ANNUAL REPORT **2012**

The Hong Kong Building and Loan Agency Limited
香港建屋貸款有限公司

(Stock Code: 145)

CORPORATION INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. So Yuen Chun
Mr. Yeung Kwok Leung

Non-executive Director
Mr. Lam Kwok Hing, Wilfred

Independent Non-executive Directors
Ms. Yuen Wai Man
Mr. Yeung Wai Hung, Peter
Mr. Lam Raymond Shiu Cheung

AUDIT COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Lam Kwok Hing, Wilfred
Mr. Yeung Wai Hung, Peter
Mr. Lam Raymond Shiu Cheung

NOMINATION COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Lam Kwok Hing, Wilfred
Mr. Yeung Wai Hung, Peter
Mr. Lam Raymond Shiu Cheung

REMUNERATION COMMITTEE

Ms. Yuen Wai Man *(Chairman)*
Mr. Lam Kwok Hing, Wilfred
Mr. Yeung Wai Hung, Peter
Mr. Lam Raymond Shiu Cheung

AUDITOR

ZHONGLEI (HK) CPA Company Limited

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Public Bank (Hong Kong) Limited

SOLICITOR

Kennedys
WT Law Offices

SHARE REGISTRAR

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

REGISTERED OFFICE

Unit F, 7/F
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

STOCK CODE

145

WEBSITE

http://www.hkbla.com.hk

COMPANY SECRETARY

Mr. So Yuen Chun

CONTENT

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in investment holding, treasury investments and the provision of loan financing.

During the year under review, the Group recorded a revenue of approximately HK$42.2 million, representing an increase of approximately 11.1% as compared with HK$38.0 million for the last year. A profit for the year attributable to the owners of the Company of approximately HK$10.3 million (2011: loss of approximately HK$49.3 million) was recorded mainly attributable to an increase in interest income, gain on disposal of financial assets at fair value through profit or loss, decreases in loss on fair value changes on financial assets at fair value through profit or loss as a result of the increase in the share price of equity securities being held and decrease in operating expenses.

Of the total revenue, approximately HK$42.2 million (2011: approximately HK$38.0 million) was generated from the Group's loan financing business which contributed a segment profit of approximately HK$33.0 million (2011: approximately HK$34.3 million). Such increase in profit was mainly attributable to the increase in interest income on loan receivables.

With respect to the treasury investments, a segment profit of approximately HK$7.8 million was recorded for the year under review, as compared with the segment loss of approximately HK$42.6 million for the last year. The substantial decrease in the loss incurred from the treasury investments is mainly attributable to the increase in the share prices of the equity securities held for investments.

TOTAL ASSETS AND FOREIGN EXCHANGE EXPOSURE

As at 31 December 2012, the total assets increased to approximately HK$453.2 million (2011: approximately HK$381.6 million). All assets were denominated in Hong Kong dollars save for some bank balances which were denominated in United States dollars; as such, the Group's exposure to foreign exchange currency rate risk was insignificant. Therefore, no instruments have been applied for foreign currency hedging purposes.

As at 31 December 2012, the Group held available-for-sale investments and financial assets at fair value through profit or loss amounting to approximately HK$3.2 million (2011: approximately HK$6.6 million) and HK$14.0 million (2011: approximately HK$20.6 million), respectively. The available-for-sale investments represent the fair value of equity investment in a listed entity of Hong Kong at as 31 December 2012. The financial assets at fair value through profit or loss represent held-for-trading investments in six equity securities listed in Hong Kong.

As at 31 December 2012, the Group held mortgage loans and loan receivables amounting to approximately HK$33.1 million (2011: approximately HK$11.9 million) and approximately HK$321.5 million (2011: approximately HK$280.7 million), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a liquid position throughout the year. As at 31 December 2012, the Group held bank balances amounting to approximately HK$8.3 million (2011: approximately HK$18 million). The Group had HK$5.0 million borrowings and HK$30.0 million non-convertible bonds as at 31 December 2012 (2011: Nil).

Gearing ratio of the Group as at 31 December 2012, which is calculated as net debts (as calculated by total borrowings less cash and cash equivalents) divided by total equity, was 0.07 (2011: zero).

CAPITAL STRUCTURE

As at 31 December 2012, the Company's issued ordinary share capital was HK$43,514,886.6 divided into 435,148,866 shares of HK$0.10 each ("**Share(s)**") (31 December 2011: HK$435,148,866.70 divided into 4,351,488,667 Shares).

Regarding the open offer of the Company in 2010, the Company had issued a total of 449,999,997 options to the subscribers of the offer shares ("**Option(s)**"). The Option holders were entitled to subscribe in cash for zero-coupon convertible bonds of the Company which had expired on 31 December 2012 (the "**Convertible Bonds**"). During the year ended 31 December 2012, no Option holders exercised their rights to subscribe for the Convertible Bonds and the outstanding principal amount of the Convertible Bonds of HK$78,720.00 as at 31 December 2012 would be repaid to the respective Convertible Bond holders.

On 21 June 2012, all of the 552,000,000 outstanding non-listed warrants expired.

CAPITAL REORGANISATION

The shareholders of the Company had at the Company's extraordinary general meeting held on 21 June 2012 approved the proposed Capital Reorganisation that involves:

(a) the Capital Reduction under which the authorised share capital of the Company will be reduced from HK$3,000,000,000 divided into 30,000,000,000 shares of HK$0.10 each to HK$300,000,000 divided into 30,000,000,000 Reduced Shares of HK$0.01 each and that such reduction be effected by cancelling HK$0.09 of the paid up capital on each issued share of HK$0.10 and reducing the par value of each issued or unissued share in the capital of the Company from HK$0.10 per share to HK$0.01 per Reduced Share;

(b) the Share Consolidation under which every ten (10) Reduced Shares of HK$0.01 each will be consolidated into one (1) Adjusted Share of HK$0.10 each;

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL REORGANISATION *(continued)*

(c) subject to the approval of and to the extent permitted by the Court, the credit arising from the Capital Reduction will be utilized to set off the accumulated losses of the Company and any balance will be credited to the share premium account or such other reserve(s) as the Court may direct; and

(d) corresponding amendments to the memorandum and articles of association of the Company.

For details and the meanings of the capitalized terms used in this section, please refer to the Company's announcements dated 19 April 2012, 27 April 2012, 9 May 2012, 21 June 2012, 18 July 2012, 14 August 2012, 14 September 2012, 6 November 2012, 21 November 2012, 29 November 2012 and 18 December 2012, respectively and the Company's circular dated 29 May 2012. The Court has granted an order confirming the proposed Capital Reduction in the hearing of the Petition held on 17 December 2012. All the conditions precedent to the Capital Reorganisation have been fulfilled and the Capital Reorganisation became effective after 4:00 p.m. on 19 December 2012.

CHARGE ON GROUP ASSETS AND CONTINGENT LIABILITIES

The Group did not have any charges on its assets and there were no contingent liabilities as at 31 December 2012.

CAPITAL COMMITMENT

The Group did not have any capital commitment as at 31 December 2012.

MATERIAL ACQUISITION

The sale and purchase agreement dated 23 February 2011 (as amended) (the "**Sale and Purchase Agreement**") was entered into by and between Wise Planner Limited, a wholly-owned subsidiary of the Company (the "**Purchaser**"), Carbon Reserve Investments Limited, Cross Cone Holdings Limited, Newmargin Partners Ltd., Season Best Investments Limited, Smart Promise Limited, SV Technology Company Limited (as the vendors, collectively, the "**Vendors**"), Mr. Wong Ho Yuen, Mr. Wu Gang (the "**SV Technology Guarantors**") and the Company (as the Purchaser's guarantor) with respect to the acquisition of the entire issued share capital of Weldtech Technology Co. Limited ("**Weldtech Technology**") at a total consideration of HK$2,800,000,000 (the "**Consideration**", HK$10,000,000 of the Consideration has been paid by the Company to SV Technology Company Limited (being one of the Vendors) as the refundable deposit and part payment of the Consideration) (collectively, the "**Acquisition**").

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION *(continued)*

Weldtech Technology holds the entire equity interest in 日滔貿易（上海）有限公司, a wholly foreign-owned enterprise established in the People's Republic of China (the "**PRC**") (the "**WFOE**") (Weldtech Technology together with the WFOE referred to as the "**Weldtech Group**"). Pursuant to the business licence of the WFOE, the business scope of the WFOE, among others, includes wholesale of cooling systems, mechanical and electrical products, construction materials and fitting out materials (excluding concrete and steel), building's exterior metal-made products and building's energy-saving and consultancy services. According to the Vendors, the WFOE would provide energy monitoring and energy-saving solutions for commercial buildings, industrial buildings, shopping arcades, hospitals and urban facilities to reduce energy consumption, and to enhance overall energy efficiency of central air-conditioning system via its proprietary ultra performance plant control system and other components.

The Acquisition constituted a very substantial acquisition for the Company under the Listing Rules and was approved by the Shareholders at the extraordinary general meeting of the Company held on 24 June 2011. Later, the third supplemental agreement and the forth supplemental agreement were entered into on 20 July 2011 and 6 October 2011, respectively, thereby, the long stop date of the Sale and Purchase Agreement was extended to 30 December 2011.

On 22 December 2011, the parties to the Sale and Purchase Agreement (the "**VSA Parties**") entered into a fifth supplemental agreement (the "**Fifth Supplemental Agreement**") to amend certain terms and conditions of the Sale and Purchase Agreement (the "**Proposed Amendment**") and to extend the long stop date thereof to 31 January 2012.

Furthermore, on 22 December 2011, the Placing Agent, the Company and the Purchaser entered into a supplemental placing agreement (the "**Supplemental Placing Agreement**") to amend certain terms and conditions of the Second Placing Agreement (the details of which are reported under "**Fund Raising Activities**" below).

During the vetting of the draft announcement of the Company in relation to the Fifth Supplemental Agreement and the Supplement Placing Agreement, the Listing Division of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") considered that the Proposed Amendment was a material variation to the terms of the Sale and Purchase Agreement and the Acquisition under Rule 14.36 of the Listing Rules and ruled that the Company should re-comply with all applicable requirements for a very substantial acquisition under the Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the Fifth Supplemental Agreement, including that the Fifth Supplemental Agreement should be made conditional on approval by the Shareholders in general meeting (the "**Ruling**"). Although the Board did not agree with the Ruling, the Company eventually decided not to proceed with the review of the Ruling.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION *(continued)*

After 31 January 2012, the VSA Parties continued to negotiate on the possible further extension of the long stop date. The VSA Parties are desirous to complete the Acquisition and the discussions amongst the VSA Parties have never broken down. However, in view of the Ruling which cast great uncertainty on the proceeding of the Acquisition under the current structure, on 29 February 2012, the VSA Parties reached an understanding not to further extend the long stop date, and instead discussed about the way to proceed with the Acquisition, including doing so in or under an optimal and / or revised structure (the "**Revised Structure**"). As such, the VSA Parties may, subject to the execution of further supplemental agreement which, amongst others, sets out the terms and conditions of the Acquisition or the Revised Structure, proceed with the Acquisition or the Revised Structure regardless of the fact that the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) has lapsed as on 29 February 2012.

On 24 August 2012 (after trading hours), the VSA Parties mutually agreed to terminate the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) by entering into a termination agreement (the "**Termination Agreement**").

Pursuant to the Termination Agreement, all obligations (save and except for the provisions such as confidentiality, costs and expenses and jurisdiction) of the VSA Parties to the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement) shall be released and neither party shall have any claims against the other for or on account of the Sale and Purchase Agreement (as supplemented by the Fifth Supplemental Agreement).

Pursuant to the Termination Agreement, SV Technology shall return the initial deposit of HK$10,000,000 to the Purchaser within 90 days from the date of the Termination Agreement (or such other date as the Purchaser and SV Technology may agree in writing).

For further details, please refer to the Company's announcements dated 25 February 2011, 21 April 2011, 19 May 2011, 31 May 2011, 24 June 2011, 20 July 2011, 30 September 2011, 6 October 2011, 9 January 2012, 12 January 2012, 22 March 2012 and 24 August 2012, respectively, and the Company's circular dated 31 May 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

FUND RAISING ACTIVITIES

The Company, in anticipation of the funding requirement for the cash consideration, business development and working capital requirement of the Weldtech Group and/or other future potential investment and business opportunities of the Group, entered into a placing agreement on 9 June 2011 (as amended) (the "**Placing Agreement**") with respect to a placing of up to 6,250,000,000 placing shares (the "**Placing**"). Owing to the then global financial turmoil, the Placing could not be completed by the long stop date on 30 September 2011; accordingly, the Placing Agreement lapsed. For further details, please refer to the Company's announcements dated 9 June 2011, 20 July 2011 and 30 September 2011, respectively, and the Company's circular dated 22 June 2011.

On 18 October 2011, the Company and FT Securities Limited (the "**Placing Agent**") entered into the second placing agreement with respect of a placing of 6,500,000,000 placing shares to replace the Placing Agreement (collectively, the "**Second Placing Agreement**"). On 22 December 2011, the Supplemental Placing Agreement was entered into to amend the Second Placing Agreement. With the lapsing of the Sale and Purchase Agreement on 29 February 2012 reported above, the placing contemplated under the Supplemental Placing Agreement (the "**Revised Placing**") could not proceed in its structure as enshrined under the Supplemental Placing Agreement. The Company and the Placing Agent, on 21 March 2012, entered into an agreement to terminate the Revised Placing unconditionally. For further details, please refer to the Company's announcements dated 18 October 2011, 30 November 2011, 9 January 2012, 12 January 2012 and 22 March 2012, respectively, and the Company's circular dated 15 November 2011.

On 16 April 2012, the Company and the Placing Agent entered into the option placing agreement pursuant to which the Company has conditionally agreed to place and the Placing Agent has conditionally agreed to procure, on a best-effort basis, not less than six independent Placees to subscribe for up to 100 options at a premium of HK$6,000 per option (the "**Option Placing Agreement**"). Owing to the then volatile market sentiment, the placing of such options had not taken place by the long stop date on 11 July 2012. Accordingly, the Option Placing Agreement was lapsed and the placing of options under the Option Placing Agreement did not proceed.

On 24 July 2012, the Company and the Placing Agent entered into the second placing agreement with respect of placing up to 100 options at a premium of HK$7,830 per option to not less than six independent placees (the "**Second Placing Agreement**"). Each optionholder was entitled to subscribe for convertible bonds of the Company in the principal amount of HK$156,000 at the subscription price of HK$156,000. Assuming exercise of all of the 100 options, the optionholders are entitled to subscribe for, in aggregate, convertible bonds of the Company in the principal amount of up to HK$15,660,000.

On 8 October 2012, the conditions of the Second Placing Agreement had been fulfilled and the net proceeds were approximately HK$653,000 with net placing price of HK$6,530 per option.

For further details, please refer to Company's announcements dated 19 April 2012, 24 July 2012 and 8 October 2012, respectively, and the Company's circular dated 28 May 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS HELD

Save as reported above, as at 31 December 2012, the Group held no other significant investments.

STAFF AND REMUNERATION

The Group had 14 (2011: 10) employees as at 31 December 2012 and total staff costs incurred during the year amounted to approximately HK$5 million (2011: approximately HK$2.9 million). The Group offers competitive remuneration packages to its employees. Other benefits include share options granted or to be granted under the share option scheme of the Company.

EVENTS AFTER THE REPORTING PERIOD

Details are set out in note 41 to the consolidated financial statements.

