MASTERMIND CAPITAL LIMITED
慧德投資有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 905)

Annual Report 2011

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

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

Independent Non-executive Directors:
Mr. Lo Tak Kin
Ms. Yu Tin Yan, Winnie
Mr. Patrick Lee

COMPANY SECRETARY

Mr. Ma Man Pong

INVESTMENT MANAGER

OP Investment Management Limited

PRINCIPAL BANKER

Shanghai Commercial Bank Ltd.

AUDITOR

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

LEGAL ADVISERS

Hong Kong Law
Mason Ching & Associates

Cayman Islands Law
Maples and Calder Asia

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 609
Grand Cayman, KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

Room 1401-03, 14th Floor
Tower 2, Admiralty Centre
18 Harcourt Road, Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 905

COMPANY WEBSITE

www.mastermindcapitalhk.com

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Mastermind Capital Limited (the "Company"), I presented to you the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

The global financial markets experienced a difficult year in 2011. The Hang Seng and MSCI China Indices fell by 17.4% and 18.4%, respectively, in 2011.

During the year, the revenue of the Group was approximately HK$1,033,000 (2010: approximately HK$1,046,000) and recorded a loss of approximately HK$21,841,000 (2010: approximately HK$6,313,000) after deducting administrative expenses and other operating expenses of approximately HK$20,176,000 (2010: approximately HK$8,759,000). The increase in loss was mainly due to an increase in equity-settled share option expense (non-cash item) of approximately HK$11,807,000 as a result of the share options granted during the year (2010: Nil) and a fair value loss (non-cash item) of approximately HK$3,284,000 on financial assets at fair value through profit or loss as at 31st December, 2011 (As at 31st December, 2010: a fair value gain of approximately HK$1,400,000 on financial assets at fair value through profit or loss).

In 2011, we completed the acquisition of 7% equity interest in Genting Oil & Gas (China) Limited. As the investment environment was deeply worsening and market risk aversion was likely to grow fuelling bigger market uncertainty and volatility, non-binding memorandum of understandings, framework agreement and sale and purchase agreements signed in 2011 in relation to certain unlisted direct investments have been mutually agreed to terminate in 2012.

PROSPECTS

The US Federal Open Market Committee anticipating that interest rates would remain low through at least late 2014 and the Chinese Government may be less hawkish to further tighten the current macro policy in the near term. We expect to see various government measures to boost the PRC economy and stock market. All are favorable to the equity investments. The Board will adopt cautious measures to re-implement a diversified strategy and investment portfolio to bring a better return for the shareholders of the Company (the "Shareholders").

APPRECIATION

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

Mung Kin Keung
Chairman and Executive Director

Hong Kong, 28 March 2012

Management Discussion and Analysis

INVESTMENT REVIEW

As at 31 December 2011, the major investments of the Group were HK$5.71 million of a portfolio of listed equity securities and HK$24.70 million of direct investment in unlisted equity securities. The investment portfolio of the Group comprises equity securities in Hong Kong, Canada and China.

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

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

FINANCIAL REVIEW

During the year, the Group recorded a loss of approximately HK$21,841,000 (2010: approximately HK$6,313,000) after deducting administrative expenses and other operating expenses of approximately HK$20,176,000 (2010: approximately HK$8,759,000). The increase in loss was mainly due to an increase in equity-settled share based payment expenses (non-cash item) of approximately HK$11,807,000 as a result of the share options granted during the year (2010: Nil) and a fair value loss (non-cash item) of approximately HK$3,284,000 on financial assets at fair value through profit or loss as at 31 December 2011 (As at 31st December 2010: a fair value gain of approximately HK$1,400,000 on financial assets at fair value through profit or loss).

FINANCIAL POSITION

As at 31 December 2011, the Group had cash and cash equivalents approximately HK$19,675,000 (2010: approximately HK$44,528,000).

The Group had no borrowing as at 31 December 2011 (2010: Nil).

As at 31 December 2011, the Group had net current assets of approximately HK$24,627,000, as compared to approximately HK$57,728,000 as at 31 December 2010.

As at 31 December 2011, the current ratio of the Group was 23.25 compared to 61.32 at 31 December 2010.

CHARGES ON ASSETS

As at 31 December 2011, there were no charges on the Group's assets (2010: Nil).

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2011 (2010: Nil).

EMPLOYEES AND REMUNERATION POLICY

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

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

The Group's total staff costs (including directors' emoluments) for the year under review amounted to approximately HK$14,574,000 (2010: approximately HK$3,252,000).

Biographical Details of Directors and the Investment Manager

EXECUTIVE DIRECTORS

Mr. Mung Kin Keung ("Mr. Mung"), aged 51, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Mung holds a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. In November 2007, Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has over 10 years' experience in areas of business management, strategic planning and development. Mr. Mung was appointed as an executive director of Hong Kong Resources Holdings Company Limited (Stock Code: 2882) on 27 November 2008 and Shougang Concord Technology Holdings Limited ("SCT") (Stock Code: 521) on 16 February 2009. He was re-designated as the vice-chairman of SCT on 10 May 2010.

Mr. Tang Hao ("Mr. Tang"), aged 48, has been appointed as an executive director and the chief executive officer of the Company with effect from 12 November 2010. Mr. Tang graduated from the department of laws of East China University of Political Science (華東政法大學), majored in economic laws, in 1986 and obtained the legal qualification in the PRC in 1988. Mr. Tang has extensive experience in strategic planning. He has been working as a lawyer in Shanghai No. 1 Law Firm (上海第一律師事務所), the manager of investment department in Huachen Auto Group (華晨集團), the general manager of Shanghai Huachen Shiye Company (上海華晨實業公司), the supervisor of Jinbei Vehicle Manufacturing Co., Ltd (金杯汽車股份有限公司), the director of Shenzhen Kangda Co., Ltd (深圳康達爾股份有限公司) and the director of Shanghai Zhongxi Pharmaceutical Co., Ltd (上海中西藥業股份有限公司). Mr. Tang was appointed as a non-executive director of Jian ePayment Systems Limited (Stock Code: 8165) on 29 March 2011.

Mr. Ha Wing Ho, Peter ("Mr. Ha"), aged 49, has been appointed as an executive director of the Company with effect from 9 March 2007. Mr. Ha obtained LLB from the University of Wales in 1984 and PCLL from The University of Hong Kong in 1985. He is a partner of Messrs. Kok and Ha, Solicitors which was founded in 1989. He is also a director of Hong Kong Express Airways Limited.

Mr. Chee Man Sang, Eric ("Mr. Chee"), aged 50, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007 and has been re-designated as an executive director of the Company with effect from 13 May 2010. Mr. Chee is a practising Certified Public Accountant in Hong Kong and a senior partner of Chan Chee Cheng & Co., a firm of certified public accountants. Mr. Chee holds a Bachelor Degree in Commerce (majoring in Accounting) from Birmingham University. He had worked in two international accounting firms in Canada and Hong Kong. Mr. Chee is an associate member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and a member of the Institute of Chartered Accountants of Ontario, Canada. Mr. Chee was appointed as an independent non-executive director of Hop Fung Group Holdings Limited (Stock Code: 2320) on 4 September 2003. Mr. Chee was an independent non-executive director of Viva China Holdings Limited (formerly known as Coolpoint Energy Limited) (Stock Code: 8032) for the period from 18 February 2009 to 23 June 2010.

