

Annual Report
2011



Earnest

Investments Holdings Limited

(Continued into Bermuda with limited liability)

(stock code: 339)

Contents

	Pages
Corporate Information	2
Chairman's Statement	3
Biographical Details of Directors	5
Report of the Directors	6
Corporate Governance Report	11
Independent Auditor's Report	15
Statement of Comprehensive Income	17
Statement of Financial Position	18
Statement of Changes in Equity	19
Statement of Cash Flows	20
Notes to the Financial Statements	21

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. CHAN Chak Paul
Mr. NGAI Wah Sang
Mr. WANG Daming

Independent Non-executive Directors

Mr. CHAN Francis Ping Kuen
Mr. TAN Yee Boon
Mr. WANG Jia Hua

COMPANY SECRETARY

Ms. CHUI Yee Man

AUDITOR

Messrs. RSM Nelson Wheeler
Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS

Units 801-802
8/F., Ginza Square
565-567 Nathan Road
Kowloon, Hong Kong

STOCK CODE

339

INVESTMENT MANAGER

Success Talent Investments Limited

DIRECTORS OF THE INVESTMENT MANAGER

Mr. LEE Kwok Leung
Mr. CHOI Wai Yin

AUDIT COMMITTEE

Mr. CHAN Francis Ping Kuen
Mr. TAN Yee Boon
Mr. WANG Jia Hua

PRINCIPAL REGISTRAR

Appleby Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

BRANCH REGISTRAR

Tricor Tengis Limited
26/F
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Earnest Investments Holdings Limited (the "Company") for the year ended 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Appropriations

For the year ended 31 December 2011, the Company recorded a turnover of approximately HK\$5.2 million (2010: HK\$1.8 million), net loss attributable to owners of approximately HK\$5 million (2010: net profit of HK\$13 million), and basic loss per share of HK\$0.057 (2010: basic earnings per share of HK\$0.158). The increase in turnover was mainly due to the increase in trading of listed securities. Net loss for the year was mainly arisen out of the unrealised holding losses in Hong Kong listed securities.

Business Review

For the year ended 31 December 2011, the Company had not made any new investment other than Hong Kong listed securities. During the year, the Company had recorded net realised gains on disposals of the Company's investments in trading securities amounting to approximately HK\$1.9 million. The carrying value of the Company's share portfolio was approximately HK\$41 million as at 31 December 2011. The Board will be cautious in our share trading activity taken account of the prevailing global economic atmosphere and share market volatility.

The Company's portfolio of Hong Kong listed securities as at 31 December 2011 consisted of Sinocop Resources (Holdings) Limited, New Times Energy Corporation Limited, Shougang Concord Century Holdings Limited, Shougang Concord International Enterprises Company Limited, APAC Resources Limited, and China Petroleum and Chemical Corporation.

As at 31 December 2011, approximately 83% (2010: 87%) of the Company's investments were in a portfolio of Hong Kong listed securities, 1% (2010: 1%) in the equity interests of unlisted companies, 2% (2010: 1%) in other assets and the remaining 14% (2010: 11%) in cash which was deposited with banks in Hong Kong.

Liquidity, Financial Resources and Funding

For the year under review, the Company generally financed its operations and investment activities by internal resources. As at 31 December 2011, the net asset value of the Company amounted to HK\$48,893,871 (2010: HK\$53,523,989) with net asset value per share of HK\$0.60 (2010: HK\$0.66).

The Company has no significant liabilities. The gearing ratio of the Company, calculated on the basis of the Company's total liabilities over total owners' funds, was 0.008 as at 31 December 2011 (2010: 0.025).

All the Company's cash and cash equivalents were denominated in Hong Kong dollars as at the year ended 31 December 2011. The directors believe that the Company had minimal exposure to foreign exchange risk.

Chairman's Statement

Employees

During the year, the Company did not employ any employees other than the directors of the Company and total staff costs for the year amounted to HK\$345,600 (2010: HK\$398,400). The Company's remuneration policies are in line with the prevailing market practice.

Charges on the Company's Assets and Contingent Liabilities

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

Prospects

The Board will manage its existing investments in accordance with the Company's investment objectives and will continue to identify and capture investment opportunities as and when they arise.

Appreciation

On behalf of the Board, I would like to thank all our shareholders for their continued trust and support, and the Investment Manager for their dedicated efforts.

CHAN Chak Paul

Chairman

28 March 2012

Biographical Details of Directors

Executive Directors

Mr. CHAN Chak Paul, aged 51, was appointed as an Executive Director on 19 November 2001 and as the Chairman of the Board on 30 December 2004. Mr. CHAN is responsible for general corporate management. He has extensive experience in trading industries and China investments.

Mr. NGAI Wah Sang, aged 53, was appointed as an Executive Director on 2 January 2003, as the Chief Executive Officer on 22 August 2005 and as Deputy Chairman of the Board on 13 September 2007. Mr. NGAI is a fellow member of both The Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants. Mr. NGAI has extensive experience in dealing with business development and investment in both Hong Kong and the People's Republic of China (the "PRC").