OUTLOOK AND PROSPECT

The loan financing business, which are mainly mortgage services, continues to generate interest income for the Group during the year ended 31 December 2012. In the view that the interest rate will increase gradually, the Group is optimistic that the loan financing business will generate higher income. While developing its strategy in treasury investment, which may consist of listed securities, treasury products and derivatives investment, the Group would continue exploring and broadening the existing businesses in order to strengthen its competitiveness and provide business growth potential. The Group is also looking for other investment opportunities to diversify its business portfolios. On the whole, the Group is devoted to improve its business performance in order to provide a reasonable return to its shareholders in view of the promising market outlook.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. So Yuen Chun, aged 41, was appointed as an independent non-executive Director on 15 January 2010 and re-designated as an executive Director on 1 December 2010. He was also appointed as the company secretary of the Company on 26 March 2011. Mr. So is also a director of certain subsidiaries of the Group. Mr. So is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He possesses more than 18 years of experience in the fields of auditing, accounting and finance. He is currently an executive director of Chinese Global Investors Group Limited (stock code: 5CJ.SI), a shareholder of the Company and listed on the Catalist board of the Singapore Exchange Securities Trading Limited.

Mr. Yeung Kwok Leung, aged 39, was appointed as an executive Director on 1 March 2012. He is also a director of certain subsidiaries of the Group. Mr. Yeung holds a Bachelors Degree in Accountancy and possesses more than 16 years' experience in auditing, financial controlling, accounting, corporate development as well as business strategy. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung is currently an executive director of Morning Star Resources Limited (stock code: 542), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Mr. Yeung was an executive director and the company secretary of China Fortune Financial Group Limited (stock code: 290) for the period from December 2005 to February 2012, a company listed on the Main Board of the Stock Exchange.

NON-EXECUTIVE DIRECTOR

Mr. Lam Kwok Hing, Wilfred, aged 53, was appointed as an independent non-executive Director on 1 December 2010 and re-designed as a non-executive Director on 21 October 2011. He was also appointed as a member of the audit committee, the nomination committee and the remuneration committee of the Company, all with effect from 1 December 2010. He has been appointed Justice of the Peace of the Hong Kong Special Administrative Region since 1999 and awarded Queen's Badge of Honour in January 1997. Mr. Lam holds a Bachelor's degree in Law with honours from the University of Hong Kong and a practising solicitor in Hong Kong. He also holds the professional qualification of Estate Agent's (Individual) Licence in Hong Kong.

Being an active member in social and charity activities, Mr. Lam is a Support Force Commander of the Civil Aid Service, Ex Officio Member of New Territories Heung Yee Kuk, Chairman of the Friends of the Community Chest (Kwai Tsing District), Honorary Advisor and Former Vice President of Junior Police Call (Kwai Tsing District), member of and Former Chairman of the Fight Crime Committee (Kwai Tsing District) and Director and Former Chairman of the Community Development Fund (Kwai Tsing District) in Hong Kong. He is also an executive member of the liaison association of the Chinese People's Political Consultative Conference, Guangdong Province.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR *(continued)*

Mr. Lam is currently an executive director and group vice president of Hong Kong Resources Holdings Company Limited (stock code: 2882), a company listed on Main Board of the Stock Exchange; a non-executive vice-chairman and non-executive director of National Arts Holdings Limited (stock code: 8228), a company listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange; an independent non-executive director of Value Convergence Holdings Limited (stock code: 821) and PME Group Limited (stock code: 379), both companies are listed on Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yuen Wai Man, aged 40, was appointed as an independent non-executive director of the Company on 1 November 2012. She was also appointed as the chairmen of the audit, nomination and remuneration committees of the Company, with effect from 1 November 2012. She graduated from The University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and overseas member of The Chinese Institute of Certified Public Accountants. Prior to joining the Company, Ms. Yuen worked in accounting and auditing area for over 18 years. She is an independent non-executive director of China Railway Logistics Limited (stock code: 8089), a company listed on the Growth Enterprise Market of the Stock Exchange, since 4 July 2008.

Mr. Yeung Wai Hung, Peter, aged 55, was appointed as an independent non-executive Director on 1 February 2011. He was also appointed as a member of the audit committee, the nomination committee and the remuneration committee of the Company, all with effect from 1 February 2011. Mr. Yeung holds a bachelor of laws degree from the University of London and a postgraduate certificate in laws from the University of Hong Kong. He is a solicitor of High Court of Hong Kong. Mr. Yeung has been a practicing solicitor for over 23 years and a partner of Messrs. Hau, Lau, Li & Yeung, Solicitors & Notaries since 1992. He possesses extensive experience in the areas of mergers and acquisition and commercial contracts. He was an independent non-executive director of Media Asia Group Holdings Limited (formerly known as ROJAM Entertainment Holdings Limited) (stock code: 8075) for the period from November 2009 to August 2011, a company listed on GEM of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Mr. Lam Raymond Shiu Cheung, aged 47, was appointed as an independent non-executive Director on 17 February 2012. He was also appointed as a member of the audit committee, the nomination committee and the remuneration committee of the Company, all with effect from 17 February 2012. Mr. Lam graduated from the Victoria University of Melbourne, Australia, with a Bachelor of Business Degree majoring in banking and finance. He also earned a Master Degree in Applied Finance from Macquarie University of Australia. Mr. Lam has 21 years' extensive experience in business development and corporate finance. He started his career in corporate banking, after which he joined one of the biggest oil companies in the USA specializing in the area of business development. Mr. Lam is currently the deputy chief executive officer of China Eco-Farming Limited (stock code: 8166), an independent non-executive director of Chinese Food and Beverage Group Limited (stock code: 8272) and China Assurance Finance Group Limited (stock code: 8090), all of the companies are listed on GEM of the Stock Exchange. He was an independent non-executive director of China Oriental Culture Group Limited (stock code: 2371) for the period from January 2008 to September 2010, a company listed on the Main Board of the Stock Exchange. He also was an independent non-executive director of China Railway Logistics Limited (stock code: 8089) for the period from December 2008 to June 2009 and China Bio-Med Regeneration Technology Limited (stock code: 8158) for the period from June 2008 to June 2009, both companies are listed on GEM of the Stock Exchange.

DIRECTORS' REPORT

The directors of the Company (the "**Directors**") present this report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Group is principally engaged in investment holding, treasury investments and the provision of loan financing. The principal activities and other particulars of the Company's subsidiaries are set out in note 1 to the consolidated financial statements.

There were no significant changes in the nature of the Group's principal activities during the year ended 31 December 2012.

SEGMENT INFORMATION

An analysis of the Group's revenue and results by principal activity for the year ended 31 December 2012 is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the Consolidated Statement of Comprehensive Income on page 39.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil). No interim dividend was declared for the year ended 31 December 2012.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2012, as extracted from the audited consolidated financial statements, is set out on page 120.

EQUIPMENT

Details of movements in equipment of the Group and the Company during the year ended 31 December 2012 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 26 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 42 and note 29 to the consolidated financial statements, respectively.

DIRECTORS' REPORT

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 32 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2012 and up to the date of this report were:

Executive Directors:

Mr. So Yuen Chun
Mr. Yeung Kwok Leung *(appointed on 1 March 2012)*

Non-executive Director:

Mr. Lam Kwok Hing, Wilfred

Independent Non-executive Directors:

Mr. Yeung Wai Hung, Peter
Mr. Lam Raymond Shiu Cheung *(appointed on 17 February 2012)*
Ms. Yuen Wai Man *(appointed on 1 November 2012)*
Mr. Ng Cheuk Fan, Keith *(resigned on 3 August 2012)*

In accordance with Article 110 of the Company's articles of association (the "**Articles of Association**"), Messrs. Lam Raymond Shiu Cheung and Yeung Kwok Leung who were appointed by the Board on 17 February 2012 and 1 March 2012, respectively, have retired and been re-elected at the extraordinary general meeting on 21 June 2012. Similarly, Ms. Yuen Wai Man who was appointed by the Board on 1 November 2012 has retired and been re-elected at the extraordinary general meeting on 7 December 2012.

In accordance with Article 120 of the Articles of Association, Messrs. Lam Kwok Hing, Wilfred and Yeung Wai Hung, Peter will retire by rotation and, each being eligible, offer himself for re-election.

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

Independence of Independent Non-executive Directors

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

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES

As at 31 December 2012, the interests or short positions of the Directors and chief executives 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**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be recorded in the register of interests 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 (the "**Model Code**") as follows:

Long positions in ordinary shares of HK$0.10 each of the Company

Name of Directors	Capacity	Number of underlying shares held (Note)	Percentage of the issued share capital as at 31 December 2012
Mr. So Yuen Chun	Beneficial interest	4,351,200	0.99%
Mr. Yeung Kwok Leung	Beneficial interest	4,351,200	0.99%
Mr. Lam Kwok Hing, Wilfred	Beneficial interest	1,087,800	0.24%
Mr. Yeung Wai Hung, Peter	Beneficial interest	434,400	0.09%
Mr. Lam Raymond Shiu Cheung	Beneficial interest	434,400	0.09%
Ms. Yuen Wai Man	Beneficial interest	434,400	0.09%

Note: All are options granted by the Company under the share option scheme adopted by the Company on 22 May 2008.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register of interests 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.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Company operates a share option scheme adopted by the shareholders of the Company (the "**Shareholders**") on 22 May 2008 (the "**Share Option Scheme**"), pursuant to which the Board may, at its discretion, grant options to any eligible participants.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any invested entity. Eligible participants include any employee (whether full time or part time), any executive Director and any non-executive Director (including independent non-executive Directors), or any of its subsidiaries or invested entity in which any member of the Group holds any equity interest, any shareholder of any member of the Group or any invested entity or any holder of any securities issued or proposed to be issued by any member of the Group or any invested entity and any other person (such as consultant, adviser, business partner or service provider of any member of the Group) whom the Board considers, in its sole discretion, has contributed or will contribute to the Group.

Under the Share Option Scheme, where any further grant of options to an eligible participant, if exercised in full, would result in the total number of shares already issued or to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of shares in issue (the "**Individual Limit**"), such further grant must be separately approved by the Shareholders in general meeting. Save for the foregoing, no eligible participant shall be granted an option if exercised in full, would exceed the Individual Limit. In addition, where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such further grant of options must be approved by the Shareholders.

DIRECTORS' REPORT

SHARE OPTION SCHEME *(continued)*

A consideration of HK$1 is payable on acceptance of the grant of an option. An option may be exercised in whole or in part by the grantee within the option period as determined and notified by the Board to the grantee. The Share Option Scheme does not specify a minimum period for which an option must be held before an option can be exercised. However, the provisions of the Share Option Scheme provide that the Board may impose, at its sole discretion, conditions on the grant of an option.

The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall not be lower than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

The Share Option Scheme shall be valid and effective for a period of ten years from 22 May 2008 to 21 May 2018, unless terminated by a resolution passed in the general meeting of the Company or otherwise in accordance with the provisions of the Share Option Scheme. At the annual general meeting of the Company held on 22 May 2008, the Company was authorized to issue a maximum of 22,500,000 new shares upon the exercise of options that may be granted under the Share Option Scheme (the "**General Mandate**"). At the extraordinary general meeting of the Company held on 7 December 2012, the Company was authorized to refresh the Scheme Mandate Limit, hence, after the Capital Reduction and Capital Reorganisation effected on 19 December 2012, a maximum of 43,514,886 Shares may be issued upon the exercise of options that may be granted under the Share Option Scheme. Notwithstanding the forgoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

As at the date of this report, a total of 15,444,600 Options have been granted under the Scheme Mandate Limit and the outstanding number of options available for issue under the Scheme Mandate Limit is 28,070,286, representing approximately 6.45% of the issued share capital of the Company.

DIRECTORS' REPORT

SHARE OPTION SCHEME *(continued)*

Details of the share options movements during the year under the Share Option Scheme are as follows:

		Number of share options							
Name of category	Date of grant of share options	Outstanding as at 01.01.2012	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Outstanding as at 31.12.2012	Validity period of share options	Exercise price
Directors									
Mr. So Yuen Chun	28.12.2012	–	4,351,200	–	–	–	4,351,200	28.12.2012 to 27.12.2022	HK$0.273
Mr. Yeung Kwok Leung	28.12.2012	–	4,351,200	–	–	–	4,351,200	28.12.2012 to 27.12.2022	HK$0.273
Mr. Lam Kwok Hing, Wilfred	28.12.2012	–	1,087,800	–	–	–	1,087,800	28.12.2012 to 27.12.2022	HK$0.273
Mr. Yeung Wai Hung, Peter	28.12.2012	–	434,400	–	–	–	434,400	28.12.2012 to 27.12.2022	HK$0.273
Mr. Lam Raymond Shiu Cheung	28.12.2012	–	434,400	–	–	–	434,400	28.12.2012 to 27.12.2022	HK$0.273
Ms. Yuen Wai Man	28.12.2012	–	434,400	–	–	–	434,400	28.12.2012 to 27.12.2022	HK$0.273
Subtotal		–	11,093,400	–	–	–	11,093,400		
Consultant	28.12.2012	–	4,351,200	–	–	–	4,351,200	28.12.2012 to 27.12.2022	HK$0.273
Subtotal		–	4,351,200	–	–	–	4,351,200		
Total		–	15,444,600	–	–	–	15,444,600		

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the sections headed "SHARE OPTION SCHEME" and "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES" above, at no time during the year, there subsisted any arrangements to which the Company or the Company's subsidiary or holding company or a subsidiary of the Company's holding company is a party, being arrangements whose objects are, or one of whose objects is, to enable Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, or there have, at any time in that year, subsisted such arrangements as aforesaid to which the Company or the Company's subsidiary or holding company or a subsidiary of the Company's holding company was a party.

DIRECTORS' REPORT

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

As at 31 December 2012, to the best knowledge of the Directors, interests or short positions of the persons, other than a Director or chief executive of the Company, in the shares and/or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Number of Underlying Shares	Number of Shares and Underlying Shares	Approximate percentage of share capital in issue of the Company (Note 1)
Liang Gui Lian (Note 2)	Interest of controlled corporation	27,312,500 (L)	4,370,000 (L)	31,682,500 (L)	7.28%
Best Leader Asia Investment Limited ("**Best Leader**") (Note 2)	Interest of controlled corporation	27,312,500 (L)	4,370,000 (L)	31,682,500 (L)	7.28%
Express Advantage Limited ("**Express Advantage**") (Note 2)	Beneficial owner	27,312,500 (L)	4,370,000 (L)	31,682,500 (L)	7.28%
Chinese Global Investors Group Limited (Note 3)	Interest of controlled corporation	30,390,400 (L)	–	30,390,400 (L)	6.98%
CGI (Offshore) Limited (Note 3)	Interest of controlled corporation	30,390,400 (L)	–	30,390,400 (L)	6.98%
CGI (HK) Limited (Note 3)	Beneficial owner	30,390,400 (L)	–	30,390,400 (L)	6.98%

(L) denotes the long position held in the shares

Notes:

(1) Based on the number of 435,148,866 shares of HK$0.1 each ("**Shares**") of the Company in issue as at 31 December 2012.

(2) These 31,682,500 Shares comprise (i) 27,312,500 Shares; and (ii) unlisted physically settled derivatives that may be converted into a maximum of 4,370,000 Shares. Express Advantage Limited is wholly-owned by Best Leader Asia Investments Limited which is in turn wholly-owned by Liang Gui Lian. Accordingly, Liang Gui Lian and Best Leader Asia Investments Limited were taken to be interested in the Shares in which Express Advantage Limited was interested.

