

Independent Auditor's Report



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TO THE SHAREHOLDERS OF HARMONY ASSET LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Harmony Asset Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 3 to 74, which comprise the consolidated and company statements of financial position as at 31st December, 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

We conducted our audit in accordance with International Standards on Auditing. 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.

Independent Auditor's Report

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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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



BDO Limited

Certified Public Accountants

Wong Chi Wai

Practising Certificate Number P04945

Hong Kong, 26th March, 2012

Consolidated Statement of Comprehensive Income

for the year ended 31st December

	Note	2011 HK\$	2010 HK\$
Turnover	5	16,157,407	40,628,394
Other revenue	5	27,575	120,014
Other gains and (losses)	5	(44,507,917)	10,831,568
		(28,322,935)	51,579,976
Employee benefits expenses		(3,176,136)	(2,989,275)
Depreciation of property, plant and equipment		(662,295)	(316,324)
Other operating expenses		(11,971,351)	(14,825,148)
Share of loss of an associate	14	(1,571,724)	–
(Loss) profit before income tax	6	(45,704,441)	33,449,229
Income tax (expense) credit	7	(2,341,025)	1,825,695
(Loss) profit for the year attributable to owners of the Company	9	(48,045,466)	35,274,924
Other comprehensive income:			
Gains on fair value changes on available-for-sale financial assets		16,617,266	2,404,173
Transfer of fair value gains to profit or loss upon disposals of available-for-sale financial assets		(3,420,171)	(13,555,482)
Impairment losses on available-for-sale financial assets recognised in profit or loss		115,000	11,571,164
Other comprehensive income for the year		13,312,095	419,855
Total comprehensive income for the year attributable to owners of the Company		(34,733,371)	35,694,779
(Loss) earnings per share	10		
Basic		(HK\$1.23)	HK\$0.90
Diluted		(HK\$1.23)	HK\$0.90

Consolidated Statement of Financial Position

As at 31st December

	Note	2011 HK\$	2010 HK\$
Non-current assets			
Property, plant and equipment	12	1,706,494	1,160,398
Interest in an associate	14	6,681,887	–
Available-for-sale financial assets	15	81,497,676	60,201,831
Loans and receivables	16	32,208,444	24,796,040
Deferred tax assets	17	–	4,002,372
		122,094,501	90,160,641
Current assets			
Accounts receivable and prepayments	18	6,414,293	25,089,549
Trading securities	19	65,365,498	65,956,302
Derivative financial instruments	20	3,581,809	758,330
Tax recoverable		2,661,127	–
Bank balances and cash		75,404,609	141,083,888
		153,427,336	232,888,069
Current liabilities			
Accounts payable and accruals	21	6,824,488	6,809,600
Amount due to a related company	26(c)	–	3,928,169
Tax payable		–	3,021,429
		6,824,488	13,759,198
Net current assets		146,602,848	219,128,871
Total assets less current liabilities/Net assets		268,697,349	309,289,512
Capital and reserves			
Share capital	22	39,058,615	39,058,615
Reserves		229,638,734	270,230,897
Total equity		268,697,349	309,289,512
Net asset value per share	24	HK\$6.88	HK\$7.92

Approved and authorised for issue by the Board of Directors on 26th March, 2012



LEE Fong Lit David
Director



CHOW Pok Yu Augustine
Director

Statement of Financial Position

As at 31st December

	Note	2011 HK\$	2010 HK\$
Non-current assets			
Property, plant and equipment	12	1,706,494	1,160,398
Interests in subsidiaries	13	87,355,425	19,464,561
Available-for-sale financial assets	15	8,850,000	7,950,000
Loans and receivables	16	5,790,540	5,543,256
Deferred tax assets	17	–	4,002,372
		103,702,459	38,120,587
Current assets			
Accounts receivable and prepayments	18	1,485,527	22,768,450
Trading securities	19	51,208,049	63,466,082
Derivative financial instruments	20	3,581,809	758,330
Tax recoverable		2,661,127	–
Bank balances and cash		71,282,581	138,378,807
		130,219,093	225,371,669
Current liabilities			
Accounts payable and accruals	21	6,064,123	6,049,236
Amount due to a related company	26(c)	–	3,928,169
Tax payable		–	2,817,691
		6,064,123	12,795,096
Net current assets		124,154,970	212,576,573
Total assets less current liabilities/Net assets		227,857,429	250,697,160
Capital and reserves			
Share capital	22	39,058,615	39,058,615
Reserves	23	188,798,814	211,638,545
Total equity		227,857,429	250,697,160

Approved and authorised for issue by the Board of Directors on 26th March, 2012



LEE Fong Lit David
Director



Chow Pok Yu Augustine
Director

Consolidated Statement of Changes in Equity

for the years ended 31st December, 2011 and 2010

	Share capital HK\$	Share premium HK\$	Fair value reserve HK\$	Share option reserve HK\$	Proposed dividend HK\$	Retained profits HK\$	Total HK\$
At 1st January, 2011	39,058,615	162,768,326	18,730,736	313,040	5,858,792	82,560,003	309,289,512
Loss for the year	-	-	-	-	-	(48,045,466)	(48,045,466)
Gains on fair value changes on available-for-sale financial assets	-	-	16,617,266	-	-	-	16,617,266
Transfer of fair value gains to profit or loss upon disposals of available-for-sale financial assets	-	-	(3,420,171)	-	-	-	(3,420,171)
Impairment losses on available-for-sale financial assets recognised in profit or loss	-	-	115,000	-	-	-	115,000
Other comprehensive income for the year	-	-	13,312,095	-	-	-	13,312,095
Total comprehensive income for the year	-	-	13,312,095	-	-	(48,045,466)	(34,733,371)
Transfer to retained profits upon lapse of share options	-	-	-	(313,040)	-	313,040	-
Dividend paid	-	-	-	-	(5,858,792)	-	(5,858,792)
Total transactions with owners for the year	-	-	-	(313,040)	(5,858,792)	313,040	(5,858,792)
At 31st December, 2011	39,058,615	162,768,326	32,042,831	-	-	34,827,577	268,697,349

Consolidated Statement of Changes in Equity

for the years ended 31st December, 2011 and 2010

	Share capital HK\$	Share premium HK\$	Fair value reserve HK\$	Share option reserve HK\$	Proposed dividend HK\$	Retained profits HK\$	Total HK\$
At 1st January, 2010	39,058,615	162,768,326	18,310,881	1,034,156	3,905,861	52,422,755	277,500,594
Profit for the year	-	-	-	-	-	35,274,924	35,274,924
Gains on fair value changes on available-for-sale financial assets	-	-	2,404,173	-	-	-	2,404,173
Transfer of fair value gains to profit or loss upon disposals of available-for-sale financial assets	-	-	(13,555,482)	-	-	-	(13,555,482)
Impairment losses on available-for-sale financial assets recognised in profit or loss	-	-	11,571,164	-	-	-	11,571,164
Other comprehensive income for the year	-	-	419,855	-	-	-	419,855
Total comprehensive income for the year	-	-	419,855	-	-	35,274,924	35,694,779
Transfer to retained profits upon lapse of share options	-	-	-	(721,116)	-	721,116	-
Dividend paid	-	-	-	-	(3,905,861)	-	(3,905,861)
Proposed dividend (<i>note 11</i>)	-	-	-	-	5,858,792	(5,858,792)	-
Total transactions with owners for the year	-	-	-	(721,116)	1,952,931	(5,137,676)	(3,905,861)
At 31st December, 2010	39,058,615	162,768,326	18,730,736	313,040	5,858,792	82,560,003	309,289,512

Consolidated Statement of Cash Flows

for the year ended 31st December

	Note	2011 HK\$	2010 HK\$
Cash flows from operating activities			
Cash (used in) generated from operations	25	(51,383,667)	5,059,496
Income tax paid		(4,021,209)	(15,138,398)
Net cash used in operating activities		(55,404,876)	(10,078,902)
Cash flows from investing activities			
Interest received		6,608,592	5,722,788
Dividend received from available-for-sale financial assets		5,320,000	32,896,453
Advances to investee companies		(5,253,082)	(6,788,000)
Repayments from investee companies		2,621,764	1,288,706
Purchase of property, plant and equipment		(1,234,306)	(11,560)
Investment in and loan to an associate		(7,800,000)	–
Purchase of available-for-sale financial assets		(8,098,750)	(5,244,458)
Proceeds from disposals of available-for-sale financial assets		3,420,171	29,098,678
Net cash (used in) from investing activities		(4,415,611)	56,962,607
Cash used in financing activities			
Dividend paid		(5,858,792)	(3,865,173)
Net (decrease) increase in cash and cash equivalents		(65,679,279)	43,018,532
Cash and cash equivalents at 1st January		141,083,888	98,065,356
Cash and cash equivalents at 31st December		75,404,609	141,083,888
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		75,404,609	141,083,888

Notes to the Financial Statements

for the year ended 31st December, 2011

1. GENERAL

Harmony Asset Limited is incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company has been changed from Room 1101, St. George's Building, 2 Ice House Street, Central, Hong Kong to Room 1902, Cheung Kong Center, 2 Queen's Road Central, Hong Kong since 11th January, 2011. Its shares are dual listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Toronto Stock Exchange (the "TSX").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 13.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of new or revised IFRSs – effective 1st January, 2011

IFRSs (Amendments)	Improvements to IFRSs 2010
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC – Interpretation 14	Prepayments of a Minimum Funding Requirement
IFRIC – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
IAS 24 (Revised)	Related Party Disclosures

The adoption of these new or revised standards and interpretations has no material impact on the Group's financial statements.

