK\$
<b>Cash flows from operating activities</b>			
Cash used in operations	26	(50,314,158)	(2,975,441)
Interest paid		(18)	(15)
<b>Net cash used in operating activities</b>		<b>(50,314,176)</b>	<b>(2,975,456)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(1,733,146)	–
Dividends received		475,663	67,956
Interest received		3,975	2,514
<b>Net cash (used in)/from investing activities</b>		<b>(1,253,508)</b>	<b>70,470</b>
<b>Cash flows from financing activities</b>			
Proceeds from placing of new shares	23	3,455,258	–
Proceeds from open offer	23	56,131,710	–
<b>Net cash from financing activities</b>		<b>59,586,968</b>	<b>–</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>8,019,284</b>	<b>(2,904,986)</b>
Cash and cash equivalents at beginning of the year		22,187,585	25,092,571
Cash and cash equivalents at end of the year	22	30,206,869	22,187,585

The notes on pages 26 to 71 form an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 1. GENERAL INFORMATION

Opes Asia Development Limited (the "Company") is principally engaged in investment in listed and unlisted companies established in the People's Republic of China (the "PRC"), Hong Kong, Australia, Macau and the Cayman Islands while it has substantial operations in Hong Kong, in order to achieve medium to long term capital appreciation.

The Company is a limited liability company continued into Bermuda as an exempted company under the laws of Bermuda. The address of the Company's registered office is Canon's court, 22 Victoria Street, Hamilton HM 12, Bermuda and its principal place of business is Units 3102-3105, 31/F., China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These financial statements are presented in Hong Kong dollars, unless otherwise stated. These financial statements were approved for issue by the Board of Directors ("the Board") on 4 June 2012.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Listing Rules"). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value (if any).

#### *Basic of consolidation*

These financial statements include the financial statements of the Group for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

These financial statements have been prepared under the accrual basis of accounting and on the basis that the Group is a going concern notwithstanding that the Group has accumulated losses of HK\$18,850,009. The Group recorded a loss for the year of HK\$42,473,181, a decrease of HK\$54,977,064 or approximately 440% over 2010. In addition, as at 31 December 2011, the Group had shareholders' funds of HK\$114,302,782. The Board believes that the Group can continue its operations for the foreseeable future.

The preparation of these financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in note 4.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

### (a) Basis of preparation — continued

- (i) During the year ended 31 December 2011, the Group had adopted the following new or revised HKAS and HKFRS, amendments and interpretation to existing HKAS and HKFRS that are relevant to its operations and effective for the accounting period beginning on 1 January 2011:

HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments (effective from 1 July 2010)
Annual Improvements Project	Improvements to HKFRSs 2010

The adoption of such amendments and interpretation to existing standards did not have any significant effect on results or financial position of the Group for the current year.

- (ii) At the date of authorisation of these financial statements, the following new or revised HKAS and HKFRS, amendments and interpretation to existing HKAS and HKFRS have been issued but are not yet effective:

HKAS 1 (amendment)	Presentation of Financial Statements (effective from 1 January 2013)
HKAS 12 (amendment)	Income Taxes (effective from 1 January 2012)
HKAS 19 (2011)	Employee Benefits (effective from 1 January 2013)
HKAS 27 (revised 2011)	Separate Financial Statements (effective from 1 January 2013)
HKAS 28 (revised 2011)	Investments in Associates and Joint Ventures (effective from 1 January 2013)
HKFRS 7 (amendment)	Financial Instruments: Disclosures (effective from 1 January 2012)
HKFRS 9	Financial Instruments (effective from 1 January 2015)
HKFRS 10	Consolidated Financial Statements (effective from 1 January 2013)
HKFRS 11	Joint Arrangements (effective from 1 January 2013)
HKFRS 12	Disclosure of Interests in Other Entities (effective from 1 January 2013)
HKFRS 13	Fair Value Measurement (effective from 1 January 2013)

The Group did not early adopt any of these new or revised HKAS and HKFRS, amendments and interpretation to existing HKAS and HKFRS. Management is currently assessing the financial impact of these revisions to the Group's financial position and performance.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

### (b) Subsidiaries

Subsidiaries are entities 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 the entities so as to obtain benefits from their activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

In the Company's statement of financial position, investments 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 at the reporting date.

### (c) Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

#### (i) Sales of equity securities

The Group invested in equity securities. Sales of listed and unlisted securities are recognised when instructions for sales given to securities brokers are properly executed thereafter.

#### (ii) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### (iii) Dividend income

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

#### (iv) Investment income

Investment income is recognised on an accrued basis in accordance with the substance of the relevant agreements.

### (d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

### (e) Employee benefits

#### (i) *Employee leave entitlement*

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 end of the reporting period.

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

#### (ii) *Pension obligations*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' relevant income and are expensed in the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

#### (iii) *Share-based payment transactions*

The Company operates an equity-settled, share-based payment transactions, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

### (f) Current and deferred income tax

The income tax expense comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the end of the reporting period in Hong Kong. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

### (f) Current and deferred income tax — continued

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (g) Foreign currency translation

#### (i) *Functional and presentation currency*

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the “functional currency”). The consolidated financial statements are presented in Hong Kong dollars, which is the Group’s functional and presentation currency.

#### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale fair value reserves in equity.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

### (h) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of 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. The carrying amount of the replaced part is derecognised. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred.

Depreciation is recognised so as to write off the costs of assets less their residual values over their estimated useful lives, using the straight-line method, as follows:

– Leasehold improvements	Over the lease term
– Office furniture and fixtures	5 years
– Motor vehicle	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(i)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other operating income/expenses" in the consolidated income statement.

### (i) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment under cost model; or
- Investments in subsidiaries.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

### (j) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets designated by the entity upon initial recognition.

Financial assets at fair value through profit or loss under current portion are held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss under non-current portion are also held for investment purposes by the Group. The Group is an investment company applied to Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). Due to the specific nature of the Group's business, all financial assets it invested with quoted market price are classified as financial assets at fair value through profit or loss even some of them are not held for short-term trading, in order to avoid accounting mismatch. For financial assets held for investment purpose but not to be sold in the following twelve months, they are classified as non-current assets.

#### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "deposits for acquisition of investments", "other receivables, prepayments and deposits" and "cash and cash equivalents" in the consolidated statement of financial position (Note 2(m) and 2(n)).

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

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the reporting period.

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. For available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost, less provision for impairment. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

### (j) Financial assets — continued

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the consolidated income statement as “unrealised fair value gains/(losses) on financial assets at fair value through profit or loss” in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of “other income” when the Group’s right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as “gains and losses from investment securities”.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of “other income”. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of “other income” when the Group’s right to receive payments is established.

### (k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

### (l) Impairment of financial assets

#### (a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

### (I) Impairment of financial assets — continued

#### (a) *Assets carried at amortised cost* — continued

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

### (l) Impairment of financial assets — continued

#### (b) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate income statement. Impairment losses recognised in the separate income statement on equity instruments are not reversed through the separate income statement.

### (m) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### (n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and security agents, other short-term highly liquid investments with original maturities of three months or less.

### (o) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (p) Other payables

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

### (q) Leasing

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) are expensed in the consolidated income statement on straight-line basis over the period of the lease.

### (r) Provision

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued

### (s) Related parties

A party is related to the Group if:

- (i) directly or indirectly through one or more intermediaries, the party:
  - (a) controls, is controlled by, or is under common control with, the Group;
  - (b) has an interest in the Group that gives it significant influence over the Group; or
  - (c) has joint control over the Group;
- (ii) the party is an associate of the Group;
- (iii) the party is a joint venture in which the Group is a venturer;
- (iv) the party is a member of the key management personnel of the Group;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) any investment manager, investment adviser or custodian (or any connected person thereof) under the Listing Rules Chapter 21.13.

## 3. FINANCIAL RISK MANAGEMENT

### (a) Financial risk factors

The Group's financial assets and liabilities mainly consisted of financial assets at fair value through profit or loss, available-for-sale financial assets, cash and cash equivalents, deposits for acquisition of investments, other receivables and deposits and other payables and accrued charges. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The Group does not have written risk management policies and guidelines. However, the Board meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in currency exchange rates, equity price risk, interest rate risk, credit risk and liquidity risk to ensure appropriate measures are implemented on a timely and effective manner. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group does not use any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 3. FINANCIAL RISK MANAGEMENT — continued

### (a) Financial risk factors — continued

#### (i) 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 has certain investments in the Australian Securities Exchange Limited and the Shenzhen Stock Exchange, whose net assets are exposed to foreign currency translation risk with respect to Australian Dollar and Renminbi. The Group currently does not have any foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. The Group only participates in the B Shares of the Shenzhen Stock Exchange. Those are denominated in Hong Kong Dollars, posing no exchange risk.