EXECUTIVE DIRECTORS (Continued)

Mr. Michael Stockford ("Mr. Stockford"), aged 52, has been appointed as an executive director of the Company with effect from 13 May 2010. Mr. Stockford is the Head of Asset Management Operations of OP Financial Investments Limited ("OPFI"), a listed company in Hong Kong (Stock Code: 1140), the parent company of OP Investment Management Limited (formerly known as OP Calypso Capital Limited) ("OPIM"). He graduated with a bachelor degree in accounting and finance in 1981. Mr. Stockford is a full member of Hong Kong Securities Institute, member of the Committee of Inspection for Peregrine Derivatives Limited and member of Global Association of Risk Professionals. Mr. Stockford was the co-founder of the OPIM.

Mr. Mung Bun Man, Alan ("Mr. Alan Mung"), aged 25, has been appointed as an executive director the Company with effect from 12 November 2010. Mr. Alan Mung is a managing partner of First Beijing Investment Ltd. Mr. Alan Mung obtained a Bachelor of Art in Business Economics from University of California – Santa Barbara in 2007 and a Master of Finance from Peking University in 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Tak Kin ("Mr. Lo"), aged 45, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007. Mr. Lo is a practising Certified Public Accountant in Hong Kong and an associate member of the HKICPA. Mr. Lo is currently a director of M Square CPA Limited, Certified Public Accountants and has extensive experience in auditing, tax planning and finance.

Ms. Yu Tin Yan, Winnie ("Ms. Yu"), aged 37, has been appointed as an independent non-executive director of the Company with effect from 9 March 2007. Ms. Yu was admitted as a Solicitor of the High Court of Hong Kong in 1999. Ms. Yu is currently an Associate of Messrs. Tony Kan & Co. She is also currently a Full Member and Director of the Association of Hong Kong Professionals Limited.

Mr. Patrick Lee ("Mr. Lee"), aged 46, has been appointed as an independent non-executive director of the Company with effect from 13 May 2010. Mr. Lee is a practicing Certified Public Accountant and he has over 20 years of experience in accounting and auditing. He started his career in auditing with PricewaterhouseCoopers since his graduation from the Polytechnic University in 1989. After about 3 years of service in auditing, he then joined a number of commercial organizations, taking up positions as finance manager, financial controller, and chief financial officer. Mr. Lee has a wide spectrum of commercial experiences in organizations like trading conglomerate, fast moving consumer products manufacturing and retail, gold and jewelry trading and retail, travel agency, media, and vehicle dealer. Mr. Lee also has plenty of experiences with listed companies listed in Hong Kong, US and Malaysia. Mr. Lee graduated from the Polytechnic University, major in accountancy. He is an associate member of the HKICPA.

Biographical Details of Directors and the Investment Manager

INVESTMENT MANAGER

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

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

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

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

The directors present their report and the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITY

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 26 to 79.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the year (2010: Nil).

SHARE CAPITAL

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

RESERVES

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

PROPERTY, PLANT AND EQUIPMENT

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

PRE-EMPTIVE RIGHTS

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

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 80.

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

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

Directors' Report

DIRECTORS

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

Executive Directors:

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

Independent Non-Executive Directors:

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

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

In accordance with Article 157 of the Company's Articles of Association, Mr. Chee Man Sang, Eric, Mr. Michael Stockford and Mr. Patrick Lee will retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, offer themselves for re-election at the forthcoming AGM.

All other remaining directors shall continue in office.

BIOGRAPHICAL DETAILS OF DIRECTORS AND INVESTMENT MANAGER

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACT

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

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

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

As at 31 December 2011, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as follows:

Interests in Shares and underlying Shares of the Company

		Number of shares held		Number of share options held		Percentage of total issued shares as at	
Name of directors	**Capacity**	**Personal interests**	**Corporate interests**	**Personal interests**	**Total interests**	**31 December 2011**	Note
Mung Kin Keung	Interest in controlled corporation	–	780,000,000	–	780,000,000	35.49%	1
	Beneficial owner	–	–	21,000,000	21,000,000	0.96%	2
Tang Hao	Beneficial owner	155,200,000	–	17,000,000	172,200,000	7.83%	2
Ha Wing Ho, Peter	Beneficial owner	–	–	15,000,000	15,000,000	0.68%	2
Chee Man Sang, Eric	Beneficial owner	–	–	15,000,000	15,000,000	0.68%	2
Michael Stockford	Beneficial owner	–	–	15,000,000	15,000,000	0.68%	2
Mung Bun Man, Alan	Beneficial owner	–	–	15,000,000	15,000,000	0.68%	2
Lo Tak Kin	Beneficial owner	–	–	1,500,000	1,500,000	0.07%	2
Yu Tin Yan, Winnie	Beneficial owner	–	–	1,500,000	1,500,000	0.07%	2
Patrick Lee	Beneficial owner	–	–	1,500,000	1,500,000	0.07%	2

Notes:

1 These shares were registered in the name of and were beneficially owned by China Tian Di Xing Logistics Holdings Limited ("TDX"), a company in which Mr. Mung Kin Keung ("Mr. Mung"), an executive director and chairman of the Company, holds 99.99% equity interests. Therefore, Mr. Mung is deemed to have an interest in the shares in which TDX is interested.

2 These represented the share options granted by the Company to the respective directors, the details of which are provided in the section headed "Share Option Scheme" in this report.

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

Save as disclosed above, at no time during the year ended 31 December 2011 was the Company, its subsidiaries or its associated companies a party to any arrangement to enable the directors or the chief executives of the Company, or their spouses or children under the age of 18, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporation.

Save as disclosed above, none of the directors or the chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

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

Other than the interests disclosed under the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and associated corporations", at 31 December 2011, so far as was known to the Directors, the Company had been notified of the following substantial shareholders' interests and short position, being 5% or more of the Company's shares and underlying shares to record in the register of substantial shareholders maintained under Section 336 of the SFO:

Name of substantial shareholder	Capacity	Number of shares held	Note	Percentage of issued shares as at 31 December 2011
Link Chance Investment (Hong Kong) Limited	Beneficial owner	300,000,000	1	13.65%
Searainbow Holding Corporation	Interest in controlled corporation	300,000,000	1	13.65%
Greater China Special Value Fund	Beneficial owner	123,200,000	2	5.61%
OP Calypso Capital (Cayman) Limited	Investment manager	123,200,000	2	5.61%

Notes:

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

2. Greater China Special Value Fund (the "GCSV Fund") which holds 123,200,000 shares of the Company, is managed by OP Calypso Capital (Cayman) Limited ("OPCCCL") Therefore, OPCCCL is deemed to have an interest in the shares in which the GCSV Fund is interested.

