INCUTECH INVESTMENTS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 356

ANNUAL REPORT 2011

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CORPORATE INFORMATION

Board of Directors

Executive Directors
Mr. Tung Tat Wah *(Chairman)*
Mr. Michael Wu Chun Wah

Independent non-executive Directors
Mr. Allan Kwok Ming Fai
Mr. Robert Siu Siu Ling
Mr. Stephen Lee Ming Ching

Audit Committee

Mr. Allan Kwok Ming Fai
(Chairman of the Committee)
Mr. Robert Siu Siu Ling
Mr. Stephen Lee Ming Ching

Remuneration Committee

Mr. Stephen Lee Ming Ching
(Chairman of the Committee)
Mr. Allan Kwok Ming Fai
Mr. Robert Siu Siu Ling
Mr. Michael Wu Chun Wah

Nomination Committee

Mr. Stephen Lee Ming Ching
(Chairman of the Committee)
Mr. Tung Tat Wah
Mr. Robert Siu Siu Ling

Auditor

W.H. Tang & Partners CPA Limited

Banker

Wing Hang Bank, Limited
161 Queen's Road Central
Hong Kong

Company Secretary

Ms. Yuen Shuk Yee

Registered Office

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business

Room 1704, 17th Floor, Tai Tung Building
8 Fleming Road, Wanchai
Hong Kong

Principal Registrar

Bank of Butterfield International (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town, Grand Cayman
Cayman Islands

Hong Kong Branch Registrar

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

Stock Code

356

MANAGEMENT STATEMENT

The Board of Directors (the "Board") of Incutech Investments Limited (the "Company") hereby presents the audited consolidated result of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2011.

Review of Results

For the year ended 31 December 2011, the Group recorded a net loss of HK$4,971,164 and loss per share of HK$0.07. During the year, the Group received HK$132,120 in dividend income (2010: HK$132,120) from listed securities held for trading.

Management Discussion and Analysis

The global economic situation remains complex and inconstant. During 2011, the European sovereign debt crisis, the downgrading of the United States' long-term sovereign credit rating and a tightening of monetary policy in the PRC all caused uncertainties. In order to against the gloomy growth of the global economy, the major developed economies adopted or maintained loose monetary policies. According to the report of International Monetary Fund, the global economy grew at 3.8% in 2011, a drop of 1.2% year-on-year.

According to the National Bureau of Statistics of China, China's GDP amounted to RMB47,156.4 billion in 2011, representing a 9.2% growth calculated at comparable prices. Although the PRC economy maintained a growth rate of 9.2% in 2011, inflation and credit tightening policy together with decreasing export figures all led to concern about the possible hard landing of the PRC economy.

As Hong Kong market is highly sensitive to the global market, the local stock market has been greatly impacted by the United States, European and PRC markets and performed poorer than the major developed nations' indices. Due to the downturn of investor sentiment and adjustment in stock prices, total market capitalization of 1,496 companies listed on the Stock Exchange dropped by 17 percent to HK$17.5 trillion at the end of year. Also the fund raising activities reduced significantly from HK$445 billion in 2010 to HK$258.9 billion in the year under review. The Hang Seng Index closed at 31 December 2011 with a fell by 19.97%.

Business Review and Prospects

The Group is principally engaged in the investments in the listed securities for the short term and in the unlisted equities with a potential for earnings growth and capital appreciation. As at 31 December 2011, the Group has approximately HK$6.1 million in listed securities held for trading.

The Group reported a net loss from operation of HK$4,971,164 on turnover of HK$132,120 in 2011 as compared with a loss from operation of HK$4,323,809 on turnover of HK$132,120 in 2010. Due to unstable global financial markets, the Company recorded unrealised losses on listed securities of HK$1,492,884 (2010: HK$34,164) and received cash dividend income of HK$132,120 (2010: HK$132,120).

In the years ahead, the global economic environment has been challenging due to the Euro zone sovereign debt crises and concern over the slowdown of economy in the United States and Europe. It is expected that European debt issues will continue to be the most important unstable factor to impact the global investment market. We anticipate that the government of Mainland China will continue adopt active fiscal policy to stimulate investment by the expansion of public construction, such as investment in railway infrastructures and construction of affordable housing. Also it will continue to expand domestic demand and stimulate household consumption in order to sustain growth in 2012. Hong Kong is expected to continue to benefit from the economic development of China.

Apart from trading securities, the management will also continue look for attractive investment opportunities with potential of asset appreciation as well as with sustainable income stream across various sectors to improve returns to the Group and shareholders within the acceptable risk profile.

Financial Review

Liquidity and financial resources

As at 31 December 2011, the Group's current ratio was 0.26, based on the current assets of HK$6,385,231 and current liabilities of HK$24,389,861. No gearing ratio was available as the Group was in a negative equity position.

Capital structure

There has been no change to the capital structure of the Company during the year ended 31 December 2011.

Disposal of a subsidiary

On 31 December 2011, the Company completed to dispose of its entire interest in Jointline Investment Limited for a consideration of HK$1. The principal assets of Jointline Investment Limited were the holding of available-for-sale investments and loans receivable which were fully impaired in 2007. Details of the disposal of the subsidiary are set out in note 23 to the consolidated financial statements.

Capital commitment and contingent liabilities

As at 31 December 2011, no material capital commitment and contingent liabilities were noted by the Directors of the Company.

Share options

The Company does not have any share option scheme.

Employment and Remuneration Policies

As at 31 December 2011, the Group employed a total of 4 employees (2010: 4) including the executive directors. The remuneration packages consist of basic salary, mandatory provident fund, medical insurance, and other benefits considered as appropriate. Remuneration packages are generally structured by reference to market terms, individual qualification and performance. They are under periodic review based on individual merit and other market factors.

Staff Costs

The Group's total staff costs for the year under review amounted to HK$2,078,400 (2010: HK$2,078,400).

Charges on the Group's Assets and Contingent Liabilities

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

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's assets and liabilities are denominated in Hong Kong Dollars and, therefore, the Group has no significant exposure to foreign exchange fluctuation.