Notes to the Financial Statements

for the year ended 31st December, 2011

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

(b) New or revised IFRSs that have been issued but are not yet effective

The following new or revised IFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to IAS 1 (Revised)	Presentation of Items of Other Comprehensive Income ³
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets ²
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ⁵
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities ⁴
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets ¹
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ⁶
IAS 19 (2011)	Employee Benefits ⁴
IAS 27 (2011)	Separate Financial Statements ⁴
IAS 28 (2011)	Investments in Associates and Joint Ventures ⁴
IFRS 9	Financial Instruments ⁶
IFRS 10	Consolidated Financial Statements ⁴
IFRS 12	Disclosure of Interests in Other Entities ⁴
IFRS 13	Fair Value Measurement ⁴

¹ Effective for annual periods beginning on or after 1st July, 2011

² Effective for annual periods beginning on or after 1st January, 2012

³ Effective for annual periods beginning on or after 1st July, 2012

⁴ Effective for annual periods beginning on or after 1st January, 2013

⁵ Effective for annual periods beginning on or after 1st January, 2014

⁶ Effective for annual periods beginning on or after 1st January, 2015

The Group is in the process of making an assessment of the potential impact of these new or revised IFRSs and the directors so far concluded that the application of these new or revised IFRSs will have no material impact on the Group’s financial statements except for IFRS 9.

Notes to the Financial Statements

for the year ended 31st December, 2011

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (continued)

(b) New or revised IFRSs that have been issued but are not yet effective (continued)

IFRS 9 “Financial Instruments” replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Under IFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have an irrevocable election in initial recognition, on an investment-by-investment basis, to recognise the gains and losses in other comprehensive income. There is no recycling of such fair value gains or losses to profit or loss. IFRS 9 carries forward the recognition and measurement requirements for financial liabilities from IAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities. The directors are in process of assessing the impacts on the application of this new IFRS and currently not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Statement of compliance

The financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis, except that, as disclosed in the summary of significant accounting policies in note 4, available-for-sale financial assets and financial assets at fair value through profit or loss are stated at fair value.

Notes to the Financial Statements

for the year ended 31st December, 2011

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

(c) Use of estimates and judgements

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 30.

(d) Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 31st December each year.

The financial statements of subsidiaries are included into the consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group transactions and balances, and any unrealised profit arising from intra-group transactions, are eliminated in full on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses as set out in note 4(f) below. The results of subsidiaries are accounted for by the Company to the extent of dividends received and receivable.

(c) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interests in the associates are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associates. The investor's share in the respective associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and the entire carrying amount of the investment is subject to impairment test, by comparing the carrying amount with its recoverable amount, which is higher of value in use and fair value less costs to sell.

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses as stated in note 4(f) below. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use.

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

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, over their estimated useful lives using the straight-line method. The annual rate used ranges from 20% to 33%.

The useful life of an asset, its residual value, and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

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

(e) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the three categories, comprising financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represent financial assets held for trading if:

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

Derivatives embedded in non-derivative host contracts are separated from the relevant hosts and deemed as held-for-trading when the economic characteristic and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, loans receivable and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss or loans and receivables. The Group designates certain listed and unlisted investments as available-for-sale financial assets. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in fair value reserve within equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is reclassified from equity and recognised in profit or loss.

The fair value of listed available-for-sale investments is based on their quoted market prices at the end of reporting period, without any deduction for estimated future selling costs.

For available-for-sale equity investments which are not traded in an active market, fair value is estimated based upon an analysis of the respective investee's financial position and results, risk profile, nature of business, prospects, price of their recent transactions, other factors and assumptions not supported by observable market data as well as reference to market valuations for similar entities quoted in an active market, current fair value of comparable investments or applicable price/earning ratios for comparable listed companies adjusted to reflect the circumstances of the investee.

When the fair value of unlisted available-for-sale equity investments and derivatives that are linked to and must be settled by delivery of such unlisted equity instruments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, they are measured at cost less any identified impairment losses.

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Impairment loss on financial assets

Objective evidence that the asset is impaired includes observable data that comes to the attention of the Group includes the following loss events:

- significant financial difficulty of the debtor or counterparty;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of the debtors' financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- a significant decline or prolonged decline in the fair value of an investment below its cost.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Impairment loss on financial assets (continued)

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is reclassified from equity and recognised in profit or loss.

Any impairment losses recognised in profit or loss on available-for-sale debt investments are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities.

Financial liabilities

The Group's financial liabilities include accounts payable, accruals and amount due to a related company which are subsequently measured at amortised cost, using the effective interest method.

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Consideration paid to reacquire the Company's own equity instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale or cancellation of the Company's own equity instruments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowings for the proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of other assets

At the end of each reporting period, the Group assesses whether there is any indication that property, plant and equipment, investments in subsidiaries and investment in an associate have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of the fair value less costs to sell and value in use of an asset. The fair value less costs to sell is the amount that could be obtained from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less the costs of disposal, while value in use is the present value of the future cash flows expected to be derived from an asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which is restricted to 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 immediately in profit or loss.

(g) Income taxes

Income taxes for the year comprise current tax and movements in deferred tax assets and liabilities. Income taxes are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income, in which case they are recognised in other comprehensive income.

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

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income taxes (continued)

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

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

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

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

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income taxes (continued)

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(h) Translation of foreign currencies

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). Foreign currency transactions during the year are translated into functional currency at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss.

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Translation of foreign currencies (continued)

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

The results of foreign operations are translated into presentation currency at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items in statement of financial position are translated into presentation currency at the foreign exchange rates ruling at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a partial disposal of an interest in an associate of which the retained interest becomes a financial interest that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Provisions and contingent liabilities

A provision is recognised when the Group or the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the possibility of an outflow of economic benefits is remote.

Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(j) Revenue recognition

Interest income is recognised as it accrues using the effective interest method.

Income from provision of other services is recognised when the related services are rendered.

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

(k) Operating leases

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense in profit or loss on a straight-line basis over the lease term. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(1) Employee benefits

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

Salaries, annual leave and other benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group has only one defined contribution plan and the assets of which are held in separate trustee – administered funds. The Group's contributions to the defined contribution retirement scheme for all of its eligible employees are expensed as incurred. The Group's employer contributions vest fully with the employees when contributed into the retirement scheme in accordance with the rules of the retirement scheme.

(ii) *Share-based payments*

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

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

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits (continued)

(ii) *Share-based payments (continued)*

Where equity instruments are granted to persons other than employees for services rendered in connection with issue of equity instruments, the fair value of services received is charged to profit or loss with corresponding increase in share option reserve.

For cash-settled share-based payments, a liability is recognised at the fair value of the goods or services received. At the end of each reporting period, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss.

(m) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

Notes to the Financial Statements

for the year ended 31st December, 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Related parties (continued)

(b) (continued)

- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

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

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits with banks, and short-terms, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(o) Dividends

Interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Final dividends proposed by the directors are classified as a separate allocation of retained profits within capital and reserves in the statement of financial position. Final dividends are recognised as a liability when they are approved by the shareholders.

Notes to the Financial Statements

for the year ended 31st December, 2011

5. TURNOVER, OTHER REVENUE AND OTHER GAINS AND (LOSSES)

The Group principally invests in securities listed on recognised stock exchanges and unlisted securities, including equity securities and convertible bonds issued by corporate entities. Turnover, other revenue and other gains and losses recognised during the year are as follows:

	2011 HK\$	2010 HK\$
Turnover:		
Interest income from:		
– bank deposits	714,283	408,441
– loans receivable and convertible bonds not impaired	9,139,359	6,768,349
Dividend income from:		
– listed investments	983,765	555,151
– unlisted investments	5,320,000	32,896,453
	16,157,407	40,628,394
Other revenue:		
Service fee income	27,575	120,014
Other gains and (losses):		
Fair value (losses) gains on financial assets at fair value through profit or loss:		
– trading securities	(58,531,282)	(17,413,882)
– derivative financial instruments	2,823,479	–
Net realised gain on disposals of financial assets at fair value through profit or loss:		
– trading securities	5,624,865	19,847,468
– derivative financial instruments	370,272	6,998,729
Net (loss) gain on financial assets at fair value through profit or loss	(49,712,666)	9,432,315
Impairment losses on loans and receivable	(90,353)	(1,922,160)
Recovery of impairment loss on loans and receivables previously recognised	2,080,000	–
Recovery of impairment loss on accounts receivable	–	113,999
Net gain (loss) on loans and receivables	1,989,647	(1,808,161)
Impairment losses on available-for-sale financial assets:		
– equity investments	(115,000)	(11,571,164)
– deposits on investments written off	–	(244,458)
Net realised gain on disposals of available-for-sale financial assets	3,420,171	13,555,482
Net gain on available-for-sale financial assets	3,305,171	1,739,860
Net exchange (loss) gain on financial instruments not at fair value through profit or loss	(64,154)	1,467,554
Loss on disposal of property, plant and equipment	(25,915)	–
	(44,507,917)	10,831,568

Notes to the Financial Statements

for the year ended 31st December, 2011

5. TURNOVER, OTHER REVENUE AND OTHER GAINS AND (LOSSES) (continued)

For management purposes, the Group's business activity is organised into one main operating segment, investment holding.