SHARE OPTION SCHEME

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

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

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

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

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

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

SHARE OPTION SCHEME (Continued)

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

Grantees	Date of grant of share options	Expiry date of share options	Exercise price	Number of share options: Balance as at 1 January 2011	Granted	Exercised	Cancelled	Balance as at 31 December 2011
Directors								
Mung Kin Keung	15.4.2011	14.04.2021	HK$0.27	–	21,000,000	–	–	21,000,000
Tang Hao	15.4.2011	14.04.2021	HK$0.27	–	17,000,000	–	–	17,000,000
Ha Wing Ho, Peter	15.4.2011	14.04.2021	HK$0.27	–	15,000,000	–	–	15,000,000
Chee Man Sang, Eric	15.4.2011	14.04.2021	HK$0.27	–	15,000,000	–	–	15,000,000
Michael Stockford	15.4.2011	14.04.2021	HK$0.27	–	15,000,000	–	–	15,000,000
Mung Bun Man, Alan	15.4.2011	14.04.2021	HK$0.27	–	15,000,000	–	–	15,000,000
Lo Tak Kin	15.4.2011	14.04.2021	HK$0.27	–	1,500,000	–	–	1,500,000
Yu Tin Yan, Winnie	15.4.2011	14.04.2021	HK$0.27	–	1,500,000	–	–	1,500,000
Patrick Lee	15.4.2011	14.04.2021	HK$0.27	–	1,500,000	–	–	1,500,000
				–	102,500,000	–	–	102,500,000
Employees								
In aggregate	15.4.2011	14.04.2021	HK$0.27	–	30,000,000	–	–	30,000,000
Other grantees								
In aggregate	15.4.2011	14.04.2021	HK$0.27	–	11,500,000	–	–	11,500,000
TOTAL				–	144,000,000	–	–	144,000,000

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

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

CONNECTED TRANSACTIONS

The following connected transactions occurred during the year.

1. Investment management agreement

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

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

The aggregate investment management fee paid/payable to OPIM for the year ended 31 December 2011 amounted to HK$500,000.

2. Custodian agreement

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

The custodian fee paid to the Custodian for the year ended 31 December 2011 amounted to HK$19,200.

PUBLIC FLOAT

On the basis of information that is publicly available to the Company and within the knowledge of the directors at the date of this report, the Company has complied with the public float requirement of the Listing Rules for the year ended 31 December 2011.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") provides an important link between the Board and the Company's auditors in matters coming within the scope of audit of the Group. It also reviews the effectiveness of both the external and internal controls and risk evaluation. As at 31 December 2011, the committee members comprised Mr. Patrick Lee (chairman of Audit Committee), Mr. Lo Tak Kin and Ms. Yu Tin Yan, Winnie.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of annual results for the year ended 31 December 2011.

AUDITORS

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

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

There has been no other changes of auditor in the preceding three years.

By order of the Board

Ma Man Pong
Secretary

Hong Kong, 28 March 2012

Corporate Governance Report

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

On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company adopted all the code provisions in the Code as its own code on corporate governance practices.

The Company has complied with code provisions as set out in the Code except for certain deviations which are mentioned below.

THE BOARD

Composition

The Board consists of six executive directors and three independent non-executive directors ("INED(s)"). Two of the INEDs have the appropriate professional accounting experience and expertise. One INED has the appropriate professional legal experience and expertise. The names and biographical details of each director are disclosed on pages 6 to 7 of this Annual Report.

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

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

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

Function

The Board is responsible both for how the Company is managed and the Company's direction. Approval of the Board is required for the strategy of the Group, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters.

The Board held four regular Board meetings during the year 2011. Due notice and board papers were given to all directors prior to the meeting in accordance with the Listing Rules and the Code. Details of individual attendance of directors are set out below:

Attendance of individual directors at Board meetings in 2011

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

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

There was no change in directorship during the year.

BOARD COMMITTEES

To strengthen the functions of the Board and to enhance its expertise, there are three Board committees namely, the Audit Committee, the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") formed under the Board, with each performing different functions.

AUDIT COMMITTEE

The Audit Committee comprises three INEDs.

The role and function of the Audit Committee include:

– to serve as a focal point for communication between other directors and the auditors in respect of the duties relating to financial and other reporting, internal controls, audits, and such other matters as the Board may determine from time to time.

– to review the appointment of auditors on an annual basis including the review of the audit scope and approval of the audit fees.

– to review the annual and interim financial statements prior to their approval by the Board, and recommend application of accounting policies and changes to the financial reporting requirements.

– to assist the Board in fulfilling its responsibility by providing an independent review and supervision of financial reporting, by satisfying themselves as to the effectiveness of the internal controls of the Group and the adequacy of the audits.

Set out below is the summary of work done in 2011:

– to review the financial statements for the year ended 31 December 2010 and for the six months ended 30 June 2011; and

– to review the effectiveness of the internal controls system.

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

Attendance of individual members at Audit Committee meetings in 2011

Number of meetings	**3**
INEDs	
Mr. Patrick Lee *(Chairman of Audit Committee)*	3/3
Mr. Lo Tak Kin	3/3
Ms. Yu Tin Yan, Winnie	3/3

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee, comprising three INEDs and the Chairman of the Company, which meets at least once a year. The role and function of the Remuneration Committee include formulation of the remuneration policy, reviewing and recommending to the Board the annual remuneration policy, and consideration of the remuneration of the directors and senior management of the Group.

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

Attendance of individual members at Remuneration Committee meeting in 2011	
Number of meetings	**1**
Executive Director	
Mr. Mung Kin Keung	1/1
INEDs	
Mr. Lo Tak Kin *(Chairman of Remuneration Committee)*	1/1
Ms. Yu Tin Yan, Winnie	1/1
Mr. Patrick Lee	1/1

* In order to comply with the forthcoming amendments to the Listing Rules which will be effective on 1 April 2012, the Board has approved the changes of the Remuneration Committee with effect from 28 March 2012. Mr. Lo Tak Kin has been appointed as the chairman of the Remuneration Committee in place of Mr. Mung Kin Keung ("Mr. Mung") and Mr. Mung remains as a member of the Remuneration Committee.

NOMINATION COMMITTEE

The Board has established a Nomination Committee, comprising three INEDs and the Chairman of the Company, which meets at least once a year. The role and function of the Nomination Committee include reviewing the structure, size and composition of the Board, to assess the independence of INEDs and recommend to the Board on relevant matters relating to the appointment of Directors and succession planning for Directors.

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

Attendance of individual members at Nomination Committee Meeting in 2011	
Number of meetings	**1**
Executive Director	
Mr. Mung Kin Keung	1/1
INEDs	
Ms. Yu Tin Yan, Winnie *(Chairman of Nomination Committee)*	1/1
Mr. Lo Tak Kin	1/1
Mr. Patrick Lee	1/1

In order to comply with the forthcoming amendments to the Listing Rules which will be effective on 1 April 2012, the Board has approved the changes of the Nomination Committee with effect from 28 March 2012. Ms. Yu Tin Yan, Winnie has been appointed as the chairman of the Nomination Committee in place of Mr. Mung Kin Keung (Mr. Mung") and Mr. Mung remains as a member of the Nomination Committee.

REMUNERATION POLICY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDITORS' REMUNERATION

During the year, total fees paid/payable to BDO Limited, the Company's auditor amounted to HK$310,000, of which HK$40,000 or 12.9%, was fee for non-audit service.

INTERNAL CONTROL

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

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

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

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

INTERNAL CONTROL (Continued)

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

SHAREHOLDER COMMUNICATION

The objective of shareholder communication is to provide the shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

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

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

Due to the other business commitment, Mr. Mung Kin Keung, the chairman of the Board, was unable to attend the annual general meeting of the Company (the "Annual General Meeting") held on 24 June 2011. However, arrangements including the attendance of members of the Board had been in place to ensure the Annual General Meeting was in order.