As at 31 December 2011, approximately 11% (2010: 25%) of the Group's total investment is denominated in Australian dollars. The carrying amount of the Group's foreign currency denominated investments held for trading at the end of the reporting period is AUD1,048,168 (2010: AUD2,167,802).

The following table demonstrates the Group's sensitivity analyses at the end of the reporting period to a reasonably possible change in the Australian dollars rate, with all other variables held constant, of the Group's (loss)/profit before income tax.

	Increase/ (decrease) in Australian dollars rate %	Increase/ (decrease) in loss before income tax
<b>2011</b>		
If HK\$ weakens against Australian dollars	10	827,298
If HK\$ strengthens against Australian dollars	(10)	(827,298)
	Increase/ (decrease) in Australian dollars rate %	Increase/ (decrease) in profit before income tax
<b>2010</b>		
If HK\$ weakens against Australian dollars	10	1,713,994
If HK\$ strengthens against Australian dollars	(10)	(1,713,994)

The Group does not have significant exposure to foreign currency risk at the reporting date as most of its investments are denominated in Hong Kong dollars. The foreign currency exchange rate fluctuations in connection with the Group's foreign currency denominated financial assets at fair value through profit or loss only amount to approximately 0.7% (2010: 18%) of total assets and are not significant.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 3. FINANCIAL RISK MANAGEMENT — continued

### (a) Financial risk factors — continued

#### (ii) *Equity price risk*

The Group is exposed to equity price risk through its financial assets at fair value through profit or loss. The management manages the exposure by maintaining a portfolio of equity investments with different risk profiles.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been increased/decreased by 10%,

- the Group's loss for the year ended 31 December 2011 would have increased/decreased by HK\$6,642,382 (2010: profit would have decreased/increased by HK\$4,839,346) as a result of the changes in fair value on financial assets at fair value through profit or loss.

In order to minimise equity price risk, management has established an investment committee to consider investment proposals received from investment advisor and/or the Company's Investment Officers.

#### (iii) *Cash flow and fair value interest rate risk*

As the Group has no significant interest bearing assets and liabilities other than bank deposits which are carried at variable rate, the Group's fair value interest rate risk relates primarily to bank deposits.

The management considers that the Group's exposure to future cash flow risk on variable-rate bank balances as a result of the change of market interest rate is insignificant and thus variable-rate bank balances are not included in the sensitivity analysis.

#### (iv) *Credit risk*

Credit risk refers to the risk 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. As at 31 December 2011, the carrying amount cash at bank and security agents, deposits for acquisition of investments and other receivables, prepayments and deposits in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has significant concentration of credit risk on other receivables as the other receivables are mainly attributable from certain limited counterparties.

In order to minimise credit risk, management has delegated a team to be responsible the monitoring procedures. In addition, management reviews the recoverable amount of the deposits for acquisition of investments and other receivables regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 3. FINANCIAL RISK MANAGEMENT — continued

### (a) Financial risk factors — continued

#### (iv) Credit risk — continued

For the other investments, financial assets at fair value through profit or loss and available-for-sale financial assets, the management has closely monitored their status and it believes that the Group's credit risk is exposure on them is minimal.

The Group's liquid funds are deposited with banks in Hong Kong with highrating and only small portions of the fund are deposited with securities dealers in Hong Kong.

The Group has limited credit risk with its banks and financial institution which are leading, reputable and assessed as having low credit risk. The Group has not had any significant loss arising from non-performance by those parties in the past and management does not expect so in the future.

The table below shows the balances of the four major counterparties at the end of the reporting period.

Counterparty	Rating	2011 HK\$	2010 HK\$
Standard Chartered Bank (HK) Ltd	A+/Stable/AA-	29,898,299	22,165,884
Hang Seng Bank Ltd	AA-/Stable/AA1	210,787	–
Hong Kong Bank	A+/Stable/AA2	76,240	–
Bank of East Asia (HK) Ltd	A-/Stable/A2	19,547	20,147
		<b>30,204,873</b>	22,186,031

The carrying amount of these balances substantially represents the Group's maximum exposure to credit risk as at 31 December 2011 and 2010.

#### (v) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework to meet the Group's funding and liquidity management requirements. The Group has no significant liquidity risk. The Group manages liquidity risk by holding sufficient liquid assets (e.g. cash and short term funds and securities) of appropriate quality to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. All the financial assets and financial liabilities are non-derivative financial assets and liabilities.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 3. FINANCIAL RISK MANAGEMENT — continued

### (a) Financial risk factors — continued

#### (v) Liquidity risk — continued

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Carrying Amount HK\$	Less than 1 year HK\$
<b>At 31 December 2011</b>		
Other payables and accrued charges	3,634,030	3,634,030
<b>At 31 December 2010</b>		
Other payables and accrued charges	360,714	360,714

### (b) Fair value estimation

The fair value of each financial instruments is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

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

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

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

As at 31 December 2011, the Group held the following assets and liabilities measured at fair value.

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
<b>Assets</b>				
Financial assets at fair value				
through profit or loss	66,423,810	–	–	66,423,810
Available-for-sale financial assets	–	–	7,095,000	7,095,000
	66,423,810	–	7,095,000	73,518,810
<b>Liabilities</b>				
	–	–	–	–

# Notes to the Financial Statements

For the year ended 31 December 2011

## 3. FINANCIAL RISK MANAGEMENT — continued

### (b) Fair value estimation — continued

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise equity investments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market price or dealer quotes for similar instruments.
- Other technique, such as discounted cash flow analysis based on assumption supported, where possible, by observable market prices or rates.

There were no transfers between Levels 1, 2 and 3 in the current year.

### Reconciliation of Level 3 fair value measurements of financial assets – Available-for-sale financial assets at fair value

	Year ended 31/12/2011	Year ended 31/12/2010
Opening balance	8,820,000	8,927,000
Loss recognised in profit or loss	–	(107,000)
Changes in fair value	(1,725,000)	–
Closing balance	7,095,000	8,820,000

### (c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 3. FINANCIAL RISK MANAGEMENT — continued

### (c) Capital risk management — continued

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total equity. Debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position). Total capital is calculated as "equity", as shown in the consolidated statement of financial position. The gearing ratios as at 31 December 2011 and 2010 were as follows:

	2011 HK\$	2010 HK\$
Total borrowings	—	—
Total equity	114,302,782	97,067,659
Gearing ratio	Nil	Nil

## 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.

### (a) 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.

#### (i) Income taxes

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

#### (ii) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of store renovation and relocation. Management will increase the depreciation charges where useful lives are less than previously estimated lives.

#### (iii) Impairment of other non-financial assets

The Group tests annually whether assets have suffered any impairment in accordance with the accounting policy stated in note 2(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, which has been prepared on the basis of management's assumptions and estimates.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS — continued

### (a) Critical accounting estimates and assumptions — continued

#### (iv) *Fair value of available-for-sale financial assets*

As described in note 17 to the financial statements, the independent qualified professional valuers use their judgement selecting appropriate valuation technique for financial instruments not quoted in active markets. Valuation techniques commonly used by market practitioners are applied. The Group's unlisted equity instruments with carrying amount of HK\$7,095,000 (2010: HK\$8,820,000) which were valued by independent qualified professional valuers, are valued using discounted cash flow analyses based on assumptions supported, where possible, by observable market prices or rates.

#### (v) *Fair value of share options*

The fair value of share options granted is measured using 500-step Binomial Model. It is based on various assumptions on volatility, option life, dividend yield and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimate of the fair values of the share options at the date of grant.

### (b) Critical judgements in applying the Company's accounting policies

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

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-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 Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has six (2010: four) reportable business segments. Each business segment is managed separately and is engaged in investment in listed and unlisted companies in Hong Kong, the People's Republic of China (the "PRC"), Macau and Australia. The following summary describes the operations in each of the Group's reportable business segments.

### Listed investments

There are three reportable business segments under this category, namely investment in listed companies on the Stock Exchange of Hong Kong, investment in a listed company on the Shenzhen Stock Exchange and investment in a listed company on the Australian Securities Exchange Limited. The major sources of net income from these three business segments are gains on disposals of listed securities and dividend income, if any.

### Unlisted investments

There are three reportable business segments under this category, namely investments in unlisted companies in Hong Kong and investments in unlisted companies in the PRC and Macau. The major sources of income of these three business segments are dividend income from investments or guaranteed return provided by counterparties of the unlisted investments.

Segment results represent the (loss)/profit for the year in each business segment. This is the measure reported to the Group's chief operating decision maker for the purpose of resources allocation and assessment of segment performance. Segment results exclude other income such as interest income and unallocated corporate expenses such as administrative and other operating expenses.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 5. SEGMENT INFORMATION — continued

Information regarding the Group's reportable business segments as provided to the Group's chief operating decision maker for the purposes of allocation and assessment of segment performance for the year is set out below.