(3) CGI (HK) Limited is wholly-owned by CGI (Offshore) Limited which is in turn wholly-owned by Chinese Global Investors Group Limited (formerly known as Auswin Holdings Limited). Accordingly, CGI (Offshore) Limited and Chinese Global Investors Group Limited were taken to be interested in the Shares in which CGI (HK) Limited was interested.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2012, none of the Directors was considered to have interests in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance with the Company or the Company's subsidiary or holding company or a subsidiary of the Company's holding company, in which a Director is or was materially interested, whether directly or indirectly subsisting during or at the end of the year.

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 10 and 11 to the consolidated financial statements, respectively.

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' merit, qualifications and competence.

The Directors' emoluments are recommended by the Remuneration Committee and approved by the Board, having regard to the Company's operating results, individual performance and comparable market statistics.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's revenue attributed to the five largest customers accounted for approximately 93% of the Group's total revenue while the Group's revenue attributed to the largest customer accounted for approximately 71% of the Group's total revenue. To the best knowledge of the Directors, none of the Directors, their respective associates; or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) has interests in these customers.

The Group had no major suppliers due to the nature of principal activities of the Group.

DIRECTORS' REPORT

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group and the employer's retirement benefit costs charged to the profit or loss for the year are set out in note 38 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed sufficient public float during the year and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurred after the reporting period are set out in note 41 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the years ended 31 December 2009 and 2010 were audited by Messrs. Deloitte Touche Tohmatsu and that for the year ended 31 December 2011 was audited by Messrs. ZHONGLEI (HK) CPA Company Limited ("**ZHONGLEI**").

On 28 June 2012, ZHONGLEI was re-appointed as the auditor of the Company for a term ending upon conclusion of the forthcoming annual general meeting. A resolution to re-appoint ZHONGLEI as auditor of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

So Yuen Chun
Executive Director

Hong Kong, 28 March 2013

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2012, the Company applied the principles of and complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules on the Stock Exchange save for the following deviations:

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer ("**CEO**") should be separate and should not be performed by the same individual. The Company did not appoint a chairman or a CEO during the year ended 31 December 2012. The functions of the chairman and CEO are performed by Directors. The Board will review the current practice from time to time and make appropriate changes if considered necessary.

Under code provision A.2.7 of the CG Code, the chairman of the board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Company does not have a chairman, no such meeting was held in this regard for the year ended 31 December 2012.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Some directors of the Company were absent from the last annual general meeting of the Company held on 28 June 2012 and the extraordinary general meetings of the Company held on 21 June 2012 and 7 December 2012 respectively, due to his other important engagement at the relevant time.

Following the resignation of Mr. Ng Cheuk Fan, Keith, the number of independent non-executive directors and the members of the audit committee of the Company (the "**Audit Committee**") has fallen below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules. In addition, the Company has failed to meet the requirements set out in Rules 3.10(2) and 3.21 of the Listing Rules since the chairman of the Audit Committee has been vacant and the Board and Audit Committee no longer comprised of at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. On 1 November 2012, the Company appointed Ms. Yuen Wai Man, with professional accounting qualifications, as an independent non-executive director of the Company and chairman of the Audit Committee. Hence, the requirements under Rules 3.10(1), 3.10(2) and 3.21 were fulfilled since then.

CORPORATE GOVERNANCE REPORT

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors, following a specific enquiry by the Company, have confirmed that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2012.

BOARD OF DIRECTORS

The Board currently comprises six Directors, with two executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors:	Mr. So Yuen Chun Mr. Yeung Kwok Leung
Non-executive Director:	Mr. Lam Kwok Hing, Wilfred
Independent Non-executive Directors:	Ms. Yuen Wai Man Mr. Yeung Wai Hung, Peter Mr. Lam Raymond Shiu Cheung

The brief biographical details of the Directors are set out in the "BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT" section on pages 10 to 12. Save as disclosed in this annual report, none of the Directors has any other financial, business, family or other material or relevant relationships among members of the Board.

The independent non-executive Directors, with sound professional expertise and experience, have actively participated in the Board and committee meetings and bring independent judgment on issues relating to the Group's strategy, performance and management process. They will take various roles in the Board committees.

As at the date of this report, the Company had three independent non-executive Directors representing more than one-third of the Board. All independent non-executive Directors have the appropriate professional qualifications or related financial management expertise under Rule 3.10(2) of the Listing Rules. The Board has received from each independent non-executive Director an annual confirmation of his independence and considers that all the independent non-executive Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

The independent non-executive Directors have been expressly identified as such in all corporate communications and the website of the Company that disclose the names of Directors. The independent non-executive Directors were appointed for a fixed term of three years, subject to retirement by rotation and re-election requirements under the Articles of Association.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group in addition to the meetings for reviewing and approving the Group's annual and interim results.

During the year ended 31 December 2012, 21 Board meetings, 1 annual general meeting and 2 extraordinary general meetings were held. Details of the attendance of the Directors are as follows:

	Attendance of		
	Board meetings	**Annual general meeting**	**Extraordinary general meetings**
Executive Directors:			
Mr. So Yuen Chun	21/21	1/1	2/2
Mr. Yeung Kwok Leung *(appointed on 1 March 2012)*	18/19	1/1	2/2
Non-executive Director:			
Mr. Lam Kwok Hing, Wilfred	16/21	0/1	0/2
Independent Non-executive Directors:			
Mr. Yeung Wai Hung, Peter	13/21	1/1	0/2
Mr. Lam Raymond Shiu Cheung *(appointed on 17 February 2012)*	16/20	0/1	2/2
Ms. Yuen Wai Man *(appointed on 1 November 2012)*	6/7	N/A	1/1
Mr. Ng Cheuk Fan, Keith *(resigned on 3 August 2012)*	4/8	1/1	1/1

The Board has reserved for its decision or consideration matters covering mainly the Group's overall strategy, annual operating budget, financial performance, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial matters. Currently, the Board has delegated the daily operations and administration to the Lending Committee and/or Investment Committee.

Each year, Board meetings, which are scheduled in advance to facilitate maximum attendance of Directors, are held as required by business needs. At least 14 days' notice of a Board meeting is given to all Directors for the regular meetings who are given an opportunity to include matters for discussion in the agenda. The company secretary of the Company (the "**Company Secretary**") assists the Directors in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. Reasonable notices have been given to all Directors generally prior to meetings, except in cases of emergency. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting. Draft minutes of each Board meeting are circulated to all Directors for their comment before being approved by the Board. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS *(continued)*

According to the current Board practice, any transaction which involves a conflict of interests for a substantial shareholder or a Director and which is considered by the Board to be material will be dealt with by the Board at a duly convened Board meeting. The Articles of Association also stipulate that a Director should abstain from voting and not be counted in the quorum at meetings for approving transactions in which such Director or any of his associates have a material interest therein. In addition, he has to declare his interests therein in accordance with the Articles of Association.

Every Director is entitled to have access to board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management. Directors will be updated continuously on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

INDEPENDENT NON-EXECUTIVE DIRECTOR/NON-EXECUTIVE DIRECTOR

All independent non-executive Directors were appointed for a specific term of three years with effect from their respective appointment dates. All of them are subject to the relevant provisions in the Articles of Association or any other applicable laws whereby the Directors shall vacate or retire from their office.

According to the Articles of Association, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) should retire from office by rotation. Further, any Director appointed to fill a casual vacancy should hold office only until the next following general meeting of the Company whilst for those appointed as an addition to the Board should hold office until the next following annual general meeting and, in both cases, those Directors would then be eligible for re-election at the relevant meeting. Every Director shall be subject to retirement by rotation at least once every three years.

BOARD COMMITTEES

The Board has established three committees; namely, the nomination committee (the "**Nomination Committee**"), the remuneration committee (the "**Remuneration Committee**") and the audit committee of the Company (the "**Audit Committee**") . Each of them has its specific written terms of reference or guidelines. Copies of minutes of all meetings and resolutions of the committees, which are duly kept by the Company Secretary, are circulated to all Board members. The committees are required to report back to the Board on their decisions and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned on page 24 and 25 in the section "BOARD OF DIRECTORS" above, have been adopted for the committee meetings as far as practicable.

Nomination Committee

The Nomination Committee has been established since June 2005. As at the date of this report, the Nomination Committee comprises four members; namely, Messrs. Yuen Wai Man, Lam Kwok Hing, Wilfred, Yeung Wai Hung, Peter and Lam Raymond Shiu Cheung.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

The major roles and functions of the Nomination Committee are:

(i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iii) to assess the independence of independent non-executive Directors;

(iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive of the Company;

(v) to do any such things to enable the Nomination Committee to perform its powers and functions conferred on it by the Board; and

(vi) to conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

The terms of reference of the Nomination Committee were adopted in June 2005 and revised in March 2012 and have been posted on the Stock Exchange's website and the Company's website.

During the year ended 31 December 2012, 2 Nomination Committee meetings were held to make recommendations to the Board on the appointment of an independent non-executive Director and the re-appointment of retiring Directors.

The attendance of each Nomination Committee member is set out as follows:

Nomination Committee member	Number of Nomination Committee meetings attended/ eligible to attend
Ms. Yuen Wai Man *(Chairman) (appointed on 1 November 2012)*	N/A
Mr. Lam Kwok Hing, Wilfred	2/2
Mr. Yeung Wai Hung, Peter	1/2
Mr. Lam Raymond Shiu Cheung	2/2
Mr. Ng Cheuk Fan, Keith *(resigned on 3 August 2012)*	1/1

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Remuneration Committee

The Remuneration Committee has been established since June 2005. As at the date of this report, the Remuneration Committee comprises four members; namely, Messrs. Yuen Wai Man, Lam Kwok Hing, Wilfred, Yeung Wai Hung, Peter and Lam Raymond Shiu Cheung. The Remuneration Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice in accordance with the Company's policy if considered necessary.

The major roles and functions of the Remuneration Committee are:

(i) to make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(iii) to make recommendations to the Board on the remuneration of non-executive Directors;

(iv) to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;

(v) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(vi) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they consistent with contractual terms and are otherwise reasonable and appropriate;

(vii) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

(viii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and

(ix) to ensure that the Company shall disclose details of any remuneration payable to the senior management in the annual reports.

The terms of reference of the Remuneration Committee were adopted in June 2005 and revised in March 2012 and have been posted on the Stock Exchange's website and the Company's website.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

The Remuneration Committee shall meet at least once a year. During the year ended 31 December 2012, 3 Remuneration Committee meetings were held to review the remuneration packages and year end bonus of all Directors; and to make recommendations to the Board on tribute payment to a resigning Director and remuneration package of newly appointed Director.

The attendance of each Remuneration Committee member is set out as follows:

Remuneration Committee member	**Number of Remuneration Committee meetings attended/eligible to attend**
Ms. Yuen Wai Man *(Chairman) (appointed on 1 November 2012)*	0/1
Mr. Lam Kwok Hing, Wilfred	3/3
Mr. Yeung Wai Hung, Peter	1/3
Mr. Lam Raymond Shiu Cheung	3/3
Mr. Ng Cheuk Fan, Keith *(resigned on 3 August 2012)*	N/A

The remuneration payable to Directors will depend on their respective contractual terms under their service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements.

Audit Committee

As at the date of this report, the Audit Committee comprises four members, of which the majority are independent non-executive Directors; namely, Messrs. Yuen Wai Man, Lam Kwok Hing, Wilfred, Yeung Wai Hung, Peter and Lam Raymond Shiu Cheung. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2013 and the interim financial report for the six months ended 30 September 2012, including the accounting principles and practice adopted by the Group.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

The major roles and functions of the Audit Committee are:

(i) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(ii) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(iii) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(iv) to monitor integrity of financial statements of the Company and its annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

(v) to review the Company's financial controls, internal control and risk management systems;

(vi) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function;

(vii) to consider of major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

(viii) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(ix) to review the group's financial and accounting policies and practices;

(x) to review the external auditor's management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;

(xi) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(xii) to report to the Board on the matters set out in the CG Code; and

(xiii) to consider other topics, as defined by the Board.

The terms of reference of Audit Committee were adopted in January 2009 and revised in March 2012 and have been posted on the Stock Exchange's website and the Company's website.

The Audit Committee shall meet at least twice a year. During the year ended 31 December 2012, 2 Audit Committee meetings were held.

During the meetings held in 2012, the Audit Committee had performed the work as summarised below:

(i) recommended to the Board for the re-appointment of the Group's auditors for the year ended 31 December 2012; and

(ii) reviewed the letter of representation and the financial statements for the year ended 31 December 2011 and recommended the same to the Board for approval.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

The attendance of each Audit Committee member is set out as follows:

Audit Committee member	Number of Audit Committee meetings attended/eligible to attend
Ms. Yuen Wai Man *(Chairman) (appointed on 1 November 2012)*	N/A
Mr. Lam Kwok Hing, Wilfred	2/2
Mr. Yeung Wai Hung, Peter	2/2
Mr. Lam Raymond Shiu Cheung	2/2
Mr. Ng Cheuk Fan *(resigned on 3 August 2012)*	1/1

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility for preparing, with support from the accounting department, the consolidated financial statements of the Group. In preparing the consolidated financial statements for the year ended 31 December 2012, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and the Companies Ordinance were complied with. The financial statements were prepared on a going concern basis.

The reporting responsibilities of the Company's external auditors, ZHONGLEI, are set out in the Independent Auditor's Report on pages 37 and 38.

Internal Controls

The Group's internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and manage rather than eliminate risks of failure in operational systems. In 2012, the Board, through the Audit Committee, has reviewed the effectiveness of the internal control systems of the Group.

The Board will review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget annually.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(continued)*

External Auditors' Remuneration

During the year, the remuneration paid/payable to the Company's external auditors is set out as follows:

Services rendered for the Group

	Fee paid/ payable *HK$'000*
Audit services	370
Non-audit services (including taxation advisory service fees)	127
Total	497

CORPORATE GOVERNANCE FUNCTION

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

(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 and senior management;

(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 (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the corporate governance code and disclosure in the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

TRAINING FOR DIRECTORS

Every newly appointed Director will receive an information package from the Company Secretary on the first occasion of his/her appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a Director pursuant to the Companies Ordinance, the Listing Rules and the SFO. In addition, this information package includes material to briefly describe the operations and business of the Company. Directors will be continuously updated on major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

The Company provides regular updates and presentations on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors at regular Board meetings.

The Directors are committed to complying with code provision A.6.5 of the CG Code which came into effect on 1 April 2012 on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the year ended 31 December 2012 to the Company.

The individual training record of each Director received for the year ended 31 December 2012 is summarised as follows:

Directors	**Type of continuous professional development programmes**
Mr. So Yuen Chun	A
Mr. Yeung Kwok Leung	B
Mr. Lam Kwok Hing, Wilfred	B
Mr. Yeung Wai Hung, Peter	A,B
Mr. Lam Raymond Shiu Cheung	B
Ms. Yuen Wai Man	A,B

Notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr. So Yuen Chun has been appointed as the company secretary of the Company since 26 March 2011 and he has taken no less than 15 hours of relevant professional training for the year ended 31 December 2012.

SHAREHOLDERS' RIGHTS

Right to convene extraordinary general meeting

The Directors, on the requisition of shareholder(s) of the Company holding at the date of the deposit of the requisition not less than one-twentieth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the rights, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company for the attention of the company secretary of the Company.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the registered office of the Company, or by e-mail to admin@bla.com.hk for the attention of the company secretary of the Company.