DIRECTORS' RESPONSIBILITY FOR PREPARING THE FINANCIAL STATEMENTS

The directors acknowledge that it is their responsibilities in preparing the Financial Statements. The statement of the auditors about their reporting responsibilities on the Financial Statements is set out in the Independent Auditor's Report on pages 24 to 25.

Independent Auditor's Report

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To the shareholders of Mastermind Capital Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Mastermind Capital Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 26 to 79, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Li Wing Yin
Practising Certificate number P05035

Hong Kong, 28 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	6	**1,033**	1,046
Other revenue	6	**586**	–
Fair value (loss)/gain on financial assets at fair value through profit or loss		**(3,284)**	1,400
Administrative expenses and other operating expense		**(20,176)**	(8,759)
Loss before income tax	7	**(21,841)**	(6,313)
Income tax expense	10	**–**	–
Loss for the year, attributable to owners of the Company	11	**(21,841)**	(6,313)
Other comprehensive income			
Loss on change in fair value of available-for-sale financial assets		**(768)**	(671)
Reclassification relating to impairment loss on available-for-sale financial assets		**–**	834
Exchange difference on translation of financial statements of foreign subsidiaries		**34**	44
Other comprehensive income for the year		**(734)**	207
Total comprehensive income for the year, attributable to owners of the Company		**(22,575)**	(6,106)
Loss per share for loss attributable to owners of the Company during the year	12		
Basic (HK cents)		**(1.02)**	(0.34)
Diluted (HK cents)		**(1.02)**	N/A

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**797**	1,096
Available-for-sale financial assets	15	**26,282**	13,583
Deposits paid	16	**53,400**	30,000
		80,479	44,679
Current assets			
Prepayments		**43**	325
Other receivables		**1,897**	1,432
Financial assets at fair value through profit or loss	17	**4,119**	12,400
Cash and cash equivalents	18	**19,675**	44,528
		25,734	58,685
Current liabilities			
Accruals and other payables	19	**909**	759
Amount due to a related company	20	**125**	125
Provision for income tax		**73**	73
		1,107	957
Net current assets		**24,627**	57,728
Total assets less current liabilities/Net assets		**105,106**	102,407
EQUITY			
Equity attributable to the Company's owners			
Share capital	21	**54,947**	53,280
Reserves	24(a)	**50,159**	49,127
Total equity		**105,106**	102,407
Net asset value per share (HK$)	22	**0.05**	0.05

Mung Kin Keung
Director

Ha Wing Ho, Peter
Director

Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**495**	687
Interests in subsidiaries	14	**12,010**	12,010
Deposits paid	16	**53,400**	30,000
		65,905	42,697
Current assets			
Prepayments		**43**	325
Other receivables		**7**	–
Amounts due from subsidiaries	14	**20,788**	15,622
Cash and cash equivalents	18	**19,599**	44,085
		40,437	60,032
Current liabilities			
Accruals and other payables	19	**657**	659
Amount due to a related company	20	**125**	125
Amounts due to subsidiaries	14	**650**	–
		1,432	784
Net current assets		**39,005**	59,248
Total assets less current liabilities/Net assets		**104,910**	101,945
EQUITY			
Share capital	21	**54,947**	53,280
Reserves	24(b)	**49,963**	48,665
Total equity		**104,910**	101,945

Mung Kin Keung
Director

Ha Wing Ho, Peter
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Loss before income tax		**(21,841)**	(6,313)
Adjustments for:			
Depreciation	7	**305**	303
Fair value loss/(gain) on financial assets at fair value through profit or loss		**3,284**	(1,400)
Gain on disposal of financial assets at fair value through profit or loss	6	**(586)**	–
Impairment loss on available-for-sale financial assets	7	**–**	834
Equity-settled share-based payment expenses	23	**11,807**	–
Dividend income from available-for-sale financial assets	6	**(1,000)**	(1,017)
Interest income on financial assets carried at amortised costs	6	**(33)**	(29)
Operating loss before working capital changes		**(8,064)**	(7,622)
Decrease/(increase) in prepayments		**282**	(127)
Decrease/(increase) in other receivables		**538**	(1,154)
Increase in accruals and other payables		**150**	328
Increase in amount due to a related company		**–**	125
Net proceeds from disposal of financial assets at fair value through profit or loss		**5,583**	–
Purchase of financial assets at fair value through profit or loss		**–**	(11,000)
Cash used in operations		**(1,511)**	(19,450)
Income tax paid		**–**	(6)
Net cash used in operating activities		**(1,511)**	(19,456)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6)**	(24)
Investment deposits paid		**(23,400)**	(30,000)
Dividend received		**–**	1,017
Interest received		**30**	29
Net cash used in investing activities		**(23,376)**	(28,978)
Cash flows from financing activities			
Proceeds from shares issued		**–**	80,400
Shares issue expenses		**–**	(998)
Net cash generated from financing activities		**–**	79,402
Net (decrease)/increase in cash and cash equivalents		**(24,887)**	30,968
Cash and cash equivalents at 1 January		**44,528**	13,516
Effect of foreign exchange rate changes		**34**	44
Cash and cash equivalents at 31 December		**19,675**	44,528

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company					
	Share capital	Share premium*	Translation reserve*	Available-for-sale financial assets revaluation reserve*	Accumulated losses*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010	37,200	115,241	(3)	385	(123,712)	29,111
Transactions with owners						
Issue of share capital	16,080	64,320	–	–	–	80,400
Shares issue expenses	–	(998)	–	–	–	(998)
	16,080	63,322	–	–	–	79,402
Loss for the year	–	–	–	–	(6,313)	(6,313)
Other comprehensive income						
Loss on change in fair value of available-for-sale financial assets	–	–	–	(671)	–	(671)
Reclassification relating to impairment loss on available-for-sale financial assets	–	–	–	834	–	834
Exchange difference on translation of financial statements of foreign subsidiaries	–	–	44	–	–	44
Total comprehensive income for the year	–	–	44	163	(6,313)	(6,106)
At 31 December 2010	53,280	178,563	41	548	(130,025)	102,407

* These reserve accounts comprise the consolidated reserves of approximately HK$50,159,000 in the consolidated statement of financial position as at 31 December 2011 (2010: approximately HK$49,127,000).

1. GENERAL INFORMATION

Mastermind Capital Limited (the "Company") was domiciled in Hong Kong and incorporated in the Cayman Islands on 21 April 1998, as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Ugland House, P.O. Box 309, Grand Cayman, KY1-1104, Cayman Islands. Its principal place of business is situated at Room 1401-03, 14th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong.

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

These financial statements for the year ended 31 December 2011 were approved for issue by the board of directors on 28 March 2012.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards has no material impact on the Group's financial statements.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

The Group has not applied the following new and revised HKFRSs, that have been issued, but are not yet effective in these financial statements.