	Listed Investments			Unlisted Investments			Total HK\$
	Hong Kong HK\$	The PRC HK\$	Australia HK\$	Hong Kong HK\$	The PRC HK\$	Macau HK\$	
<b>For the year ended 31 December 2011</b>							
<b>TURNOVER</b>	17,046,234	–	–	–	2,640,000	–	19,686,234
<b>Segment results</b>	<b>(10,588,315)</b>	<b>(668,724)</b>	<b>(8,866,963)</b>	–	<b>(6,720,000)</b>	–	<b>(26,844,002)</b>
Impairment							–
Interest income							3,975
Interest expenses							(18)
Depreciation							(152,709)
Unallocated income							–
Unallocated expenses							(15,480,427)
<b>Loss for the year</b>							<b>(42,473,181)</b>
<b>Segment assets</b>	<b>53,462,985</b>	<b>4,687,845</b>	<b>8,272,980</b>	–	<b>12,375,000</b>	<b>5,000,000</b>	<b>83,798,810</b>
Unallocated assets*							34,138,002
Total assets							117,936,812
<b>Segment liabilities</b>	–	–	–	–	–	–	–
Unallocated liabilities							3,634,030
Total liabilities							3,634,030
Capital expenditures	–	–	–	–	–	–	–
Unallocated capital expenditures							–
Total capital expenditures							–

\* Unallocated assets mainly included cash and cash equivalents of HK\$30,206,869 and property, plant and equipment of HK\$1,682,134.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 5. SEGMENT INFORMATION — continued

	Listed Investments		Unlisted Investments		Total HK\$
	Hong Kong HK\$	Australia HK\$	Hong Kong HK\$	The PRC HK\$	
<b>For the year ended 31 December 2010</b>					
<b>TURNOVER</b>	10,927,050	–	–	5,280,000	16,207,050
<b>Segment results</b>	(2,585,226)	15,896,435	–	5,280,000	18,591,209
Impairment	–	–	(107,000)	–	(107,000)
Interest income					39,500
Interest expenses					(15)
Depreciation					(172,586)
Unallocated income					–
Unallocated expenses					(5,847,225)
<b>Profit for the year</b>					12,503,883
<b>Segment assets</b>	31,253,514	17,139,943	–	26,100,000	74,493,457
Unallocated assets*					22,934,916
Total assets					97,428,373
<b>Segment liabilities</b>	–	–	–	–	–
Unallocated liabilities					360,714
Total liabilities					360,714
Capital expenditures	–	–	–	–	–
Unallocated capital expenditures					–
Total capital expenditures					–

\* Unallocated assets mainly included cash and cash equivalents of HK\$22,187,585 and property, plant and equipment of HK\$101,697.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 6. TURNOVER

The Group is engaged in investment in equity securities. Revenues recognised during the year are as follows:

	2011 HK\$	2010 HK\$
Sales of equity securities	17,046,234	10,927,050
Investment income	2,640,000	5,280,000
	<b>19,686,234</b>	<b>16,207,050</b>

## 7. OTHER INCOME

	2011 HK\$	2010 HK\$
Dividend income	475,663	67,956
Interest income	3,975	39,500
	<b>479,638</b>	<b>107,456</b>

## 8. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at:

	Note	2011 HK\$	2010 HK\$
After crediting the following item:			
Unrealised fair value gains on financial assets at fair value through profit or loss		–	11,441,436
And after charging the following items:			
Auditor's remuneration		370,000	286,000
Depreciation	14	152,709	172,586
Operating lease payments		1,906,412	839,376
Impairment loss on available-for-sale financial assets	17	9,360,000	107,000
Impairment loss on other receivables	21	–	36,986
Employee benefit expenses	9	5,640,965	2,733,000
Unrealised fair value losses on financial assets at fair value through profit or loss		<b>20,616,567</b>	–

# Notes to the Financial Statements

For the year ended 31 December 2011

## 9. EMPLOYEE BENEFIT EXPENSES

	2011 HK\$	2010 HK\$
Directors' remuneration		
– fee	459,033	360,000
– salaries	2,307,792	1,791,600
– discretionary bonuses	–	–
– mandatory provident fund contributions	40,806	36,000
– share-based payments	1,846,329	–
	<b>4,653,960</b>	2,187,600
Wages and salaries	956,718	528,000
Mandatory provident fund contributions	30,287	17,400
	<b>987,005</b>	545,400
	<b>5,640,965</b>	2,733,000

### Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2011 is set out below:

Name of Director	Fees HK\$	Salaries, and allowances HK\$	Discretionary bonuses HK\$	Employer's mandatory provident fund contributions HK\$	Employee share-based payments HK\$	Total HK\$
<i>Executive Directors</i>						
Wai Chung Fai (a)	–	116,129	–	3,806	–	119,935
Shiu Kwok Keung (b)	–	173,333	–	5,000	–	178,333
Yang Yongdong (c)	–	810,333	–	9,000	678,367	1,497,700
Chu Wai Lim	–	315,900	–	13,000	163,199	492,099
Fong Son Wa	–	325,000	–	–	81,599	406,599
<i>Non-executive Director</i>						
Cheung Tung Lan, Tony (d)	–	567,097	–	10,000	678,367	1,255,464
Wang Shiyuan (e)	102,581	–	–	–	–	102,581
<i>Independent Non-executive Directors</i>						
Chen Man Lung (f)	36,667	–	–	–	–	36,667
Choi Shek Chau (g)	42,581	–	–	–	–	42,581
Tsang Wai Wa (h)	116,452	–	–	–	81,599	198,051
Chan Yuk Sang (i)	83,333	–	–	–	81,599	164,932
Chen Yamin (j)	77,419	–	–	–	81,599	159,018
	<b>459,033</b>	<b>2,307,792</b>	<b>–</b>	<b>40,806</b>	<b>1,846,329</b>	<b>4,653,960</b>

# Notes to the Financial Statements

For the year ended 31 December 2011

## 9. EMPLOYEE BENEFIT EXPENSES — continued

### Directors' and senior management's emoluments — continued

The remuneration of every Director for the year ended 31 December 2010 is set out below:

Name of Director	Fees HK\$	Salaries, and allowances HK\$	Discretionary bonuses HK\$	Employer's mandatory provident fund contributions HK\$	Employee share-based payments HK\$	Total HK\$
<i>Executive Directors</i>						
Wai Chung Fai (a)	–	600,000	–	12,000	–	612,000
Shiu Kwok Keung (b)	–	600,000	–	12,000	–	612,000
Chu Wai Lim	–	291,600	–	12,000	–	303,600
Fong Son Wa	–	300,000	–	–	–	300,000
<i>Independent Non-executive Directors</i>						
Chen Man Lung (f)	120,000	–	–	–	–	120,000
Choi Shek Chau (g)	120,000	–	–	–	–	120,000
Tsang Wai Wa (h)	120,000	–	–	–	–	120,000
	360,000	1,791,600	–	36,000	–	2,187,600

Note:

- (a) Resigned on 11 March 2011.
- (b) Resigned on 15 April 2011.
- (c) Appointed on 15 April 2011.
- (d) Appointed on 18 March 2011 and was removed on 16 May 2012.
- (e) Appointed on 28 July 2011.
- (f) Resigned on 21 April 2011.
- (g) Resigned on 9 May 2011.
- (h) Resigned on 20 December 2011.
- (i) Appointed on 21 April 2011.
- (j) Appointed on 9 May 2011.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2010: Nil).

During the year, no emoluments were paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2010: Nil).

# Notes to the Financial Statements

For the year ended 31 December 2011

## 9. EMPLOYEE BENEFIT EXPENSES — continued

### Directors' and senior management's emoluments — continued

#### Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2010: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2010: one) individual during the year are as follows:

	2011 HK\$	2010 HK\$
Wages and salaries	455,000	420,000
Mandatory provident fund contributions	12,000	12,000
	<b>467,000</b>	432,000

The emoluments of the above one (2010: one) highest paid employee during the year were within the emoluments band ranging from nil to HK\$1,000,000.

## 10. FINANCE COSTS

	2011 HK\$	2010 HK\$
Interest on bank overdrafts	18	15

## 11. INCOME TAX

No Hong Kong profits tax is provided as there is no estimated assessable profit for the year (2010: Nil).

The taxation on the (loss)/profit before tax differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2011 HK\$	2010 HK\$
(Loss)/profit before tax	(42,473,181)	12,503,883
Tax calculated at a tax rate of 16.5%	(7,008,075)	2,063,140
Tax effects of:		
Income not subject to tax	(514,739)	(3,511,842)
Expenses not deductible for tax purposes	3,605,306	757,920
Tax losses for which no deferred income tax asset was recognised	3,966,631	664,723
Unrecognised deferred tax arising from temporary difference	(49,123)	26,059
Tax expenses	—	—

There was no tax charge or credit relating to components of other comprehensive income for the years ended 31 December 2011 and 2010.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$42,473,181 (2010: (profit) HK\$12,503,883).