Appreciation

The Directors would like to take this opportunity to extend our sincere thanks and express appreciation to those who have supported us during the year.

Tung Tat Wah
Chairman

Hong Kong, 30 March 2012

REPORT OF THE DIRECTORS

The Board of Directors ("Board") hereby presents their annual report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

Principal Activities

The principal activities of the Company and its subsidiaries during the year are investment in securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and unlisted securities with a potential for earnings growth and capital appreciation. The activities of the principal subsidiaries are set out in note 24(a) to the consolidated financial statements.

The Group's turnover for the year comprised dividends income from listed securities.

Results and Appropriations

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 21.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil). No interim dividend was declared during the year (2010: Nil).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Company and the Group during the year are set out in note 15 to the consolidated financial statements.

Share Capital

There is no movement in the Company's share capital during the year.

Reserves

Details of the movements in the reserves of the Company and the Group during the year are set out on page 51 and 23 respectively.

Distributable Reserves

There is no distributable reserves of the Company at 31 December 2011 (2010: Nil).

Pre-Emptive Rights

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

Five Year 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 54.

Purchase, Sale Or Redemption of Securities

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Directors

The directors of the Company ("Directors") during the year and as at the date of this report were as follows:

Executive Directors

Mr. Tung Tat Wah *(Chairman)*
Mr. Michael Wu Chun Wah

Independent non-executive Directors

Mr. Allan Kwok Ming Fai
Mr. Robert Siu Siu Ling
Mr. Stephen Lee Ming Ching

In accordance with the corporate governance code and the provisions of the Company's Articles of Association, Mr. Robert Siu Siu Ling and Mr. Stephen Lee Ming Ching will retire by rotation and, being eligible, offer themselves for re-election.

Independence Confirmation

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

Biographical Details of Directors

Mr. Tung Tat Wah — Executive Director

Mr. Tung, aged 51, is the Chairman of the Company. He was appointed as an executive Director on 11 March 2008. Prior to his present engagement, he has worked for several international financial institutions including Charles Fulton, Tokyo Forex and was responsible for investment in financial instruments. Mr. Tung has extensive experience in investment and general management.

Mr. Michael Wu Chun Wah — Executive Director

Mr. Wu, aged 47, was appointed as an executive Director on 1 November 2007. Mr. Wu graduated from Northeast Louisiana University and holds a master degree in business administration and a master degree in corporate governance from the Hong Kong Polytechnic University. Mr. Wu also obtained a diploma of China trade and investment from Beijing University, a diploma of China laws from Guangdong Economic Laws Research Centre and a postgraduate diploma in management from Asia International Open University. He is a fellow member of the Hong Kong Institute of Directors, member of the Hong Kong Securities Institute, associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretary and Administrators. He is currently the executive director of Creative Energy Solutions Holdings Limited (listed on Growth Enterprise Market of the Stock Exchange). Prior to his present employment, he was an executive director of China Chengtong Development Group Limited (listed on the Stock Exchange) which is a subsidiary of China Chengtong Holdings Company, a pillar enterprise under the supervision of State-owned Assets Supervision and Administration Commission. He was also the non-executive director of China Agrotech Holdings Limited (listed on the Stock Exchange). He has also worked for several international financial institutions including BNP Paribas Peregrine Capital Limited, CCIC Finance Limited and American Express Bank Limited. Mr. Wu has extensive experience in financial investment and corporate finance.

Mr. Stephen Lee Ming Ching — Independent non-executive Director

Mr. Lee, aged 64, is a qualified Professional Civil Engineer, Construction and Project Manager and Consultant for more than 40 years. He is a graduate of University of Hong Kong in 1970 and holds a Bachelor of Science in Civil Engineering. He also obtained a diploma in Management studies in finance from Hong Kong Polytechnic University. He is a member of Hong Kong Institution of Engineers and a fellow member of Hong Kong Institute of Real Estate Administrators. He has worked for several construction companies including public works department of Singapore Government, Maunsell Consultants Asia Limited, Hong Kong Land Company Limited, Hang Lung Development Company Limited and Lolliman Holdings Limited. He has his own Company in the last 20 years, Tonjun Consultants Limited, and being the advisor/consultant of couple of major building contractors and developers in Hong Kong. He has extensive experience in construction industries and project management. Mr. Lee is also active in the professional institutions and social service. He is the Vice President of Hong Kong Institute of Real Estate Administrators, Executive Council Member and Vice Chairman of Association of Engineering Professionals in Society and Committee Member of Hong Kong Institution of Engineers Civil Division. Mr. Lee was appointed as an independent non-executive Director on 28 May 2008.

Mr. Robert Siu Siu Ling — Independent non-executive Director

Mr. Siu, aged 59, has been a solicitor since 1992 and has been admitted as a solicitor in England and Wales since 1993. He is a partner of the firm, Messrs. Robert Siu & Co., Solicitors. His legal practice is mainly in the field of commercial and corporate finance. Mr. Siu has been an executive director of China Grand Pharmaceutical and Healthcare Holdings Limited (formerly known as Maxx Bioscience Holdings Limited) (stock code: 512) until 2006 and is now an independent non-executive director of China Packaging Group Company Limited (stock code: 572), both of them are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Kaisun Energy Group Limited (stock code: 8203) and Finet Group Limited (stock code: 8317), both of them are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Siu holds a bachelor's degree in laws from University of London in the United Kingdom and a postgraduate certificate in laws from the University of Hong Kong. Mr. Siu was appointed as an independent non-executive Director on 8 January 2002.