The following table provides an analysis of the Group's turnover, other revenue, other gains and losses by geographical location which is based on the domicile country or listing of the investees or counterparties as appropriate.

	2011 HK\$	2010 HK\$
Turnover and other revenue		
Hong Kong	10,001,339	40,748,408
Canada	53,955	–
Other countries	6,129,688	–
	16,184,982	40,748,408

	2011 HK\$	2010 HK\$
Other gains and (losses)		
Hong Kong	(15,487,900)	(3,771,549)
Canada	(31,698,237)	16,593,118
Other countries	2,678,220	(1,990,001)
	(44,507,917)	10,831,568

During the year, dividend income from two (2010: two) unlisted investments accounted for 33% (2010: 75%) of the Group's turnover.

Notes to the Financial Statements

for the year ended 31st December, 2011

6. (LOSS) PROFIT BEFORE INCOME TAX

(Loss) profit before income tax has been arrived at after charging the following:

	2011 HK\$	2010 HK\$
Auditor's remuneration	700,000	700,000
Management fees (<i>note 26(a)</i>)	4,342,743	4,417,468
Incentive fee (<i>note 26(a)</i>)	–	3,928,169
Contributions to defined contribution plan*	124,055	73,894
Operating leases in respect of land and buildings	2,543,678	2,175,278

* There was no forfeited contribution in respect of the defined contribution plan available at 31st December, 2011 and 2010 to reduce future contributions. There was no outstanding contribution to the plan at 31st December, 2011 and 2010.

7. INCOME TAX EXPENSE (CREDIT)

(a) No provision for Hong Kong Profits Tax has been made for the year as the Group has sustained estimated tax losses for the year. Provision for Hong Kong Profits Tax has been made at 16.5% of the Group's estimated assessable profits for the year ended 31 December 2010.

	2011 HK\$	2010 HK\$
Current tax		
Hong Kong Profits Tax:		
Current year	–	4,322,474
(Over) under provision in prior years	(1,661,347)	268,151
	(1,661,347)	4,590,625
Deferred taxation (<i>note 17</i>)		
Current year	4,002,372	(5,047,777)
Over provision in prior years	–	(1,368,543)
	4,002,372	(6,416,320)
	2,341,025	(1,825,695)

The directors consider the Group has no income subject to taxation in other jurisdictions.

Notes to the Financial Statements

for the year ended 31st December, 2011

7. INCOME TAX EXPENSE (CREDIT) (continued)

- (b) Reconciliation between income tax expense (credit) and the Group's (loss) profit before income tax applicable tax rate is set out below:

	2011 HK\$	2010 HK\$
(Loss) profit before income tax	(45,704,441)	33,449,229
Notional tax on (loss) profit before income tax, calculated at Hong Kong Profits Tax rate of 16.5% (2010: 16.5%)	(7,541,233)	5,519,123
Tax effect of income not taxable for tax purpose	(3,451,563)	(9,007,698)
Tax effect of expenses not deductible for tax purpose	6,894,521	2,729,178
Tax effect of tax losses not recognised	1,544,880	10,710
Tax effect of other deductible temporary differences not recognised	2,553,395	23,384
(Over) under provision in current tax in prior years	(1,661,347)	268,151
Over provision of deferred tax in prior years	–	(1,368,543)
Deferred tax assets written down	4,002,372	–
Income tax expense (credit)	2,341,025	(1,825,695)

Notes to the Financial Statements

for the year ended 31st December, 2011

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Details of directors' remuneration are as follows:

	2011				
		Salaries	Discretionary	Contributions	Total
		allowances	bonus	to defined	
	Fees	and benefits	(note iii)	contribution	
HK\$	in kind	HK\$	plan		
	HK\$	HK\$	HK\$	HK\$	HK\$
Executive directors:					
Lee Fong Lit David	-	-	-	-	-
Chow Pok Yu Augustine (note ii)	55,000	-	-	-	55,000
Chan Shuen Chuen Joseph	-	330,200	-	10,100	340,300
Non-executive director:					
Lam Andy Siu Wing, JP*	55,000	-	-	-	55,000
Independent non-executive directors:					
Tong Kim Weng Kelly	55,000	-	-	-	55,000
Ho Man Kai Anthony	55,000	-	-	-	55,000
Wong Yun Kuen	55,000	-	-	-	55,000
	275,000	330,200	-	10,100	615,300
2010					
		Salaries,	Discretionary	Contributions	Total
		allowances	bonuses	to defined	
Fees	and benefits	(note iii)	contribution		
HK\$	in kind	HK\$	plan		
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Executive directors:					
Lee Fong Lit David	-	-	-	-	-
Chow Pok Yu Augustine (note ii)	50,000	-	-	-	50,000
Lam Andy Siu Wing, JP*	-	582,400	44,800	26,880	654,080
Chan Shuen Chuen Joseph	-	314,600	24,200	14,520	353,320
Independent non-executive directors:					
Tong Kim Weng Kelly	50,000	-	-	-	50,000
Ho Man Kai Anthony	50,000	-	-	-	50,000
Wong Yun Kuen	50,000	-	-	-	50,000
	200,000	897,000	69,000	41,400	1,207,400

* Lam Andy Siu Wing, JP has been re-designated as a non-executive director effective from 1st January, 2011.

Notes to the Financial Statements

for the year ended 31st December, 2011

8. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Details of directors' remuneration are as follows:(continued)

Note:

- (i) There was no arrangement under which a director waived or agreed to waive any remuneration during the year.
- (ii) In addition to the directors' remuneration disclosed above, Dr. Chow Pok Yu Augustine received emoluments from a related company, namely Harmony Asset Management Limited, which amounted to HK\$252,000 (2010: HK\$1,040,000), in respect of his services provided to the Company and its subsidiaries as mentioned in note 26(a).
- (iii) Discretionary bonuses are related to the performance of the Group and are determined by the Remuneration Committee.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2010: two) director(s) whose emoluments are disclosed in note 8(a) above. The emoluments payable to the remaining four (2010: three) individuals during the year are as follows:

	2011 HK\$	2010 HK\$
Basic salaries, other allowances and benefits in kind	1,448,000	1,090,700
Discretionary bonuses	142,800	83,900
Contributions to defined contribution plan	66,400	50,340
	1,657,200	1,224,940

Note: The emoluments of the four (2010: three) individuals are within the band from nil to HK\$1,000,000.

9. (LOSS) PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated (loss) profit for the year attributable to owners of the Company includes a loss of HK\$17,880,939 (2010: profit of HK\$33,129,638) which has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

for the year ended 31st December, 2011

10. (LOSS) EARNINGS PER SHARE

(a) Basic (loss) earnings per share

The calculation of basic (loss) earnings per share is based on the Group's loss attributable to owners of the Company amounting to HK\$48,045,466 (2010: profit of HK\$35,274,924) and on the weighted average number of ordinary shares of 39,058,614 (2010: 39,058,614) in issue during the year.

(b) Diluted (loss) earnings per share

Diluted (loss) earnings per share for the year is the same as the basic (loss) earnings per share as the effect of the assumed conversion of the outstanding share options is anti-dilutive.

11. DIVIDENDS

The Board does not recommend payment of any dividend for the year ended 31st December, 2011. Proposed dividends for the year ended 31st December, 2010 were as follows:

	2011 HK\$	2010 HK\$
Proposed dividend – nil (2010: HK15 cents) per share (<i>note</i>)	–	5,858,792
	–	5,858,792

Note:

The Board of Directors had recommended a final dividend out of the distributable reserve of the Company of HK15 cents per share in respect of the year ended 31st December, 2010 totaling not less than HK\$5,858,792 which was approved by shareholders at the annual general meeting held on 31st May, 2011 and complied with the Companies Law of the Cayman Islands. The dividend proposed after the end of reporting period of 31st December, 2010 had not been recognised as a liability at the end of that reporting period.

Notes to the Financial Statements

for the year ended 31st December, 2011

12. PROPERTY, PLANT AND EQUIPMENT

	Group				Total HK\$
	Leasehold improvements HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Motor vehicle HK\$	
	Cost				
At 1st January, 2010	917,606	453,996	423,022	1,444,000	3,238,624
Addition	–	11,560	–	–	11,560
At 31st December, 2010	917,606	465,556	423,022	1,444,000	3,250,184
Additions	1,090,699	27,821	115,786	–	1,234,306
Disposal	(917,606)	–	–	–	(917,606)
At 31st December, 2011	1,090,699	493,377	538,808	1,444,000	3,566,884
Accumulated depreciation					
At 1st January, 2010	880,807	431,833	412,689	48,133	1,773,462
Provided for the year	11,222	11,652	4,650	288,800	316,324
At 31st December, 2010	892,029	443,485	417,339	336,933	2,089,786
Provided for the year	353,264	10,481	9,750	288,800	662,295
Written back on disposal	(891,691)	–	–	–	(891,691)
At 31st December, 2011	353,602	453,966	427,089	625,733	1,860,390
Carrying amount					
At 31st December, 2011	737,097	39,411	111,719	818,267	1,706,494
At 31st December, 2010	25,577	22,071	5,683	1,107,067	1,160,398