Right to put forward proposals at general meetings

Shareholders are requested to follow section 115A of the Companies Ordinance (Chapter 32 of the laws of Hong Kong) for including a resolution at a general meeting of the Company. The requirements and procedures are set out below:

(i) Any number of shareholders representing not less than one-fortieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at general meeting to which the requisition relates, or not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000, may submit a requisition in writing to put forward a resolution which may properly be moved and is intended to be moved at a general meeting.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(continued)*

Right to put forward proposals at general meetings *(continued)*

(ii) The Company shall not be bound by the Companies Ordinance to give notice of the proposed resolution or to circulate a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution to shareholders of the Company entitled to receive notice of a general meeting unless (a) a copy of the requisition signed by the shareholders concerned (or 2 or more copies which between them contain the signatures of all the shareholders concerned) is deposited at the registered office of the Company at Unit F, 7/F., China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong for the attention of the Company Secretary not less than 6 weeks before a general meeting in the case of a requisition requiring notice of a resolution and not less than 1 week before a general meeting in the case of any other requisition; and (b) the concerned shareholders have deposited with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

(iii) However if, after a copy of a requisition requiring notice of a resolution has been deposited at the registered office of the Company, a general meeting is called for a date 6 weeks or less after the copy has been deposited, the copy though not deposited within the time required as referred to in the above shall be deemed to have been properly deposited.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communication with Shareholders. Information in relation to the Group is disseminated to Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information as well as the recent development of the Group are also made available on the Stock Exchange's website and the Company's website.

The Company's annual general meeting (the "**AGM**") is a valuable forum for the Board to communicate directly with the Shareholders. The Directors participated in the 2012 AGM and answered questions from the Shareholders. An AGM circular was distributed to all Shareholders at least 20 clear business days prior to the 2012 AGM, setting out the details of each proposed resolution and other relevant information.

CORPORATE GOVERNANCE REPORT

SIGNIFICANT CHANGES IN THE COMPANY'S CONSTITUTIONAL DOCUMENTS

In the annual general meeting of the Company held on 28 June 2012, proposals have been put forward to the shareholders of the Company (the "**Shareholders**") to consider amending the Articles of Association in response to various amendments made to the Listing Rules that came into effect on 1 January 2012 and 1 April 2012 respectively and have been approved by the Shareholders on the same date. Details of the amendments were set out in a circular of the Company dated 29 May 2012.

In view of the changes that would result from the completion of the capital reorganisation of the Company (the "**Capital Reorganisation**") and to reflect the new authorized share capital of the Company arising from the Capital Reorganisation, amendments to the Company's constitutional documents have been proposed at the extraordinary general meeting of the Company held on 21 June 2012 (the "**EGM**") and have been approved by the Shareholders on the same date subject to the completion of the Capital Reorganisation. The Capital Reorganisation has subsequently been completed after 4:00 p.m. on 19 December 2012, details of which can be found in the "MANAGEMENT DISCUSSION AND ANALYSIS" section of this report.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Listing Rules but about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

On behalf of the Board

So Yuen Chun
Executive Director

Hong Kong, 28 March 2013

INDEPENDENT AUDITOR'S REPORT

中磊(香港)會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

TO THE MEMBERS OF THE HONG KONG BUILDING AND LOAN AGENCY LIMITED
香港建屋貸款有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of The Hong Kong Building and Loan Agency Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 119, which comprise the consolidated and Company's statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's profit 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 Hong Kong Companies Ordinance.

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)
Chan Mei Mei
Practising Certificate Number: P05256

Suites 313-317, 3/F., Shui On Centre,
6-8 Harbour Road,
Wan Chai,
Hong Kong

28 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	5(a)	**42,224**	37,995
Interest income		**42,224**	37,995
Interest expense	6	**(270)**	–
Net interest income		**41,954**	37,995
Fair value changes on financial assets at fair value through profit or loss		**(537)**	(42,562)
Gain on disposal of financial assets at fair value through profit or loss		**8,346**	–
Loss on issuance of options to subscribe convertible bonds		**(13,164)**	–
Other income	5(b)	**3,581**	7
Share-based payments expenses	39	**(1,881)**	–
Operating expenses		**(24,941)**	(42,801)
Impairment loss recognised in respect of available-for-sale investments		**–**	(241)
Finance costs	6	**(218)**	–
Profit (loss) before tax		**13,140**	(47,602)
Income tax expense	8	**(2,816)**	(1,703)
Profit (loss) for the year	9	**10,324**	(49,305)
Other comprehensive income (expense)			
Fair value changes on available-for-sale investments		**2,109**	(10,320)
Deferred tax relating to fair value change on available-for-sale investments		**(348)**	1,703
Other comprehensive income (expense) for the year, net of income tax		**1,761**	(8,617)
Total comprehensive income (expense) for the year		**12,085**	(57,922)
Profit (loss) for the year attributable to the owners of the Company		**10,324**	(49,305)
Total comprehensive income (expense) attributable to the owners of the Company		**12,085**	(57,922)
		HK cents	*HK cents* (Restated)
Earnings (loss) per share			
– Basic	13	**2.37**	(11.71)
– Diluted		**2.34**	(11.71)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
NON-CURRENT ASSETS			
Equipment	14	**51**	369
Mortgage loans	15	**7,419**	11,235
Loan receivables	17	**40,500**	–
Deposit paid for acquisition of a subsidiary	18	**–**	10,000
Available-for-sale investments	19	**3,157**	6,619
		51,127	28,223
CURRENT ASSETS			
Mortgage loans	15	**25,662**	654
Financial assets at fair value through profit or loss	20	**13,981**	20,626
Loan receivables	17	**280,992**	280,712
Prepayments, deposits and other receivables	21	**72,148**	33,383
Tax recoverable		**903**	35
Bank balances and cash	22	**8,347**	17,994
		402,033	353,404
CURRENT LIABILITIES			
Other payables and accruals	23	**17,722**	9,024
Borrowing	24	**5,000**	–
		22,722	9,024
NET CURRENT ASSETS		**379,311**	344,380
TOTAL ASSETS LESS CURRENT LIABILITIES		**430,438**	372,603
NON-CURRENT LIABILITY			
Non-convertible bonds	25	**30,000**	–
NET ASSETS		**400,438**	372,603
CAPITAL AND RESERVES			
Share capital	26	**43,515**	435,149
Reserves		**356,923**	(62,546)
TOTAL EQUITY		**400,438**	372,603

The consolidated financial statements on pages 39 to 119 were approved and authorised for issue by the board of directors on 28 March 2013 and are signed on its behalf by:

So Yuen Chun
Director

Yeung Kwok Leung
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Equipment	14	**50**	82
Deposit paid for acquisition of a subsidiary	18	**–**	10,000
Investments in subsidiaries	32	**392**	390
		442	10,472
CURRENT ASSETS			
Mortgage loans	15	**–**	10
Prepayments, deposits and other receivables	21	**193**	3,596
Amounts due from subsidiaries	33	**442,912**	365,235
Tax recoverable		**469**	–
Bank balances and cash	22	**987**	2,643
		444,561	371,484
CURRENT LIABILITIES			
Other payables and accruals	23	**3,598**	8,064
Borrowing	24	**5,000**	–
Amount due to a subsidiary	34	**378**	383
		8,976	8,447
NET CURRENT ASSETS		**435,585**	363,037
TOTAL ASSETS LESS CURRENT LIABILITIES		**436,027**	373,509
NON-CURRENT LIABILITY			
Non-convertible bonds	25	**30,000**	–
NET ASSETS		**406,027**	373,509
CAPITAL AND RESERVES			
Share capital	26	**43,515**	435,149
Reserves	29	**362,512**	(61,640)
TOTAL EQUITY		**406,027**	373,509

The financial statements on pages 39 to 119 were approved and authorised for issue by the board of directors on 28 March 2013 and are signed on its behalf by:

So Yuen Chun
Director

Yeung Kwok Leung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital HK$'000	Share premium HK$'000	Share capital reserve HK$'000	Share option reserve HK$'000	Convertible bonds HK$'000	Convertible bond options HK$'000	Warrants HK$'000	Investments revaluation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 January 2011	399,470	13,658	–	–	128	46,265	5,620	8,617	(79,401)	394,357
Loss for the year	–	–	–	–	–	–	–	–	(49,305)	(49,305)
Fair value changes on available-for-sale investments	–	–	–	–	–	–	–	(10,320)	–	(10,320)
Deferred tax relating to fair value change on available-for-sale investments	–	–	–	–	–	–	–	1,703	–	1,703
Total comprehensive expense for the year	–	–	–	–	–	–	–	(8,617)	(49,305)	(57,922)
Lapse of convertible bond options (Note 27b)	–	–	–	–	–	(6,352)	–	–	6,352	–
Issue of convertible bonds upon exercise of convertible bond options (Note 27b)	–	–	–	–	74,611	(39,913)	–	–	–	34,698
Issue of shares upon conversion of convertible bonds (Note 26 and Note 27b)	34,679	39,891	–	–	(74,570)	–	–	–	–	–
Issue of shares upon exercise of warrants (Note 26 and Note 28)	1,000	570	–	–	–	–	(100)	–	–	1,470
At 31 December 2011	435,149	54,119	–	–	169	–	5,520	–	(122,354)	372,603
Profit for the year	–	–	–	–	–	–	–	–	10,324	10,324
Fair value changes on available-for-sale investments	–	–	–	–	–	–	–	2,109	–	2,109
Deferred tax relating to fair value change on available-for-sale investments	–	–	–	–	–	–	–	(348)	–	(348)
Total comprehensive income for the year	–	–	–	–	–	–	–	1,761	10,324	12,085
Issue of convertible bond options (Note 27a)	–	–	–	–	–	13,947	–	–	–	13,947
Capital reorganisation (Note 26)	(391,634)	–	270,186	–	–	–	–	–	121,448	–
Cancellation of convertible bonds upon expired (Note 27b)	–	–	–	–	(169)	–	–	–	91	(78)
Recognition of equity-settled share-based payments (Note 39)	–	–	–	1,881	–	–	–	–	–	1,881
Cancellation of warrants upon expired (Note 28)	–	–	–	–	–	–	(5,520)	–	5,520	–
At 31 December 2012	**43,515**	**54,119**	**270,186**	**1,881**	**–**	**13,947**	**–**	**1,761**	**15,029**	**400,438**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**13,140**	(47,602)
Adjustments for:		
Impairment loss recognised in respect of interest receivables	**70**	2,248
Impairment loss recognised in respect of other receivables	**–**	9,200
Impairment loss recognised in respect of available-for-sales investment	**–**	241
Finance costs	**488**	–
Loss on issuance of options to subscribe convertible bonds	**13,164**	–
Depreciation	**86**	97
Share-based payments expenses	**1,881**	–
Reversal of impairment loss in respect of mortgage loans	**–**	(45)
Reversal of impairment loss in respect of loan receivables	**(1,000)**	–
Reversal of impairment loss in respect of interest receivables	**(2,248)**	–
Gain on disposal of financial assets at fair value through profit or loss	**(8,346)**	–
Fair value changes on financial assets at fair value through profit or loss	**537**	42,562
Loss on disposal of equipment	**87**	–
Impairment loss recognised in respect of loan receivables	**1,000**	1,000
Operating cash flows before movements in working capital	**18,859**	7,701
(Increase) decrease in mortgage loans	**(21,192)**	117,696
Decrease (increase) in financial assets at fair value through profit or loss	**14,454**	(34,945)
Increase in loan receivables	**(40,780)**	(157,712)
Increase in prepayments, deposits and other receivables	**(36,587)**	(23,855)
Increase in other payables and accruals	**8,142**	6,255
Cash used in operations	**(57,104)**	(84,860)
Interest paid	**(10)**	–
Income tax paid	**(4,032)**	(37)
NET CASH USED IN OPERATING ACTIVITIES	**(61,146)**	(84,897)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 *HK$'000*	2011 *HK$'000*
INVESTING ACTIVITIES		
Purchase of equipment	**(5)**	(332)
Proceeds of disposal of equipment	**150**	–
Proceeds from disposal of available-for-sale investments	**5,571**	–
Purchase of available-for-sale investments	**–**	(500)
Net cash flow from disposal of a subsidiary	**–**	500
Refund of deposit paid (deposit paid) for acquisition of a subsidiary	**10,000**	(10,000)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**15,716**	(10,332)
FINANCING ACTIVITIES		
Proceeds from issue of non-convertible bonds	**30,000**	–
Proceeds from issue of shares upon conversion of convertible bonds	**–**	34,698
Proceeds from issue of shares upon conversion of warrants	**–**	1,470
Proceeds from issue of options to subscribe convertible bonds	**783**	–
New Loan raised	**5,000**	–
NET CASH FROM FINANCING ACTIVITIES	**35,783**	36,168
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(9,647)**	(59,061)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**17,994**	77,055
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**8,347**	17,994

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL

The Hong Kong Building and Loan Agency Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and the principal place of business of the Company are Unit F, 7/F, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and its subsidiaries (collectively referred as the "Group").

The principal activities of the Group are investment holding, treasury investments and the provision of loan financing.

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

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

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to Hong Kong Accounting Standard ("HKAS") 12	Deferred Tax: Recovery of Underlying Asset

The application of the amendments to HKFRSs and HKASs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

New and revised HKFRSs issued but not yet effect

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

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

* *IFRIC represents the International Financial Reporting Interpretations Committee.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

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

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

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company (the "Directors") anticipate that the application of the amendments will have no material effect on the Group's consolidated financial statements.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

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

The Directors anticipate that the adoption of HKFRS 9 in the future may not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

HKFRS 13 Fair Value Measurement

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

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The Directors anticipate that the application of other new and revised HKFRSs and HKASs will have no material impact on the consolidated financial statements.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

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

Key requirements of these five standards are described below.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

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

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

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

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

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

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The principal accounting policies are set out below:

Basis of consolidation

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

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

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

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

Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) interest income from a financial asset including mortgage loans, loan receivables, financial assets at fair value through profit or loss and available-for-sale investments is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable;

(ii) dealings in financial assets at fair value through profit or loss are recognised on a trade date basis when the relevant contract notes are exchanged;

(iii) dividend income from investments is recognised when the shareholder's rights to receive payment have been established; and

(iv) consulting service income is recognised when services are provided.

Equipment

Equipment is stated in the Group's and the Company's statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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

The Group as lessee

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

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

Foreign currencies

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

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

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

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

Financial assets

The Group's financial assets are classified into three categories, including financial assets at FVTPL, loans and receivables and available-for-sales financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "fair value changes on financial assets at fair value through profit or loss" in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 20 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 mortgage loans, loan receivables, amounts due from subsidiaries, other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets *(continued)*

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of mortgage loans, loan receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a mortgage loan, loan receivable or other receivable is considered uncollectible, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to profit or loss.

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

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities (including other payables and accruals, amount due to a subsidiary, borrowing and non-convertible bonds) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Options to subscribe for convertible bonds

Options to subscribe for convertible bonds are classified as equity instruments based on the contractual terms of the options. On initial recognition, the fair value of the options to subscribe for convertible bonds is determined using option pricing model and recognised in "convertible bond options" included in equity. When the options are exercised, the carrying amount of options to subscribe for convertible bonds in "convertible bond options" will be transferred to "convertible bonds" together with the consideration received. Where the options to subscribe for convertible bonds remained unexercised at the expiry date, the balance stated in "convertible bond options" will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the options to subscribe for convertible bonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Convertible bonds contains equity component

Convertible bonds issued by the Group that contain conversion option component is classified into equity on initial recognition in accordance with the substance of the contractual arrangements and the definitions of an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the equity component, representing the option to convert into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Derecognition

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Share options granted to consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical judgements in applying accounting policies

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

Impairment of available-for-sale investments

In determining whether there is any objective evidence that impairment losses on available-for-sale investments has occurred, the Group assesses periodically whether there has been a significant or prolonged decline in the fair value below its cost or carrying amount, or whether other objective evidence of impairment exists based on the investees' financial conditions. This requires a significant level of judgment of the management, which would affect the amount of the impairment losses. During the year ended 31 December 2011, in the opinion of the Directors, the decrease in fair value of available-for-sale investments is not prolonged decrease and therefore no impairment loss on available-for-sale investments is recognised in profit or loss.