Mr. Allan Kwok Ming Fai — Independent non-executive Director

Mr. Kwok, aged 47, possesses over 16 years of experience in banking, finance and accounting and held executive positions at several international financial institutions, accounting firm and listed companies. Mr. Kwok obtained a Bachelor Degree in Accounting & Economics from the University of Sheffield in the United Kingdom and a Master Degree in Business Administration from the University of Adelaide in Australia. He is a member of CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Kwok is currently an executive director of Zhongda International Holdings Limited (listed on the Stock Exchange) and an independent non-executive director of Sewco International Holdings Limited (listed on the Stock Exchange). Mr. Kwok was also an independent non-executive director of China Yunnan Tin Minerals Group Company Limited from July 2002 to March 2012. Mr. Kwok was appointed as an independent non-executive Director on 4 September 2007.

Directors' Service Contracts

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

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company or 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' Interests in Securities

As at 31 December 2011, the interests and short positions of the directors and chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

Long position in shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Approximate percentage of total issued ordinary shares
Tung Tat Wah *(Note)*	Interest of controlled entity	15,000,000	20.83%
Michael Wu Chun Wah *(Note)*	Interest of controlled entity	15,000,000	20.83%

Note:

40% equity interest in Biggish Management Limited, a company incorporated in British Virgin Islands with limited liability, is held by Mr. Michael Wu Chun Wah, an executive Director and 60% equity interest in Biggish Management Limited is held by Mr. Tung Tat Wah, an executive Director. Mr. Michael Wu Chun Wah and Mr. Tung Tat Wah are deemed to be interested in 15,000,000 shares of the Company.

Save as disclosed above, at 31 December 2011, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (with the meaning of Part XV of 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.

Substantial Shareholders

As at 31 December 2011, so far as is known to the Directors, the following persons (other than the directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Long positions in shares of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of total issued ordinary shares
Biggish Management Limited	Beneficial Owner	15,000,000	20.83%

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of more than 25% of the issued share capital of the Company as required under the Listing Rules.

Investment Management Agreement and Continuing Connected Transactions

The Company's investment portfolio is managed by Hua Yu Investments Limited (the "Investment Manager"), in accordance with the terms and conditions of an investment management agreement (the "Investment Management Agreement") entered into between the Company and the Investment Manager dated 1 March 2011.

The Investment Manager is regarded as a connected person of the Company under Rule 21.13 of the Listing Rules. Accordingly, the Investment Management Agreement constitutes a continuing connected transaction of the Company.

The Investment Manager is appointed for a term of two years commencing from 1 March 2011 and either the Investment Manager or the Company can terminate the appointment without serving prior notice to the other party. In accordance with the terms of the Investment Management Agreement, the Investment Manager is entitled to receive a quarterly management fee of HK$150,000.

During the year ended 31 December 2011, investment management fees of HK$600,000 (2010: HK$600,000) were charged by the Investment Manager.

The transaction was entered into by the Company in the ordinary and usual course of business in accordance with the terms of Investment Management Agreement, conducted on normal commercial terms and is subject to reporting and announcement requirements under Chapter 14A of the Listing Rules. The transaction had been reviewed by the independent non-executive Directors and obtained approval from the Company's board of directors.

Audit Committee

The Company established an audit committee in accordance with Rule 3.21 of the Listing Rules, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee of the Company has reviewed the final results for the year ended 31 December 2011.

Model Code for Securities Transactions by Directors

The Company had complied with the code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code. Having made specific enquiry of all Directors, they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transaction by the Directors adopted by the Company.

Compliance with the Code on Corporate Governance Practices

The Company has complied with the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 to the Listing Rules throughout the year under review, except that the independent non-executive Directors are not appointed for a specific term as required by Provision A.4.1 of the Code, but are subject to retirement by rotation in accordance with the Articles of Association of the Company.

Auditor

W.H. Tang & Partners CPA Limited was appointed as auditor of the Company on 2 March 2010 to fill the casual vacancy following the resignation of World Link CPA Limited with effect from 22 February 2010.

W.H. Tang & Partners CPA Limited shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

Suspension of Trading in the Shares

At the request of the Company, trading in the shares of the Company has been suspended with effect from 9:30 a.m. on 13 June 2008 and will remain suspended until further notice.

On behalf of the Board
Tung Tat Wah
Chairman

Hong Kong, 30 March 2012

CORPORATE GOVERNANCE REPORT

The Group is dedicated to maintaining a good credible framework of corporate governance with a view to being transparent, open and accountable to our shareholders. The Stock Exchange introduced the Code in November 2004, for replacement and enhancement of the Code of Best Practice in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Code has become effective from 1 January 2005 and the Group has complied with code provisions as set out in the Code with the exception of code provision A.4.1 of the Code in respect of the service term. None of the existing independent non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all the directors of the Company are subject to the retirement provisions under paragraph (1) of article 88 of the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

The Board

Composition

The Board consists of two executive Directors and three independent non-executive Directors ("INED(s)"). Mr. Allan Kwok Ming Fai, INED and chairman of audit committee has the appropriate professional accounting experience and expertise. The names and biographical details of each director are disclosed on pages 8 to 9 of this annual report.

Each INED has, pursuant to the guidelines set out in rule 3.13 of the Listing Rules, confirmed he is independent of the Company and the Company also considers that they are independent. Each INED is subject to the requirement that one-third of all the directors shall retire from office by rotation at each annual general meeting pursuant to the Articles of Association of the Company. There is no relationship (including financial, business, family or other material or relevant relationship) among members of the Board.

Function

The Board is responsible for managing and direction setting of the Company. For any major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of directors, remuneration policy and other major operational and financial matters, Board approval is required.

The executive directors are responsible for day-to-day management of the Company's operations. These executive directors conduct regular meetings, at which operational issues and financial performance of the Company and its subsidiaries are evaluated.

The Company views well-developed and timely reporting systems and internal controls are essential, and the Board plays a key role in the implementation and monitoring of internal financial controls.