Mr. WANG Daming, aged 51, was appointed as an Executive Director on 17 May 2002. Mr. WANG holds a Bachelor's Degree in Economics from the PRC and has extensive experience in finance. He formerly worked for the Agricultural Bank of China and a number of China enterprises and Sino-Foreign Joint Venture companies of various industries including financial services and information technology. Mr. WANG was qualified as Assistant Economist of the PRC in 1987, and then as Economist and Senior Economist in 1990 and 1996 respectively.

Independent Non-executive Directors

Mr. CHAN Francis Ping Kuen, aged 53, was appointed as an Independent Non-executive Director on 7 February 2005. Mr. CHAN holds a Bachelor's Degree in Economics from Australia. He is an associate member of The Institute of Chartered Accountants in Australia and also an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. CHAN has over 20 years of experience in auditing, accounting and financial management.

Mr. TAN Yee Boon, aged 36, was appointed as an Independent Non-executive Director on 1 June 2009. Mr. TAN holds a Bachelor of Laws degree from the University of Glamorgan, United Kingdom. He holds a Certificate of Legal Practice in Malaysia and was admitted as an advocate and solicitor of the High Court of Malaya. Mr. TAN possesses extensive experience in the field of commercial and corporate practice.

Mr. WANG Jia Hua, aged 49, was appointed as an Independent Non-executive Director on 6 November 2009. Mr. WANG has extensive experience in the securities industry in the PRC. Mr. WANG was involved in the restructuring and merger and acquisition activities of several listed companies in the PRC and has extensive practical experience in the securities investment, assets management and risk control management of the securities market.

Report of the Directors

The directors have pleasure in presenting their report and the audited financial statements of Earnest Investments Holdings Limited (the “Company”) for the year ended 31 December 2011.

PRINCIPAL ACTIVITY

The Company is an investment company engaged principally in investment and trading of listed and unlisted companies.

No segment information is presented as all of the turnover and revenue, contribution to operating results, assets and liabilities of the Company are attributable to investment activities which are carried out or originated principally in Hong Kong and the People’s Republic of China.

MAJOR CUSTOMERS AND SUPPLIERS

The Company’s turnover is derived from the Company’s investments in listed and unlisted equity securities and the disclosure of information regarding customers and suppliers would not be meaningful.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2011 and the state of the Company’s affairs as at that date are set out in the financial statements on pages 17 and 18 respectively.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2011 (2010: Nil).

RESERVES

The movements in the reserves of the Company during the year are set out in the statement of comprehensive income and statement of changes in equity.

At 31 December 2011, the reserves available for distribution to shareholders pursuant to the Companies Act 1981 of Bermuda amounted to HK\$41,513,871 (2010: HK\$46,143,989).

Report of the Directors

FINANCIAL SUMMARY

The following tables summarise the results, assets and liabilities of the Company for each of the five years ended 31 December 2011:

Results

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover	5,197,228	1,829,030	3,922,747	813,482	23,433,835
(Loss)/profit before tax	(5,588,858)	13,949,850	15,774,313	(118,052,760)	111,515,381
Income tax credit/(expense)	958,740	(1,142,262)	–	14,371,265	(14,371,265)
(Loss)/profit for the year attributable to owners of the Company	(4,630,118)	12,807,588	15,774,313	(103,681,495)	97,144,116

Assets and liabilities

	As at 31 December				
	2011	2010	2009	2008	2007
	HK\$	HK\$	HK\$	HK\$	HK\$
Total assets	49,264,893	54,876,251	40,894,401	25,134,288	143,256,649
Total liabilities	(371,022)	(1,352,262)	(178,000)	(192,200)	(14,633,066)
Total equity	48,893,871	53,523,989	40,716,401	24,942,088	128,623,583

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in notes 15 and 16 to the financial statements respectively.

Report of the Directors

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was approved by shareholders at the annual general meeting held on 26 May 2006 (the "Adoption Date"). The Scheme constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Scheme is valid and effective for a period of 10 years commencing on the Adoption Date and the purpose of the Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to participants. Pursuant to the Scheme the Board may at its discretion, subject always to any limits and restrictions specified in the Listing Rules, offer to grant an option to any participant; impose terms and conditions; and determine such number of shares to be subscribed for at the option price.

The minimum option price for any option granted under the Scheme shall not be less than the higher of (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the share.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any options to be granted under any other scheme must not in aggregate exceed 10% of the aggregate of the shares in issue as at the Adoption Date unless refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and all outstanding options granted and yet to be exercised under any other scheme should not exceed 30% of the shares in issue from time to time.

During the year, no option was granted, exercised, cancelled or lapsed under the Scheme and there was no outstanding option as at 31 December 2011.