## 13. EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<b>2011</b>	Restated
	<b>HK\$</b>	2010
		HK\$
(Loss)/profit attributable to equity holders of the Company	<b>(42,473,181)</b>	12,503,883
Weighted average number of ordinary shares in issue	<b>220,842,245</b>	186,896,667
Basic (loss)/profit per share	<b>HK cents (19.2)</b>	HK cents 6.7

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<b>2011</b>	Restated
	<b>HK\$</b>	2010
		HK\$
Earnings		
(Loss)/profit attributable to equity holders of the Company	<b>(42,473,181)</b>	12,503,883
Weighted average number of ordinary shares in issue	<b>220,842,245</b>	186,896,667
Adjustment for:		
– Share options	–	–
Weighted average number of ordinary shares for diluted earnings per share	<b>220,842,245</b>	186,896,667
Diluted (loss)/profit per share	<b>HK cents (19.2)</b>	HK cents 6.7

# Notes to the Financial Statements

For the year ended 31 December 2011

## 14. PROPERTY, PLANT AND EQUIPMENT – The Group and the Company

	Leasehold improvements HK\$	Office furniture and fixtures HK\$	Motor vehicle HK\$	Total HK\$
<b>Cost</b>				
As at 31.12.2009 and 31.12.2010	282,510	92,448	–	374,958
Additions	1,375,060	95,086	263,000	1,733,146
Written off	(282,510)	–	–	(282,510)
<b>As at 31.12.2011</b>	<b>1,375,060</b>	<b>187,534</b>	<b>263,000</b>	<b>1,825,594</b>
<b>Accumulated depreciation</b>				
As at 31.12.2009	89,890	10,785	–	100,675
Depreciation for the year	154,096	18,490	–	172,586
As at 31.12.2010	243,986	29,275	–	273,261
Depreciation for the year	81,495	20,075	51,139	152,709
Written back	(282,510)	–	–	(282,510)
<b>As at 31.12.2011</b>	<b>42,971</b>	<b>49,350</b>	<b>51,139</b>	<b>143,460</b>
<b>Net book value</b>				
<b>As at 31.12.2011</b>	<b>1,332,089</b>	<b>138,184</b>	<b>211,861</b>	<b>1,682,134</b>
As at 31.12.2010	38,524	63,173	–	101,697

# Notes to the Financial Statements

For the year ended 31 December 2011

## 15. INTERESTS IN SUBSIDIARIES – The Company

	<b>2011</b>	2010
	<b>HK\$</b>	HK\$
Investment in subsidiaries		
Unlisted shares at cost	<b>27</b>	–
Due from subsidiaries	<b>294,050</b>	–

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

As 31 December 2011, the particulars of the subsidiaries in which the Company has direct interests are set out as follow:

Name	Place of incorporation	Particulars of issued and fully paid capital	Principal activities
China International Capital Investment Limited	Hong Kong	1 Ordinary share of HK\$1 each	Investment holding
Grand Smart Consultants Limited	Hong Kong	1 Ordinary share of HK\$1 each	Investment holding
Great China Bio-Energy Funding Investment Limited	Hong Kong	1 Ordinary share of HK\$1 each	Investment holding
Lucky Rich Corporation Limited	Hong Kong	1 Ordinary share of HK\$1 each	Investment holding
Master Glory Holdings Limited	British Virgin Islands	1 Ordinary share of US\$1 each	Investment holding
Master Score Investments Limited	British Virgin Islands	1 Ordinary share of US\$1 each	Investment holding
Rich Sino Management Limited	British Virgin Islands	1 Ordinary share of US\$1 each	Investment holding

# Notes to the Financial Statements

For the year ended 31 December 2011

## 16. FINANCIAL INSTRUMENTS BY CATEGORY – The Group

	Loans and receivables HK\$	Assets at fair value through the profit or loss HK\$	Available- for-sale HK\$	Total HK\$
<b>Assets as per statement of financial position</b>				
<b>31.12.2011</b>				
Available-for-sale financial assets (Note 17)	–	–	9,735,000	9,735,000
Deposits for acquisition of investments (Note 18)	5,000,000	–	–	5,000,000
Financial assets at fair value through profit or loss (Note 19)	–	66,423,810	–	66,423,810
Other receivables, prepayments and deposits (Note 21)	4,888,999	–	–	4,888,999
Cash and cash equivalents (Note 22)	30,206,869	–	–	30,206,869
Total	40,095,868	66,423,810	9,735,000	116,254,678

### – The Company

	Loans and receivables HK\$	Assets at fair value through the profit or loss HK\$	Available- for-sale HK\$	Total HK\$
<b>Assets as per statement of financial position</b>				
<b>31.12.2011</b>				
Available-for-sale financial assets (Note 17)	–	–	9,735,000	9,735,000
Deposits for acquisition of investments (Note 18)	5,000,000	–	–	5,000,000
Financial assets at fair value through profit or loss (Note 19)	–	66,423,810	–	66,423,810
Other receivables, prepayments and deposits (Note 21)	4,888,999	–	–	4,888,999
Cash and cash equivalents (Note 22)	29,919,842	–	–	29,919,842
Total	39,808,841	66,423,810	9,735,000	115,967,651

# Notes to the Financial Statements

For the year ended 31 December 2011

## 16. FINANCIAL INSTRUMENTS BY CATEGORY — continued – The Group and the Company

	Loans and receivables HK\$	Assets at fair value through the profit or loss HK\$	Available- for-sale HK\$	Total HK\$
Assets as per statement of financial position				
31.12.2010				
Available-for-sale financial assets (Note 17)	–	–	20,820,000	20,820,000
Financial assets at fair value through profit or loss (Note 19)	–	48,393,457	–	48,393,457
Other receivables, prepayments and deposits (Note 21)	5,925,634	–	–	5,925,634
Cash and cash equivalents (Note 22)	22,187,585	–	–	22,187,585
<b>Total</b>	<b>28,113,219</b>	<b>48,393,457</b>	<b>20,820,000</b>	<b>97,326,676</b>

Except for the deposit for acquisition of an investment of HK\$3,000,000 and interest thereon included in other receivables of HK\$74,794, none of the above other receivables, prepayments and deposits is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. For the aforesaid deposit and interest receivable, details are stated in notes 18 and 21 to the financial statements.

	Liabilities at fair value through the profit or loss HK\$	Derivatives used for hedging HK\$	Other financial liabilities HK\$	Total HK\$
<b>Liabilities as per statement of financial position</b>				
<b>31.12.2011</b>				
Other payables and accrued charges (Note 24)	–	–	3,634,030	3,634,030
31.12.2010				
Other payables and accrued charges (Note 24)	–	–	360,714	360,714

# Notes to the Financial Statements

For the year ended 31 December 2011

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS – The Group and the Company

	2011 HK\$	2010 HK\$
Non-current portion		
At the beginning of the year	20,820,000	20,927,000
Impairment	–	(107,000)
Changes in fair value	<b>(11,085,000)</b>	–
At the end of the year	<b>9,735,000</b>	20,820,000

There were no disposals on available-for-sale financial assets in 2011 or 2010.

Available-for-sale financial assets included the following:

	2011 HK\$	2010 HK\$
Unlisted securities		
– Unlisted securities – the Cayman Islands (note a)	–	–
– Unlisted securities – the PRC (note b)	7,095,000	8,820,000
– Unlisted securities – Hong Kong (note c)	<b>2,640,000</b>	12,000,000
	<b>9,735,000</b>	20,820,000

All the available-for-sale financial assets are denominated in Hong Kong dollars.

The fair value of the investment in 北京華寶時代國際設備有限公司 (“北京華寶”) (note b) as at 31 December 2011 was arrived at on the basis of business valuations carried out on that date by Roma Appraisals Limited (2010: Roma Appraisals Limited), independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to the income approach (2010: income approach).

The investment in Becky Agric Resources Co., Limited (“BARL”) (note c) is stated at cost less any impairment.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS — continued

Notes:

- a. The Group held 5,735 (2010: 5,735) issued ordinary shares in Dyxnet as at 31 December 2011. By reference to the management accounts of the Dyxnet for the year ended 31 December 2009, it represents approximately 0.23% of the total issued ordinary shares of Dyxnet. On 2009, the significant dilution of the equity percentage of the Group had been attributable to the issue of 2,334,567 shares to the directors and employees of Dyxnet under a share option scheme. There were dilutive instruments of 32,324,967 series A-1 convertible preference shares and 179,582 share options outstanding in the books of Dyxnet which may lead to further dilution of the Group's equity interests in Dyxnet as at 31 December 2009. The Directors considered that the interest in Dyxnet has been diluted and therefore an impairment loss of HK\$107,000 was further recognised in the consolidated income statement for the year ended 31 December 2010.
- b. 北京華寶 is engaging in leasing of property and vehicles business.
- c. On 31 December 2007, the Group entered into a co-operation agreement with Harvest Smart Becky Agric-Bio Technology Limited (Formerly known as Becky Agric Bio Energy Co., Limited) ("Harvest Smart BAB"), an independent third party which wished to form a wholly foreign owned enterprise (the "WFOE"), which will be engaged in the production of organic agricultural products, promotion of organic farming and operating an organic theme park in the PRC. As at 31 December 2007, the Group paid a deposit of HK\$12 million for the investment to Harvest Smart BAB. Pursuant to the co-operation agreement, Harvest Smart BAB has provided a guarantee to the Group for an annual return of not less than HK\$2,640,000 for each of the 5 years ended/ending 31 December 2008, 2009, 2010, 2011 and 2012 respectively (note 20(c)).