The Board held 4 regular Board meetings at approximately quarterly interval during year 2011 and additional board meetings were held when necessary. An agenda and accompanying board papers are sent in full to all directors in a timely manner and at least three days before the intended date of a board or board committee meeting. Adequate information related to the issues are also supplied for the board and its committee to make decisions which is for the best interests of the Group. Notice of at least fourteen days are given to give all directors an opportunity to attend. The directors who cannot attend in person might through other electronic means of communications to participate. Details of individual attendance of directors are set out in the table below:

Attendance of individual directors at Board meeting in 2011

	Number of Board meeting attended/ Number of Board meeting held	Attendance Rate
Executive Directors		
Mr. Tung Tat Wah	4/4	100%
Mr. Michael Wu Chun Wah	4/4	100%
Independent non-executive Directors		
Mr. Allan Kwok Ming Fai	4/4	100%
Mr. Robert Siu Siu Ling	4/4	100%
Mr. Stephen Lee Ming Ching	4/4	100%

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

Appointment and re-election of Directors

Pursuant to the corporate governance code and the provisions of the Articles of Association of the Company, Mr. Stephen Lee Ming Ching shall retire by rotation at the forthcoming annual general meeting and will offer himself for re-election as the independent non-executive Director.

In addition, Mr. Robert Siu Siu Ling has been appointed as independent non-executive Director for more than nine years. Pursuant to Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Siu further appointment will be subject to a separate resolution to be approved by the shareholders of the Company.

The term of office of each of the independent non-executive Directors is the period up to his retirement by rotation in accordance with the Company's Articles of Association and corporate governance code.

Board Committees

In order to strengthen the functions of the Board and to enhance its expertise, there are two Board committees namely, the Audit Committee and Remuneration Committee formed under the Board, with each performing different functions.

Remuneration Committee

The Board has established a Remuneration Committee comprising one executive director, Mr. Michael Wu Chun Wah and three independent non-executive directors, Mr. Allan Kwok Ming Fai, Mr. Robert Siu Siu Ling and Mr. Stephen Lee Ming Ching. It is chaired by Mr. Stephen Lee Ming Ching. The terms of reference of the Remuneration Committee have been reviewed with reference to the Code.

The Remuneration Committee's responsibilities are to review and consider Company's policy for remuneration of directors and senior management, to determine remuneration packages of executive directors including benefits in kind, pension rights and compensation payments, and to recommend to the Board remuneration of independent non-executive directors.

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

– to consider the corporate policy on remuneration basis for the executive Directors and the INEDs;

– to review the remuneration of the executive Directors and the INEDs;

– to consider and approve the payment of bonus (if any); and

– to ensure that no director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held 1 meeting for the financial year ended 31 December 2011. Details of individual attendance of its members are set out in the table below:

	Number of meeting attended/ Number of meeting held	**Attendance Rate**
Executive Director		
Mr. Michael Wu Chun Wah	1/1	100%
Independent non-executive Directors		
Mr. Stephen Lee Ming Ching	1/1	100%
Mr. Robert Siu Siu Ling	1/1	100%
Mr. Allan Kwok Ming Fai	1/1	100%

Audit Committee

The Company's Audit Committee is composed of three independent non-executive Directors, namely Mr. Allan Kwok Ming Fai, Mr. Robert Siu Siu Ling and Mr. Stephen Lee Ming Ching. It is chaired by Mr. Allan Kwok Ming Fai. It reports directly to the Board and reviews matters within the scope of audit, such as financial statements and internal controls, to protect the interests of the Company's shareholders.

The major roles and functions of the Audit Committee of the Company are as follows:

1. to review the annual report and interim report before submission to the Board;

2. to review the Group's financial and accounting policies and practices;

3. to review the financial controls, internal control and risk management systems;

4. to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

5. to be primarily responsible for making recommendation to the Board on the appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor; and

6. to report to the Board on the matters set out in the code provision relating to Audit Committee as set out in the Code.

The Audit Committee held 2 meetings for the financial year ended 31 December 2011. Details of individual attendance of its members are set out in the table below:

	Number of meeting attended/ Number of meeting held	Attendance Rate
Independent non-executive Directors		
Mr. Allan Kwok Ming Fai	1/2	50%
Mr. Robert Siu Siu Ling	2/2	100%
Mr. Stephen Lee Ming Ching	2/2	100%

Nomination Committee

The Board has not established a nomination committee during the year 2011. According to the Articles of Association of the Company, the Board has the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new directors, the Board has taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

Other Information

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors. All directors have confirmed, following specific enquiry by the Company, that they fully complied with the Model Code throughout the year 2011.

Auditor's Remuneration

The Audit Committee reviews each year with the external auditor of the Company as regards their independence, approves their appointment, discusses the scope of their audit, approves their fees, and the scope and appropriate fees for any non-audit services requested to be provided by them.

For the year ended 31 December 2011, services provided to the Company by its external auditor and the respective fees paid were:

	2011 HK$
Audit services	151,600
Review of continuing connected transactions	5,000
	156,600

Internal Control

The Company places great importance on internal control and risk management.

The Company encourages a risk aware and control conscious environment throughout the Company. The Board, either directly or through its committees, sets objectives, performance targets and policies for management of key risks facing the Company. These include strategic planning, political and regulatory, acquisitions, investments, expenditure control, treasury and environment.

Throughout the year 2011 the Company complied with the code provisions on internal controls as stipulated in the Code. In particular, during the year the Company conducted a review of the effectiveness of the internal control system of the Group. The Directors are satisfied that the prevailing internal control systems as appropriate to the Group are in place and have been implemented properly and that no significant areas of improvement which are required to be brought to the attention to the members of the Audit Committee are revealed. The Audit Committee has reviewed the internal control and discussed the assessment bases with the management, and concurred that the Company has set up an effective internal control system to safeguard the assets of the Group.

Shareholder Communication

The objective of shareholder communication is to provide our 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 annual general meeting, annual report, various notices, announcements and circulars. Procedure for voting by poll has been included in all circulars accompanying notice convening general meeting and has been read out by the chairman at general meeting.