DIRECTORS

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

Executive Directors

Mr. CHAN Chak Paul (*Chairman*)
Mr. NGAI Wah Sang (*Deputy Chairman and Chief Executive Officer*)
Mr. WANG Daming

Independent Non-executive Directors

Mr. CHAN Francis Ping Kuen
Mr. TAN Yee Boon
Mr. WANG Jia Hua

In accordance with the Company's Bye-Laws, Mr. NGAI Wah Sang and Mr. WANG Daming will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

As at 31 December 2011, no share option was granted to directors under the Scheme.

As at 31 December 2011, none of the directors of the Company or their associates had any interest and short position in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

At no time during the year was the Company a party to any arrangements to enable the directors or chief executives of the Company or any of their associates to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the register of substantial shareholders maintained under Section 336 of the SFO showed that the following shareholders had an interest of 5% or more in the shares and underlying shares of the Company:

Name of shareholder	Number of shares held	Percentage of total shares in issue as at 31 December 2011
Winsome Worldwide Limited (<i>note 1</i>)	22,275,000*	27.50%
SIU Kwan (<i>note 1</i>)	22,275,000 [#]	27.50%
YAU Mei Han	14,051,250*	17.35%
Supreme Zone Investments Limited (<i>note 2</i>)	11,812,500*	14.58%
KEUNG Kwai Yung (<i>note 2</i>)	11,812,500 [#]	14.58%

* Beneficial owner

[#] Interest of controlled corporation

Notes:

- (1) The 22,275,000 shares were held by Winsome Worldwide Limited which was wholly owned by Ms. SIU Kwan. By virtue of the SFO, Ms. SIU Kwan was deemed to be interested in the 22,275,000 shares.
- (2) The 11,812,500 shares were held by Supreme Zone Investments Limited which was wholly owned by Ms. KEUNG Kwai Yung. By virtue of the SFO, Ms. KEUNG Kwai Yung was deemed to be interested in the 11,812,500 shares.

Report of the Directors

All the interests disclosed above represent long position in the ordinary shares of the Company.

Save as disclosed above, no other person had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company neither purchased, sold nor redeemed any of its own listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions of pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders under the Company's Bye-Laws and there is no restriction against such rights under the laws of Bermuda.

MANAGEMENT CONTRACTS

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Board, as at the date of this annual report, there is sufficient public float, as not less than 25% of the Company's issued shares are held by the public.

AUDITOR

A resolution to re-appoint the retiring auditor, Messrs. RSM Nelson Wheeler, will be put at the forthcoming annual general meeting.

On behalf of the Board

CHAN Chak Paul

Chairman

Hong Kong, 28 March 2012

Corporate Governance Report

The Board of Directors (the “Board”) has always valued transparency and accountability as the keys for achieving a high standard of corporate governance, and is committed to comply with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2011.

THE BOARD

The Board is responsible for the leadership, control and overall strategic development of the Company, as well as to oversee internal control and financial performance. The Board makes investment decision, taking account of the advice from the Company’s Investment Manager, which is in accordance with the Company’s investment objectives. All Directors have access to board papers and related materials which are provided on a timely manner.

The Board comprises three Executive Directors and three Independent Non-executive Directors (“INEDs”). The brief biographical details of the Directors are set out in the “Biographical Details of Directors” section on page 5. More than one-third of the Board is INEDs and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise.

Each of the INEDs has made an annual confirmation of independence, and the Company considers that all of the INEDs are independent in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules.

Regular Board meetings are scheduled to be held at approximately quarterly intervals. During the year, the number of Board meetings and the attendance by each Director during the year is set out below:

Name of Directors	Number of attendance/meetings held
Mr. CHAN Chak Paul	16/16
Mr. NGAI Wah Sang	16/16
Mr. WANG Daming	4/16
Mr. CHAN Francis Ping Kuen	4/16
Mr. TAN Yee Boon	4/16
Mr. WANG Jia Hua	4/16

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company, Mr. CHAN Chak Paul, is primarily responsible for the leadership of the Board, ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner; and the Directors receive accurate, timely and clear information.

The Chief Executive Officer and Deputy Chairman of the Company, Mr. NGAI Wah Sang, is responsible for the day-to-day management of the Company’s business.

Corporate Governance Report

NOMINATION OF DIRECTORS

Directors shall identify and recommend proposed candidates for directorships of the Company to the Board for approval based on their appropriate experiences, personal skills and time commitments.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board shall select and appoint the candidates for directorships of the Company based on their appropriate experiences, personal skills and time commitments.

All INEDs of the Company were appointed for a specific term, but subject to the relevant provisions of the Bye-Laws of the Company, or any other applicable laws whereby the Directors shall vacate or retire from their office. The term of appointment of the INEDs is one year either commencing from the appointment date during the year or renewed from 31 December 2011.

According to the Bye-Laws of the Company, at each annual general meeting of the Company (“AGM”), one-third of the Directors for the time being shall retire from office by rotation. Every Director shall be subject to retirement by rotation at least once every three years.