Amendments to HKFRS 7 (2010)	Disclosures – Transfers of Financial Assets[1]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
Amendments to HKFRS 7 (2011)	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Information on new and amended HKFRSs that are expected to affect the Group is as follows:

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

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

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

HKFRS 9 – Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs but not yet in a position to state whether they could have material financial impact on the Group's results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements on pages 26 to 79 have been prepared in accordance with Hong Kong Financial Reporting Standards which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation (Continued)

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

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

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

3.2 Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year (if any) are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

3.3 Subsidiaries

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Foreign currency translation

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

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

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

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

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

3.5 Property, plant and equipment

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Property, plant and equipment (Continued)

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

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

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

3.6 Financial assets

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets (Continued)

(i) Loans and receivables

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

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

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

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

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

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets (Continued)

(iii) Available-for-sale financial assets

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

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

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

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

Impairment of financial assets

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

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

– Significant financial difficulty of the debtor;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

(i) *Financial assets carried at amortised cost*

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Financial assets carried at cost

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

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

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

3.7 Impairment of non-financial assets

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases at the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and
(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Accounting for income tax (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.9 Cash and cash equivalents

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

3.10 Share capital

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

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

3.11 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Employee benefits (Continued)

Short-term employee benefits

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

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

3.12 Share-based payment

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Financial liabilities

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

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

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

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

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

3.14 Revenue recognition

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

(i) Dividend income is recognised when the right to receive the dividend is established.

(ii) Interest income is recognised on a time-proportion basis using the effective interest method.

3.15 Lease

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

Operating lease charges as the lessee

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

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

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Segment reporting

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

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

3.18 Provisions and contingent liabilities

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

Depreciation

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

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

Impairment of interests in subsidiaries

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

Based on the Group's assessment there is no requirement to provide for any allowance for impairment in value of interests in subsidiaries. The Company's carrying amount of interests in subsidiaries at 31 December 2011 was approximately HK$12,010,000 (2010: HK$12,010,000).

4.2 Critical judgements in applying the entity's accounting policies

Impairment of available-for-sale financial assets

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

5. SEGMENT INFORMATION

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

At the reporting date, non-current assets included property, plant and equipment of approximately HK$797,000 (2010: HK$1,096,000) and deposits paid of approximately HK$53,400,000 (2010: HK$30,000,000) are located in Hong Kong (domicile) and the People's Republic of China, except Hong Kong (the "PRC") respectively. The place of domicile is determined based on the location of central management.

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

6. REVENUE AND OTHER REVENUE

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

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Dividend income	**1,000**	1,017
Interest income	**33**	29
	1,033	1,046
Other revenue		
Gain on disposal of financial assets at fair value through profit or loss	**586**	–

7. LOSS BEFORE INCOME TAX

	2011 *HK$'000*	2010 *HK$'000*
Loss before income tax is arrived at after charging:		
Auditor's remuneration	**270**	250
Depreciation	**305**	303
Impairment loss on available-for-sale financial assets	**–**	834
Investment management fees *(Note 25(i)(b) and (c))*	**500**	575
Operating lease charges on office premises	**281**	274

8. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	2011 *HK$'000*	2010 *HK$'000*
Salaries	**3,617**	3,171
Pension costs – defined contribution plans	**93**	81
Equity-settled share-based payment expenses *(Note 23)*	**10,864**	–
	14,574	3,252

9. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
2010				
Executive directors				
Mr. Mung Kin Keung	960	–	12	972
Mr. Tang Hao *(Note (i))*	–	–	–	–
Mr. Ha Wing Ho, Peter	360	–	12	372
Mr. Chee Man Sang, Eric *(Note (ii))*	114	–	6	120
Mr. Michael Stockford *(Note (iii))*	–	–	–	–
Mr. Mung Bun Man, Alan *(Note (iv))*	74	–	2	76
Mr. Benoit Descourtieux *(Note (v))*	–	–	–	–
Mr. Leong Chi Wai *(Note (vi))*	44	–	2	46
Mr. Leung King Yue, Alex *(Note (vi))*	35	–	2	37
Independent non-executive directors				
Mr. Lo Tak Kin	60	–	–	60
Ms. Yu Tin Yan, Winnie	60	–	–	60
Mr. Patrick Lee *(Note (vii))*	38	–	–	38
Mr. Chee Man Sang, Eric *(Note (ii))*	22	–	–	22
	1,767	–	36	1,803

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

(a) Directors' emoluments (Continued)

Notes:

(i) Mr. Tang Hao was appointed as an executive director on 12 November 2010.

(ii) Mr. Chee Man Sang, Eric was re-designated from an independent non-executive director to an executive director on 13 May 2010. The director fee was revised from HK$5,000 per month to HK$15,000 per month upon re-designation.

(iii) Mr. Michael Stockford was appointed as an executive director on 13 May 2010. The director fee was revised to HK$15,000 per month commencing from 1 July 2011.

(iv) Mr. Mung Bun Man, Alan was appointed as an executive director on 12 November 2010. The director fee was HK$30,000 per month.

(v) Mr. Benoit Descourtieux was appointed as an executive director on 13 May 2010 and resigned on 12 November 2010.

(vi) Mr. Leong Chi Wai and Mr. Leung King Yue, Alex resigned on 13 May 2010.

(vii) Mr. Patrick Lee was appointed as an independent non-executive director on 13 May 2010. The director fee was HK$5,000 per month.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

No emoluments were paid by the Group to the directors or any of the five highest paid individual as an inducement to join or upon joining the Group or as compensation for loss of office (2010: Nil).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2010: three) highest paid individuals are as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries	**870**	820
Pension costs – defined contribution plans	**24**	31
Equity-settled share-based payment expenses	**2,460**	–
	3,354	851

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

	2011	2010
	Number of employees	*Number of employees*
Nil to HK$1,000,000	**–**	3
HK$1,500,001 to HK$2,000,000	**2**	–

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the year (2010: 16.5%). Also, the Group has no profits subject to the PRC enterprise income tax ("EIT") during the year (2010: Nil).

	2011	2010
	HK$'000	*HK$'000*
Hong Kong		
– Current tax	**–**	73
– Under-provision in respect of prior year	**–**	6
	–	79
The PRC EIT		
– Over-provision in respect of prior year	**–**	(79)
Income tax expense	**–**	–

10. INCOME TAX EXPENSE (Continued)

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

	2011	2010
	HK$'000	*HK$'000*
Loss before income tax	**(21,841)**	(6,313)
Tax on loss before income tax, calculated at the rates applicable to the tax jurisdictions concerned	**(3,608)**	(1,014)
Tax effect of non-deductible expense	**2,062**	754
Tax effect of non-taxable revenue	**(5)**	(47)
Tax effect of temporary difference not recognised	**22**	(628)
Tax losses not recognised as deferred tax asset	**1,467**	1,008
Others	**62**	–
Over-provision in respect of prior year	**–**	(73)
Income tax expense	**–**	–

No deferred tax liability has been provided as the Group did not have material temporary differences which gave rise to a deferred tax liability as at 31 December 2011 (2010: Nil).

The Group has tax loss arising in Hong Kong of approximately HK$66,579,000 (2010: HK$57,689,000), subject to the agreement of the Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses which arose in companies with unpredictability of future profit streams.

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

Of the consolidated loss for the year attributable to owners of the Company of HK$21,841,000 (2010: HK$6,313,000), a loss of HK$22,309,000 (2010: HK$5,999,000) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of HK$21,841,000 (2010: HK$6,313,000) and the weighted average number of 2,131,382,647 (2010: 1,830,000,000) ordinary shares in issue during the year.

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

Diluted loss per share for the year ended 31 December 2010 was not presented as there was no dilutive potential ordinary share in existence during the year.