Directors' and Auditor's Responsibilities in Preparing the Financial Statements

The Directors acknowledge that it is their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure timely publication of the financial statements of the Group. The Directors are aware that the auditor's report included an emphasis of matter paragraph concerning material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of a loss of HK$4,971,164 for the year ended 31 December 2011 and the Group's net current liabilities and net liabilities as at 31 December 2011 amounted to HK$18,004,630 and HK$17,859,460 respectively. A resumption proposal was approved by the Board of Directors on 21 March 2011 to improve the financial position of the Group but such proposal has yet to be implemented. The directors of the Company have been taking measures to improve the liquidity of the Group. These measures include (i) extending the Group's short term loans upon maturity; (ii) implementing cost controls over operating expenses; (iii) negotiating with the suppliers to reschedule the payments of the Group's expenditures; and (iv) exploring options to conduct fund raising activities. In addition, Biggish Management Limited, the substantial shareholder of the Company, and Mr. Tung Tat Wah, the chairman and executive director of the Company, have agreed to provide continuing financial support to the Group so as to enable the Group to continue its day-to-day operations as a going concern and to meet its obligation for at least twelve months from the date of the consolidated financial statements.

Provided that the aforesaid measures are successful and the continuing financial support is given by the substantial shareholder and the director of the Company that can effectively improve the liquidity position of the Group, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The statement of the external auditor of the Company, W. H. Tang & Partners CPA Limited, about their reporting responsibilities is set out in the Independent Auditor's Report on pages 19 to 20.

Voting by Poll

The voting procedures for demanding a poll by shareholders were written in the 2011 annual general meeting (the "AGM") circular, and the voting procedures were explained in the AGM.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF INCUTECH INVESTMENTS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Incutech Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 53, which comprise the consolidated statement 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 principal accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the 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.

Emphasis of Matter

We draw attention to note 1(b) to the consolidated financial statements. The Group incurred a loss of HK$4,971,164 for the year ended 31 December 2011 and the Group's net current liabilities and net liabilities as at 31 December 2011 amounted to HK$18,004,630 and HK$17,859,460 respectively. This condition indicates the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. As explained in note 1(b) to the consolidated financial statements, the directors of the Company have taken measures to improve the liquidity of the Group, which include extending short term loans upon maturity, implementing cost controls over operating expenses, negotiating with the suppliers to reschedule the payments and exploring options for fundraising. In addition, a substantial shareholder and a director of the Company have agreed to provide continuing financial support to the Group so as to enable the Group to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis on the assumption that the aforesaid measures are successful and the continuing financial support are given by the substantial shareholder and the director of the Company. Our opinion is not qualified in this matter.

W. H. Tang & Partners CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2012

Tang Wai Hung
Practising Certificate number P03525

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 HK$	2010 HK$
Turnover	7	**132,120**	132,120
Gain on disposal of a subsidiary	7	**1,017,152**	–
Interest income from bank deposits	7	**–**	1
Unrealised loss on listed securities	17	**(1,492,884)**	(34,164)
Investment management fee		**(600,000)**	(600,000)
Other operating expenses		**(3,433,522)**	(3,279,110)
Operating loss		**(4,377,134)**	(3,781,153)
Finance costs	9	**(594,030)**	(542,656)
Loss before taxation	10	**(4,971,164)**	(4,323,809)
Taxation	11	**–**	–
Loss for the year attributable to equity holders of the Company	12	**(4,971,164)**	(4,323,809)
Other comprehensive income		**–**	–
Total comprehensive loss for the year attributable to equity holders of the Company		**(4,971,164)**	(4,323,809)
Loss per share	13	**(HK$0.07)**	(HK$0.06)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 HK$	2010 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**145,170**	1
		145,170	1
CURRENT ASSETS			
Investments held for trading	*17*	**6,106,800**	7,599,684
Prepayments and other receivables		**254,155**	149,578
Bank balances and cash	*25b*	**24,276**	199,970
		6,385,231	7,949,232
CURRENT LIABILITIES			
Short term loans	*19*	**8,025,871**	7,433,719
Other payables and accruals	*20*	**9,416,631**	7,245,261
Due to a director	*21*	**6,947,359**	5,153,467
Tax payable		**–**	1,005,082
		24,389,861	20,837,529
NET CURRENT LIABILITIES		**(18,004,630)**	(12,888,297)
NET LIABILITIES		**(17,859,460)**	(12,888,296)
CAPITAL AND RESERVES			
Share capital	*22*	**720,000**	720,000
Reserves		**(18,579,460)**	(13,608,296)
SHAREHOLDERS' FUNDS		**(17,859,460)**	(12,888,296)

The consolidated financial statements on page 21 to 53 were approved and authorised for issue by the Board of Directors on 30 March 2012 and are signed on its behalf by:

Tung Tat Wah
Director

Michael Wu Chun Wah
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital HK$	Share premium HK$	Accumulated losses HK$	Total equity HK$
At 1 January 2010	720,000	67,320,071	(76,604,558)	(8,564,487)
Total comprehensive loss for the year	–	–	(4,323,809)	(4,323,809)
At 31 December 2010 and 1 January 2011	720,000	67,320,071	(80,928,367)	(12,888,296)
Total comprehensive loss for the year	–	–	(4,971,164)	(4,971,164)
At 31 December 2011	720,000	67,320,071	(85,899,531)	(17,859,460)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	**2011 HK$**	2010 HK$
Operating activities			
Cash (used in)/from operation	*25a*	**(25,827)**	178,753
Interest paid		**(1,878)**	–
Net cash (used in)/from operating activities		**(27,705)**	178,753
Investing activities			
Additions of property, plant and equipment		**(145,169)**	–
Net cash outflow from disposal of a subsidiary	*23*	**(2,820)**	–
Net cash used in investing activities		**(147,989)**	–
Net (decrease)/increase in cash and cash equivalents		**(175,694)**	178,753
Cash and cash equivalents at the beginning of year	*25b*	**199,970**	21,217
Cash and cash equivalents at the end of year		**24,276**	199,970
Analysis of balance of cash and cash equivalents	*25b*	**24,276**	199,970

1. General Information

(a) Incutech Investments Limited (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading since 13 June 2008.