Key sources of estimation uncertainty

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

Income tax

At 31 December 2012, no deferred tax assets (2011: Nil) have been recognised in the Group's and the Company's statements of financial position in relation to unused tax losses due to unpredictability of future assessable profit streams. The estimated unused tax losses of the Group and the Company amounted to HK$75,692,000 and HK$Nil (2011: HK$71,341,000 and HK$7,044,000) respectively. In cases where the actual future assessable profits generated are more than expected, deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a recognition takes place.

Impairment allowances on mortgage loans and loan receivables

The Group and the Company have established impairment allowances in respect of estimated incurred loss in mortgage loans and loan receivables. The allowances on mortgage loans and loan receivables are set out in Note 16 and Note 17 to the consolidated financial statements respectively.

In determining individual impairment allowances, management considers objective evidence of impairment. When a loan is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The quantum of the allowance is also impacted by the collateral value and this, in turn, may be discounted in certain circumstances to take into account the impact of forced sale or quick liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment allowances on mortgage loans and loan receivables (continued)

In determining collective impairment allowances, management uses estimates based on historical experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio adjusted for current conditions.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

At 31 December 2012, the details of mortgage loans and loan receivables are disclosed in Note 15 and Note 17 to the consolidated financial statements respectively.

5a. REVENUE

Revenue represents interest income from loan financing and interest income from treasury investments.

An analysis of the revenue of the Group by principal activities is as follows:

	2012 ***HK$'000***	2011 *HK$'000*
Loan financing:		
Interest on mortgage loans	**1,724**	1,277
Interest on loan receivables	**40,493**	36,716
	42,217	37,993
Treasury investments:		
Interest on bank deposits	**1**	2
Interest on securities trading accounts	**6**	–
	7	2
	42,224	37,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

5b. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Reversal of impairment loss in respect of loan receivables	1,000	–
Reversal of impairment loss in respect of interest receivables	2,248	–
Other	333	7
	3,581	7

6. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest expense on non-convertible bonds	270	–
Interest expense on borrowing	208	–
Interest expense on securities trading accounts	10	–
	218	–
	488	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

7. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker ("CODM") for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and specifically focuses on the Group's operating divisions. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- loan financing
- treasury investments

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Loan financing		Treasury investments		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**42,217**	37,993	**7**	2	**42,224**	37,995
Segment profit (loss)	**32,983**	34,326	**7,802**	(42,594)	**40,785**	(8,268)
Centralised administration costs					**(27,760)**	(39,334)
Unallocated other income					**333**	–
Finance cost					**(218)**	–
Profit (loss) before tax					**13,140**	(47,602)
Income tax expense					**(2,816)**	(1,703)
Profit (loss) for the year					**10,324**	(49,305)
Segment assets	**429,974**	337,019	**18,255**	29,888	**448,229**	366,907
Unallocated assets					**4,931**	14,720
Total assets					**453,160**	381,627
Segment liabilities	**30,269**	–	**–**	–	**30,269**	–
Unallocated liabilities					**22,453**	9,024
Total liabilities					**52,722**	9,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

7. SEGMENT INFORMATION *(continued)*

During the current and prior year, there were no inter-segment transactions.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3 to the consolidated financial statements.

Segment profit (loss) represents the pre-tax profit earned by (loss from) each segment without allocation of centralised administration costs such as certain other income, share-based payments expenses, loss on issuance of options to subscribe convertible bonds, directors' emoluments, staff salaries, operating lease rentals and certain legal and professional fees. This is the measure reported to the CODM of the Company for the purposes of resource allocation and performance assessment.

Segment assets represent the assets allocated to reportable and operating segments other than certain equipment, deposit paid for acquisition of a subsidiary, prepayments, tax recoverable and certain other receivables.

Segment liabilities represent the liabilities allocated to reportable and operating segments other than borrowing and its interest payables and certain other payables and accruals. There is no segment liability at 31 December 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

7. SEGMENT INFORMATION *(continued)*

Amounts included in the measure of segment profit or loss or segment assets:

	Loan financing		Treasury investments		Unallocated		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Interest income	**42,217**	37,993	**7**	2	**–**	–	**42,224**	37,995
Interest expense	**(270)**	–	**–**	–	**–**	–	**(270)**	–
Reversal of impairment loss in respect of mortgage loans	**–**	45	**–**	–	**–**	–	**–**	45
Reversal of impairment loss in respect of loan receivables	**1,000**	–	**–**	–	**–**	–	**1,000**	–
Reversal of impairment loss in respect of interest receivables	**2,248**	–	**–**	–	**–**	–	**2,248**	–
Impairment loss recognised in respect of interest receivables	**(70)**	(2,248)	**–**	–	**–**	–	**(70)**	(2,248)
Impairment loss recognised in respect of loan receivables	**(1,000)**	(1,000)	**–**	–	**–**	–	**(1,000)**	(1,000)
Impairment loss recognised in respect of other receivables	**–**	–	**–**	–	**–**	(9,200)	**–**	(9,200)
Net foreign exchange (loss) gain	**–**	–	**(12)**	2	**–**	–	**(12)**	2
Gain on disposal of financial assets at fair value through profit or loss	**–**	–	**8,346**	–	**–**	–	**8,346**	–
Impairment loss recognised in respect of available-for-sale investments	**–**	–	**–**	–	**–**	(241)	**–**	(241)
Loss on disposal of equipment	**–**	–	**–**	–	**(87)**	–	**(87)**	–
Share-based payments expense	**–**	–	**–**	–	**(1,881)**	–	**(1,881)**	–
Loss on issuance of options to subscribe convertible bonds	**–**	–	**–**	–	**(13,164)**	–	**(13,164)**	–
Fair value changes on financial assets at fair value through profit or loss	**–**	–	**(537)**	(42,562)	**–**	–	**(537)**	(42,562)

Amounts regularly provided to the CODM but not include in the measure of segment profit or loss or segment assets is immaterial.

The Group's operations are based in Hong Kong and the Group's revenue is derived from customers and counterparties located in Hong Kong. All the Group's non-current assets are based in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

7. SEGMENT INFORMATION *(continued)*

Information about major customers

Interest income from customers in loan financing business segment of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2012 ***HK$'000***	2011 *HK$'000*
Customer A	**30,189**	27,962
Customer B	**5,415**	5,063

8. INCOME TAX EXPENSE

	2012 ***HK$'000***	2011 *HK$'000*
Hong Kong Profits Tax		
– Provision for the year	**2,721**	–
– Under-provision in prior year	**443**	–
Deferred taxation (Note 35)	**(348)**	1,703
Income tax expense	**2,816**	1,703

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

8. INCOME TAX EXPENSE *(continued)*

The income tax expense for the year can be reconciled to the profit (loss) before tax per the consolidated statement of comprehensive income as follows:

	2012	2011
	HK$'000	*HK$'000*
Profit (loss) before tax	**13,140**	(47,602)
Tax at the Hong Kong Profits Tax rate of 16.5% (2011: 16.5%)	**2,168**	(7,854)
Tax effect of income not taxable for tax purpose	**(536)**	(9,862)
Tax effect of expenses not deductible for tax purpose	**371**	13,418
Utilisation of tax losses previously not recognised	**(1,071)**	(4,149)
Tax effect of (taxable) deductible temporary differences	**(348)**	1,703
Tax effect of tax losses not recognised	**1,789**	8,447
Under-provision in prior year	**443**	–
Income tax expense	**2,816**	1,703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

9. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging (crediting):

	2012	2011
	HK$'000	*HK$'000*
Employee benefits expense (including directors' and chief executives' emoluments) (Note 10):		
Directors' fees	**388**	359
Salaries, bonus and other benefits	**4,469**	2,608
Share-based payments expenses (Note 39)	**1,351**	–
Contributions to retirement benefits scheme (Note 38)	**125**	55
	6,333	3,022
Depreciation	**86**	97
Auditor's remuneration		
– Audit service	**370**	350
– Non-audit service	**125**	311
Operating lease payments	**1,539**	1,416
Share-based payments expenses – consultant (Note 39)	**530**	–
Reversal of impairment loss in respect of mortgage loans	**–**	(45)
Reversal of impairment loss in respect of loan receivables	**(1,000)**	–
Reversal of impairment loss in respect of interest receivables	**(2,248)**	–
Impairment loss recognised in respect of interest receivables	**70**	2,248
Impairment loss recognised in respect of other receivables	**–**	9,200
Impairment loss recognised in respect of loan receivables	**1,000**	1,000
Net foreign exchange loss (gain)	**12**	(2)
Loss on disposal of equipment	**87**	–
Legal and professional fees	**10,766**	16,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

The emoluments paid or payable to each of 7 (2011: 8) directors were as follows:

2012

	Fees *HK$'000*	Salaries, bonus and other benefits *HK$'000*	Share-based payments *HK$'000*	Contributions to retirement benefits scheme *HK$'000*	Total *HK$'000*
Executive directors					
Mr. So Yuen Chun	–	1,260	530	27	1,817
Mr. Yeung Kwok Leung (note viii)	–	1,107	530	22	1,659
	–	2,367	1,060	49	3,476
Non-executive director					
Mr. Lam Kwok Hing, Wilfred (note vi)	100	–	132	–	232
Independent non-executive directors					
Mr. Yeung Wai Hung, Peter (note i)	100	–	53	–	153
Mr. Ng Cheuk Fan, Keith (note ix)	84	–	–	–	84
Ms. Yuen Wai Man (note x)	17	–	53	–	70
Mr. Lam Shiu Cheung, Raymond (note vii)	87	–	53	–	140
	288	–	159	–	447
Total	388	2,367	1,351	49	4,155

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

10. DIRECTORS' AND CHIEF EXECUTIVES' OF EMOLUMENTS *(continued)*

2011

	Fees *HK$'000*	Salaries, bonus and other benefits *HK$'000*	Contributions to retirement benefits scheme *HK$'000*	Total *HK$'000*
Executive directors				
Mr. So Yuen Chun	–	260	11	271
Mr. Soong Kok Meng (note v)	–	298	–	298
Mr. Au Tin Fung (note iv)	–	488	9	497
Mr. Chan Chun Wai (note ii)	–	160	1	161
	–	1,206	21	1,227
Non-executive director				
Mr. Lam Kwok Hing, Wilfred (note vi)	19	–	–	19
Independent non-executive directors				
Mr. Lam Kwok Hing, Wilfred (note vi)	81	–	–	81
Mr. Ng Cheuk Fan, Keith	100	–	–	100
Mr. Yueng Wai Hung, Peter (note i)	92	–	–	92
Mr. Chan Chi Yuen (note iii)	67	–	–	67
	340	–	–	340
Total	359	1,206	21	1,586

There were no arrangements under which a director waived or agreed to waive any emoluments during the year ended 31 December 2012 and 2011. Apart from Directors, the Group has not classified any other person as chief executives during the year ended 31 December 2012 and 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(continued)*

Notes:

i) Mr. Yeung Wai Hung, Peter was appointed on 1 February 2011.

ii) Mr. Chan Chun Wai was resigned on 1 February 2011.

iii) Mr. Chan Chi Yuen was resigned on 1 February 2011.

iv) Mr. Au Tin Fung was resigned on 15 September 2011.

v) Mr. Soong Kok Meng was resigned on 1 December 2011.

vi) Mr. Lam Kwok Hing, Wilfred was appointed as independent non-executive director on 1 December 2010 and re-designated as non-executive director on 21 October 2011.

vii) Mr. Lam Shiu Cheung, Raymond was appointed on 17 February 2012.

viii) Mr. Yeung Kwok Leung was appointed on 1 March 2012.

ix) Mr. Ng Cheuk Fan, Keith was resigned on 3 August 2012.

x) Ms. Yuen Wai Man was appointed on 1 November 2012.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2011: three) were directors of the Company whose emoluments are included in Note 10 to the consolidated financial statements for both years. The emoluments of the remaining two (2011: two) individuals were as follows:

	2012	2011
	HK$'000	*HK$'000*
Salaries, bonus and other benefits	**592**	770
Contributions to retirement benefits scheme	**24**	24
	616	794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

11. EMPLOYEES' EMOLUMENTS *(continued)*

Their emoluments were within the following band:

	2012 **Number of employees**	2011 *Number of employees*
Nil – HK$1,000,000	**2**	2

12. DIVIDENDS

No dividend was paid or proposed during the year ended 2012, nor has any dividend been proposed since the end of the reporting periods (2011: Nil).

13. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2012 ***HK$'000***	2011 *HK$'000*
Profit (loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings (loss) per share	**10,324**	(49,305)

	Number of shares	
	2012 ***'000***	2011 *'000* (Restated)
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**435,149**	420,931
Effect of dilutive potential ordinary shares: Options to subscribe convertible bonds (Note)	**6,701**	–
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	**441,850**	420,931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

13. EARNINGS (LOSS) PER SHARE *(continued)*

Note: The computation of diluted earnings per share does not assume the exercise of the outstanding share options, warrants and convertible bonds as their exercise price is higher than the average market price of the shares for the year ended 31 December 2012.

The computation of diluted loss per share for the year ended 31 December 2011 does not assume the conversion of the Company's outstanding warrants and convertible bonds since their exercise would result in a decrease in loss per share for the year.

14. EQUIPMENT

	The Group				
	Office equipment	Furniture and fixtures	Computer	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST					
At 1 January 2011	15	45	279	–	339
Additions	4	2	3	323	332
At 31 December 2011	19	47	282	323	671
Additions	–	–	5	–	5
Disposal	–	–	–	(323)	(323)
At 31 December 2012	**19**	**47**	**287**	**–**	**353**
ACCUMULATED DEPRECATION					
At 1 January 2011	8	9	188	–	205
Provided for the year	3	9	47	38	97
At 31 December 2011	11	18	235	38	302
Provided for the year	4	9	25	48	86
Eliminated on disposal	–	–	–	(86)	(86)
At 31 December 2012	**15**	**27**	**260**	**–**	**302**
CARRYING VALUES					
At 31 December 2012	**4**	**20**	**27**	**–**	**51**
At 31 December 2011	8	29	47	285	369

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

14. EQUIPMENT *(continued)*

	The Company			
	Office equipment *HK$'000*	**Furniture and fixtures** *HK$'000*	**Computer** *HK$'000*	**Total** *HK$'000*
COST				
At 1 January 2011	10	45	272	327
Additions	4	2	–	6
At 31 December 2011	14	47	272	333
Additions	–	–	5	5
At 31 December 2012	**14**	**47**	**277**	**338**
ACCUMULATED DEPRECATION				
At 1 January 2011	3	9	181	193
Provided for the year	3	9	46	58
At 31 December 2011	6	18	227	251
Provided for the year	4	9	24	37
At 31 December 2012	**10**	**27**	**251**	**288**
CARRYING VALUES				
At 31 December 2012	**4**	**20**	**26**	**50**
At 31 December 2011	8	29	45	82

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

Office equipment	25%
Furniture and fixtures	20%
Computer	25%
Motor vehicle	20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

15. MORTGAGE LOANS

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**32,679**	11,390
Variable-rate loan receivables	**402**	499
	33,081	11,889
Carrying amount analysed for reporting purposes:		
Current assets (receivables within 12 months from the end of the reporting period)	**25,662**	654
Non-current assets (receivables after 12 months from the end of the reporting period)	**7,419**	11,235
	33,081	11,889

On 13 January 2011, the Group entered into an agreement with a corporate borrower to extend the repayment of two mortgage loans of totally HK$127,000,000 with variable interest rate to January 2012 with additional drawdown of HK$73,000,000. On 26 January 2011, since the loan and the related interest receivable of HK$712,000 totally amounting to HK$200,712,000 was restructured whereby the variable interest rate was increased, the named borrower was changed to another company (new borrower) and the security was changed to a floating charge on the entire assets (mainly include a residential property located in Hong Kong which was the security of the original loan) of the guarantor, which is the original borrower, as collateral, the mortgage loan has been reclassified as loan receivable in Note 17 to the consolidated financial statements during the year ended 31 December 2011 accordingly.