NOMINATION COMMITTEE

The Board established a Nomination Committee on 28 March 2012. The Nomination Committee comprises three members, a majority of whom are INEDs and is chaired by the Chairman of the Board. The members are: Mr. CHAN Chak Paul, Mr. CHAN Francis Ping Kuen and Mr. TAN Yee Boon. The major rules and functions of the Nomination Committee are to (a) review the structure, size and composition of the board; (b) identify individuals suitably qualified to become board members; (c) assess the independence of INEDs; and (d) make recommendations to the board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman and the chief executive. The full terms of reference setting out the committee’s authority and its role are available on the Stock Exchange’s website and the Company’s website.

REMUNERATION COMMITTEE

The Composition of the Remuneration committee and attendance of its members during the year are set out below:

Name of Directors	Number of attendance/meeting held
Mr. CHAN Chak Paul (<i>Chairman</i>)	1/1
Mr. TAN Yee Boon	1/1
Mr. WANG Jia Hua	1/1

The major roles and functions of the Remuneration Committee are:

- to make recommendations to the Board on the Company’s policy and structure for the remuneration of the Directors;
- to review and recommend the remuneration packages of individual Executive Directors for approval by the Board; and
- to review and approve compensation payable to Directors in connection with loss of their office or compensation arrangement relating to dismissal or removal of Directors.

Corporate Governance Report

In order to comply with the amendments to the Listing Rules which will take effect on 1 April 2012, Mr. CHAN Chak Paul has ceased to be the chairman and a member of the Remuneration Committee of the Company with effect from 28 March 2012. Mr. TAN Yee Boon, an INED has been appointed as the chairman of the Remuneration Committee in his stead with effect from 28 March 2012. Mr. CHAN Francis Ping Kuen has also been appointed as a member of the Remuneration Committee with effect from 28 March 2012. The revised full terms of reference setting out the committee's authority and its role are available on the Stock Exchange's website and the Company's website.

The Committee has the right to access to professional advice relating to remuneration proposal if considered necessary. Details of the remuneration of Directors are disclosed on an individual basis and set out in Note 7 to the financial statements.

AUDIT COMMITTEE

The Composition of the Audit Committee and attendance of its members during the year are set out below:

Name of Directors	Number of attendance/meetings held
Mr. CHAN Francis Ping Kuen (<i>Chairman</i>)	2/2
Mr. TAN Yee Boon	2/2
Mr. WANG Jia Hua	2/2

The major roles and functions of the Audit Committee are:

- to review the Company's interim and annual financial statements before submission to the Board for review and approval;
- to discuss with external auditor any matters arising from the audit of the Company's financial statements;
- to review financial controls, internal control, and risk management system; and
- to review the Company's financial and accounting policies and practices.

On 28 March 2012, the Board delegated the corporate governance functions to Audit Committee, including, (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of directors; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual; and (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report. The revised full terms of reference setting out the committee's authority and its role are available on the Stock Exchange's website and the Company's website.

The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice if considered necessary.

AUDITOR'S RESPONSIBILITIES AND REMUNERATION

The statement of the Company's auditor Messrs. RSM Nelson Wheeler regarding their report responsibilities is set out in the Independent Auditor's Report on pages 15 to 16 of this annual report. For the year ended 31 December 2011, the remuneration payable to Messrs. RSM Nelson Wheeler is HK\$170,000 for audit service, HK\$35,000 for review of interim report and HK\$16,000 for tax compliance service.

Corporate Governance Report

CODE OF CONDUCT ON DIRECTORS' SECURITIES TRANSACTIONS

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

The Company has made specific enquiry of all the Directors and all the Directors have confirmed in writing that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2011.

INTERNAL CONTROLS AND RISK MANAGEMENT

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

The Board has also developed objective and policies for management of risk area facing the Company, details of such are set out in note 5 to the financial statements.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparation of financial statements of the Company and ensure that the Company's financial statements for the year ended 31 December 2011 are prepared in accordance with statutory requirements and applicable accounting standards.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board considers that general meeting of the Company are key opportunities for shareholders to exchange views with the Board. Separate resolutions were proposed for shareholders' consideration and approvals at any general meeting during the year. The Chairman of the Board as well as the Chairman and/or other members of the Audit Committee and Remuneration Committee will normally attend the Annual General Meetings and other shareholders' meetings of the Company to answer any questions raised.

VOTING BY POLL

The voting procedures for demanding a poll by shareholders were written in the 2011 AGM circular, and the voting procedures were explained in the AGM.