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

The Group

	Motor vehicle *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
At 1 January 2010			
Cost	1,500	–	1,500
Accumulated depreciation	(125)	–	(125)
Net book amount	1,375	–	1,375
Year ended 31 December 2010			
Opening net book amount	1,375	–	1,375
Additions	–	24	24
Depreciation	(300)	(3)	(303)
Closing net book amount	1,075	21	1,096
At 31 December 2010 and at 1 January 2011			
Cost	1,500	24	1,524
Accumulated depreciation	(425)	(3)	(428)
Net book amount	1,075	21	1,096
Year ended 31 December 2011			
Opening net book amount	**1,075**	**21**	**1,096**
Additions	**–**	**6**	**6**
Depreciation	**(300)**	**(5)**	**(305)**
Closing net book amount	**775**	**22**	**797**
At 31 December 2011			
Cost	**1,500**	**30**	**1,530**
Accumulated depreciation	**(725)**	**(8)**	**(733)**
Net book amount	**775**	**22**	**797**

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

The Company

	Motor vehicle *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
At 1 January 2010			
Cost	950	–	950
Accumulated depreciation	(79)	–	(79)
Net book amount	871	–	871
Year ended 31 December 2010			
Opening net book amount	871	–	871
Additions	–	8	8
Depreciation	(190)	(2)	(192)
Closing net book amount	681	6	687
At 31 December 2010 and at 1 January 2011			
Cost	950	8	958
Accumulated depreciation	(269)	(2)	(271)
Net book amount	681	6	687
Year ended 31 December 2011			
Opening net book amount	**681**	**6**	**687**
Depreciation	**(190)**	**(2)**	**(192)**
Closing net book amount	**491**	**4**	**495**
At 31 December 2011			
Cost	**950**	**8**	**958**
Accumulated depreciation	**(459)**	**(4)**	**(463)**
Net book amount	**491**	**4**	**495**

14. INTERESTS IN SUBSIDIARIES – THE COMPANY

	2011 *HK$'000*	2010 *HK$'000*
Unlisted shares, at costs	**12,010**	12,010
Amounts due from subsidiaries	**24,268**	15,622
Less: provision for impairment loss	**(3,480)**	–
	20,788	15,622

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

During the year ended 31 December 2011, the directors are of opinion that the recoverability of certain receivables are in doubt and accordingly, provision has been made for those balances to reduce their carrying values to recoverable amounts.

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

14. INTERESTS IN SUBSIDIARIES – THE COMPANY (Continued)

Particulars of the Company's subsidiaries at 31 December 2011 are as follows:

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

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

* *newly incorporated during the year*

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

	2011	2010
	HK$'000	*HK$'000*
Listed equity securities, at fair values		
– In Hong Kong	**1,338**	1,854
– Outside Hong Kong	**248**	500
	1,586	2,354
Unlisted equity securities, at costs	**27,760**	14,293
Accumulated impairment losses	**(3,064)**	(3,064)
	24,696	11,229
	26,282	13,583

(a) Particulars of available-for-sale financial assets in respect of listed equity securities as at 31 December 2011 are as follows:

Name	Place of incorporation/ listing	Particulars of equity interest held	Percentage of equity interest held	Cost	Market value as at 31 December 2011	Percentage of the Group's net assets as at 31 December 2011
				HK$'000	*HK$'000*	
Shougang Concord Technology Holding Limited ("SCTHL")	Hong Kong	1,888,000 ordinary shares (2010: 1,888,000 ordinary shares)	Less than 1% (2010: Less than 1%)	614 (2010: 614)	585 (2010: 736)	0.56% (2010: 0.72%)
APAC Resources Limited ("APAC")	Bermuda/ Hong Kong	2,280,000 ordinary shares (2010: 2,280,000 ordinary shares)	Less than 1% (2010: Less than 1%)	692 (2010: 692)	753 (2010: 1,118)	0.72% (2010: 1.09%)
Medifocus Inc.	Ontario, Canada/ Toronto, Canada	400,000 ordinary shares (2010: 400,000 ordinary shares)	Less than 2% (2010: Less than 2%)	1,334 (2010: 1,334)	248 (2010: 500)	0.24% (2010: 0.49%)

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

(a) Particulars of available-for-sale financial assets in respect of listed equity securities as at 31 December 2011 are as follows: (Continued)

SCTHL is principally engaged in manufacture and sale of digital television and provision of digital television technical services, manufacture and distribution of telephone accessories, power cords and adapters, development and provision of system integration solutions, system design and sale of system hardware. No dividend was received during the year (2010: Nil). Based on the latest published annual results of SCTHL, the audited consolidated net assets as at 31 December 2011 were approximately HK$1,260 million. Mr. Mung Kin Keung, a director of the Company, is an executive director and the vice-chairman of SCTHL.

APAC is principally engaged in trading in base metals and commodities and trading and investment in listed securities. No dividend was received during the year (2010: Nil). Based on the latest published interim results of APAC, the unaudited consolidated net assets as at 31 December 2011 were approximately HK$5,259 million.

Medifocus Inc. is a Canada-based company. The Company is focused on development and commercialisation of minimally invasive, focused-heat tumor targeted cancer treatment devices and systems. No dividend was received during the year (2010: Nil). Based on the latest published results of Medifocus Inc., the unaudited consolidated net assets as at 31 December 2011 were approximately HK$11 million (Canadian dollar ("CAD") 1.5 million).

Fair value of the Group's investments in listed equity securities has been measured as described in Note 27.7.

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

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

Name	*Notes*	Place of establishment/ incorporation	Percentage of equity interest held	Cost		Accumulated impairment losses		Carrying value		Percentage of the Group's net assets as at 31 December 2011
				2011 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2010 *HK$'000*	2011 *HK$'000*	2010 *HK$'000*	
乳源瑤族自治縣二灣水電站	*(i)*	The PRC	30%	**2,746**	2,746	**-**	–	**2,746**	2,746	2.61% (2010: 2.69%)
乳源瑤族自治縣坪坑仔水電站	*(i)*	The PRC	30%	**4,306**	4,306	**-**	–	**4,306**	4,306	4.10% (2010: 4.21%)
乳源瑤族自治縣天泉水電站	*(i)*	The PRC	30%	**1,886**	1,886	**-**	–	**1,886**	1,886	1.79% (2010: 1.85%)
乳源瑤族自治縣上山水電站	*(i)*	The PRC	30%	**2,291**	2,291	**-**	–	**2,291**	2,291	2.18% (2010: 2.24%)
Genting Oil & Gas (China) Limited 雲頂石油天然氣（中國）有限公司 ("Genting")	*(ii)*	The Isle of Man	7%	**13,467**	–	**-**	–	**13,467**	–	12.81% (2010: Nil)
Koffman Asset Holding Limited ("Koffman Asset")	*(iii)*	BVI	9.1%	**3,064**	3,064	**(3,064)**	(3,064)	**-**	–	–
				27,760	14,293	**(3,064)**	(3,064)	**24,696**	11,229	

Notes:

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

As at 31 December 2011, the unaudited net asset values of 乳源瑤族自治縣二灣水電站，乳源瑤族自治縣坪坑仔水電站，乳源瑤族自治縣天泉水電站 and 乳源瑤族自治縣上山水電站 were approximately HK$6,166,000 (2010: HK$6,057,000), HK$8,901,000 (2010: HK$8,810,000), HK$4,558,000 (2010: HK$4,253,000) and HK$4,989,000 (2010: HK$4,567,000) respectively. During the year ended 31 December 2011, dividends receivable/received from 乳源瑤族自治縣二灣水電站，乳源瑤族自治縣坪坑仔水電站，乳源瑤族自治縣天泉水電站 and 乳源瑤族自治縣上山水電站 were approximately HK$250,000 (2010: HK$254,000), HK$250,000 (2010: HK$254,000), HK$250,000 (2010: HK$254,000) and HK$250,000 (2010: HK$254,000) respectively. The directors of the Company are of the opinion that no allowance for impairment in value of these investments is required as the present value of the estimated future cash flow of these investments was higher than the carrying value.