Included in the fixed-rate mortgage loan as at 31 December 2011 was a mortgage loan to a corporate customer amounting to HK$2,000,000 (the "Mortgage Loan"), which was secured by a second mortgage over a residential property located in Hong Kong with interest at 8% per annum and the principal would be repayable on 16 August 2013. On 31 December 2012, the Mortgage Loan and the related interest receivable were restructured to another corporate customer (the "Loan Borrower") and the security was changed to certain ordinary shares of a company incorporated in Hong Kong, which is also the security of another loan borrowed by Loan Borrower amounting to HK$2,680,000. As at 31 December 2012, the Mortgage Loan has been reclassified as loan receivable (Note 17 to the consolidated financial statements).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

15. MORTGAGE LOANS *(continued)*

The mortgage loans of approximately HK$33,081,000 (2011: approximately HK$11,889,000) are secured by mortgage properties. No impairment on these mortgage loans has been recognised at 31 December 2012 (2011: HK$ Nil).

The maturity profile of these mortgage loans, net of impairment allowances, at the end of reporting period, is analysed by the remaining periods to their contractual maturity dates as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Repayable:		
Within 3 months	**645**	159
Over 3 months but less than 1 year	**25,017**	495
Over 1 year but less than 5 years	**7,419**	11,179
Over 5 years	**–**	56
	33,081	11,889

Before accepting any new customer, the Group uses internal assessment system to assess the potential credit quality and determines credit limits by customer. The mortgage loans of approximately HK$33,081,000 (2011: approximately HK$11,889,000) that are neither past due nor impaired have timely repayment of principal and interest.

The ageing of mortgage loans, net of impairment allowances, which are neither past due nor impaired, at the end of the reporting period is analysed as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Neither past due nor impaired	**33,081**	11,889

The Directors are of the view that no individual impairment allowance is necessary since the outstanding loans are fully secured by the respective mortgage properties and the fair value of the secured mortgage properties exceeded the carrying amount of the respective mortgage loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

15. MORTGAGE LOANS *(continued)*

	The Company	
	2012	2011
	HK$'000	*HK$'000*
Variable-rate loan receivables	**–**	10
Carrying amount analysed for reporting purposes:		
Current assets (receivables within 12 months from the end of reporting period)	**–**	10
Non-current assets (receivables after 12 months from the end of reporting period)	**–**	–
Variable-rate loan receivables	**–**	10

The maturity profile of variable-rate mortgage loans, net of impairment allowances, at the end of reporting period, is analysed by the remaining periods to their contractual maturity dates as follows:

	The Company	
	2012	2011
	HK$'000	*HK$'000*
Repayable:		
Within 3 months	**–**	10

All the mortgage loans of the Group and the Company outstanding as at 31 December 2012 and 2011 are denominated in Hong Kong dollars.

The fair value of the Group's and the Company's mortgage loans, determined based on the present value of the estimated future cash flows discounted using the applicable interest rate at the end of reporting period, approximates the carrying amount of the mortgage loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

16. IMPAIRMENT ALLOWANCES ON MORTGAGE LOANS

	The Group *HK$'000*
Collective impairment allowances	
At 1 January 2011	45
Write-back during the year 2011	(45)
At 31 December 2011 and **31 December 2012**	–

There are no individual impairment allowances made for mortgage loans of the Company as at 31 December 2012 and 2011.

Individual impairment is made when the mortgage loan borrower is unable to repay the principal on time and the present value of the collateral held by the Group and the Company is not sufficient to cover the carrying amount of the loan.

In addition to conducting individual assessment of impairment, the Group and the Company have also carried out collective assessment. Mortgage loan impairment allowances were made on a collective basis with reference to historical loss experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

17. LOAN RECEIVABLES

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**121,780**	81,000
Variable-rate loan receivables (note iii)	**200,712**	200,712
	322,492	281,712
Less: accumulated impairment allowance on fixed-rate loan receivables	**(1,000)**	(1,000)
	321,492	280,712
Carrying amount analysed for reporting purposes:		
Current assets (receivables within 12 months from the end of the reporting period)	**280,992**	280,712
Non-current assets (receivables after 12 months from the end of the reporting period)	**40,500**	–
	321,492	280,712

Notes:

i) The loan receivables outstanding at 31 December 2012 and 2011 are denominated in Hong Kong dollars.

ii) At 31 December 2012, a loan receivable amounting to HK$60,000,000 (2011: HK$60,000,000), carries fixed interest rate at 9% per annum (2011: 9%) and is secured by a convertible bond issued by a listed entity in Hong Kong. The loan has been expired on 1 August 2012 and The Building and Loan Agency (Asia) Limited ("The BLA (Asia)"), a wholly owned subsidiary of the Company, as the lender filed a writ in the High Court of Hong Kong on 27 September 2012 against the borrower for default on full repayment of the loan in the principal amount of approximately HK$60,000,000 together with interest accrued thereon (collectively, the "Writ"). Subsequent to the reporting period, the loan was fully repaid through the realisation of the secured convertible bond, as details disclosed in Note 41(3) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

17. LOAN RECEIVABLES *(continued)*

iii) A loan receivable amounting to approximately HK$200,712,000 (2011: HK$200,712,000) is secured by a floating charge on the entire assets (mainly included a residential property located in Hong Kong) of the guarantor. The loan bore variable interest rate based on the best lending rate offered by the Hong Kong and Shanghai Banking Corporation Limited, which was reclassified from mortgage loans as disclosed in Note 15 to the consolidated financial statements.

In December 2011, the Group called for repayment on the principal amount of loan and respective accrued interest (the "Loan"). Therefore, the loan receivable of approximately HK$200,712,000 became due immediately. Following the failure of the borrower and/or the guarantor to repay all or part of the Loan upon demand, the floating charge crystallised and converted into a fixed charge (the "Charge") over the whole of the borrower's and/or the guarantor's property, undertaking, rights, income and assets, including, but not limited to the residential property (the "Charged Property") located in Hong Kong which is owned by the guarantor and which was registered in the Land Registry on 29 February 2012. On 14 March 2012, The BLA (Asia) (the "Lender") filed a winding-up petition in the High Court of Hong Kong against the guarantor for default on full repayment of the Loan in the principal amount of approximately HK$200,712,000 together with interest accrued thereon (collectively, the "Petition"). On 9 July 2012, the Petition was subsequently dismissed upon the application of The BLA (Asia). The Directors are of the opinion that the Group will enter a receivership on the Charged Property in order to recover the Loan (the "Proposed Receivership").

Taking into account of the legal letter dated 21 February 2013 issued by an independent professional solicitor, which stated that the Charge will have probably priority over any other charge registered with the Land Registry after 24 February 2012, the date of a signed certificate deemed the Charge to be effective. Therefore, a charge created but not yet registered with Land Registry by another creditor of the guarantor, Fameway Finance Limited ("Fameway"), on 9 September 2010 over the Charged Property probably ranks below the Charge. On 1 March 2013, The BLA (Asia) assigned its rights under the loan agreement dated 26 January 2011 and the Charge to Revelry Gains Limited, as details disclosed in Note 41(4) to the consolidated financial statements.

According to the valuation report dated 13 March 2013 (the "Valuation Report") issued by an independent professional valuer, Malcolm & Associates Appraisal Limited, the fair value of the Charged Property as at 31 December 2012 is HK$430,000,000. With regard to the Proposed Receivership, the fair value of the Charged Property would be discounted to a range of HK$360,000,000 forced sale value as stated in the Valuation Report. The Directors are of the opinion that the fair value of the Charged Property exceeded the carrying values of the principal amount of the Loan. Accordingly, no impairment allowance is considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

17. LOAN RECEIVABLES *(continued)*

iv) A loan receivable amounting to HK$2,000,000 as at 31 December 2012 was reclassified from mortgage loan receivables as details disclosed in Note 15 to the consolidated financial statements. The loan carries fixed interest rate of 8% and is secured by certain ordinary shares of a company incorporated in Hong Kong, which is also the security of a loan borrowed by existing borrower amounting to HK$2,680,000 with interest at 10% per annum.

v) A loan receivable amounting to HK$10,000,000 (2011: HK$Nil) is secured by a bond issued by a listed entity in Hong Kong and carries fixed interest rate of 12.25% per annum in first and second years and 6% per annum for the remaining period. The principal would be repayable on 5 December 2019.

vi) The loan receivables amounting to HK$30,000,000 (2011: HK$Nil) are secured by corporate guarantees provided by companies incorporated in the People's Republic of China (the "PRC") and carries fixed interest rate of 20.5% per annum in first year and 8% per annum for the remaining period. The principals of the loan receivables of HK$10,000,000, HK$10,000,000 and HK$10,000,000 would be repayable on 12 May 2020, 17 May 2020 and 4 June 2020 respectively.

vii) A loan receivable amounting to HK$500,000 (2011: HK$Nil) is secured by a private car of the borrower, carries fixed interest rate of 12% per annum and would be repayable on 30 September 2014. The loan receivable was fully settled in January 2013.

viii) A loan receivable amounting to HK$10,000,000 (2011: HK$15,000,000) is secured by a corporate guarantee provided by a listed entity in Hong Kong and carries fixed interest rate of 9% per annum.

ix) As at 31 December 2012, the remaining loan receivables amounting to HK$6,600,000 (2011: HK$6,000,000) are unsecured and carry fixed interest rates at a range from 9% to 20% (2011: 9% to 20%) per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

17. LOAN RECEIVABLES *(continued)*

x) The maturity profile of these loan receivables at the end of reporting period, analysed by the remaining periods to their contracted maturity, is as follow:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Within 3 months	**262,712**	203,712
Over 3 months but less than 1 year	**18,280**	77,000
Over 1 year but less than 5 years	**500**	–
More than 5 years	**40,000**	–
	321,492	280,712

Included in the carrying amount of the fixed-rate loan receivables of HK$5,600,000 as at 31 December 2012 (2011: HK$3,000,000) is unsecured loan borrowed by a listed entity in Hong Kong.

Movement in the accumulated impairment allowance on loan receivables:

	The Group
	HK$'000
At 1 January 2011	–
Charge during the year	1,000
At 31 December 2011	1,000
Charge during the year	1,000
Reverse during the year	(1,000)
At 31 December 2012	**1,000**

Included in the above impairment loss recognised at 31 December 2012 was individually impaired loan receivable with a carrying amount of HK$1,000,000 (2011: HK$60,000,000) before impairment which have been in financial difficulties.

The fair value of the Group's loan receivables, determined based on the present value of the estimated future cash flows discounted using the applicable interest rate at the end of reporting period, approximates the carrying amount of the loan receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

18. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

	The Group and the Company	
	2012	2011
	HK$'000	*HK$'000*
Deposit paid for acquisition of a subsidiary	**–**	10,000

At 31 December 2011, the deposit represented deposit paid for the acquisition of 100% equity interest in Weldtech Technology Co. Limited ("Acquisition"). The amount is non-interest bearing.

Pursuant to the announcement of the Company dated 25 February 2011, Wise Planner Limited ("Wise Planner"), a wholly-owned subsidiary of the Company, has entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement") with (i) Carbon Reserve Investments Limited; (ii) Newmargin Partners Ltd; (iii) Season Best Investments Limited; (iv) Cross Cone Holdings Limited; (v) Smart Promise Limited; and (iv) SV Technology Company Limited (collectively refer as the "Vendors") to acquire the entire share capital of Weldtech Technology Co. Limited ("Weldtech Technology"), a company incorporated in Hong Kong, at a consideration of HK$2,800,000,000. Weldtech Technology is engaged in the provision of energy monitoring and energy saving solutions and urban facilities to reduce energy consumption and to enhance overall energy efficiency.

The consideration shall be satisfied by (i) HK$231,000,000 by way of cash; (ii) HK$1,650,000,000 by way of issue of the convertible notes with the conversion price of HK$0.16 per conversion share; (iii) HK$319,000,000 by way of issue of the promissory notes; and (iv) HK$600,000,000 by way of allotment and issue of the consideration shares at the issue price of HK$0.16 per consideration share. At 31 December 2011, HK$10,000,000 cash has been paid as deposit.

On 24 June 2011, the Acquisition has been approved by the shareholders of the Company at the extraordinary general meeting. On 22 December 2011, Wise Planner and the Vendors have entered into a supplementary agreement to extend the long stop date of the Sale and Purchase Agreement to 31 January 2012.

Pursuant to the announcement of the Company dated 24 August 2012, Wise Planner and the Vendors mutually agreed to terminate the Sale and Purchase Agreement by entering into a termination agreement dated 24 August 2012. The deposit of HK$10,000,000 was refunded to the Group in September 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

19. AVAILABLE-FOR-SALE INVESTMENTS

	2012	2011
	HK$'000	*HK$'000*
Listed investments:		
Equity securities listed in Hong Kong	**2,898**	6,360
Unlisted investments:		
Equity securities in Hong Kong, at cost	**500**	500
Less: accumulated impairment allowance	**(241)**	(241)
Equity securities in Hong Kong, net	**259**	259
Total	**3,157**	6,619

The equity securities listed in Hong Kong represent the fair value of an equity investment in 1.41% (2011: 4.95%) of total outstanding issued shares of a listed entity at the end of the reporting period. As the trading of the shares of the listed equity securities, has been suspended from 1 November 2012 to 8 January 2013, the fair value as at 31 December 2012 amounting to approximately HK$2,898,000, was determined with reference to the closing bid price as at 31 October 2012.

During the year ended 31 December 2012, the Group disposed of certain listed equity securities with carrying amount of approximately HK$5,571,000, which had been carried at cost less impairment before the disposal.

The unlisted investments represent investments in unlisted equity securities in 5% (2011: 5%) of the total outstanding issued shares of a company incorporated in Hong Kong at the end of the reporting period. They are measured at cost less accumulated impairment loss, if any, at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 HK$'000	2011 HK$'000
Held-for-trading investments:		
Equity securities listed in Hong Kong	**13,981**	20,626

At 31 December 2012, the fair value of the listed equity securities, amounting to approximately HK$12,411,000, was determined based on the quoted market bid prices available on the Stock Exchange. As the trading of the shares of one of the listed equity securities, has been suspended from 5 December 2012 to 30 January 2013, the fair value as at 31 December 2012, amounting to HK$1,570,000, was determined with reference to the closing bid price on 4 December 2012.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group	
	2012 HK$'000	2011 HK$'000
Interest receivables	**68,240**	31,315
Prepayments	**640**	1,431
Receivables from securities brokers	**29**	2,577
Receivable from disposal of a subsidiary	**9,200**	9,200
Others	**3,309**	308
	81,418	44,831
Less: accumulated impairment allowance	**(9,270)**	(11,448)
	72,148	33,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

The movement in the accumulated impairment allowance on interest receivables and other receivables is as follows:

	Impairment allowance on interest receivables	Impairment allowance on other receivables	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2011	–	–	–
Charge during the year	2,248	9,200	11,448
At 31 December 2011	2,248	9,200	11,448
Charge during the year	70	–	70
Reverse during the year	(2,248)	–	(2,248)
At 31 December 2012	**70**	**9,200**	**9,270**

At 31 December 2011, the receivable from disposal of a subsidiary amounting to HK$9,200,000 was overdue and an impairment allowance of HK$9,200,000 was provided.