The principal activities of the Company and its subsidiaries during the year are investments in securities listed on the Stock Exchange and unlisted securities with a potential for earning growth and capital appreciation.

(b) The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term include all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The consolidated financial statements have been prepared under the historical cost convention, except that investments held for trading are stated at fair value.

The preparation of consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

In preparing the consolidated financial statements, the directors of the Company ("Directors") have given careful consideration to the future liquidity of the Group in light of a loss of HK$4,971,164 for the year ended 31 December 2011 and the Group's net current liabilities and net liabilities as at 31 December 2011 amounted to HK$18,004,630 and HK$17,859,460 respectively. A resumption proposal was approved by the Board of Directors on 21 March 2011 to improve the financial position of the Group but such proposal has yet to be implemented. The Directors have been taking measures to improve the liquidity of the Group. These measures include (i) extending the Group's short term loans upon maturity; (ii) implementing cost controls over operating expenses; (iii) negotiating with the suppliers to reschedule the payments of the Group's expenditures; and (iv) exploring options to conduct fund raising activities. In addition, Biggish Management Limited, the substantial shareholder of the Company, and Mr. Tung Tat Wah, the chairman and executive director of the Company, have agreed to provide continuing financial support to the Group so as to enable the Group to continue its day-to-day operations as a going concern and to meet its obligation for at least twelve months from the date of the consolidated financial statements.

Provided that the aforesaid measures are successful and the continuing financial support is given by the substantial shareholder and one of the directors of the Company that can effectively improve the liquidity position of the Group, the Directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. Application of New or Amended Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following new and revised standards, amendments and interpretations of HKASs, HKFRSs issued by the HKICPA that are first effective for the current accounting period of the Group and are relevant to the Group's financial statements:

HKAS 24 (revised 2009)	Related party disclosures
Annual Improvements Project	Third annual improvements project (2010) published in May 2010

HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities which does not have any material impact on the Group's related party disclosures.

Third annual improvements project (2010) comprise a number of amendments to HKFRSs, primarily with a view to remove inconsistencies and clarifying wordings. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

The Group has not early applied the following new and revised standards, amendments or interpretation that have been issued but are not yet effective.

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

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

The Directors are currently assessing the financial impact of these revisions to the Group's financial position and performance.

3. Principal Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010). All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the financial information of the Company, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. Principal Accounting Policies (Continued)

(b) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in the currency of Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the gains or losses are also recognised directly in other comprehensive income.

(c) Property, plant and equipment

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in profit or loss in the year in which the item is derecognised.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follow:

Decoration and office equipment	2 years

(d) Impairment of investment in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to profit or loss on a straight-line basis over the lease period.

3. Principal Accounting Policies (Continued)

(f) Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL. They are carried at fair value, with any resultant gain and loss recognised in profit and loss, which incorporates any dividend or interest earned on the financial assets.

Financial assets are classified as held for trading if they are (i) acquired principally for the purpose of selling in the near future; (ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) derivatives that are not designated and effective hedging instruments.

Financial assets are designated at initial recognition as at FVTPL, if (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognition gains or losses on a different basis; or (ii) they are part of a group of financial assets and/or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

3. Principal Accounting Policies (Continued)

(f) Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL or loans and receivables. The Group designated investments in unlisted securities as available-for-sale financial assets.

Investments in unlisted securities are available-for-sale equity investments measured at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in capital reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in capital reserve is removed from capital reserve and recognised in profit or loss. Investments in unlisted securities which fair values cannot be reliably measured are stated at cost less any identified impairment losses at the end of the reporting period subsequent to initial recognition.

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

3. Principal Accounting Policies (Continued)

(f) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly.

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

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

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including short term loans, other payables and accruals and due to a director are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

3. Principal Accounting Policies (Continued)

(f) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(g) Cash and cash equivalents

For the purposes of consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(i) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. Principal Accounting Policies (Continued)

(j) Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contribution to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Defined contribution plans

The Group participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds. The Group's contributions to the defined contribution retirement schemes are expensed as incurred.

(k) Borrowing Costs

All borrowings costs are recognised as an expense in the period in which they are incurred.

(l) Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

3. Principal Accounting Policies (Continued)

(m) Revenue recognition

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

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

Gains or losses on sale of investment securities and other investments are recognised on the transfer of risks and rewards of ownership which generally coincides with the time when investments are delivered and title has passed.

(n) Related parties

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

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

(b) has significant influence over the Group; or

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

(ii) An entity is related to the Group if:

(a) the entity and the Group are members of the same group;

(b) 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);

(c) both entities are joint venture of the same third party;

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(f) the entity is controlled or jointly controlled by a person identified in (i); or

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

Close family members of a person are those family members who may be expect 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.

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.

Going concern assumption

Management makes an assessment of the Group's ability to continue as a going concern when preparing the consolidated financial statement. The Group is dependent upon the successful outcome of the measures and continuing financial support from the substantial shareholder and director of the Company as set forth in note 1(b) in order to meet the Group's future working capital and financing requirements.

In assessing whether or not the going concern assumption is appropriate, management takes into account all available information about the future, which is at least but is not limited to, twelve months from the approval date of the consolidated financial statements.

If the Group were unable to continue as a going concern, adjustments relating to the recoverability and classification of recorded assets and liabilities may need to be incorporated in the consolidated financial statements.

5. Capital Risk Management

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

The Group also monitors the current and expected liquidity requirements regularly to ensure that sufficient working capital and adequate committed lines of funding are maintained to meet its liquidity requirements. Upon the discovery of any default, the Group would negotiate immediately with the relevant lenders for proper arrangement in order to maintain sufficient working capital. The Group manages its operating cashflow in order to achieve optimum utilization and certain costs-cutting measures are implemented to streamline its operating costs.

The capital structure of the Group consists of (deficit) equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the company consider the cost of capital and the risks associated with each class of capital. The Group will also balance its overall capital structure through new share issues and the issue of new debt or the redemption of existing debt, if necessary.