Notes to the Financial Statements

for the year ended 31st December, 2011

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Company				Total HK\$
	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicle	
	HK\$	HK\$	HK\$	HK\$	
Cost					
At 1st January, 2010	917,606	420,591	423,022	1,444,000	3,205,219
Addition	–	11,560	–	–	11,560
At 31st December, 2010	917,606	432,151	423,022	1,444,000	3,216,779
Additions	1,090,699	27,821	115,786	–	1,234,306
Disposal	(917,606)	–	–	–	(917,606)
At 31st December, 2011	1,090,699	459,972	538,808	1,444,000	3,533,479
Accumulated depreciation					
At 1st January, 2010	880,807	398,428	412,689	48,133	1,740,057
Provided for the year	11,222	11,652	4,650	288,800	316,324
At 31st December, 2010	892,029	410,080	417,339	336,933	2,056,381
Provided for the year	353,264	10,481	9,750	288,800	662,295
Written back on disposal	(891,691)	–	–	–	(891,691)
At 31st December, 2011	353,602	420,561	427,089	625,733	1,826,985
Carrying amount					
At 31st December, 2011	737,097	39,411	111,719	818,267	1,706,494
At 31st December, 2010	25,577	22,071	5,683	1,107,067	1,160,398

Notes to the Financial Statements

for the year ended 31st December, 2011

13. INTERESTS IN SUBSIDIARIES

	2011 HK\$	2010 HK\$
Unlisted shares, at cost	16,718,596	16,718,596
Impairment losses on investments in subsidiaries	(16,718,580)	(16,718,580)
	16	16
Amounts due from subsidiaries (<i>note a</i>)	129,930,364	71,575,466
Allowance for impairment losses on amounts due from subsidiaries	(42,574,955)	(52,110,921)
	87,355,409	19,464,545
	87,355,425	19,464,561

The below table reconciled the allowance for impairment losses on amounts due from subsidiaries for the year.

	2011 HK\$	2010 HK\$
At 1st January	52,110,921	62,875,530
Reversal of impairment losses previously recognised	(9,535,966)	(10,764,609)
At 31st December	42,574,955	52,110,921

Notes to the Financial Statements

for the year ended 31st December, 2011

13. INTERESTS IN SUBSIDIARIES (continued)

Note:

- (a) The amounts due from subsidiaries, which have no fixed repayment terms, are unsecured, interest free and not expected to be realised within one year from the end of reporting period.
- (b) The following is a list of subsidiaries at 31st December, 2011:

Name of subsidiary	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Plowright Investments Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%*
IT Star Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%*
Powercell Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Quickrise Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Wingo Venture Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Datacom Venture Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Gwynneth Gold Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Goal Vision Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%
Techlink Venture Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1	100%

* Shares held directly by the Company

During the year, an inactive subsidiary, IT Technology Centre Limited incorporated in Hong Kong, was dissolved.

None of the subsidiaries issued any debt securities at the end of reporting period.

Notes to the Financial Statements

for the year ended 31st December, 2011

14. INTEREST IN AN ASSOCIATE

	Group	
	2011 HK\$	2010 HK\$
Unlisted shares, at cost (<i>note a</i>)	3,923,113	–
Share of loss	(1,571,724)	–
	2,351,389	–
Loan to an associate (<i>note b</i>)	4,330,498	–
	6,681,887	–

- (a) During the year, the Group had acquired 26% interest in the associate with a cash consideration of HK\$2,600. The Group had also recognised the deemed capital contribution of HK\$3,920,513 resulting from provision of the interest free loan to the associate as mentioned in note 14(b) as additional investment in the associate. Accordingly, the investment cost in the associate on initial acquisition amounted to HK\$3,923,113.
- (b) The loan is unsecured, interest free with no fixed repayment terms. Imputed interest income of HK\$453,611 (2010: nil) on loan to the associate had been recognised during the year. The effective interest rate per annum is 15%.

Details of the associate are as follows:

Name	Form of business structure	Place of incorporation	Place of operation and principal activity	Percentage of effective equity interest held
Gold China Development Limited	Corporation	Hong Kong	Investment holding in Hong Kong	26
滕州金京塑膠電子有限公司*	Corporation	People's Republic of China	Manufacturing of metal, rubber and plastic products in the PRC	26*

* It is a wholly owned subsidiary of Gold China Development Limited.

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for the year ended 31st December, 2011

14. INTEREST IN AN ASSOCIATE (continued)

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

	2011 HK\$	2010 HK\$
Total assets	63,166,150	–
Total liabilities	54,122,346	–
Net assets	9,043,804	–
Group's share of net assets of the associate	2,351,389	–
Total revenue	17,582,481	–
Loss for the year	6,045,092	–
Group's share of loss of the associate for the year	1,571,724	–

Notes to the Financial Statements

for the year ended 31st December, 2011

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Unlisted equity securities (<i>note a</i>)	74,804,552	49,676,691	5,700,000	–
Equity securities listed outside Hong Kong	3,543,124	2,575,140	–	–
Club debentures	3,150,000	2,950,000	3,150,000	2,950,000
Total available-for-sale financial assets, at fair value	81,497,676	55,201,831	8,850,000	2,950,000
Unlisted equity security, at cost (<i>notes a and b</i>)	–	5,000,000	–	5,000,000
	81,497,676	60,201,831	8,850,000	7,950,000
Market value of equity securities listed outside Hong Kong	3,543,124	2,575,140	–	–

Notes to the Financial Statements

for the year ended 31st December, 2011

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Notes:

- (a) As at 31st December, 2011, details of major equity securities included in available-for-sale financial assets are as follows:

Name of investee company	Place of incorporation	Principal activities	As at 31st December	Proportion of investee's capital owned	Investment cost thereto HK\$'000	Fair value of investment HK\$'000	Dividend income received during the year HK\$'000	Dividend cover	Net assets (liabilities) attributable to the investment HK\$'000	Accumulated fair value gains (losses) on investment recognised in the financial statements HK\$'000	Accumulated impairment losses on investment recognised in the financial statements HK\$'000
Mainco Limited	British Virgin Islands	Manufacturing and trading of electrical wires	2011	30%	19,021	32,961	5,100	0.77	20,282	13,940	-
			2010	30%	19,021	26,845	1,500	3.30	19,408	7,824	-
Glory Wing International Limited# (note b)	British Virgin Islands	Exploitation and sale of mineral products	2011	2.5%	5,000	5,700	-	-	(392)	700	-
			2010	2.5%	5,000	N/A	-	-	(610)	-	-
One.Tel Holding Limited	British Virgin Islands	Tele-communications	2011	20%	3,240	6,586	-	-	6,586	3,346	-
			2010	20%	3,240	6,558	-	-	6,558	3,318	-
Eastern Hero Investments Limited	Hong Kong	Real-estate development	2011	10%	1,145	4,240	-	-	4,240	3,095	-
			2010	10%	1,145	6,256	-	-	6,256	5,111	-
Bartan Limited	Hong Kong	Real-estate development	2011	16.5%	2,950	11,740	-	-	11,740	8,790	-
			2010	16.5%	2,950	3,725	-	-	3,725	775	-

Unless otherwise specified, all investments are indirectly held by the Company through its subsidiaries.

Directly held by the Company

The equity investments in the above companies with interests being held at 20% or more are not classified as investments in associates as the Group does not participate in their operations and has no significant influence over their management.

- (b) The directors consider the fair value of the investment cannot be reliably measured and therefore the investment is stated at cost less any impairment loss as at 31st December, 2010.

Notes to the Financial Statements

for the year ended 31st December, 2011

16. LOANS AND RECEIVABLES

	Group		Company	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Loans to investee companies (<i>note a</i>)	45,683,624	53,953,973	–	–
Less: Allowance for impairment losses (<i>note b</i>)	(19,265,720)	(34,701,189)	–	–
	26,417,904	19,252,784	–	–
Convertible bonds issued by an investee company (<i>note c</i>)	5,790,540	5,543,256	5,790,540	5,543,256
	32,208,444	24,796,040	5,790,540	5,543,256

Notes:

- (a) The loans to investee companies, which have no fixed repayment terms, are unsecured, interest free and not expected to be realised within one year from the end of reporting period. Imputed interest income of HK\$2,544,155 (2010: HK\$1,266,415) on certain loans with carrying amount of HK\$23,254,771 (2010: HK\$15,361,515) as at 31st December, 2011 had been recognised during the year. The effective interest rate per annum ranged from 9% to 15% (2010: 15%).
- (b) Movement of allowance for impairment losses:

	Group	
	2011 HK\$	2010 HK\$
Balance at 1st January	34,701,189	32,779,029
Impairment losses recognised	90,353	1,922,160
Recovery of impairment loss previously recognised	(2,080,000)	–
Written off of loans impaired in prior years	(13,445,822)	–
Balance at 31st December	19,265,720	34,701,189

The Group recognised impairment loss on individual assessment of loans and receivables based on the accounting policy stated in note 4(e).

Notes to the Financial Statements

for the year ended 31st December, 2011

16. LOANS AND RECEIVABLES (continued)

Notes: (continued)

- (c) During the year ended 31st December 2010, the Group subscribed for HK\$6,000,000 out of an aggregate principal amount of HK\$70,000,000 convertible bonds (the “Glory Wing Convertible Bonds”) issued by an investee company of the Group, Glory Wing International Limited (“Glory Wing”). The Glory Wing Convertible Bonds carry interest at 3% coupon rate per annum with date of maturity on 9th April, 2013 and are secured by the entire issued share capital of Glory Wing. The Glory Wing Convertible Bonds may be converted into shares of Glory Wing equal to 35% of its enlarged share capital after the conversion, of which approximately 3% is attributable to the Group. The Glory Wing Convertible Bonds may be converted into shares of Glory Wing at any time after the issue date but before the maturity date. The issuer shall have the right to redeem the Glory Wing Convertible Bonds at any time after the issue date but before the maturity date and on the maturity date at the redemption amount of 108% and 103% of outstanding principal with accrued interest respectively.