	The Company	
	2012	2011
	HK$'000	*HK$'000*
Prepayments	**190**	1,431
Receivables from securities brokers	**–**	2,162
Receivable from disposal of a subsidiary	**9,200**	9,200
Others	**3**	3
	9,393	12,796
Less: accumulated impairment allowance	**(9,200)**	(9,200)
	193	3,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

The movement in the accumulated impairment allowance on receivable from disposal of a subsidiary is as follows:

	The Company
	HK$'000
At 1 January 2011	–
Charge during the year	9,200
At 31 December 2011 and **31 December 2012**	**9,200**

Included in receivables from securities brokers are the following amounts denominated in a currency other than the functional currency of the Group:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
US dollars ("US$")	**–**	277

22. BANK BALANCES AND CASH

The amounts comprise bank balances held by the Group and the Company and short-term bank deposits bearing market interest rates ranging from Nil to 0.2% (2011: 0.1% to 0.2%) per annum. The fair value of these assets approximates the corresponding carrying amount.

23. OTHER PAYABLES AND ACCRUALS

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Accrued service fees for acquisition of a subsidiary	**5,870**	7,478
Accrued expenses	**4,656**	1,327
Receipt in advance	**3,615**	–
Interest payables	**478**	–
Other payables	**3,103**	219
	17,722	9,024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

23. OTHER PAYABLES AND ACCRUALS *(continued)*

	The Company	
	2012	2011
	HK$'000	*HK$'000*
Accrued service fees for acquisition of a subsidiary	**–**	7,478
Accrued expenses	**2,822**	367
Interest payables	**478**	–
Other payables	**298**	219
	3,598	8,064

24. BORROWING

	The Group and the Company	
	2012	2011
	HK$'000	*HK$'000*
Borrowing due within one year	**5,000**	–

The loan is an interest-bearing loan at 10% per annum, unsecured and repayable in full on 1 August 2013.

25. NON-CONVERTIBLE BONDS

	The Group and the Company	
	2012	2011
	HK$'000	*HK$'000*
Bond payables	**30,000**	–

During the year ended 31 December 2012, the Company issued non-convertible bonds with a principal amount of HK$30,000,000 to three bond holders. The principal terms of the non-convertible bonds are as follows:

Principal amount of each bond	HK$10,000,000
Interest rate	8% per annum, payable annually in arrears
Maturity	90 months
Redemption	The Company may redeem all or some of the non-convertible bonds from issue date to maturity date, at 100% of their principal amount

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

26. SHARE CAPITAL

	Par value per share *HK$*	Number of shares	*HK$'000*
Authorised:			
Ordinary shares			
At 1 January 2011	0.1	5,000,000,000	500,000
Increase in authorised share capital (note a)	0.1	25,000,000,000	2,500,000
At 31 December 2011	0.1	30,000,000,000	3,000,000
Capital reduction (note b)	(0.09)	–	(2,700,000)
Share consolidation (note b)	N/A	(27,000,000,000)	–
At 31 December 2012	**0.1**	**3,000,000,000**	**300,000**
Issued and fully paid:			
Ordinary shares			
At 1 January 2011	0.1	3,994,700,358	399,470
Issue of shares upon conversion of convertible bonds (Note 27b)	0.1	346,788,309	34,679
Exercise of warrants (Note 28)	0.1	10,000,000	1,000
At 31 December 2011	0.1	4,351,488,667	435,149
Capital reduction (note b)	(0.09)	–	(391,634)
Share consolidation (note b)	N/A	(3,916,339,801)	–
At 31 December 2012	**0.1**	**435,148,866**	**43,515**

Notes:

(a) Pursuant to an extraordinary general meeting of the Company held on 24 June 2011, the authorised share capital of the Company was increased from HK$500,000,000 to HK$3,000,000,000 by the creation of an additional 25,000,000,000 shares of HK$0.10 each. The new shares shall rank pari passu in all respects with the existing issued shares of the Company.

(b) Pursuant to an extraordinary general meeting of the Company held on 21 June 2012, the shareholders of the Company approved the cancellation of HK$0.09 of the paid up capital on each issued share of HK$0.10, the reduction of the par value of all the issued and unissued shares from HK$0.10 to HK$0.01 each (the "Reduced Shares") (the "Capital Reduction") and the consolidation of every 10 Reduced Shares into 1 ordinary share of HK$0.10 each (the "Capital Reorganisation"). On 17 December 2012, the Court of First Instance of the High Court of Hong Kong granted an order to confirm the Capital Reorganisation with effect on 19 December 2012. The credit arising from the Capital Reduction would be utilised to set off the accumulated losses of the Company and any excessive balance would be credited to the share capital reserve. Details of the Capital Reduction are set out in a circular of the Company dated 29 May 2012, announcements dated 21 June 2012 and 18 December 2012 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

27. OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS AND CONVERTIBLE BONDS

(a) On 8 October 2012, the Company issued 100 options at the premium of HK$7,830 each to the subscribers conferring the rights to the holders of the options thereof to subscribe for convertible bonds of the Company in the principal amount of HK$156,600 each at any time during the period from 8 October 2012 to 31 July 2014.

The fair value of options to subscribe convertible bonds issued on 8 October 2012 is approximately HK$13,947,000. The fair value of the convertible bond options is determined by an independent professional valuer, Messrs. Roma Appraisals Limited.

The fair value of the convertible bond options on date of issuance are determined by using the Binomial Model with the following key attributes:

Volatility	88.12%
Share price of the Company	HK$0.21 (Note)
Expected life	1.81 year
Dividend yield	0%
Risk free rate	0.25%

Note: The share price of the Company was adjusted for the impact of the Capital Reorganisation.

The principal terms of the convertible bonds are as follows:

Principal amount of each bond	HK$156,000
Coupon rate	10% per annum, payable annually in arrears
Conversion price	Before Capital Reorganisation, the conversion price is the higher of HK$0.018 or the par value of the shares of the Company; after Capital Reorganisation, the conversion price is the higher of HK$0.18 or the par value of the shares of the Company

During the period and up to the maturity date, the convertible bond holders shall be able to convert in their entirety or any part of the outstanding principal amount of the convertible bonds. The Company may, on the maturity date, at its absolute discretion, redeem all convertible bonds which have not been redeemed or converted by maturity date at 100% of their principal amount or convert into the shares. The convertible bonds are denominated in Hong Kong dollars and will mature on 31 December 2015. The Directors consider the convertible bonds as equity instruments of the Company based on the substance of the contractual terms and the definition of a financial liability and an equity instrument.

During the year ended 31 December 2012, no option was exercised by the convertible bond option holders and no convertible bond was issued by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

27. OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS AND CONVERTIBLE BONDS *(continued)*

(b) On 5 May 2010, the Company allotted and issued 562,500,000 ordinary shares of HK$0.1 each at a subscription price of HK$0.1 per share to the existing qualifying shareholders on the basis of one offer share for every four existing shares (the "Open Offer") and 449,999,997 options to the subscribers of the offer shares conferring the rights to the holders of the options thereof to subscribe in cash for convertible bonds of the Company in the principal amount of HK$45,000,000 of HK$0.1 each at any time during the period from 5 May 2010 to 4 May 2011.

The fair value of the convertible bond options on date of issuance are calculated by the Binomial Model with the following key attributes:

Volatility	101.24%
Share price of the Company	HK$0.18 (Note)
Expected life	1 year
Dividend yield	0%
Risk free rate	0.988%

Note: The share price of the Company was adjusted for the impact of the Open Offer.

During the period and up to the maturity date, the convertible bond holders shall be able to convert, but not redeem the convertible bonds, in their entirety (and not in portions). The Company may, during the same period, unilaterally enforce redemption in its sole and absolute discretion, upon obtaining the written confirmation from the convertible bond holders, at 90% of the principal amount without interest. The convertible bonds are zero-coupon, denominated in Hong Kong dollars and will mature on 31 December 2012. The Directors consider the convertible bonds as equity instruments of the Company based on the substance of the contractual terms and the definition of a financial liability and an equity instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

27. OPTIONS TO SUBSCRIBE FOR CONVERTIBLE BONDS AND CONVERTIBLE BONDS *(continued)*

Unless previously converted by the convertible bond holders before the maturity date, on the maturity date, the Company shall have the sole and absolute discretion to determine whether to redeem the convertible bonds on the maturity date at 100% of the principal amount of the convertible bonds or to issue ordinary shares of the Company to the convertible bond holders based on the conversion price of HK$0.1 per share.

During the year ended 31 December 2011, 346,982,249 options were exercised by the convertible bond option holders and the Company has issued convertible bonds in the principal amount of HK$34,698,225 accordingly. On 4 May 2011, 5,224,130 options were lapsed upon expiry of exercise period and the remaining amount of approximately HK$6,352,000 was transferred to accumulated loss.

During the year ended 31 December 2011, convertible bonds in the principal amount of HK$34,678,831 were converted into 346,788,309 ordinary shares of HK$0.1 each of the Company. At 31 December 2012, outstanding convertible bonds in the principal amount of approximately HK$78,000 was redeemed upon expiry of conversion period and the remaining amount of approximately HK$91,000 was transferred to accumulated loss.

28. WARRANTS

On 10 May 2010, the Company and Fortune (HK) Securities Limited entered into a placing agreement in respect of the placement of 562,000,000 warrants of the Company to independent investors at a price of HK$0.01 per warrant. Each warrant confers the right to subscribe for one ordinary share of the Company of HK$0.10 each at a subscription price of HK$0.18. Subsequently, the placing agent and the Company agreed to vary the warrant placement by terminating the warrant placing agreement dated 10 May 2010 and entering into a supplemental warrant placing agreement on 7 June 2010. Pursuant to the supplemental warrant placing agreement dated 7 June 2010, the exercise price was amended from HK$0.18 to HK$0.147 per warrant. The placement was completed on 22 June 2010 with the warrants expiring on 21 June 2012. Details of the above are set out in the Company's announcements dated 11 May 2010, 7 June 2010 and 22 June 2010, respectively.

During the year ended 31 December 2012, no warrants (2011: 10,000,000) were exercised at HK$0.147 and no shares (2011: 10,000,000) were issued. The total proceeds of the conversion of warrants amounted to zero (2011: HK$1,470,000) was received during the year ended 31 December 2012. At 21 June 2012, 552,000,000 outstanding warrants were expired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

29. RESERVES OF THE COMPANY

	Share premium HK$'000	Share capital reserve HK$'000	Share option reserve HK$'000	Convertible bonds HK$'000	Convertible bond options HK$'000	Warrants HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 January 2011	13,658	–	–	128	46,265	5,620	(71,443)	(5,772)
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	–	–	(56,357)	(56,357)
Lapse of convertible bond options (Note 27b)	–	–	–	–	(6,352)	–	6,352	–
Issue of convertible bonds upon exercise of convertible bond options (Note 27b)	–	–	–	74,611	(39,913)	–	–	34,698
Issue of shares upon conversion of convertible bonds (Note 27b)	39,891	–	–	(74,570)	–	–	–	(34,679)
Issue of shares upon exercise of warrants (Note 28)	570	–	–	–	–	(100)	–	470
At 31 December 2011	54,119	–	–	169	–	5,520	(121,448)	(61,640)
Profit for the year, representing total comprehensive income for the year	–	–	–	–	–	–	16,768	16,768
Issue of convertible bond options (Note 27a)	–	–	–	–	13,947	–	–	13,947
Capital reorganisation	–	270,186	–	–	–	–	121,448	391,634
Cancellation of convertible bonds upon expired (Note 27b)	–	–	–	(169)	–	–	91	(78)
Recognition of equity-settled share-based payments (Note 39)	–	–	1,881	–	–	–	–	1,881
Cancellation of warrants upon expired (Note 28)	–	–	–	–	–	(5,520)	5,520	–
At 31 December 2012	**54,119**	**270,186**	**1,881**	**–**	**13,947**	**–**	**22,379**	**362,512**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes the borrowings and non-convertible bonds as disclosed in Notes 24 and 25 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves and retained earnings. The management reviews the capital structure on semi-annual basis. As part of this review, the Directors consider the cost of capital and the risk associated with each class of capital. Based on the recommendations of the Directors, the Group manages its overall capital structure through monitoring the cash level, payment of dividends and issuance of share capital as well as the issue of new debts or the redemption of existing debt, if the need arise.

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Financial assets		
Available-for-sale investments	**3,157**	6,619
Financial assets at fair value through profit or loss	**13,981**	20,626
Loans and receivables (including cash and cash equivalents)	**434,428**	342,547
	451,566	369,792
Financial liabilities		
Other financial liabilities at amortised cost	**49,107**	9,024

	The Company	
	2012	2011
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**443,902**	370,053
Financial liabilities		
Other financial liabilities at amortised cost	**38,976**	8,447

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. These risks include market risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's and the Company's activities expose them primarily to the financial risks of changes in foreign currency exchange rates, interest rates and prices of held-for-trading equity investments and available-for-sale investments.

Foreign currency risk management

The Group and the Company have US$ denominated bank balances and cash and other receivables, which expose the Group and the Company to foreign currency risk.

No sensitivity analysis is presented for foreign currency risk as the Directors considered that the effect is insignificant under the linked exchange rate system between HK$ and US$.

Interest rate risk management

The Group's exposure to cashflow interest rate risk is mainly caused by variable-rate mortgage loans and loan receivables. The Group's exposure to fair values interest rate risk is mainly caused by non-current mortgage loans and loan receivables and non-convertible bonds.

If interest rates had been 100 (2011: 100) basis points higher/lower and all other variables were held constant, the Group's profit after tax for the year ended 31 December 2012 would decrease/increase by approximately HK$1,680,000 (2011: loss after tax decrease/increase by approximately HK$1,682,000).

The sensitivity analysis have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. The analysis is prepared assuming the amount of structured secured loan and variable-rate mortgage loans at the reporting date were outstanding for the whole year. A 100 basis point increase or decrease in the Hong Kong lending rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The Group currently has no hedging approach to the cashflow interest rate risk and fair values interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Price risks

The Group is exposed to price risk through its investments in listed equity securities during the reporting period. The management manages this exposure by maintaining a portfolio of investment with different risks.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to price risk at the reporting date.

If market prices of held-for-trading equity investments have been 20% (2011: 20%) higher/lower, profit before tax for the year ended 31 December 2012 would decrease/increase by approximately HK$2,796,000 (2011: loss before tax decrease/increase by approximately HK$4,125,000).

If market prices of available-for-sale equity securities have been 20% higher/lower, investments revaluation reserve as at 31 December 2012 would increase/decrease by approximately HK$580,000 (2011: increase/decrease by approximately HK$1,272,000).

The Group's and the Company's sensitivity to prices have decreased during the current year mainly due to drop in fair value of the listed equity securities.