In January 2008, Harvest Smart BAB started its organic farming project and signed a sub-contracting contract with Guangdong Conghua City Lutian Town Investment Service Centre ("GCCL") for the usage of land. In October 2008, Harvest Smart BAB informed the Group that the organic farming project in Conghua City was terminated because GCCL could not fulfill the contract terms. In December 2008, Harvest Smart BAB informed the Group that the organic farming project would be restarted in Guangdong Luoding City. Pursuant to a supplemental agreement, the Group still enjoys 30% of return of this organic farming operation in the future and Harvest Smart BAB continues to provide profit guarantee to the Group according to the original co-operation agreement.

For the new organic farming project in Luoding City, an investee company, BARL was incorporated in Hong Kong in June 2008. BARL allotted 3,000 ordinary shares, representing 30% equity interests of BARL at a consideration of HK\$12,000,000 to the Group and 70% equity was allotted to Harvest Smart BAB on incorporation.

BARL commenced its organic farming business by investing in an organic farm in Guangdong Luoding City since 2009. The investment return received through the guaranteed profit provided by Harvest Smart BAB is HK\$2,640,000 each for the years of 2010 and 2011. However, due to unexpected market environment of the organic farm in PRC and after a consideration of relevant documents and review of the financial position and management forecast of BARL, the Board confirms to provide impairment loss for the year.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS — continued

The Group has not reclassified any financial assets measured at amortised cost and financial assets measured at fair value during the year.

Fair values of available-for-sale financial assets are as follows:

Unlisted securities

- The Cayman Islands
- The PRC

2011 HK\$	2010 HK\$
–	–
<b>7,095,000</b>	8,820,000
<b>7,095,000</b>	8,820,000

At 31 December 2011 and 2010, the carrying amounts of interests in each of the following companies exceed 10% of total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued shares registered capital	Interest held
北京華寶時代國際設備有限公司 ("北京華寶")	PRC	Leasing of property and vehicles	US\$2,600,000	30%
Becky Agric Resources Co., Limited ("BARL")	Hong Kong	Organic farming and agriculture business	10,000 ordinary shares of HK\$1 each	30%

The Group does not have significant influence on 北京華寶 or BARL because:

- the Group did not have any representative on the board of directors or equivalent governing body of 北京華寶 or BARL;
- the Group did not participate in policy-making processes, including participation in decisions about dividends or other distributions;
- the Group did not have any transactions with 北京華寶 or BARL;
- the Group did not interchange any managerial personnel with 北京華寶 or BARL; and
- the Group did not provide any technical information to 北京華寶 or BARL.

As the Group did not act to fulfill any one of the issues stated above, it does not consider as having significant influence on the investments. Hence, 北京華寶 or BARL are not considered as the Group's associated companies.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 18. DEPOSITS FOR ACQUISITION OF INVESTMENTS – The Group and the Company

	2011 HK\$	2010 HK\$
Deposits for acquisition of investments in		
– 廣州星越 (note a)	3,000,000	3,000,000
– Ascent Glory Holdings Limited (note b)	5,000,000	–
Less: Provision for impairment loss on a deposit	(3,000,000)	(3,000,000)
	<b>5,000,000</b>	–

Note:

- a. As at 31 December 2007, the Group paid a deposit of HK\$3 million to an independent third party (the “vendor”) for the purchase of 20% equity interests in an unlisted company, 廣州星越航空服務有限公司 (“廣州星越”) (the “Acquisition”). 廣州星越 was incorporated in the PRC as a limited liability company with registered capital of RMB3,800,000. The principal activity of 廣州星越 is the provision of consultancy services on navigation. Other than the aforesaid HK\$3 million, the Group did not have to inject any further funds into this project until the vendor completed certain preliminary works are explained below.

To complete the Acquisition, the vendor was required to complete preliminary works including changing 廣州星越 from a domestic private enterprise to a Sino-foreign equity joint venture company (“SFEJV”) and facilitating the SFEJV to obtain a formal business licence which allows the SFEJV to (i) act as an air freight forwarding agent and (ii) provide air freight forwarding enterprise management consultancy service on or before 20 September 2008. On 1 September 2009, the Board extended the period of preparing preliminary works to 20 September 2009 to the vendor after reconsidering the investment potential of the Acquisition.

Since the vendor failed to complete the aforesaid preliminary works by the prescribed time. Therefore, the Group decided to terminate the Acquisition and requested for the refund of the deposit together with an interest calculated at HSBC’s best lending rate. The management kept on following up the status with the vendor and requested the vendor to confirm the balance due as at 31 December 2009 to the Group after the end of the reporting period. However, the Group received no reply from the vendor and has lost contact with the vendor since then. In March 2010, the Group decided to take legal actions against the vendor for his default in repayment, but the Group still could not reach the vendor. The Board considered that the deposit was unlikely to be recovered and therefore full impairment provision of HK\$3,000,000 was made for the year ended 31 December 2009. On 31 December 2011 the Board reviewed the impairment made and there is no reversal of the impairment during the year.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 18. DEPOSITS FOR ACQUISITION OF INVESTMENTS — continued – The Group and the Company — continued

Note: — continued

- b. On 7 December 2011 the Group, Grand Success Business Limited (“GSBL”) and its wholly-owned subsidiary, Ascent Glory Holdings Limited (“AGHL”), entered into a non-legally binding memorandum of understanding (“Non-legally Binding MOU”) pursuant to which AGHL agreed to issue, and GSBL agreed to procure AGHL, to issue to the Group the Convertible Bonds (“CB”) for a consideration of RMB20,000,000 (or its HK\$ equivalent) that carry interest of 20% per annum. It is further agreed that the Group has the exclusive right to carry out due diligence on AGHL and 澳門飛馬煙草(集團)有限公司 (English translation as “Macao Pegasus Tabacco (Group) Limited - “MPT”). The CB can be converted to 20% of the AGHL’s ordinary shares and is redeemable within 24 months after issue. GSBL and AGHL were incorporated in the British Virgin Islands and AGHL holds 50% equity interest in MPT, a company incorporated in Macau. The principal activities of MPT are manufacture, wholesale, retail, import and export of cigarettes to and from Macau.

The Group paid a refundable Earnest Deposit in the amount of HK\$5,000,000 to AGHL upon the execution of the Non-legally Binding MOU. On 10 January 2012, the Group entered into a second Non-legally Binding MOU and paid an additional refundable Earnest Deposit of HK\$1,500,000 to extend the period for the exclusive right. Upon completions of the formal agreements, such refundable Earnest Deposits shall form part of the subscription price of the CB, and the Group shall pay the balance of the subscription price of RMB20,000,000 (or its HK\$ equivalent) to AGHL.

## 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – The Group and the Company

	2011 HK\$	2010 HK\$
Listed securities		
Equity securities – Hong Kong	53,462,985	31,253,514
Equity securities – Australia	8,272,980	17,139,943
Equity securities – Shenzhen	4,687,845	–
Market value of listed securities	66,423,810	48,393,457
Less: non-current portion	(16,815,000)	(17,995,000)
Current portion	49,608,810	30,398,457

Financial assets at fair value through profit or loss are presented within “operating activities” as part of changes in working capital in the consolidated statement of cash flows (Note 26).

Changes in fair values of financial assets at fair value through profit or loss are recorded in “unrealised fair value gains/ (losses) on financial assets at fair value through profit or loss” in the consolidated income statement.

The fair value of all equity securities is based on their current bid prices in active markets.

The market value of all listed securities at 31 May 2012 was approximately HK\$61 million.