The investment in the Glory Wing Convertible Bonds has been split between a debt component and embedded derivatives (i.e. conversion option and redemption option of Glory Wing, collectively the “Options”). The Group accounted for the debt component as loan and receivable and the Options as derivative financial instruments (note 20). The initial carrying amount of the Options of HK\$758,330 is the residual amount after separating the debt component of HK\$5,241,670 at initial recognition. The debt component is initially recognised at the sum of contractual stream of future cash flows discounted at the effective interest rate of similar bonds without the Options, and subsequently measured at amortised cost.

- (d) The loans and receivables after impairment losses can be analysed as follows:

	Group		Company	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Balances neither past due nor impaired (note i)	25,937,779	22,765,739	5,790,540	5,543,256
Balances not past due but impaired (note ii)	6,270,665	2,030,301	–	–
	32,208,444	24,796,040	5,790,540	5,543,256

Notes:

- (i) At the end of reporting period, there are no events of default in repayment of these loans which relate to a number of loans made to investees. The directors consider the investees should be able to meet their obligations to repay the debts taking into account their financial position and business prospect.
- (ii) At the end of reporting period, the Group takes into consideration the likelihood of collection and the financial position of the investees. Specific allowance is made for loans that are unlikely to be collectible and is recognised based on the estimation of the present value of the future cash flows expected to be received by the Group discounted at the original effective interest rate.

Notes to the Financial Statements

for the year ended 31st December, 2011

17. DEFERRED TAX (ASSETS) LIABILITIES

The movements in the deferred tax (assets) liabilities during the year are as follows:

	Group and Company
	Net unrealised gains (losses) on financial assets at fair value through profit or loss
	HK\$
At 1st January, 2010	2,413,948
Credit to profit or loss	(6,416,320)
At 31st December, 2010	(4,002,372)
Charge to profit or loss	4,002,372
At 31st December, 2011	–

At 31st December, 2011, the directors review the likelihood of utilisation or reversal of the temporary differences and consider it may be no longer probable that the temporary differences can be utilised or reversed. As such, the deferred tax assets are fully written down to nil.

Deferred tax assets have not been recognised in respect of the following deductible temporary differences:

	Group		Company	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Deductible temporary differences in respect of unrealised losses on financial assets at fair value through profit or loss	39,789,794	–	39,789,794	–
Unutilised tax losses	14,174,189	4,779,640	–	–
	53,963,983	4,779,640	39,789,794	–

No deferred tax assets in respect of the tax losses had been recognised due to the unpredictability of future profit streams. The tax losses can be carried forward indefinitely. Deferred tax asset in respect of the above deductible temporary differences, to the extent that they are not probable to be utilised or reversed in foreseeable future, has not been recognised in the financial statements.

Notes to the Financial Statements

for the year ended 31st December, 2011

18. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	Group		Company	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Accounts receivable	1,906,250	1,907,250	–	1,000
Loans receivable, secured (<i>note a</i>)	–	16,666,666	–	16,666,666
Interests receivable	163,706	824,127	145,200	824,127
Other receivables	3,404,295	3,616,236	404,295	3,616,236
Receivables after allowance for impairment losses	5,474,251	23,014,279	549,495	21,108,029
Deposits	741,994	1,511,689	741,941	1,511,321
Prepayments	198,048	563,581	194,091	149,100
	6,414,293	25,089,549	1,485,527	22,768,450

Notes:

- (a) As at 31st December, 2010, loan receivable of HK\$6,666,666 was secured by a borrower's certain listed equity securities with fair value of approximately HK\$32,700,000. The loan carried interest at annual fixed rate of 19% and was repayable on 15th December, 2010. During the year ended 31st December 2011, the loan was repaid in full.

As at 31st December 2010, another loan receivable of HK\$10,000,000 was secured by a guarantor's certain listed equity securities with fair value of approximately HK\$15,600,000. The loan carried interest at annual fixed rate of 26.6% and was repayable on 31st December, 2010. During the year ended 31st December 2011, the loan was repaid in full.

- (b) The aging analysis of the receivables (after allowance for impairment losses) based on due date is as follows:

	Group		Company	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Balances neither past due nor impaired (<i>note c</i>)	5,474,251	5,575,928	549,495	3,669,678
Balances past due between 1 to 180 days but not impaired (<i>note d</i>)	–	17,438,351	–	17,438,351
Balances not impaired and receivables after allowance for impairment losses	5,474,251	23,014,279	549,495	21,108,029

Notes to the Financial Statements

for the year ended 31st December, 2011

18. ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Notes: (continued)

- (c) The balances that were neither past due nor impaired relate to a number of borrowers for whom there was no recent history of default.
- (d) The balances that were past due but not impaired relate to a number of borrowers. Based on the assessment of these borrowers' financial position and circumstances, the directors consider that the receivables should be fully recoverable.
- (e) The below table reconciled the allowance for impairment losses on receivables for the year.

	Group		Company	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
At 1st January	4,782,910	4,896,909	3,294,939	3,294,939
Recovery of impairment loss	–	(113,999)	–	–
At 31st December	4,782,910	4,782,910	3,294,939	3,294,939

19. TRADING SECURITIES

	Group		Company	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Current assets:				
Equity securities held for trading at market value				
– Listed in Hong Kong	43,586,489	53,415,100	43,586,489	53,415,100
– Listed outside Hong Kong	21,779,009	12,541,202	7,621,560	10,050,982
	65,365,498	65,956,302	51,208,049	63,466,082

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19. TRADING SECURITIES (continued)

Listed equity securities

As at 31st December, 2011, details of major listed equity securities are as follows:

Name of investee company	Place of incorporation	As at 31st December	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Dividend income received during the year HK\$'000	Dividend cover	Net assets attributable to the investment HK\$'000	Accumulated fair value gains (losses) on investment recognised in the financial statements HK\$'000
Listed in Hong Kong:									
Kaisun Energy Group Limited ("Kaisun") (note i)	Cayman Island	2011	2.49%	40,951	18,302	-	-	67,411	(22,649)
		2010	0.90%	24,817	9,354	-	-	22,095	(15,463)
Upbest Group Limited ("Upbest") (note ii)	Cayman Island	2011	0.30%	1,249	3,360	80	4.55	3,675	2,111
		2010	0.30%	1,249	3,960	80	3.55	3,292	2,711
New Heritage Holdings Limited ("New Heritage") (note iii)	Cayman Island	2011	0.78%	2,338	2,300	-	-	7,464	(38)
		2010	-	-	-	-	-	-	-
Real Nutraceutical Group Limited ("Real NG") (note iv)	Cayman Island	2011	0.09%	3,275	2,540	20	13.73	2,840	(735)
		2010	-	-	-	-	-	-	-
Tai Shing International Holdings Ltd ("Tai Shing") (note v)	Cayman Island	2011	0.4%	3,829	2,325	-	-	1,329	(1,504)
		2010	-	-	-	-	-	-	-
Listed outside Hong Kong:									
MBMI Resources Inc ("MBMI") [#] (note vi)	Canada	2011	12.74%	30,372	4,454	-	-	(3,098)	(25,918)
		2010	-	-	-	-	-	-	-
Century Iron Mines Corp ("CIM") (note vii)	Canada	2011	0.39%	7,934	5,298	-	-	3,184	(2,636)
		2010	-	-	-	-	-	-	-

Unless otherwise specified, all of the above investments are directly held by the Company.

[#] Held by a subsidiary

Notes to the Financial Statements

for the year ended 31st December, 2011

19. TRADING SECURITIES (continued)

Listed equity securities (continued)

Notes:

- (i) Kaisun is engaged in the mining, sales and processing of coking coal in the People's Republic of China.
- (ii) Upbest is principally engaged in securities broking, futures broking, securities margin financing, money lending, corporate finance advisory, assets management, precious metal trading and property investment.
- (iii) New Heritage develops and invests in properties in Suzhou, People's Republic of China.
- (iv) Real NG is engaged in the business of producing health-related products.
- (v) Tai Shing is engaged in the provision of professional services, training and technical support services.
- (vi) MBMI acquires, explores and develops mineral properties.
- (vii) CIM is engaged in the business of exploring for iron ore.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	Group and Company	
	2011 HK\$	2010 HK\$
Conversion option and redemption option embedded in convertible bonds (referred to as the Options as mentioned in <i>note 16(c)</i>)	3,581,809	758,330

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for the year ended 31st December, 2011

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

As at 31st December, 2010, the derivative financial instruments represented the conversion option and redemption option elements of the Glory Wing Convertible Bonds as mentioned in note 16(c). As the Options embedded in the Glory Wing Convertible Bonds are linked to and must be settled by delivery of Glory Wing's shares whose fair value cannot be reliably measured as mentioned in note 15(b), it is measured at cost less any impairment loss. During the year ended 31st December, 2011, the directors obtained more reliable information of Glory Wing and considered it should be carried at fair value based on valuation as at 31st December, 2011.

Binomial model was used for valuation of the Options embedded in the Glory Wing Convertible Bonds. The inputs into the model of the Glory Wing Convertible Bonds as at 31st December, 2011 were as follows:

	31st December, 2011	
	Redemption option	Conversion option
Redemption Price	HK\$75,600,000	N/A
Stock price	N/A	HK\$22,800
Conversion price	N/A	HK\$13,006
Volatility	64.803%	64.803%
Dividend yield	–	–
Option life (years)	1.27	1.27
Risk free rate	0.276%	0.276%

Volatility of the stock price was determined based on the historical volatilities of the share prices of companies that are considered comparable to Glory Wing.