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the Company's statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue loans. In addition, the Group and the Company review the recoverable amount of each individual mortgage loan and loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The credit risk on liquid funds is limited because the counterparties are banks located in Hong Kong subject to the supervision by the Hong Kong Monetary Authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk (continued)

At 31 December 2012, the Group had concentration of credit risk on mortgage loans of HK$32,200,000 to 2 borrowers (2011: HK$10,200,000 to 3 borrowers) and loan receivables of approximately HK$260,712,000 to 2 borrowers (2011: approximately HK$281,712,000 to 6 borrowers). The Directors closely monitor the risk exposure of the customers and collateral and would take appropriate action to ensure the risk exposure is acceptable. The Directors are of the view that the expected cash flow of the mortgage loans and loan receivables are sufficient to cover the carrying amount of the mortgage loans and loan receivables as at 31 December 2012.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period. The table includes both interest and principal cash flows.

Liquidity tables

The Group

	Weighted average interest rate	Repayable on demand or within 1 year	1 – 2 years	2 – 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2012							
Other payables and accruals	–	14,107	–	–	–	14,107	14,107
Borrowing	10	5,292	–	–	–	5,292	5,000
Non-convertible bonds	8	2,130	2,400	7,200	36,000	47,730	30,000
		21,529	**2,400**	**7,200**	**36,000**	**67,129**	**49,107**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity tables (continued)

The Group *(continued)*

	Weighted average interest rate %	Repayable on demand or within 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2011							
Other payables and accruals	–	9,024	–	–	–	9,024	9,024

The Company

	Weighted average interest rate %	Repayable on demand or within 1 year HK$'000	1 – 2 years HK$'000	2 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2012							
Other payables and accruals	–	3,598	–	–	–	3,598	3,598
Amount due to a subsidiary	–	378	–	–	–	378	378
Borrowing	10	5,292	–	–	–	5,292	5,000
Non-convertible bonds	8	2,130	2,400	7,200	36,000	47,730	30,000
		11,398	**2,400**	**7,200**	**36,000**	**56,998**	**38,976**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity tables (continued)

The Company *(continued)*

	Weighted average interest rate	Repayable on demand or within 1 year	1 – 2 years	2 – 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2011							
Other payables and accruals	–	8,064	–	–	–	8,064	8,064
Amount due to a subsidiary	–	383	–	–	–	383	383
		8,447	–	–	–	8,447	8,447

Fair value

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis;
- the fair value of derivative instruments is calculated using quoted prices. When such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Fair value (continued)

- the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Fair value of financial instruments

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Fair value of financial instruments (continued)

	The Group			
	31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets at FVTPL				
Equity securities listed in Hong Kong	**13,981**	**–**	**–**	**13,981**
Available-for-sale investments				
Listed investments	**2,898**	**–**	**–**	**2,898**
Total	**16,879**	**–**	**–**	**16,879**

	The Group			
	31 December 2011			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Equity securities listed in Hong Kong	20,626	–	–	20,626
Available-for-sale investments				
Listed investments	6,360	–	–	6,360
Total	26,986	–	–	26,986

The Company does not hold any financial investments measured at fair value as at 31 December 2012 and 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

32. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	*HK$'000*
Unlisted shares, at cost	**542**	542
Less: accumulated impairment allowance	**(150)**	(152)
	392	390

Movement in the accumulated allowance for impairment loss

	The Company
	HK$'000
At 1 January 2011	–
Charge during the year	152
At 31 December 2011	152
Reverse during the year	(2)
At 31 December 2012	**150**

Particulars of subsidiaries at 31 December 2012 and 2011 are as follows:

Name of company	Place of incorporation and operation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			2012	2011	
The BLA (Asia)	Hong Kong	HK$2	**100%**	100%	Money lending
Winbest Holdings Limited	British Virgin Islands	US$1	**100%**	100%	Struck off[1]
Alpha Gain Limited	Hong Kong	HK$2	**100%**	100%	Inactive
Palmy Right Limited	British Virgin Islands	US$1	**100%**	100%	Securities investment
United Warrior Limited	British Virgin Islands	US$1	**100%**	100%	Inactive
Wise Planner	British Virgin Islands	US$1	**100%**	100%	Inactive[2]
Total Global Holdings Limited	British Virgin Islands	US$50,000	**100%**	100%	Inactive
Diamond Team Limited	British Virgin Islands	US$1	**100%**	100%	Inactive

1 Winbest Holdings Limited has been struck off on 2 May 2011.
2 Except for Wise Planner, all other subsidiaries were directly held by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

33. AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	*HK$'000*
Amounts due from subsidiaries	**534,610**	480,270
Accumulated allowance for impairment loss	**(91,698)**	(115,035)
	442,912	365,235

The amounts due from subsidiaries totalling HK$259,610,000 (2011: HK$205,270,000) are unsecured, interest-free and have no fixed repayment terms and the amounts due from subsidiaries totalling HK$275,000,000 (2011: HK$275,000,000) are unsecured, bear interest at rates ranging from 7.25% per annum to 12.25% per annum (2011: 7.25% per annum to 12.25% per annum) and have no fixed repayment terms.

Movement in the accumulated allowance for impairment loss

	The Company
	HK$'000
At 1 January 2011	55,285
Charge during the year	59,750
At 31 December 2011	115,035
Reversal during the year	(15,591)
Write-off during the year	(7,895)
Charge during the year	149
At 31 December 2012	**91,698**

34. AMOUNT DUE TO A SUBSIDIARY

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

35. DEFERRED TAXATION

The followings are the major deferred tax recognised and movements thereon during the current and prior years:

	Available-for-sale investments *HK$'000*	**Investment revaluation** *HK$'000*	**Total** *HK$'000*
At 1 January 2011	1,703	(1,703)	–
Charge to profit or loss	(1,703)	–	(1,703)
Credit to other comprehensive income	–	1,703	1,703
At 31 December 2011 and 1 January 2012	–	–	–
Credit to profit or loss	348	–	348
Charge to other comprehensive income	–	(348)	(348)
At 31 December 2012	**348**	**(348)**	**–**

At the end of the reporting period, the Group has tax losses of approximately HK$75,692,000 (2011: HK$71,341,000) available for offset against future profits.

No deferred tax assets has been recognised in respect of the Group's estimated unused tax losses of HK$73,583,000 (2011: HK$81,661,000) as it is uncertain that there will be sufficient future profits available to utilise the balances. The unrecognised tax losses may be carried forward indefinitely.

At the end of the reporting period, the Company has no tax loss (2011: tax losses of HK$7,044,000) available for offset against future profits. No deferred tax assets has been recognised in respect of the estimated unused tax losses of the Company as it is uncertain that there will be sufficient future profits available to utilise the balances. The unrecognised tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

36. CAPITAL COMMITMENT

Pursuant to the announcement of the Company dated 25 February 2011, Wise Planner entered into the Sale and Purchase Agreement with the Vendors regarding the Acquisition at a consideration of HK$2,800,000,000. At 31 December 2011, HK$10,000,000 cash has been paid as deposit. During the year ended 31 December 2012, the Acquisition was terminated and the deposit was refunded. Details of the Acquisition are set out in Note 18 to the consolidated financial statements.

Capital commitments in respect of the Acquisition outstanding at each of the end of the reporting date not provided for in the consolidated financial statements were as follows:

	2012 ***HK$'000***	2011 *HK$'000*
Contracted for	**–**	2,790,000

37. OPERATING LEASES

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases for certain of its office properties as follows:

	The Group	
	2012 ***HK$'000***	2011 *HK$'000*
Within one year	**861**	1,538
In the second to fifth years inclusive	**–**	771
	861	2,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

37. OPERATING LEASES *(continued)*

	The Company	
	2012	2011
	HK$'000	*HK$'000*
Within one year	**61**	64
In the second to fifth years inclusive	**–**	17
	61	81

38. RETIREMENT BENEFIT SCHEME

The Group and the Company participate in a defined contribution scheme which is registered under a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group and the Company, in funds under the control of trustee.

For members of the MPF Scheme, the Group and the Company contribute 5% of relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost charged to the profit or loss of approximately HK$125,000 (2011: HK$55,000) represents contributions payable to the MPF Scheme by the Group in respect of the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

39. SHARE OPTION SCHEME

On 22 May 2008, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the board of directors of the Company (the "Board") may, at its discretion, grant options to the eligible participants (as defined in the Share Option Scheme) including employees, directors, shareholders and other person whom the Board considers, in its sole discretion, has contributed or will contribute to the Group. The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall not be lower than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of a share. The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the total number of shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to a director, chief executive or substantial shareholder or any of their respective associates in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders. Options granted under the Share Option Scheme will entitle the holder to subscribe for shares from the date of grant up to the 10th anniversary of the date of grant. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

On 28 December 2012, a total of 15,444,600 options (2011: Nil) were granted to Directors and consultant of the Group pursuant to the Share Option Scheme. The estimated fair value of share options granted on 28 December 2012 is approximately HK$1,881,000, which has been recognised in the consolidated statement of comprehensive income for the year ended 31 December 2012. The fair value of the share options is determined by an independent professional valuer, Messrs. Roma Appraisals Limited.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Hull White Binomial Option Pricing Model. The contractual life of the share option is used as an input into this mode. Expectations of early exercise multiple are incorporated into the Hull White Binomial Option Pricing Model.

The options granted under the Share Option Scheme are vested immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

39. SHARE OPTION SCHEME *(continued)*

Details of the terms and movements of the share options granted pursuant to the Share Option Scheme are as follows:

2012

				Number of options				
Category of grantee	**Date of grant**	**Exercise price per share**	**Expiry date**	**Balance as at 1.1.2012**	**Granted during the year**	**Exercise during the year**	**Cancelled during the year**	**Balance as at 31.12.2012**
Directors								
Mr. So Yuen Chun	28.12.2012	HK$0.273	27.12.2022	–	4,351,200	–	–	4,351,200
Mr. Yeung Kwok Leung	28.12.2012	HK$0.273	27.12.2022	–	4,351,200	–	–	4,351,200
Mr. Lam Kwok Hing, Wilfred	28.12.2012	HK$0.273	27.12.2022	–	1,087,800	–	–	1,087,800
Mr. Yeung Wai Hung, Peter	28.12.2012	HK$0.273	27.12.2022	–	434,400	–	–	434,400
Ms. Yuen Wai Man	28.12.2012	HK$0.273	27.12.2022	–	434,400	–	–	434,400
Mr. Lam Shiu Cheung, Raymond	28.12.2012	HK$0.273	27.12.2022	–	434,400	–	–	434,400
Consultant	28.12.2012	HK$0.273	27.12.2022	–	4,351,200	–	–	4,351,200
				–	15,444,600	–	–	15,444,600
Exercisable at the end of the year								15,444,600
Weighted average exercise price				–	0.273	–	–	0.273
Weighted average remaining contractual life								9.99 years

The inputs into the model as grant date were as follows:

Grant date	28 December 2012
Valuation date	28 December 2012
Share price	HK$0.265
Exercise price	HK$0.273
Expected volatility	71.463%
Risk-free rate	0.62%
Expected dividend yield	0%
Option period	10.003 years
Fair value per option	HK$0.121778776

Expected volatility was determined by using the historical volatility of the Company's share price over the expected option period. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

40. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company entered into the following transactions with related parties:

(a) Income or expense items:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Services fee paid to a company with common director	**1,350**	1,375
Commission paid to a company with common director	**123**	–
	1,473	1,375

The Directors are of the opinion that the transactions were entered into on normal commercial terms and in the ordinary course of the Group's business.

(b) Compensation of key management personnel

The key management of the Group comprises all Directors, details of their remuneration are disclosed in Note 10 to the consolidated financial statements. The remuneration of Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

41. EVENTS AFTER THE REPORTING PERIOD

(1) On 26 February 2013, the Company entered into the placing agreement (the "Placing Agreement") with FT Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has conditionally agreed to procure, the placees to subscribe for no more than 120 Tranches (in which the principal amount of the convertible bonds placed in each Tranche shall be HK$1,350,000 or any multiple thereof) of the convertible bonds (the "Convertible Bonds") of up to an aggregate principal amount of HK$162,000,000 on a best-effort basis.

Based on the initial conversion price of HK$0.135 per conversion share (the "Conversion Price"), up to a maximum of 1,200,000,000 conversion shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full (the "Conversion Shares"), which represent approximately 275.77% of the existing issued share capital of the Company and approximately 73.39% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Conversion Shares will be allotted and issued under the specific mandate.

Furthermore, on 15 March 2013, the Company entered into a supplemental placing agreement with the Placing Agent to revise the terms of the Placing Agreement, amongst which, the total number of tranches of convertible bonds of the Company was changed from 120 to 5 and subsequently the aggregate principal amount shall be not less than HK$1,350,000 or any multiple thereof. An extraordinary general meeting will be held to consider and if thought fit, pass resolutions to approve the Placing Agreement and the supplemental placing agreement and the transactions contemplated thereunder including the placing and issue of the conversion shares of the Company. For further details, please refer to the Company's announcements dated 28 February 2013 and 15 March 2013 respectively.

(2) The loans to China Eco-Farming Limited ("Eco-Farming") amounting to HK$5,600,000 (2011: HK$3,000,000) as at 31 December 2012 which was unsecured, in which HK$4,000,000 would originally due at 31 August 2013 and HK$1,600,000 would originally due at 31 December 2013, these loans together with any interest accrued was extended to 30 September 2014 pursuant to the agreement entered between The BLA (Asia) and Eco-Farming on 23 February 2013. The loan interest shall be revised to 10% per annum thereafter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

41. EVENTS AFTER THE REPORTING PERIOD *(continued)*

(3) Certain convertible bonds issued by a listed company in Hong Kong had been pledged by a borrower with The BLA (Asia) as security for that borrower's repayment of outstanding loans in the principal amount of HK$60,000,000 together with interest accrued thereon due to The BLA (Asia). On that borrower's failure to repay the outstanding loans, The BLA (Asia) enforced the security by converting the convertible bonds into shares in the said listed company in January 2013. Upon being faced with a genuine claim by another creditor of the borrower (the "Other Creditor"), The BLA (Asia) transferred a certain portfolio of the conversion shares to that Other Creditor in January 2013 against the Other Creditor's undertaking that the Other Creditor shall indemnify The BLA (Asia) for loss and damage which would be suffered as a result of such assignment of a certain portfolio of the conversion shares. As advised by the Company's legal advisor, the chance for The BLA (Asia) to be faced with any contingent liability arising from the transfer of a certain portfolio of the conversion shares to Other Creditor is remote.

(4) The BLA (Asia) assigned all the right and interest in a loan receivable of approximately HK$200,712,000 together with the related interest receivable of approximately HK$63,101,000 to Revelry Gains Limited ("Revelry"), another wholly-owned subsidiary of the Company in March 2013. In March 2013, Revelry entered into a debt recovery agreement with other creditors outside the Group in order to facilitate the debt recovery process. As at the date hereof, the debt collection is still ongoing.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2012, as extracted from the audited consolidated financial statements, is as set out below.

RESULTS

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**42,224**	37,995	18,850	3,845	7,553
Profit (loss) for the year attributable to owners of the Company	**10,324**	(49,305)	(33,727)	3,384	(1,465)
	HK cents	*HK cents* (Restated)	*HK cents* (Restated)	*HK cents* (Restated)	*HK cents* (Restated)
Earnings (loss) per share					
– Basic	**2.37**	(11.71)	(11.84)	1.50	(0.65)
– Diluted	**2.34**	(11.71)	(11.84)	N/A	N/A

ASSETS AND LIABILITIES

	At 31 December				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**453,160**	381,627	397,128	232,436	230,364
Total liabilities	**(52,722)**	(9,024)	(2,771)	(1,347)	(1,784)
Net assets	**400,438**	372,603	394,357	231,089	228,580