The Group has negative equity at both years ended 31 December 2010 and 2011, resulting primarily from the significant loss suffered by the Group. The Group monitors its current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and mainly relies on short term financing from a director of the Company to meet its working capital requirements.

6. Financial Instruments

Categories of financial instruments

	2011 HK$	2010 HK$
Financial assets		
Designated as at fair value through profit or loss ("FVTPL")	**6,106,800**	7,599,684
Loans and receivables (including cash and cash equivalents)	**278,431**	349,548
Financial liabilities		
Amortised cost	**24,389,861**	19,832,447

Financial risk management objectives and policies

The Group's major financial instruments include investments held for trading, prepayments, other receivables, bank balances, short term loans, other payables, accruals and amount due to a director. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency rates and equity prices. Market risk exposures are further measured by sensitivity analysis. There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Details of each type of market risks are described as follows:

(i) *Currency risk*

The Group has limited exposure to market risk resulting from changes in foreign currency exchange rates since other than the functional and presentation currency of HK dollar, the Group holds no financial assets in foreign currency and thus the Group currently does not have a foreign currency hedging policy.

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate short term loans (see note 19 for details of the short term loans). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate arising from the Group's Hong Kong dollars borrowings.

6. Financial Instruments (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) *Interest rate risk (Continued)*

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For short term loans, the analysis is prepared assuming the amount of the outstanding loans at the end of reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 December 2011 would increase/decrease by HK$31,930 (2010: increase/decrease by HK$29,119). This is mainly attributable to the Group's exposure to interest rates on its short term loans.

(iii) *Other price risk*

The Group is exposed to equity price risk through its investments in financial assets at fair value through profit or loss. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on listed equity instruments quoted in the Stock Exchange. In addition, the Group has appointed an investment manager to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 5% higher/lower, the Group's loss for the year ended 31 December 2011 would decrease/increase by HK$305,340 (2010: decrease/increase by HK$379,984) as a result of the changes in fair value of financial assets at fair value through profit or loss.

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

6. Financial Instruments (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

2011

	Carrying amount	**Total contractual undiscounted cash flow**	**Within one year or on demand**	**More than 1 year less than 2 years**
	HK$'000	HK$'000	HK$'000	HK$'000
Short term loans	8,026	8,026	8,026	–
Other payables and accruals	9,417	9,417	9,417	–
Due to a director	6,947	6,947	6,947	–
	24,390	24,390	24,390	–

2010

	Carrying amount	**Total contractual undiscounted cash flow**	**Within one year or on demand**	**More than 1 year less than 2 years**
	HK$'000	HK$'000	HK$'000	HK$'000
Short term loans	7,434	7,434	7,434	–
Other payables and accruals	7,245	7,245	7,245	–
Due to a director	5,153	5,153	5,153	–
	19,832	19,832	19,832	–

6. Financial Instruments (Continued)

Fair values

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

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognised in the statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	31 December 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$	HK$	HK$	HK$
Financial assets at FVTPL				
Listed securities	6,106,800	–	–	6,106,800
	6,106,800	–	–	6,106,800

6. Financial Instruments (Continued)

Fair values (Continued)

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

	31 December 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$	HK$	HK$	HK$
Financial assets at FVTPL				
Listed securities	7,599,684	–	–	7,599,684
	7,599,684	–	–	7,599,684

There were no transfers between Level 1 and 2 in both years.

7. Turnover and Revenues

Total revenues recognised during the year are as follows:

	2011	2010
	HK$	HK$
Turnover:		
Dividend income from listed securities	**132,120**	132,120
Other revenues:		
Gain on disposal of a subsidiary	**1,017,152**	–
Interest income from bank deposits	**–**	1
Total revenues	**1,149,272**	132,121

8. Segment Information

The Group determines its operating segments based on the internal reports about components of the Group that are regularly reviewed by the executive Directors for the purpose of allocating resources to segments and assessing their performance.

The Group's operating and reportable segments are as follows:

Listed securities	– Investments in securities listed on Stock Exchange
Unlisted securities	– Investments in unlisted securities

Information regarding the above segments is reported below.

Segment revenues and results

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

Year ended 31 December 2011

	Listed securities HK$	**Unlisted securities** HK$	**Total** HK$
Segment result	(1,360,764)	–	(1,360,764)
Unallocated expenses			(3,610,400)
Loss for the year			(4,971,164)

Year ended 31 December 2010

	Listed securities HK$	**Unlisted securities** HK$	**Total** HK$
Segment result	97,957	–	97,957
Unallocated expenses			(4,421,766)
Loss for the year			(4,323,809)

Segment result of listed securities represents dividend income from listed securities and unrealised loss on listed securities. With the nature of investments business, no segment revenue is presented.

8. Segment Information (Continued)

Segment revenues and results (Continued)

Segment assets

The following is an analysis of the Group's assets by reportable segment:

	2011 HK$	2010 HK$
Listed securities	6,106,800	7,599,684
Unlisted securities	–	–
Total segment assets	6,106,800	7,599,684
Unallocated assets	281,431	349,549
	6,388,231	7,949,233

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than prepayments, other receivables and bank balances.

Geographical information

No geographical information is presented as the Group operates in Hong Kong only.

9. Finance Costs

	2011 HK$	2010 HK$
Interest on unsecured short term loans	594,030	542,656

10. Loss Before Taxation

Loss before taxation is stated after charging/(crediting) the following:

	2011 HK$	2010 HK$
Auditor's remuneration	156,600	146,000
Depreciation	–	3,989
Loss on derecognition of available-for-sale investments	–	2
Loss on derecognition of loans receivable	–	2
Rental charges under operating leases in respect of rented premises	542,230	552,717
Staff costs including directors' emoluments:		
Salaries and other benefits	2,058,000	2,058,000
Contributions to retirement benefits scheme	20,400	20,400
Gain on disposal of a subsidiary	(1,017,152)	–

11. Taxation

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profits for both years.