Independent Auditor's Report

RSM! Nelson Wheeler

中瑞岳華(香港)會計師事務所

Certified Public Accountants

TO THE SHAREHOLDERS OF EARNEST INVESTMENTS HOLDINGS LIMITED

(Continued into Bermuda with limited liability)

We have audited the financial statements of Earnest Investments Holdings Limited (the "Company") set out on pages 17 to 36, which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of 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 financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Independent Auditor's Report

OPINION

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

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong, 28 March 2012

Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 HK\$	2010 HK\$
Turnover	6	5,197,228	1,829,030
Revenue	6	51,628	492,090
Realised gains/(losses) on disposals of financial assets at fair value through profit or loss		1,924,600	(62,500)
Realised losses on disposals of available-for-sale financial assets		–	(200,000)
Net unrealised holding (losses)/gains from financial assets at fair value through profit or loss		(5,172,023)	15,910,428
Administrative and other operating expenses		(2,393,063)	(2,190,168)
(Loss)/profit before tax		(5,588,858)	13,949,850
Income tax credit/(expense)	8	958,740	(1,142,262)
(Loss)/profit for the year attributable to owners of the Company	9	(4,630,118)	12,807,588
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year attributable to owners of the Company		(4,630,118)	12,807,588
(Loss)/earnings per share			
Basic	11	(0.057)	0.158

Statement of Financial Position

At 31 December 2011

	Note	2011 HK\$	2010 HK\$
Non-current assets			
Available-for-sale financial assets	12	650,000	650,000
Current assets			
Financial assets at fair value through profit or loss	13	40,544,560	47,837,083
Prepayments, deposits and other receivables		1,014,436	529,269
Bank and cash balances		7,055,897	5,859,899
		48,614,893	54,226,251
Current liabilities			
Accruals and other payables		187,500	210,000
Net current assets		48,427,393	54,016,251
Total assets less current liabilities		49,077,393	54,666,251
Non-current liabilities			
Deferred tax liabilities	14	183,522	1,142,262
NET ASSETS		48,893,871	53,523,989
Capital and reserves attributable to owners of the Company			
Share capital	15	1,620,000	1,620,000
Reserves	17	47,273,871	51,903,989
TOTAL EQUITY		48,893,871	53,523,989
Net asset value per share	18	0.60	0.66

CHAN Chak Paul
Executive director

WANG Daming
Executive director

Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital HK\$ (note 15)	Share premium account HK\$ (note 17)	Contributed surplus account HK\$ (note 17)	Retained profits HK\$	Total equity HK\$
At 1 January 2010	1,620,000	5,760,000	28,040,011	5,296,390	40,716,401
Total comprehensive income and changes in equity for the year	–	–	–	12,807,588	12,807,588
At 31 December 2010 and 1 January 2011	1,620,000	5,760,000	28,040,011	18,103,978	53,523,989
Total comprehensive income and changes in equity for the year	–	–	–	(4,630,118)	(4,630,118)
At 31 December 2011	1,620,000	5,760,000	28,040,011	13,473,860	48,893,871

Statement of Cash Flows

For the year ended 31 December 2011

	2011 HK\$	2010 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(5,588,858)	13,949,850
Adjustments for:		
Net unrealised holding losses/(gains) from financial assets at fair value through profit or loss	5,172,023	(15,910,428)
Realised (gains)/losses on disposals of financial assets at fair value through profit or loss	(1,924,600)	62,500
Realised losses on disposals of available-for-sale financial assets	–	200,000
Operating loss before working capital changes	(2,341,435)	(1,698,078)
Increase in prepayments, deposits and other receivables	(485,167)	(435,369)
(Decrease)/increase in accruals and other payables	(22,500)	32,000
Purchase of financial assets at fair value through profit or loss	(1,100,500)	(489,500)
Proceeds from disposals of financial assets at fair value through profit or loss	5,145,600	836,940
Proceeds from disposals of available-for-sale financial assets	–	500,000
Net cash generated from/(used in) operating activities	1,195,998	(1,254,007)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,195,998	(1,254,007)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	5,859,899	7,113,906
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		
Representing bank and cash balances	7,055,897	5,859,899

Notes to the Financial Statements

For the year ended 31 December 2011

1. CORPORATE INFORMATION

The Company was continued into Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The address of its principal place of business is Units 801-802, 8/F., Ginza Square, 565-567 Nathan Road, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment and trading of listed and unlisted companies.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Company's accounting policies and amounts reported for the current year and prior years.

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The area involving critical judgements is disclosed in note 4 to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(b) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Company transfers substantially all the risks and rewards of ownership of the assets; or the Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset’s carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

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

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(d) Other receivables

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

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

Notes to the Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents.

(f) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(g) Other payables

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

(h) Equity instruments

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

(i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

- (i) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividend income from unlisted investments is recognised when the shareholders' rights to receive payment are established; and
- (ii) Interest income is recognised on a time-proportion basis using the effective interest method.

(j) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Notes to the Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Taxation (Continued)

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(k) Related parties

A related party is a person or entity that is related to the Company.

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

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

(B) An entity is related to the Company if any of the following conditions applies:

- (i) The entity and the Company 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 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Related parties (Continued)

(B) (Continued)

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (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 the key management personnel of the entity (or of a parent of the entity).

(l) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets except investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or 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. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(m) Provisions and contingent liabilities

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

Notes to the Financial Statements

For the year ended 31 December 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Provisions and contingent liabilities (Continued)

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

(n) Events after the reporting period

Events after the reporting period that provide additional information about the Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the financial statements.

Available-for-sale financial assets

The Company's investments in unlisted securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any impairment losses.

5. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: price risk, credit risk, liquidity risk and interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Price risk

The Company's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Company is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

At 31 December 2011, if the quoted market price of the Company's listed securities had been 10% higher/lower, loss (2010: profit) after tax for the year would have been HK\$3,385,471 lower/higher (2010: HK\$3,994,396 higher/lower), the effect of which will be classified as unrealised holding gains/losses from financial assets at fair value through profit or loss.

As at the date of approval of these financial statements, the realized gains and unrealised holding gains from financial assets at fair value through profit or loss held as at 31 December 2011 amounted to HK\$14,700 and HK\$324,060 respectively.

Notes to the Financial Statements

For the year ended 31 December 2011

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The Company has no significant concentrations of credit risk.

(c) Liquidity risk

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The Company's financial liabilities are repayable on demand or within one year.

(d) Interest rate risk

The Company's exposure to interest rate risk arises from its bank deposits. These deposits bear interest at variable rates varied with the then prevailing market condition. The changes in interest rates are not significant to the financial statements.

(e) Categories of financial instruments at 31 December 2011

	2011 HK\$	2010 HK\$
Financial assets:		
Financial assets at fair value through profit or loss:		
Held for trading	40,544,560	47,837,083
Loans and receivables (including cash and cash equivalents)	7,912,247	6,360,518
Available-for-sale financial assets	650,000	650,000
Financial liabilities:		
Financial liabilities at amortised cost	187,500	210,000

(f) Fair values

The carrying amounts of the Company's financial assets and financial liabilities as reflected in the statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

Notes to the Financial Statements

For the year ended 31 December 2011

5. FINANCIAL RISK MANAGEMENT (Continued)

(f) Fair values (Continued)

Disclosures of level in fair value hierarchy at 31 December 2011:

Description	Fair value measurement using:			Total
	Level 1	Level 2	Level 3	2011
	HK\$	HK\$	HK\$	HK\$
Financial assets at fair value through profit or loss				
Equity investments	40,544,560	–	–	40,544,560
Available-for-sale financial assets				
Equity investments	–	–	650,000	650,000
Total	40,544,560	–	650,000	41,194,560

Description	Fair value measurement using:			Total
	Level 1	Level 2	Level 3	2010
	HK\$	HK\$	HK\$	HK\$
Financial assets at fair value through profit or loss				
Equity investments	47,837,083	–	–	47,837,083
Available-for-sale financial assets				
Equity investments	–	–	650,000	650,000
Total	47,837,083	–	650,000	48,487,083

Reconciliation of equity investments classified as available-for-sale financial assets measured at fair value based on level 3:

	2011	2010
	HK\$	HK\$
At 1 January	650,000	1,350,000
Total losses recognised in profit or loss as presented in the statement of comprehensive income	–	(200,000)
Proceeds from disposals	–	(500,000)
At 31 December	650,000	650,000

Notes to the Financial Statements

For the year ended 31 December 2011

6. REVENUE AND TURNOVER

	2011 HK\$	2010 HK\$
Dividend income from listed investments	49,950	90,820
Dividend income from unlisted investments	–	400,000
Bank interest income	1,678	1,270
Revenue	51,628	492,090
Proceeds from disposals of available-for-sale financial assets	–	500,000
Proceeds from disposals of financial assets at fair value through profit or loss	5,145,600	836,940
Turnover	5,197,228	1,829,030

No segment information is presented as all of the turnover and revenue, contribution to operating results, assets and liabilities of the Company are attributable to investment activities which are carried out or originated principally in Hong Kong and the People's Republic of China (the "PRC").

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director for the year ended 31 December 2011 were as follows:

	Fees	
	2011 HK\$	2010 HK\$
Executive directors		
Mr. CHAN Chak Paul	57,600	57,600
Mr. NGAI Wah Sang	57,600	57,600
Mr. WANG Daming	57,600	57,600
Independent non-executive directors		
Mr. CHAN Francis Ping Kuen	57,600	57,600
Mr. TAN Yee Boon	57,600	57,600
Mr. WANG Jia Hua	57,600	57,600
Mr. Benny LUI (<i>Note</i>)	–	52,800
	345,600	398,400

Note: Resigned on 30 November 2010

During the year, there were no arrangements under which a director waived or agreed to waive any emoluments. No emoluments were paid by the Company to any of the directors as an inducement to join or upon joining the Company or as compensation for loss of office.

The Company did not employ any employees other than the directors of the Company for the current and prior years.

Notes to the Financial Statements

For the year ended 31 December 2011

8. INCOME TAX (CREDIT)/EXPENSE

	2011 HK\$	2010 HK\$
Current tax – Hong Kong Profits Tax		
Provision for the year	–	–
Deferred tax (note 14)	(958,740)	1,142,262
	(958,740)	1,142,262

No provision for Hong Kong Profits Tax has been made in the financial statements since the Company has sufficient tax losses brought forward to set off against current year's assessable profit (2010: Nil).