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

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

Notes: (Continued)

(ii) Pursuant to a sale and purchase agreement entered into on 13 April 2011 with Parkdale Limited ("Parkdale"), the Group agreed to acquire 7% of the issued share capital of Genting (the "Acquisition"). The consideration of the Acquisition is approximately HK$20 million and was satisfied as to (i) HK$200 by cash and (ii) approximately HK$20 million by issuing 66,666,000 new ordinary shares of the Company at an issue price of HK$0.3 per share (the "Consideration Shares"). The Company paid the cash consideration of HK$200, issued the Consideration Shares with fair value of approximately HK$13,467,000 (Note 21(c)) and formally completed the Acquisition on 30 December 2011. Genting is principally engaged in the business of oil & gas development and production in the PRC. In the opinion of the directors of the Company, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Genting as the Group has no representative in the board of directors of Genting. Accordingly, the investment is accounted for as an available-for-sale financial asset.

As at 31 December 2011, the audited net asset value of Genting was approximately RMB454 million (equivalent to approximately HK$560 million). No dividend was received during the year. The directors of the Company are of opinion that no impairment provision is required for this investment as the present value of the estimated future cash flow of this investment was higher than the carrying value.

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

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

16. DEPOSITS PAID – THE GROUP AND THE COMPANY

	2011	2010
	HK$'000	*HK$'000*
At 1 January *(Note (i))*	**30,000**	–
Additions *(Note (ii))*	**23,400**	30,000
At 31 December	**53,400**	30,000

Notes:

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

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

Notes: (Continued)

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

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

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

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

All the above proposed acquisitions were confirmed and agreed to terminate after 31 December 2011, the respective deposits paid were still recognised as non-current assets.

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

	2011 ***HK$'000***	2010 *HK$'000*
Listed securities held for trading:		
– Equity securities in Hong Kong	**4,119**	12,400

Fair value of the Group's investments in listed equity securities has been measured as described in Note 27.7.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – THE GROUP (Continued)

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

Name	Place of incorporation/ listing	Particulars of equity interest held	Percentage of equity interest held	Cost	Market value as at 31 December 2011	Market value as at 31 December 2010	Percentage of the Group's net assets as at 31 December 2011
				HK$'000	*HK$'000*	*HK$'000*	
National Arts Holdings Limited ("NAHL")	Bermuda/ Hong Kong	5,970,000 ordinary shares (2010: 10,000,000 ordinary shares)	Less than 1% (2010: less than 2%)	6,567 (2010:11,000)	**4,119**	12,400	3.92% (2010: 12.11%)

NAHL is principally engaged in film production and distribution, the provision of artistes management, advertising and promotion services, the provision of film studio, theme park and hotels, digital solution services. No dividend was received during the year. Based on the latest published results of NAHL, the audited consolidated net assets as at 31 December 2011 were approximately HK$500 million (2010: HK$218 million).

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

Cash and cash equivalents include the following components:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at banks and in hand	**125**	44,528	**49**	44,085
Short-term bank deposits	**19,550**	–	**19,550**	–
	19,675	44,528	**19,599**	44,085

As at 31 December 2011, the Group has cash and bank balances of approximately HK$3,000 (2010: HK$1,000) denominated in Renminbi ("RMB"). The balances of cash at bank denominated in RMB are deposited with bank in the PRC and earn interest at floating rates based on daily bank deposit rates. The Company does not have cash and bank balances denominated in RMB (2010: Nil).

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

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

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

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

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

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

21. SHARE CAPITAL

	2011 Number of shares	**2011** HK$'000	2010 Number of shares	2010 HK$'000
Authorised:				
Ordinary shares of HK$0.025 each				
At 1 January	**4,000,000,000**	**100,000**	2,000,000,000	50,000
Increase in authorised share capital *(Note (a))*	**–**	**–**	2,000,000,000	50,000
At 31 December	**4,000,000,000**	**100,000**	4,000,000,000	100,000

	2011 Number of shares	**2011** HK$'000	2010 Number of shares	2010 HK$'000
Issued and fully paid:				
Ordinary shares of HK$0.025 each				
At 1 January	**2,131,200,000**	**53,280**	1,488,000,000	37,200
Issue of placing shares *(Note (b))*	**–**	**–**	643,200,000	16,080
Issue of Consideration Shares for acquisition of available-for-sale financial asset *(Note (c))*	**66,666,000**	**1,667**	–	–
At 31 December	**2,197,866,000**	**54,947**	2,131,200,000	53,280

The share capital of the Company comprises only fully paid ordinary shares with a par value of HK$0.025 each. All shares are equally eligible to receive dividends and to the repayment of capital and represent one vote at shareholders' meetings of the Company.

21. SHARE CAPITAL (Continued)

Notes:

(a) By an ordinary resolution dated 30 June 2010, the authorised share capital of the Company was increased from HK$50,000,000 divided into 2,000,000,000 ordinary shares of HK$0.025 each to HK$100,000,000 by the creation of further 2,000,000,000 ordinary shares of HK$0.025 each.

(b) On 18 December 2009, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place 288,000,000 new ordinary shares at a placing price of HK$0.125 each. On 13 January 2010, the Company received a net proceed of HK$36,000,000 from the placing of 288,000,000 new ordinary shares of HK$0.025 each at the placing price of HK$0.125 each.

On 14 October 2010, the Company entered into agreements with three subscribers pursuant to which the Company has conditionally agreed to place 355,200,000 new ordinary shares at a placing price of HK$0.125 each. On 28 October 2010, the Company received a net proceed of HK$44,400,000 from the placing of 355,200,000 new ordinary shares of HK$0.025 each at the placing price of HK$0.125 each.

(c) As described in Note 15(b)(ii), the Company issued 66,666,000 ordinary shares as part of the consideration for acquisition of an available-for-sale financial asset. The fair value of the Consideration Shares, determined based on the closing market price of the Company's shares on the acquisition date of HK$0.202 per share, was HK$13,467,000. The issue of Consideration Shares has resulted in increases in share capital and share premium account of the Company by HK$1,667,000 and HK$11,800,000 respectively.

22. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Group as at 31 December 2011 of HK$105,106,000 (2010: HK$102,407,000) and the 2,197,866,000 (2010: 2,131,200,000) ordinary shares in issue.

23. SHARE OPTION SCHEME

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

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

23. SHARE OPTION SCHEME (Continued)

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

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

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

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

Movements in share options during the year are as follows:

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

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

23. SHARE OPTION SCHEME (Continued)

The weighted average remaining contractual life of the share options outstanding at 31 December 2011 was approximately 9.3 years (2010: Nil).

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

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

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

The fair value of the options granted was approximately HK$11,807,000 and was recognised by the Group as share option expenses during the year ended 31 December 2011 (2010: Nil). The corresponding amount has been credited to the share option reserve. No liabilities were recognised as those are equity settled share-based payments transactions.