The equity securities of ViaGold Capital Limited which listed in Australia have been suspended on 1 June 2012.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 20. INVESTMENTS

### – The Group and the Company

Pursuant to the requirements stipulated in Chapter 21.12 of the Listing Rules, the Group discloses its list of all investments with a value greater than 5 per cent of the Group's gross assets and at least the 10 largest investments as at 31 December 2011 and 2010 respectively as follows:

#### As at 31 December 2011

Name	Nature of Business	% of total issued capital	Invested amount HK\$	Carrying amount HK\$ (Note a)	Net assets attributable to the investments HK\$	Dividend received HK\$
China Bio Cassava Holdings Limited	Development and sale of computer software	3.60%	11,416,390	16,815,000	427,002	–
China Solar Energy Holdings Limited	Manufacture and sale of photovoltaic business	0.25%	12,414,389	1,586,025	2,291,044	–
China Telecom Corporation Limited	Provision of telecommunication services	0.00%	1,400,800	1,370,200	1,199,921	–
Datronix Holdings Limited	Design, manufacture and sale of magnetics	2.01%	37,551,177	18,355,480	12,028,656	223,548
Guotai Junan International Holdings Limited	Provision of securities, futures dealing and broking services	0.40%	18,858,320	12,727,650	12,863,037	217,860
Shengli Oil & Gas Pipe Holdings Limited	Design, manufacture and sale of spiral submerged arc welded pipes	0.04%	1,894,870	784,470	1,047,551	5,200
Shenzhen Chiwan Petroleum Supply Base Company Limited	Port management and services	0.28%	5,371,803	4,687,845	4,751,656	15,238
ViaGOLD Capital Limited	Investment holding, leasing and capital financing services, and consultancy and management services to educational institutions	3.89%	11,727,980	8,272,980	1,100,626	—
北京華寶 (Note 17)	Leasing of property and vehicles	30.00%	12,000,000	7,095,000	5,637,653	Note b
BARL (Note 17)	Organic farming and agriculture business	30.00%	12,000,000	2,640,000	12,224,978	Note c
Total			124,635,729	74,334,650		461,846

# Notes to the Financial Statements

For the year ended 31 December 2011

## 20. INVESTMENTS — continued — The Group and the Company — continued

As at 31 December 2010

Name	Nature of Business	% of total issued capital	Invested amount HK\$	Carrying amount HK\$ (Note a)	Net assets attributable to the investments HK\$	Dividend received HK\$
China Bio Cassava Holdings Limited	Development and sale of computer software	3.60%	11,416,390	17,995,000	473,356	–
Culturecom Holdings Limited	Publishing	0.90%	6,143,677	3,115,900	5,709,364	–
Mobile Telecom Network (Holdings) Limited	Provision of mobile internet communication and telecommunications	0.60%	984,482	820,864	155,676	–
China Solar Energy Holdings Limited	Manufacture and sale of photovoltaic business	0.42%	12,414,389	4,249,350	1,716,150	–
REXLot Holdings Limited	Provision of lottery machines and financial services	0.01%	22,296	410,000	242,937	3,900
PetroChina Co. Ltd. – H Shares	Principally engaged in the exploration, development and production and marketing of oil and nature gas	0.00%	890,980	934,720	573,231	24,806
China Shunhua Energy Co. Ltd. – H Shares	Production and sale of coal and power and provision of transportation services in the PRC	0.00%	1,987,900	1,858,200	784,160	–
ViaGOLD Capital Limited	Investment holding, leasing and capital financing services, and consultancy and management services to educational institutions	3.89%	11,727,980	17,139,943	1,091,144	–
北京華寶 (Note 17)	Leasing of property and vehicles	30.00%	12,000,000	8,820,000	6,083,639	Note b
BARL (Note 17)	Organic farming and agriculture business	30.00%	12,000,000	12,000,000	12,293,227	Note c
Total			69,588,094	67,343,977		28,706

# Notes to the Financial Statements

For the year ended 31 December 2011

## 20. INVESTMENTS — continued

Notes:

- a. Except for the investment in BARL, all investments are stated at fair value.
- b. 北京華寶 suffered unaudited loss for the year ended 31 December 2011 and no dividend was declared or received from the investment in 北京華寶 for the year ended 31 December 2011 (2010: Nil). Nevertheless, pursuant to the sale and purchase agreement dated 28 November 2007, the vendor of 北京華寶 has provided a guarantee to the Group for an annual return of not less than HK\$2,640,000 for each of the 3 years ended 31 December 2008, 2009 and 2010 respectively.
- c. During the year ended 31 December 2011, no dividend was declared or received from the investment in BARL (2010: Nil). However, pursuant to the original co-operation agreement dated 31 December 2007, the counterparty has provided a guarantee to the Group for an annual return of not less than HK\$2,640,000 for each of the 5 years ended 31 December 2008, 2009, 2010, 2011 and 2012 respectively. The Group has recorded and subsequently received the investment return of HK\$2,640,000 from the counterparty for the year ended 31 December 2011.
- d. China Bio Cassava Holdings Limited (“China Bio Cassava”) is a company incorporated in the Cayman Islands. As at 31 December 2011, the Group held 295,000,000 (2010: 295,000,000) ordinary shares of China Bio Cassava at a par value of HK\$0.0025 each.

## 21. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

### – The Group and the Company

	2011 HK\$	2010 HK\$
Other receivables	3,658,213	5,354,794
Less: Provision for impairment loss on other receivables	(74,794)	(74,794)
Other receivables – net	3,583,419	5,280,000
Prepayments	324,443	380,726
Rental and utility deposits	981,137	264,908
Current portion	4,888,999	5,925,634

Included in other receivables are a guaranteed annual return of HK\$2,640,000 and an interest receivable and of HK\$74,794. The guaranteed annual return is receivable from the counterparties of investment contracts and the Group has entered into as disclosed in note 20(c) to the financial statements. The interest receivable represented an interest receivable from a deposit of the acquisition of investment in 廣州星越, as disclosed in note 18.

The carrying values of other receivables, prepayments and deposits approximates to their fair values.

All other receivables, prepayments and deposits are denominated in Hong Kong dollars.

As discussed in note 18 to the financial statements, the Group considers that the deposit of the acquisition of investment in 廣州星越 is unlikely to be recovered, the interest receivable thereon is also fully impaired.

Except for the interest receivable from the deposit, other classes with other receivables, prepayments and deposits do not contain impaired assets.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 21. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS — continued

Movements on the provision for impairment of other receivables are as follows:

	2011 HK\$	2010 HK\$
At beginning of the reporting period	74,794	37,808
Provision for receivable impairment	–	36,986
At end of the reporting period	<b>74,794</b>	74,794

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as securities.

## 22. CASH AND CASH EQUIVALENTS

### – The Group

	2011 HK\$	2010 HK\$
Cash at bank and securities dealers	30,204,925	22,186,032
Cash on hand	1,944	1,553
	<b>30,206,869</b>	22,187,585
Maximum exposure to credit risk	<b>30,204,925</b>	22,186,032

### – The Company

	2011 HK\$	2010 HK\$
Cash at bank and securities dealers	29,917,898	22,186,032
Cash on hand	1,944	1,553
	<b>29,919,842</b>	22,187,585
Maximum exposure to credit risk	<b>29,917,898</b>	22,186,032

All cash and cash equivalents are denominated in Hong Kong dollars.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 23. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Ordinary shares HK\$	Share premium HK\$	Total HK\$
At 1 January 2010 and 31 December 2010	1,630,200,000	1,630,200	48,838,530	50,468,730
Placing of new shares	32,600,000	32,600	3,422,658	3,455,258
Open offer	831,400,000	831,400	55,300,310	56,131,710
Share consolidation	(2,244,780,000)	–	–	–
Share Premium reduction	–	–	(107,561,498)	(107,561,498)
At 31 December 2011	249,420,000	2,494,200	–	2,494,200

The total number of authorised ordinary shares is 20,000,000,000 shares (2010: 200,000,000,000 shares) with a par value of HK\$0.01 per share (2010: HK\$0.001 per share). All issued shares are fully paid.

On 26 February 2009, the Company entered into a placing agreement (the “Placing Agreement”) with a Placing Agent, an independent third party. On 19 March 2009, the placing was completed. Pursuant to the Placing Agreement, the Company issued a total of 249,000,000 ordinary shares with par value of HK\$0.001 each at a price of HK\$0.100 each. The issued share capital of the Company was thus increased from HK\$1,359,600 to HK\$1,608,600. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium. The Company will apply approximately HK\$24.4 million of the proceeds raised for numerous future investment opportunities to fulfill the investment objectives of the Company.

During the year no share options were exercised. On 2009, share options were exercised to subscribe for 21,600,000 ordinary shares of the Company at a total consideration of HK\$3,732,500, out of which HK\$21,600 was credited to the share capital, HK\$500,228 was debited to the share-based payment reserves and the balance of HK\$4,211,128 was credited to the share premium.