Net gain on the Options embedded in the Glory Wing Convertible Bonds of HK\$2,823,479 (2010: HK\$nil) had been recognised in profit or loss.

Notes to the Financial Statements

for the year ended 31st December, 2011

21. ACCOUNTS PAYABLE AND ACCRUALS

	Group		Company	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Accruals and other payables	6,664,918	6,652,308	5,904,553	5,891,944
Unclaimed dividend payable	159,570	157,292	159,570	157,292
	6,824,488	6,809,600	6,064,123	6,049,236

The aging analysis of accounts payable is as follows:

	Group		Company	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Current	6,749,958	6,735,070	5,989,593	5,974,706
Over 1 year	74,530	74,530	74,530	74,530
	6,824,488	6,809,600	6,064,123	6,049,236

22. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$1 each at 1st January, 2010, 31st December, 2010, and 31st December, 2011	100,000,000	100,000,000
Issued and fully paid:		
Ordinary shares of HK\$1 each at 1st January, 2010, 31st December, 2010 and 31st December, 2011	39,058,614	39,058,615

Notes to the Financial Statements

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22. SHARE CAPITAL (continued)

Notes:

(a) Share option scheme

The Company has adopted a share option scheme (the “Share Option Scheme”) at its annual general meeting held on 28th June, 2005. The purposes of the Share Option Scheme are to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

All directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Company and its subsidiaries and consultants, advisors, agents, customers, service providers, contractors, business partners of any member of the Group or any member of it has a shareholding interest, in the sole discretion of the Board, has contributed to the Group or any member of it are eligible to participate in the Share Option Scheme.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not in aggregate exceed 3,900,261 shares of the Company, being approximately 10% of the issued shares of the Company at the date of refreshment of mandate limit of the Share Option Scheme at the annual general meeting held on 27th May, 2009.

The total number of shares issued and to be issued upon exercise of options granted to each eligible participant (including both exercised and outstanding options) under the Share Option Scheme and any other share option schemes of the Company in any twelve-month period must not exceed 1% of the issued shares of the Company. Where any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any twelve-month period up to the date of grant should not exceed 0.1% of the issued shares of the Company or an aggregate value of HK\$5,000,000.

An option may be exercised at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof.

Unless otherwise determined by the Board at its sole discretion, the Share Option Scheme does not require a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised.

Upon acceptance of the options, the grantee shall pay HK\$1 to the Company by way of consideration for the grant.

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22. SHARE CAPITAL (continued)

Notes: (continued)

(a) Share option scheme (continued)

The subscription price for the shares of the Company (the subject of an option) shall be no less than the higher of (i) 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; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be determined by the Board at the time the option is offered to the relevant participant.

The Share Option Scheme will remain in force for a period of ten years from 28th June, 2005. No share options were granted by the Company during the years ended 31st December, 2011 and 2010.

Details of the share options granted, lapsed and exercised under the Share Option Scheme during the years ended 31st December, 2011 and 2010 are as follows:

				Number of options		Exercise price HK\$
				Outstanding as at 1st January, 2011	Lapsed during the year	
Date of grant	Exercise period					
2011						
Other employees in aggregate	18/8/2008	18/8/2008-17/8/2011	522,047	(522,047)	-	5.10
2010						
				Number of options		
			Outstanding as at 1st January, 2010	Lapsed during the year	Outstanding as at 31st December, 2010	Exercise price HK\$
Director						
Lee Fong Lit David	30/4/2007	30/4/2007-29/4/2010	28,000	(28,000)	-	4.29
Chow Pok Yu Augustine	30/4/2007	30/4/2007-29/4/2010	28,000	(28,000)	-	4.29
Lam Andy Siu Wing, JP	30/4/2007	30/4/2007-29/4/2010	292,000	(292,000)	-	4.29
Chan Shuen Chuen Joseph	30/4/2007	30/4/2007-29/4/2010	28,000	(28,000)	-	4.29
Tong Kim Weng Kelly	30/4/2007	30/4/2007-29/4/2010	28,000	(28,000)	-	4.29
Sub-total			404,000	(404,000)	-	
Other employees in aggregate						
	30/4/2007	30/4/2007-29/4/2010	584,000	(584,000)	-	4.29
	18/8/2008	18/8/2008-17/8/2011	522,047	-	522,047	5.10
Sub-total			1,106,047	(584,000)	522,047	
Grand-total			1,510,047	(988,000)	522,047	

Notes to the Financial Statements

for the year ended 31st December, 2011

22. SHARE CAPITAL (continued)

Notes: (continued)

(b) Capital management

The Company's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. It is the Company's policy to finance its operations merely by internal funding and raising capital from shareholders. Therefore, the Group has no or insignificant borrowings. No changes were made in the objectives or policies during the year.

23. RESERVES

	Company					Total HK\$
	Share premium HK\$	Fair value reserve HK\$	Share option reserve HK\$	Proposed dividend HK\$	Retained profits HK\$	
At 1st January, 2011	162,768,326	1,718,640	313,040	5,858,792	40,979,747	211,638,545
Loss for the year	-	-	-	-	(17,880,939)	(17,880,939)
Gains on fair value changes on available-for-sale financial assets	-	900,000	-	-	-	900,000
Transfer to retained profits upon lapse of share options	-	-	(313,040)	-	313,040	-
Dividend paid	-	-	-	(5,858,792)	-	(5,858,792)
At 31st December, 2011	162,768,326	2,618,640	-	-	23,411,848	188,798,814
At 1st January, 2010	162,768,326	7,929,918	1,034,156	3,905,861	12,987,785	188,626,046
Profit for the year	-	-	-	-	33,129,638	33,129,638
Losses on fair value changes on available-for-sale financial assets	-	(12,162,293)	-	-	-	(12,162,293)
Transfer to profit or loss upon disposal of available-for-sale financial assets	-	(1,548,985)	-	-	-	(1,548,985)
Impairment loss on available-for-sale financial assets recognised in profit or loss	-	7,500,000	-	-	-	7,500,000
Transfer to retained profits upon lapse of share options	-	-	(721,116)	-	721,116	-
Dividend paid	-	-	-	(3,905,861)	-	(3,905,861)
Proposed dividend (note 11)	-	-	-	5,858,792	(5,858,792)	-
At 31st December, 2010	162,768,326	1,718,640	313,040	5,858,792	40,979,747	211,638,545

Notes to the Financial Statements

for the year ended 31st December, 2011

23. RESERVES (continued)

The nature and purpose of the reserves are as follows:

Share premium represents the amount by which the issue price of shares exceeds the par value of those shares and is distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Fair value reserve represents the cumulative net change in fair value of available-for-sale financial assets held at the end of reporting period and is dealt with in accordance with the accounting policies in note 4(e).

Share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company and other parties recognised in accordance with the accounting policy adopted for share-based payments in note 4(l)(ii).

24. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the Group's net assets of HK\$268,697,349 (2010: HK\$309,289,512) divided by the Company's 39,058,614 (2010: 39,058,614) ordinary shares in issue as at 31st December, 2011.

Notes to the Financial Statements

for the year ended 31st December, 2011

25. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of (loss) profit before income tax to cash (used in) generated from operations:

	2011 HK\$	2010 HK\$
Cash flows from operating activities		
(Loss) profit before income tax	(45,704,441)	33,449,229
Interest income	(9,853,642)	(7,176,790)
Dividend income from available-for-sale financial assets	(5,320,000)	(32,896,453)
Depreciation of property, plant and equipment	662,295	316,324
Fair value losses on trading securities	58,531,282	17,413,882
Fair value gains on derivative financial instruments	(2,823,479)	–
Impairment losses on available-for-sale financial assets		
– equity investments	115,000	11,571,164
– deposits on investments written off	–	244,458
Gains on disposals of available-for-sale financial assets	(3,420,171)	(13,555,482)
Impairment losses on loans and receivables	90,353	1,922,160
Recovery of impairment loss on loans and receivables previously recognised	(2,080,000)	–
Recovery of impairment loss on accounts receivables	–	(113,999)
Share of loss of an associate	1,571,724	–
Loss on disposal of property, plant and equipment	25,915	–
(Loss) profit before working capital changes	(8,205,164)	11,174,493
Increase in trading securities	(57,940,478)	(23,576,825)
Decrease in derivative financial instruments	–	21,322,735
Decrease (increase) in accounts receivable and prepayments	18,675,256	(7,279,084)
Increase in accounts payable and accruals	14,888	5,518,956
(Decrease) in amount due to related company	(3,928,169)	(2,100,779)
Cash (used in) generated from operations	(51,383,667)	5,059,496

Major non-cash transactions

Imputed interest income of HK\$2,544,155 (2010: HK\$1,266,415) and HK\$453,611 (2010: nil) on certain loans to investee companies and loan to an associate respectively were recognised during the year.

During the year ended 31st December, 2010, additions to loans and receivables and unlisted equity securities included HK\$14,095,100 and HK\$4,094,900, respectively, which were transferred from deposits for investments (note 15).

Notes to the Financial Statements

for the year ended 31st December, 2011

26. RELATED PARTY TRANSACTIONS

- (a) The Company entered into an investment management agreement with Harmony Asset Management Limited (“HAML”), a company which is wholly-owned by a director of the Company, Dr. Chow Pok Yu Augustine. Under the investment management agreement together with a supplemental agreement entered into between the Company and HAML on 17th May, 2007 (the “Original Investment Management Agreement”), HAML had agreed to assist the Board with the day-to-day management of the Group for three years until 31st May, 2010.