24. RESERVES

(a) The Group

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

24. RESERVES (Continued)

(b) The Company

	Share premium HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	115,241	–	(123,899)	(8,658)
Issue of share capital	64,320	–	–	64,320
Shares issue expenses	(998)	–	–	(998)
Loss for the year and total comprehensive income for the year	–	–	(5,999)	(5,999)
At 31 December 2010 and at 1 January 2011	178,563	–	(129,898)	48,665
Shares issued for acquisition of available-for-sale financial asset *(Note 21(c))*	11,800	–	–	11,800
Loss for the year and total comprehensive income for the year	–	–	(22,309)	(22,309)
Recognition of share based payments *(Note 23)*	–	11,807	–	11,807
At 31 December 2011	**190,363**	**11,807**	**(152,207)**	**49,963**

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

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

25. RELATED PARTY TRANSACTIONS

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

(i) Significant transactions with related parties

	Notes	2011 HK$'000	2010 HK$'000
Office rental paid/payable to a related company	(a)	274	274
Investment management fees paid/payable to Hua Yu Investment Management Limited ("Hua Yu")	(b)	–	258
Investment management fees paid/payable to OP Investment Management Limited (formerly known as OP Calypso Capital Limited) ("OPIM")	(c)	500	317

(a) Office rental paid/payable to a related company, in which Mr. Mung Kin Keung is a common director and a shareholder of the related company and the Company. The office rental was charged in accordance with the terms negotiated between the relevant parties.

(b) On 12 May 2005, the Company entered into an investment management agreement (the "Agreement") with Hua Yu for a period of 2 years, with effect from 20 May 2005. The Agreement was subsequently renewed on 18 April 2007, 18 April 2008 and 17 April 2009 for a period of 1 year respectively. Investment management fees paid/payable to Hua Yu were calculated at 0.375% of the net asset value per quarter, subject to a minimum of HK$150,000 for every three months.

Hua Yu resigned from being the investment manager of the Company with effective from 13 May 2010.

(c) On 30 April 2010, the Company entered into an investment management agreement (the "Existing Agreement") with OPIM for a period of one year, with effect from 13 May 2010. OPIM was appointed as investment manager of the Company to provide asset management services for the Company. The investment management fee was HK$500,000 per annum. The fee was charged in accordance with the terms negotiated between the relevant parties.

During the year ended 31 December 2011, the board of directors has approved the appointment of OPIM as the Company's investment manager for a period commencing on the expiry of the Existing Agreement, effectively from 13 May 2011 to 30 September 2012 as the new investment management agreement was under negotiating between OPIM and the Company. The terms of the appointment during the period are substantially the same as those contained in the Existing Agreement.

25. RELATED PARTY TRANSACTIONS (Continued)

(ii) Compensation of key management personnel remuneration

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

26. MAJOR NON-CASH TRANSACTION

As detailed in Note 15(b)(ii), the Company issued 66,666,000 ordinary shares to Parkdale as part of the consideration to acquire an available-for-sale financial asset on 30 December 2011.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

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

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

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

27.1 Categories of financial assets and liabilities

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

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Available-for-sale financial assets	**26,282**	13,583	**–**	–
Financial assets at fair value through profit or loss	**4,119**	12,400	**–**	–
Loans and receivables				
– Cash and cash equivalents	**19,675**	44,528	**19,599**	44,085
– Other receivables	**1,897**	1,432	**7**	–
– Amounts due from subsidiaries	**–**	–	**20,788**	15,622
	51,973	71,943	**40,394**	59,707

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities				
Financial liabilities measured at amortised cost				
– Accruals and other payables	**(909)**	(759)	**(657)**	(659)
– Amount due to a related company	**(125)**	(125)	**(125)**	(125)
– Amounts due to subsidiaries	**–**	–	**(650)**	–
	(1,034)	(884)	**(1,432)**	(784)

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

27.2 Interest rate risk

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

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

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

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

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

27.3 Foreign currency risk

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

The Group is operated in Hong Kong and most of its transactions are settled in HK$. Deposits invested into various bank deposits are denominated in HK$ and RMB. As at the reporting date, foreign currencies were translated into HK$ at the closing rate. As at 31 December 2011, cash and bank balances included approximately RMB3,000 (approximately HK$3,000) (2010: approximately RMB1,000 (approximately HK$1,000)) and the remaining balance of HK$19,672,000 (2010: HK$44,527,000) is denominated in HK$.

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

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

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

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

27.4 Credit risk

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

The Group's cash at banks are deposited with authorised banks located in Hong Kong and the PRC, therefore the directors consider that credit risk for such is minimal. The Group has no other significant concentration of credit risk.

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

27.5 Other price risk

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

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

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 35% in the current year (2010: 20%) as a result of the volatile financial market.

If equity prices has been 35% higher/lower, loss for the year and other comprehensive income for the year ended 31 December 2011 would decrease and increase/increase and decrease by approximately HK$1,442,000 and HK$555,000 respectively (2010: loss for the year and other comprehensive income would decrease and increase/increase and decrease by approximately HK$2,071,000 and HK$471,000 respectively). This is due to the change in fair value of listed equity investment classified as financial assets at fair value through profit or loss and available-for-sale financial assets.

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

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

27.6 Liquidity risk

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

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

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

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

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

The Group

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

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

27.6 Liquidity risk (Continued)

The Group

	2010		
	Within one year or on demand	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*
Non-derivative financial liabilities:			
Accruals and other payables	759	759	759
Amount due to a related company	125	125	125
	884	884	884

The Company

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

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

27.6 Liquidity risk (Continued)

The Company

	2010		
	Within one year or on demand *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
Non-derivative financial liabilities:			
Accruals and other payables	659	659	659
Amount due to a related company	125	125	125
	784	784	784

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

27.7 Fair value measurements recognised in the consolidated statement of financial position

The Group adopted the amendments to HKFRS 7 Improving Disclosures about Financial Instruments which introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

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

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

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

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

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

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

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

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

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

	As at 31 December 2010			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Available-for-sale financial assets				
– listed equity securities, at fair value	2,354	–	–	2,354
Financial assets at fair value through profit or loss				
– listed equity securities, at fair value	12,400	–	–	12,400
	14,754	–	–	14,754

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

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

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

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

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

28. CAPITAL MANAGEMENT

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

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

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

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

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

Financial Summary

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

	Year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Results					
Turnover	14	5	11	1,046	**1,033**
Loss from operations	(3,259)	(2,356)	(5,037)	(6,313)	**(21,841)**
Finance costs	–	–	–	–	**–**
Loss before income tax	(3,259)	(2,356)	(5,037)	(6,313)	**(21,841)**
Income tax expense	–	–	(79)	–	**–**
Loss for the year	(3,259)	(2,356)	(5,116)	(6,313)	**(21,841)**

	As at 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Assets and liabilities					
Property, plant and equipment	–	–	1,375	1,096	**797**
Available-for-sale financial assets	–	189	14,254	13,583	**26,282**
Deposits paid	–	–	–	30,000	**53,400**
Current assets	2,340	28,271	13,992	58,685	**25,734**
Current liabilities	(391)	(555)	(510)	(957)	**(1,107)**
Net assets	1,949	27,905	29,111	102,407	**105,106**
Equity	1,949	27,905	29,111	102,407	**105,106**