On 8 April 2011, the Company entered into a placing agreement (the “Placing Agreement”) with a Placing Agent, an independent third party. On 28 April 2011, the placing was completed. Pursuant to the Placing Agreement, the Company issued a total of 32,600,000 ordinary shares with par value of HK\$0.001 each at a price of HK\$0.112 each. The issued share capital of the Company was thus increased from HK\$1,630,200 to HK\$1,662,800. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium. The Company will apply approximately HK\$3.4 million of the proceeds raised for numerous future investment opportunities to fulfill the investment objectives of the Company.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 23. SHARE CAPITAL AND SHARE PREMIUM — continued

On 20 June 2011, 831,400,000 shares of HK\$0.001 each were issued and allotted at the subscription price of HK\$0.07 per offer share on the basis of one offer share for every two existing shares held by the qualifying shareholders by open offer.

Pursuant to a special resolution passed on 30 November 2011, the Company implemented the share consolidation on the basis that every ten issued and unissued shares of HK\$0.001 each has been consolidated into one consolidated share of HK0.01 each effective 1 December 2011.

Pursuant to a special resolution passed on 30 November 2011, the Share Premium Reduction involved the reduction of the entire amount of HK\$107,561,498 standing to the credit of the share premium account of the Company to nil. The total credit arising from the Share Premium Reduction was transferred to the contributed surplus account of the Company, which was used, amongst others, in any manner permitted by the laws of Bermuda and the Bye-Laws including but not limited to setting off against the accumulated losses of the Company in full. As at 30 June 2011, the amount standing to the credit of the share premium account amounting to HK\$107,561,498 was transferred to the contributed surplus account and HK\$44,463,618 was applied to set off against the accumulated losses as at 30 June 2011 in full.

## 24. OTHER PAYABLES AND ACCRUED CHARGES

### – The Group and the Company

	2011 HK\$	2010 HK\$
Accrued expenses	<b>3,634,030</b>	360,714

The carrying value of accrued expenses approximates to its fair value due to its short term maturity.

	2011 HK\$	2010 HK\$
Denominated in:		
– Hong Kong dollars	<b>3,634,030</b>	352,024
– US dollars	–	8,690
	<b>3,634,030</b>	360,714

## 25. DEFERRED INCOME TAX

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$9,323,564 (2010: HK\$5,354,324) in respect of losses amounting to HK\$56,506,452 (2010: HK\$32,450,447) that can be carried forward against future taxable income. The estimated tax losses may be carried forward indefinitely.

No provision for deferred taxation has been made as the Group does not have any significant timing difference in tax provision which is expected to be crystallised in the foreseeable future (2010: Nil).

# Notes to the Financial Statements

For the year ended 31 December 2011

## 26. CASH USED IN OPERATION

	Note	2011 HK\$	Restated 2010 HK\$
(Loss)/profit before income tax		<b>(42,473,181)</b>	12,503,883
Adjustments for			
– Depreciation	14	<b>152,709</b>	172,586
– Dividend income	7	<b>(475,663)</b>	(67,956)
– Impairment loss on available-for-sale financial assets	8	<b>9,360,000</b>	107,000
– Impairment loss on other receivables	8	<b>–</b>	36,986
– Interest income	7	<b>(3,975)</b>	(39,500)
– Interest expenses on bank overdrafts	10	<b>18</b>	15
– Share options granted for the year	30	<b>1,846,336</b>	–
– Unrealised fair value losses/(gains) on financial assets at fair value through profit or loss	8	<b>20,616,567</b>	(11,441,436)
		<b>(10,977,189)</b>	1,271,578
Changes in working capital:			
– Financial assets at fair value through profit or loss		<b>(38,646,920)</b>	(3,989,797)
– Other receivables, prepayments and deposits		<b>1,036,635</b>	(177,086)
– Deposits for acquisition of investments		<b>(5,000,000)</b>	–
– Other payables and accrued charges		<b>3,273,316</b>	(80,136)
Cash used in operations		<b>(50,314,158)</b>	(2,975,441)

## 27. COMMITMENTS UNDER OPERATING LEASES

The Group lease an office under a non-cancellable operating lease agreement.

The future aggregate minimum lease payments under the non-cancellable operating lease are as follows:

	2011 HK\$	2010 HK\$
Not later than 1 year	<b>2,750,700</b>	209,844
Later than 1 year but not later than 5 years	<b>4,355,275</b>	–
	<b>7,105,975</b>	209,844

# Notes to the Financial Statements

For the year ended 31 December 2011

## 28. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a Mandatory Provident Fund scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK\$20,000.

The total cost charged to consolidated income statement of HK\$71,093 (2010: HK\$53,400) represents contributions payable to this scheme by the Group in respect of the current accounting year.

## 29. RELATED PARTY TRANSACTIONS

Under Listing rules Chapter 21.13, any investment manager, investment adviser or custodian (or any connected person thereof) is regarded as connected person.

The following transactions were carried out with related parties:

	2011 HK\$	2010 HK\$
Investment management fee paid and payable to Up Way Asia Fund Management Limited	122,903	360,000
China International Capital Limited	1,593,610	–
	<b>1,716,513</b>	360,000
Consultancy fees paid to a former substantial shareholder Mr. Andrew Look	40,000	120,000

On 3 May 2011, the Group did not renew the investment management agreement with Up Way Asia Fund Management Limited as investment manager.

On 4 May 2011, the Group entered into a new investment management agreement to appoint China International Capital Limited ("CICL") as a new investment manager of the Group. Pursuant to the investment management agreement, the maximum management fee payable by the Group to CICL cannot exceed HK\$4,000,000 per annum.

Consultancy fee of HK\$40,000 to Mr. Andrew Look as consultant of the Group were made in according to the terms of the consultancy agreement entered between the Group and Mr. Andrew Look. Mr. Look ceased to be a substantial shareholder of the Company during the year.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 30. SHARE OPTION SCHEME

The Company's Share Option Scheme (the "Scheme") was adopted pursuant to a resolution passed on 8 February 2002, and revised pursuant to a resolution passed on 6 December 2002 for the primary purpose of providing incentives to Directors and eligible participants (as defined in the Scheme), and will expire on 7 February 2012. Under the Scheme, the Board may grant options to Directors of the Company (including Non-executive Directors and Independent Non-executive Directors) and its eligible participants to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or Independent Non-executive Directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 7 days of the date of grant, upon payment of HK\$1.00 for the options granted. Options may be exercised at any time from the date of grant of the share option to a period to be notified by the Board to each grantee at the time of making such offer, which shall not expire later than 10 years from the date of grant. The exercise price is determined by the Board at its absolute discretion and will not be less than the higher of (a) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share of the Company on the date of grant.

On 30 January 2008, the Company granted share options under the Scheme to certain Directors, employees and consultants of the Company, which entitle them to subscribe for a total of 99,000,000 shares at HK\$0.175 per share, upon payment of HK\$1 per grant.

On 10 June 2009, the Company granted share options under the Scheme to certain Directors, employee and consultants of the Company, which entitle them to subscribe for a total of 135,960,000 ordinary shares at HK\$0.170 per share, upon payment of HK\$1 per grant.

The grant of the aggregate of 135,960,000 share options of which 65,000,000 share options is conditional on, among others, the shareholders' approval at the special general meeting and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in such number of Shares which may be issued pursuant to exercise of options to be granted. On 19 August 2009, the shareholders' approval was obtained through the passing of ordinary resolutions at special general meeting and the approval from the Stock Exchange has also been obtained thereafter.

On 26 July 2011, the Company granted share options under the Scheme to certain Directors of the Company, which entitle them to subscribe for a total of 67,880,000 ordinary shares at HK\$0.065 per share, upon payment of HK\$1 per grant.

The exercise price and number of options outstanding have been adjusted in accordance with share consolidation of ten shares into one consolidated share.