On 8th April, 2010, the Company entered into a new investment management agreement (the “New Investment Management Agreement”) with HAML as detailed in the circular dated on 29th April, 2010 where by HAML has agreed to provide the management service for additional three years until 31st May, 2013. In accordance with the New Investment Management Agreement, HAML is entitled to a monthly management fee calculated at 1.5% per annum on the net asset value of the Group of the preceding month and an incentive fee calculated at 10% of the audited net profit of a financial year (before accrual of the incentive fee) subject to an aggregate cap of HK\$16,919,971 for the year ended 31st December, 2011 and HK\$9,057,158 for the period from 1st June, 2010 to 31st December, 2010.

The calculations of monthly management fees and incentive fee in accordance with the Original Investment Management Agreement, which expired on 31st May, 2010, were same as the New Investment Management Agreement while the caps of the management fees and the incentive fee under the Original Investment Management Agreement for the five months ended 31st May, 2010 were HK\$4,042,670 and HK\$2,729,170 respectively.

Dr. Chow Pok Yu Augustine, being a beneficial shareholder of HAML, is interested in these agreements during the years ended 31st December, 2011 and 2010. The management fees and incentive fee paid and payable to HAML are as follows:

	2011 HK\$	2010 HK\$
Management fees	4,342,743	4,417,468
Incentive fee	–	3,928,169
	4,342,743	8,345,637

Notes to the Financial Statements

for the year ended 31st December, 2011

26. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

In the opinion of the Company's independent non-executive directors, the transactions have been entered into on normal commercial terms and in the ordinary and usual course of business of the Company. The independent non-executive directors also consider that the transactions are conducted in accordance with the terms of the Original Investment Management Agreement and the New Investment Management Agreement that are fair and reasonable, and in the interests of the Company's shareholders as a whole.

The above transactions are continuing connected transactions, in respect of which the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

- (b) Remuneration of key management personnel of the Group representing amounts paid to the Company's directors is disclosed in note 8(a).
- (c) The amount due to a related company as at 31st December, 2010 represented incentive fee payable to HAML which was unsecured, interest free and repayable on demand.

Notes to the Financial Statements

for the year ended 31st December, 2011

27. OPERATING LEASES

The Group leases an office under operating leases. The leases typically run from an initial period of three years, with an option to renew the lease after that date at which time all terms are renegotiated.

At 31st December, 2011, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group and Company	
	2011 HK\$	2010 HK\$
Within one year	2,777,112	2,497,796
In the second to fifth years inclusive	2,777,112	5,554,224
	5,554,224	8,052,020

28. CAPITAL COMMITMENTS

	Group and Company	
	2011 HK\$	2010 HK\$
Commitments for leasehold improvements		
Contracted but not provided for	–	883,384

Notes to the Financial Statements

for the year ended 31st December, 2011

29. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's and the Company's financial instruments as at 31st December, 2011 and 2010 are categorised as follows:

	Group		Company	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Available-for-sale financial assets	81,497,676	60,201,831	8,850,000	7,950,000
Loans and receivables				
Amounts due from subsidiaries	–	–	87,355,409	19,464,545
Loans and receivables	32,208,444	24,796,040	5,790,540	5,543,256
Loan to an associate	4,330,498	–	–	–
Accounts receivable	5,474,251	23,014,279	549,495	21,108,029
Bank balances and cash	75,404,609	141,083,888	71,282,581	138,378,807
	117,417,802	188,894,207	164,978,025	184,494,637
Financial assets at fair value through profit or loss				
Trading securities	65,365,498	65,956,302	51,208,049	63,466,082
Derivative financial instruments	3,581,809	758,330	3,581,809	758,330
	68,947,307	66,714,632	54,789,858	64,224,412
Total financial assets	267,862,785	315,810,670	228,617,883	256,669,049
Financial liabilities at amortised cost				
Accounts payable and accruals	6,824,488	6,809,600	6,064,123	6,049,236
Amount due to a related company	–	3,928,169	–	3,928,169
Total financial liabilities	6,824,488	10,737,769	6,064,123	9,977,405

Notes to the Financial Statements

for the year ended 31st December, 2011

29. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The board of directors review and agree policies for managing each of these risks and they are summarised below.

(i) Market risk

– Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the exchange rate of Hong Kong ("HK") dollar against Canadian dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

As substantial amount of the Group and the Company's financial assets and financial liabilities are denominated in HK dollar, the directors consider that the Group's foreign exchange risk is merely limited to the carrying amount of those bank balances and cash, accounts and other receivables and trading securities denominated in Canadian dollar. Their carrying amounts at the end of the reporting period are as follows:

	Group		Company	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Accounts and other receivables	2,261,899	5,470,364	355,649	3,564,114
Trading securities	15,446,677	10,050,982	7,621,560	10,050,982
Bank balances and cash	3,253,047	23,019,050	3,253,047	23,019,050
	20,961,623	38,540,396	11,230,256	36,634,146

The Group does not use any derivative contracts to hedge foreign exchange exposure. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Financial Statements

for the year ended 31st December, 2011

29. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

– Foreign exchange risk (continued)

Sensitivity analysis

The following sensitivity analysis on foreign exchange risk only represents the aforementioned financial assets that are denominated in Canadian dollar. The following table indicates the approximate effect on the profit after tax in the next accounting period at one year after the end of reporting period in response to reasonably possible changes in an exchange rate to which the Group and the Company has significant exposure at the end of reporting period.

	Group		Company	
	2011 Effect on profit after tax HK\$	2010 Effect on profit after tax HK\$	2011 Effect on profit after tax HK\$	2010 Effect on profit after tax HK\$
CAD to HK\$:				
Appreciates by 6% (2010: 6%)	1,310,035	2,312,423	726,153	2,198,048
Depreciates by 6% (2010: 6%)	(1,310,035)	(2,312,423)	(726,153)	(2,198,048)

– Price risk

The Group is exposed to price risk of equity securities which are classified on the Group and the Company's statements of financial positions either as available-for-sale financial assets or financial assets at fair value through profit or loss. Such investments are susceptible to market price risk arising from uncertainties about their future prices. Such risk is managed through diversification of investment portfolio.

Notes to the Financial Statements

for the year ended 31st December, 2011

29. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

– Price risk (continued)

The sensitivity analysis on equity price risk represents the Group and the Company's financial assets classified as at fair value through profit or loss which fair value or future cash flows will fluctuate because of changes in their corresponding or underlying asset's equity price. The below analysis in respect of those financial assets at fair value through profit or loss at the end of reporting period is estimated based on the historical correlation (one year is used by the Company) between Hang Seng Index, Growth Enterprise Market ("GEM") Index and Toronto Stock Exchange Venture ("TSX Venture") Composite Index and the respective stock prices assuming all other variables remain constant.

	Group		Company	
	2011 Effect on profit after tax HK\$	2010 Effect on profit after tax HK\$	2011 Effect on profit after tax HK\$	2010 Effect on profit after tax HK\$
Hang Seng Index				
Increase by 20% (2010: 20%)	3,202,000	5,768,000	3,202,000	5,768,000
Decrease by 20% (2010: 20%)	(3,202,000)	(5,768,000)	(3,202,000)	(5,768,000)
GEM Index				
Increase by 25% (2010: 25%)	4,320,000	1,116,000	4,320,000	1,116,000
Decrease by 25% (2010: 25%)	(4,320,000)	(1,116,000)	(4,320,000)	(1,116,000)
TSX Venture Composite Index				
Increase by 25% (2010: 25%)	5,382,000	3,611,000	974,890	3,611,000
Decrease by 25% (2010: 25%)	(5,382,000)	(3,611,000)	(974,890)	(3,611,000)

Notes to the Financial Statements

for the year ended 31st December, 2011

29. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

– Price risk (continued)

Sensitivity analysis on equity price risk of the financial assets at fair value through profit or loss and the available-for-sale financial assets listed in overseas stock exchanges other than TSX Venture has not been presented as the reasonably possible changes in their prices will have insignificant impact on the financial statements.

As mentioned in note 4(e), the directors estimate the fair value of those available-for-sale equity instruments which are not traded in an active market by analysis of respective investee's circumstances on case by case basis. Majority of these investments' fair values have been estimated by the directors based on unobservable market data. Accordingly, the directors consider it is not meaningful to present sensitivity analysis resulted from reasonably possible changes in prices of these investments.

– Interest rate risk

The Group's interest bearing financial assets are loans and receivables, accounts receivable and bank deposits. As the interest bearing loans and receivables, and accounts receivable carry fixed interest rates, the Group is not exposed to cash flow interest rate risk on these financial assets. The Group's bank deposits carry variable interest rates. Therefore, the Group is exposed to cash flow interest rate risk from bank deposits. Sensitivity analysis on cash flow interest rate risk has not been presented as the reasonably possible changes in interest rate will have insignificant impact on the financial statements.

The Group does not use any derivative contracts to hedge its exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

Notes to the Financial Statements

for the year ended 31st December, 2011

29. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(ii) Credit risk

Counter parties and cash transactions are limited to those debtors, borrowers and investees considered by directors having a good credit standing and business prospect.

The bank balances and cash are placed with financial institutions that have a high credit rating and therefore the Group considers the credit risk on bank deposits to be insignificant.