The reconciliation between the income tax (credit)/expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2011 HK\$	2010 HK\$
(Loss)/profit before tax	(5,588,858)	13,949,850
Tax at 16.5% (2010: 16.5%)	(922,162)	2,301,725
Tax effect of income that is not taxable	(8,518)	(81,195)
Tax effect of expenses that are not deductible	–	33,000
Utilisation of temporary differences not previously recognised	(28,060)	(1,111,268)
Income tax (credit)/expense	(958,740)	1,142,262

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

The Company's (loss)/profit for the year attributable to owners of the Company is stated after charging the following:

	2011 HK\$	2010 HK\$
Auditor's remuneration	170,000	170,000
Total staff costs (note 7)	345,600	398,400
Investment management fee	360,000	360,000

10. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2011 (2010: Nil).

Notes to the Financial Statements

For the year ended 31 December 2011

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of HK\$4,630,118 (2010: profit of HK\$12,807,588) and the number of ordinary shares of 81,000,000 (2010: 81,000,000) in issue during the year.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during two years ended 31 December 2011 and 2010.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 HK\$	2010 HK\$
Unlisted securities, at cost		
Equity securities – Hong Kong	4,000,000	4,000,000
Less: Accumulated impairment	(3,350,000)	(3,350,000)
	650,000	650,000

The unlisted securities are stated at cost as they do not have a quoted market price in an active market and their fair values cannot be reliably measured.

In the absence of quoted market price in an active market, the directors estimate the fair value of the Company's investments in unlisted securities by considering information from a variety of sources, including the latest management financial information and the performance of the investee companies.

Particulars of the Company's available-for-sale financial assets as at 31 December 2011 are as follows:

Name of investee company	Place of incorporation	Particulars of issued shares	Proportion of investee's capital owned	Principal activities	Cost HK\$	Impairment loss HK\$	Carrying amount HK\$	Dividend income received during the year HK\$	Dividend cover	Net assets attributable to the Company HK\$
Ocean Pharmaceutical (HK) Limited	Hong Kong	1,000 ordinary shares of HK\$1 each	20%	Sourcing and trading of pharmaceutical products	4,000,000	(3,350,000)	650,000	–	N/A	1,107,723

The Company's investment in Ocean Pharmaceutical (HK) Limited with 20% attributable equity interests held is classified as available-for-sale financial assets. This company is not treated as an associate because the Company is not in a position to exercise any significant influence over the financial and operating policies of this company or to participate in its operations.

The investment is held through an intermediate holding company which acts as an investment vehicle for the sole purpose of investing in Ocean Pharmaceutical (HK) Limited. This intermediate holding company has no other activities.

Notes to the Financial Statements

For the year ended 31 December 2011

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 HK\$	2010 HK\$
Equity securities listed in Hong Kong, at cost	28,857,011	28,948,837
Net unrealised holding gains	11,687,549	18,888,246
Fair value as at 31 December	40,544,560	47,837,083

The fair values of the listed securities are based on quoted market prices.

Particulars of the Company's financial assets at fair value through profit or loss as at 31 December 2011 are as follows:

Name of investee company	Place of incorporation	Number of shares/warrants held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Unrealised holding gains/(losses) HK\$	Dividend income received during the year HK\$	Dividend cover	Net assets attributable to the Company HK\$
(a) APAC Resources Limited ("APAC Resources")	Bermuda	220,000	Less than 1%	363,400	72,600	(290,800)	–	N/A	173,410
(b) Sinocop Resources (Holdings) Limited ("Sinocop Resources")	Bermuda	49,665,000	3.59%	5,693,431	38,738,700	33,045,269	–	N/A	5,549,944
(c) New Times Energy Corporation Limited ("New Times Energy")	Bermuda	650,000	Less than 1%	20,150,000	383,500	(19,766,500)	–	N/A	5,443,304
(d) Shougang Concord International Enterprises Company Limited ("Shougang International")	Hong Kong	24,000	Less than 1%	15,120	11,040	(4,080)	240	6.11 times	27,203
(e) Shougang Concord Century Holdings Limited ("Shougang Century")	Hong Kong	3,314,000	Less than 1%	2,387,560	1,093,620	(1,293,940)	49,710	6.95 times	4,034,287
(f) China Petroleum and Chemical Corporation ("China Petroleum")	PRC	30,000	Less than 1%	247,500	245,100	(2,400)	–	N/A	1,034,081
				28,857,011	40,544,560	11,687,549	49,950		

Notes to the Financial Statements

For the year ended 31 December 2011

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

A brief description of the business and financial information of the listed investee companies, based on their published annual and interim reports, is as follows:

- (a) APAC Resources is principally engaged in (i) trading in base metals and mineral resources; and (ii) provision of management services and consultancy service in corporate management, metallurgy technology, investment and development in mineral resources. The audited (2010: unaudited) consolidated profit attributable to owners of APAC Resources for the eighteen months ended 30 June 2011 was approximately HK\$1,462,069,000 (twelve months ended 31 December 2010: HK\$1,104,447,000). As at 30 June 2011, the audited (2010: unaudited) consolidated net asset value attributable to owners of APAC Resources was approximately HK\$5,398,600,000 (as at 31 December 2010: HK\$5,068,709,000).
- (b) Sinocop Resources is principally engaged in investment holding, trading of metals and minerals and processing of raw ores. The audited consolidated loss attributable to owners of Sinocop Resources for the year ended 31 March 2011 was approximately HK\$43,077,000 (2010: HK\$25,187,000). As at 31 March 2011, the audited consolidated net asset value attributable to owners of Sinocop Resources was approximately HK\$173,356,000 (2010: HK\$147,990,000). The unaudited consolidated loss attributable to owners of Sinocop Resources for the six months ended 30 September 2011 was approximately HK\$10,950,000 (2010: HK\$19,401,000). As at 30 September 2011, the unaudited consolidated net asset value attributable to owners of Sinocop Resources was approximately HK\$154,703,000 (2010: HK\$142,545,000).
- (c) New Times Energy is principally engaged in (i) trading of oil products and non-ferrous metals; (ii) the production and sale of iron concentrates; and (iii) exploration of crude oil. The audited consolidated loss attributable to owners of New Times Energy for year ended 31 December 2010 was approximately HK\$66,057,000. As at 31 December 2010, the audited consolidated net asset value attributable to owners of New Times Energy was approximately HK\$3,688,031,000. The unaudited consolidated loss attributable to owners of New Times Energy for the six months ended 30 June 2011 was approximately HK\$33,229,000 (2010: HK\$20,872,000). As at 30 June 2011, the unaudited consolidated net asset value attributable to owners of New Times Energy was approximately HK\$3,805,808,000 (2010: HK\$3,732,950,000).
- (d) Shougang International is principally engaged in (i) manufacture and sale of steel products; (ii) chartering of vessel and leasing of floating cranes; (iii) trading of steel products and iron ore; (iv) mining, processing and sale of iron ore; and (v) management services business. The audited consolidated profit attributable to owners of Shougang International for the year ended 31 December 2011 was approximately HK\$152,252,000 (2010: HK\$499,576,000). As at 31 December 2011, the audited consolidated net asset value attributable to owners of Shougang International was approximately HK\$10,148,381,000 (2010: HK\$9,567,094,000).
- (e) Shougang Century is principally engaged in processing and trading of copper and brass products and manufacturing of steel cords. The audited consolidated profit attributable to owners of Shougang Century for the year ended 31 December 2011 was approximately HK\$3,527,000 (2010: HK\$200,441,000). As at 31 December 2011, the audited consolidated net asset value attributable to owners of Shougang Century was approximately HK\$2,340,106,000 (2010: HK\$2,251,968,000).
- (f) China Petroleum is principally engaged in the oil and gas and chemical operations and businesses, including (i) the exploration, development and production of crude oil and natural gas; (ii) the refining, transportation, storage and marketing of crude oil and petroleum products; and (iii) the production and sale of chemicals. The audited consolidated profit attributable to owners of China Petroleum for the year ended 31 December 2011 was approximately HK\$87,797,000,000 (2010: HK\$82,570,000,000). As at 31 December 2011, the audited consolidated net asset value attributable to owners of China Petroleum was approximately HK\$578,413,000,000 (2010: HK\$496,068,000,000).

Notes to the Financial Statements

For the year ended 31 December 2011

14. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities and assets recognised by the Company:

	Net unrealised holding gains from financial assets at fair value through profit or loss HK\$	Tax losses HK\$	Total HK\$
At 1 January 2011	(3,626,926)	2,484,664	(1,142,262)
Credit/(charge) to profit or loss (note 8)	1,242,266	(283,526)	958,740
At 31 December 2011	(2,384,660)	2,201,138	(183,522)

At the end of the reporting period the Company has unused tax losses of HK\$13,340,231 (2010: HK\$15,058,582) available for offset against future profits. A deferred tax asset has been recognised in respect of such losses.

15. SHARE CAPITAL

	2011 HK\$	2010 HK\$
Authorised:		
1,000,000,000 ordinary shares of HK\$0.02 each	20,000,000	20,000,000
Issued and fully paid:		
81,000,000 ordinary shares of HK\$0.02 each	1,620,000	1,620,000

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

16. SHARE OPTIONS

During the year ended 31 December 2011, no option was granted, exercised, cancelled or lapsed under the share option scheme of the Company. There were no outstanding share options as at 31 December 2011 (2010: Nil).

Notes to the Financial Statements

For the year ended 31 December 2011

17. RESERVES

The amounts of the Company's reserves and the movements therein for the two years ended 31 December 2011 are presented in the statement of comprehensive income and statement of changes in equity.

Nature and purpose of reserves

(a) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(b) Contributed surplus account

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

18. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Company as at 31 December 2011 of HK\$48,893,871 (2010: HK\$53,523,989) and the number of ordinary shares of 81,000,000 (2010: 81,000,000) in issue as at that date.

19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2012.