All the 20,381,724 outstanding share options granted and yet to be exercise represents approximately 8.17% of the issued share capital of the Company as at 31 December 2011. All the options granted are exercisable within a period of 10 years commencing on the adoption date. These share options vested at the dates of their issue and they are non-transferable.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 30. SHARE OPTION SCHEME — continued

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

### 31 December 2011

Date of grant	Exercised price after adjustment for open offer and share consolidation	Number of options								Note
		As at 1 January 2011	Lapsed during the year Note (ii)	Cancelled during the year Note (ii)	Adjustment after open offer	Granted during the year	Exercised during the year	Adjustment after share consolidation	As at 31 December 2011	
<b>Share Option Scheme adopted by the Company on 8 February 2002</b>										
30 January 2008	HK\$1.538	86,900,000	(15,000,000)	(49,900,000)	3,034,483	–	–	(22,531,035)	2,503,448	(i,iii)
10 June 2009	HK\$1.494	126,460,000	(26,000,000)	(3,000,000)	13,442,759	–	–	(99,812,483)	11,090,276	(i,iii)
26 July 2011	HK\$0.650	–	–	–	–	67,880,000	–	(61,092,000)	6,788,000	
		213,360,000	(41,000,000)	(52,900,000)	16,477,242	67,880,000	–	(183,435,518)	20,381,724	
Weighted average exercise price		HK\$0.172	HK\$0.172	HK\$0.172	HK\$0.1502	HK\$0.065	–	HK\$1.089	HK\$1.210	

### 31 December 2010

Date of grant	Exercise price	Number of options								Note
		As at 1 January 2009	Lapsed during the year	Cancelled during the year	Adjustment after open offer	Granted during the year	Exercised during the year	Adjustment after share consolidation	As at 31 December 2010	
<b>Share Option Scheme adopted by the Company on 8 February 2002</b>										
30 January 2008	HK\$0.175	86,900,000	–	–	–	–	–	–	86,900,000	(i)
10 June 2009	HK\$0.170	126,460,000	–	–	–	–	–	–	126,460,000	(i)
		213,360,000	–	–	–	–	–	–	213,360,000	
Weighted average exercise price		HK\$0.172	–	–	–	–	–	–	HK\$0.172	

Note:

- (i) The share options outstanding at 31 December 2011 and 31 December 2010 were granted to eligible participants and exercisable during a period of 10 years commencing on the date of each grant. These share options vested at the dates of their issues.
- (ii) On 31 May, 2011, the Company cancelled a total of 41,000,000 share options due to that the grantees, who was a former director of the Company, no longer qualified to retain the share options. On the same date, a total of 52,900,000 share options were surrendered by number of grantees to the Company.
- (iii) The number of share options and exercised price had been adjusted to follow the completion of open offer and share consolidation, details please refer to note 23.

# Notes to the Financial Statements

For the year ended 31 December 2011

## 30. SHARE OPTION SCHEME — continued

Share options outstanding at the end of the reporting period have the following expiry dates and exercise prices:

Expiry date	Exercise price per share HK\$	2011	2010
		Number of share options	Number of share options
29 January 2018	1.750	<b>2,503,448</b>	86,900,000
9 June 2019	1.700	<b>11,090,276</b>	126,460,000
25 July 2021	0.650	<b>6,788,000</b>	—
	1.210	<b>20,381,724</b>	213,360,000

During the year of 2011, number of 67,880,000 share option has been granted. The estimated fair value of the share options granted on 2011 was approximately HK\$1,846,336. Total consideration received/receivable during the period from directors for taking up the share option granted amounted to HK\$7. The fair value was calculated using the 500-step Binomial Model, taking into account the terms and condition upon which the options were granted.

The significant assumptions and inputs used in the valuation model are as follows:

	As at 26 July, 2011 HK\$
Fair value at measurement date	HK\$0.0272
Share price	HK\$0.0650
Exercise price	HK\$0.0650
Expected volatility	97.012%
Risk free rate	2.344%
Expected dividend yield	—

The expected volatility is base on the historical volatility (calculated based on the expected life of the share options), adjusted for any expected changes to future volatility due to public available information. Expected dividends are based on historical dividends. Changes in subjective input assumption could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There was no market conditions associated with the share option grants.

## 31. EVENT AFTER THE REPORTING PERIOD

- (i) On 3 January 2012, the Company issued a total of 49,880,000 placing shares with not less than six outside parties and whose ultimate beneficial owners are third parties independent of, and not connected with, the Company and its Connected Persons at the placing price of HK\$0.35 per placing share.
- (ii) On 12 January 2012, the Company and its wholly-owned subsidiary, Master Score Investments Limited (“Party A”), and Shengli Oil & Gas Pipe Holdings Limited (“Shengli Pipe”), whose shares are listed on the Stock Exchange of Hong Kong Limited, and its subsidiary, China Petro Equipment Holdings Pte. Limited (“Party B”) entered into a non-legally binding memorandum of understanding (“Non-legally Binding MOU”). Pursuant to the Non-legally Binding MOU, Party B shall assist Party A to complete an investment primarily engaged in the manufacturing of advanced pipelines in Hunan, PRC. Party A paid a refundable Earnest Deposit of RMB20,000,000 to Party B upon the execution of the Non-legally Binding MOU.

## 31. EVENT AFTER THE REPORTING PERIOD — continued

- (iii) The Company entered into the Convertible Bonds (“CB”) Placing Agreement with a Placing Agent on 26 January 2012. Pursuant to which the Company appointed the Placing Agent to procure not less than six CB Places for each tranche of the CB to subscribe in cash for up to the aggregate principal amount of HK\$75 million, on a best effort basis, during the Placing Period. The CB may be issued and subscribed for in not more than 10 separate tranches with the principal amount of the CB comprised in each tranche to be not less than HK\$7,500,000 (save for the last tranche) and the maximum aggregate principal amount of the CB for all tranches not to exceed HK\$75 million.

Upon the issue of the Conversion Shares, the relevant Bondholder will automatically be entitled to one CB Warrant at nil consideration on the basis of every five Conversion Shares being converted and issued. Each CB Warrant shall entitle the relevant holder to one CB Warrants Subscription Share, the subscription price of which shall be same as the Conversion Price of the Conversion Shares being converted for such CB Warrants Subscription Share.

Assuming that all of the Convertible Bonds are successfully placed by the Placing Agent, upon full conversion at the Conversion Price of HK\$0.36, a maximum of 208,333,333 Conversion Shares will be issued. Based on the 208,333,333 Conversion Shares to be issued upon full conversion at the Conversion Price of HK\$0.36, the CB Warrants shall entitle their holders to subscribe for a maximum of 41,666,666 CB Warrants Subscription Shares at a subscription price same as the Conversion Price of the Conversion Shares being converted. The Conversion Shares and the CB Warrants Subscription Shares will be issued pursuant to the Specific Mandate.

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares and the CB Warrants Subscription Shares which may fail to be allotted and issued upon exercise of the Conversion Rights and the subscription rights attaching to the CB Warrants. No listing of the Convertible Bonds and the CB Warrants will be sought on the Stock Exchange or any other stock exchanges.

The Special General Meeting (“SGM”) will be convened to approve, among other things, the CB Placing. A circular containing details of, among others, the placing of the Convertible Bonds, the issue of the CB Warrants, the Specific Mandate and the notice of the SGM will be sent to Shareholders as soon as practicable.

Pursuant to the CB Placing Agreement, if any of the conditions to the CB Placing Agreement is not fulfilled on or before 4:00 p.m. on 31 May 2012 (or such later date as may be agreed between the Placing Agent and the Company) (the “Long Stop Date”), the CB Placing Agreement shall thereupon lapse and become null and void and the parties will automatically be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof. As more time than expected is required to complete the conditions to the CB Placing Agreement, the parties have agreed to extend the Long Stop Date to 30 November 2012, subject to further extensions as may be agreed between the parties.

- (iv) On 13 March 2012, the Company and the Executive Directors of the Company received an Originating Summons issued on 12 March 2012 under action number HCMP 447 of 2012 by Mr. Cheung Tung Lan Tony, a Non-executive Director of the Company, who applied, among other things, an order for inspection of documents of the Company under sections 121 and 152FA of the Companies Ordinance (Cap. 32 of Laws of Hong Kong) (“the Application”). The Application had been heard on 17 May 2012 and the Court dismissed the Application made by Mr. Cheung, and ordered him to pay the legal costs of the Application to (i) the Company on a party and party basis; and (ii) the three Executive Directors of the Company on a common fund basis which is a higher scale than party and party basis.

Mr. Cheung has a right to appeal under the Rules of the High Court of Hong Kong. The deadline for Mr. Cheung to file a Notice of Appeal in the Court of Appeal is 14 June 2012 unless he gets an extension of time from the Court.

- (v) On 10 January 2012, the Group entered into a second Non-legally Binding MOU with Ascent Glory Holdings Limited and paid an additional refundable Earnest Deposit of HK\$1,500,000, further details are stated in note 18.

# Financial Summary

	1.1.2007 to 31.12.2007 HK\$	1.1.2008 to 31.12.2008 HK\$	1.1.2009 to 31.12.2009 HK\$	1.1.2010 to 31.12.2010 HK\$	1.1.2011 to 31.12.2011 HK\$
<b>Results</b>					
Profit/(loss) from operations and before income tax	14,998,222	(45,019,191)	1,560,828	12,503,833	<b>(42,473,181)</b>
Income tax expense	–	18,600	–	–	–
Net profit/(loss) for the year	14,988,222	(45,000,591)	1,560,828	12,503,833	<b>(42,473,181)</b>
<b>As at 31 December</b>					
	2007 HK\$	2008 HK\$	2009 HK\$	2010 HK\$	2011 HK\$
<b>Assets and liabilities</b>					
Total assets	93,839,433	50,009,552	85,004,626	97,428,373	<b>117,936,812</b>
Total liabilities	(601,844)	(411,314)	(440,850)	(360,714)	<b>(3,634,030)</b>
Total equity	93,237,589	49,598,238	84,563,776	97,067,659	<b>114,302,782</b>