The Group and the Company have concentration of credit risk as the Group's loans to its five (2010: five) investees account for 95% (2010: 94%) of the total carrying amount of the loans and receivables as at 31st December, 2011. The Group's and Company's loan to one of its borrowers accounts for 47% (2010: 66%) and 50% (2010: 73%) of the Group's and Company's total carrying amount of accounts receivable respectively. Taking into account the financial position and business prospect of these investees and borrowers, the directors consider the borrowers should be able to meet their obligations to repay the debts (after impairment loss recognised by the Group). As the aforementioned borrowers are the Group's investees or potential investees, the Group is in a better position to assess the recoverability of the loans, recognise adequate impairment losses and enforce the repayment of loans. In this regard, the directors consider the exposure from concentration of credit risk is reduced to an acceptable level.

Notes to the Financial Statements

for the year ended 31st December, 2011

29. FINANCIAL RISK MANAGEMENT (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk

Liquidity risk is the risk the Group is unable to meet its current obligations when they fall due.

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its investment commitments and daily operation.

The contractual undiscounted cash flows of the Group and the Company's financial liabilities approximate the aggregate carrying amount of the accounts payable and accruals and amount due to a related company as shown in note 29(a) which are payable within one year, as the impact of discounting is insignificant.

(b) Fair value estimation

For financial instruments that are measured in the statement of financial position at fair value, IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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for the year ended 31st December, 2011

29. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation (continued)

The following table presents the Group's and Company's financial assets that are measured at fair value at 31st December, 2011.

	Group			
	2011			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Available-for-sale financial assets				
Unlisted equity securities at fair value	–	–	74,804,552	74,804,552
Equity securities listed outside Hong Kong at fair value	–	3,543,124	–	3,543,124
Club debentures	–	3,150,000	–	3,150,000
	–	6,693,124	74,804,552	81,497,676
Financial assets at fair value through profit or loss				
Equity securities held for trading at market value listed in Hong Kong	43,586,489	–	–	43,586,489
Equity securities held for trading at market value listed outside Hong Kong	21,779,009	–	–	21,779,009
Derivative financial instruments	–	–	3,581,809	3,581,809
	65,365,498	–	3,581,809	68,947,307
Total financial assets at fair value	65,365,498	6,693,124	78,386,361	150,444,983

Notes to the Financial Statements

for the year ended 31st December, 2011

29. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation (continued)

	Group			
	2010			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Available-for-sale financial assets				
Unlisted equity securities at fair value	–	–	49,676,691	49,676,691
Equity securities listed outside Hong Kong at fair value	–	2,575,140	–	2,575,140
Club debentures	–	2,950,000	–	2,950,000
	–	5,525,140	49,676,691	55,201,831
Financial assets at fair value through profit or loss				
Equity securities held for trading at market value listed in Hong Kong	53,415,100	–	–	53,415,100
Equity securities held for trading at market value listed outside Hong Kong	12,541,202	–	–	12,541,202
	65,956,302	–	–	65,956,302
Total financial assets at fair value	65,956,302	5,525,140	49,676,691	121,158,133

Notes to the Financial Statements

for the year ended 31st December, 2011

29. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation (continued)

	Company			
	2011			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Available-for-sale financial assets				
Unlisted equity securities at fair value	–	–	5,700,000	5,700,000
Club debentures	–	3,150,000	–	3,150,000
	–	3,150,000	5,700,000	8,850,000
Financial assets at fair value through profit or loss				
Equity securities held for trading				
at market value listed in Hong Kong	43,586,489	–	–	43,586,489
Equity securities held for trading				
at market value listed outside Hong Kong	7,621,560	–	–	7,621,560
Derivative financial instruments	–	–	3,581,809	3,581,809
	51,208,049	–	3,581,809	54,789,858
Total financial assets at fair value	51,208,049	3,150,000	9,281,809	63,639,858

Notes to the Financial Statements

for the year ended 31st December, 2011

29. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation (continued)

	Company			
	2010			
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
Available-for-sale financial assets				
Club debentures	–	2,950,000	–	2,950,000
Financial assets at fair value through profit or loss				
Equity securities held for trading				
at market value listed in Hong Kong	53,415,100	–	–	53,415,100
Equity securities held for trading				
at market value listed outside Hong Kong	10,050,982	–	–	10,050,982
	63,466,082	–	–	63,466,082
Total financial assets at fair value	63,466,082	2,950,000	–	66,416,082

Notes to the Financial Statements

for the year ended 31st December, 2011

29. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation (continued)

The following table presents the changes in level 3 instruments of the Group and the Company during the year.

	Group		Company	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
At 1st January	49,676,691	74,066,951	–	12,547,809
Total gains or losses:				
– in profit or loss (included in other gains and losses)	6,128,650	(435,333)	2,823,479	(1)
– in other comprehensive income	12,144,111	613,518	700,000	(12,547,808)
Purchases	8,098,750	–	–	–
Disposals	(3,420,171)	(28,663,345)	–	–
Transfer from deposits for investments	–	4,094,900	–	–
Transfer from unlisted equity investment at cost	5,000,000	–	5,000,000	–
Transfer from derivative financial instruments at cost	758,330	–	758,330	–
At 31st December	78,386,361	49,676,691	9,281,809	–

Notes to the Financial Statements

for the year ended 31st December, 2011

29. FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value estimation (continued)

The amount of total gains or losses for the year included in profit or loss and other comprehensive income that are attributable to gains or losses relating to those level 3 financial assets held at the end of reporting period are as follows:

	Group		Company	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Net gain (loss) for the year on level 3 financial assets held at the end of reporting period recognised in				
– profit or loss (included in other gains and losses)	2,709,479	(1,682,245)	2,823,479	–
– other comprehensive income	15,783,281	18,338,315	700,000	–
	18,492,760	16,656,070	3,523,479	–

For level 3 financial assets, changing one or more of the inputs to reasonably possible alternative assumptions would not change their fair values significantly at the end of reporting period.

The directors consider all the financial instruments carried at cost or amortised cost are carried at amounts in the statements of financial position not materially different from their fair values except for the unlisted equity securities of Glory Wing and the conversion option embedded in the Glory Wing Convertible Bonds of which their fair values cannot be reliably measured as at 31st December, 2010.

Notes to the Financial Statements

for the year ended 31st December, 2011

30. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Fair value of unlisted equity investments

As described in note 4(e), the directors use their judgement in selecting an appropriate valuation technique for equity investments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied as appropriate.

The fair value of the Group's unlisted equity investments with aggregate carrying amount of HK\$74,804,552 (2010: HK\$49,676,691) as shown in note 15 are estimated based upon an analysis of respective investee's financial position and results, risk profile, nature of business, prospects, price of their recent transactions, other factors and assumptions not supported by observable market data, as well as reference to market valuations for similar entities quoted in an active market, current fair value of comparable investments or applicable price/earning ratios for comparable listed companies adjusted to reflect the circumstances of the investee, as appropriate.

Based on the directors' analysis on each of these unlisted investments, the directors consider it is appropriate to estimate the fair values of majority of these investments based on their net asset value attributable to the Group or discounted cash flows.

(b) Fair value of derivative financial instruments

Determining the fair values of the Group's derivative financial instruments which comprise the conversion option and redemption option embedded in the Glory Wing Convertible Bonds requires estimation on the assumptions used in Binomial model. Binomial model requires to estimate volatilities of the underlying share price and a suitable discount rate in order to calculate the fair values. As at 31st December, 2010, the fair value of conversion option and redemption option embedded in the Glory Wing Convertible Bonds cannot be measured reliably and therefore they were stated at cost less any impairment loss. During the year, the directors had obtained more reliable information of Glory Wing and considered they should be carried at fair value based on valuation.

Notes to the Financial Statements

for the year ended 31st December, 2011

30. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(b) Fair value of derivative financial instruments (continued)

The assumptions used in valuation of the Options embedded in the Glory Wing Convertible Bonds are set out in note 20. As at 31st December, 2011, a reasonably possible increase in volatility by 10% and other inputs kept constant, the fair value of the options would not have a material change.

(c) Impairment of available-for-sale financial assets

The Group has available-for-sale financial assets which were stated at their fair values at the end of reporting period, on an individual basis. Any gains or losses are recognised on other comprehensive income and accumulated in a separate component of equity (i.e. fair value reserve) until the asset is derecognised or until the asset is determined to be impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. The directors have to assess whether objective evidence of impairment exists in order to determine whether it is appropriate to reclassify the cumulative losses to profit or loss. In making its judgement, the directors consider (i) the future prospect of the underlying assets; (ii) the underlying financial position of the assets; and (iii) significant or prolonged decline in the fair values below the respective costs of the assets. The directors consider that objective evidence of impairment exists and the cumulative losses of HK\$115,000 (2010: HK\$11,571,164) for the year was charged to profit or loss.

(d) Impairment of loans made to investees, convertible bonds and accounts receivable

The directors regularly review the recoverability of loans made to investees including loan made to associate and convertible bonds, and accounts receivable. Appropriate impairment for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the amounts are not recoverable. In determining whether allowances for impairment loss is required, the directors take into consideration the aged status and likelihood of collection as well as the financial position of the counterparties. Specific allowance is made for loans and receivables that are unlikely to be collectible and is recognised based on the estimation of the present value of the future cash flows expected to be received by the Group discounted at the original effective interest rate. During the year, impairment losses on loans and receivables amounted to HK\$90,353 (2010: HK\$1,922,160).