Taxation for the year can be reconciled to the loss before taxation as follows:

	2011 **HK$**	2010 HK$
Loss before taxation	**(4,971,164)**	(4,323,809)
Taxation at Hong Kong Profits Tax rate of 16.5%	**(820,242)**	(713,428)
Tax effect of income not subject to taxation	**(189,630)**	(21,800)
Tax effect on non-deductible expenses	**443,187**	195,115
Tax effect of tax losses not recognised	**593,599**	540,945
Others	**(26,914)**	(832)
Taxation for the year	**–**	–

At 31 December 2011, the Group has estimated unused tax losses of approximately HK$15,074,708 (2010: HK$11,477,137) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of taxable income in future. The losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the end of the reporting period.

12. Loss for the Year Attributable to Equity Holders of the Company

The consolidated loss contributable to equity holders of the Company includes a loss of HK$11,184,961 (2010: HK$3,175,457) which has been dealt with in the financial statements of the Company.

13. Loss Per Share

The calculation of the loss per share is based on the Group's loss attributable to equity holders of HK$4,971,164 (2010: HK$4,323,809) and the weighted average number of 72,000,000 (2010: 72,000,000) ordinary shares in issue during the year.

As the Company has not issued any warrants and options during the year, the calculation of diluted earnings per share is the same as the basic earnings per share.

14. Directors' and Employees' Emoluments

(a) The emoluments paid or payable to each of the five (2010: five) directors were as follows:

	2011 HK$	2010 HK$
Fees for executive directors		
Michael Wu Chun Wah	**600,000**	600,000
Tung Tat Wah	**600,000**	600,000
Fees for independent non-executive directors		
Robert Siu Siu Ling	**50,000**	50,000
Allan Kwok Ming Fai	**50,000**	50,000
Stephen Lee Ming Ching	**50,000**	50,000
Total emoluments	**1,350,000**	1,350,000

(b) Employees' emoluments

The five highest paid individuals of the Group included two (2010: two) directors of the Company, details of whose emoluments are set out above. The details of the emoluments of the remaining two (2010: two) individuals are as follows:

	2011 HK$	2010 HK$
Salaries and other benefits	**708,000**	708,000
Contributions to retirement benefit	**20,400**	20,400
	728,400	728,400

The emoluments of the five highest paid individuals were within the band of Nil to HK$1,000,000.

15. Property, Plant and Equipment

	Decoration HK$	Office equipment HK$	Total HK$
Cost			
At 1 January 2010, at 31 December 2010 and 1 January 2011	174,388	54,076	228,464
Additions	145,169	–	145,169
Disposals	(174,388)	–	(174,388)
At 31 December 2011	145,169	54,076	199,245
Accumulated depreciation			
At 1 January 2010	173,981	50,493	224,474
Charge for the year	407	3,582	3,989
At 31 December 2010 and 1 January 2011	174,388	54,075	228,463
Eliminated on disposals	(174,388)	–	(174,388)
At 31 December 2011	–	54,075	54,075
Carrying values			
At 31 December 2011	145,169	1	145,170
At 31 December 2010	–	1	1

16. Available-for-Sale Investments

	2011 HK$	2010 HK$
Unlisted equity securities, at cost		
Balance b/f	–	45,882,000
Derecognised during the year	–	(45,882,000)
Balance c/f	–	–
Less: Allowance for impairment losses		
Balance b/f	–	45,881,998
Eliminated upon derecognition	–	(45,881,998)
Balance c/f	–	–
Carrying amount	–	–

Details of unlisted equity securities as at 31 December 2010 are as follows:

Name of investee company	Nature of business	Particulars of issued share held	Portion of interest held	Cost HK$	% of total assets of the Group	Dividends received/ receivable during the year HK$
Super Plus Investments Limited	Not applicable, Struck off on 1 May 2009	Nil Ordinary shares of US$1 each	Nil	Nil	0%	Nil
Good Spirit Group Limited	Not applicable, Struck off on 2 Nov 2009	Nil Ordinary shares of US$1 each	Nil	Nil	0%	Nil

Super Plus Investments Limited and Good Spirit Group Limited (collectively the "Investee Companies") are private companies incorporated in the British Virgin Islands ("BVI") with limited liability. The equity interests in Investee Companies were held by Jointline Investment Limited, a former wholly-owned subsidiary of the Company. On 31 December 2011, the Company had disposed of its entire interests in Jointline Investment Limited.

17. Investments Held for Trading

	2011 **HK$**	2010 HK$
Equity securities listed in Hong Kong, at fair values	**6,106,800**	7,599,684

The fair values of the investments held for trading are determined based on the quoted market values of the securities listed on the Stock Exchange at the end of the reporting period. Details of investments held for trading, which were all incorporated in Cayman Islands, are as follows:

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

Name of investee company	**Number of shares held**	**Effective shareholding interest**	**2011 Market value/ Fair value HK$'000**	**2011 Fair value loss HK$'000**	2010 Market value/ Fair value HK$'000	2010 Fair value gain/(loss) HK$'000	**Dividend received/ receivable during the year HK$'000**	**% of total assets of the Group**	*Note*
UBA Investments Limited	6,972,000	0.66%	**558**	**502**	1,060	230	–	9%	*1*
("UBA Investments")	(2010: 6,972,000)	(2010: 0.66%)					(2010: Nil)	(2010: 13%)	
Upbest Group Limited	6,606,000	0.49%	**5,549**	**991**	6,540	(264)	132	85%	2
("Upbest")	(2010: 6,606,000)	(2010: 0.49%)					(2010: 132)	(2010: 82%)	
			6,107	**1,493**	7,600	(34)			

Note:

1. **UBA Investments**
   UBA Investments and its subsidiaries are principally engaged in the investments in listed and unlisted securities, including equity securities and convertible bonds.

   The unaudited result attributable to shareholders of UBA Investments for the six months ended 30 September 2011 was a loss of HK$24,749,263 (six months ended 30 September 2010: profit of HK$21,568,094). As at 30 September 2011, the unaudited net asset value of UBA Investments was HK$98,771,924 (As at 30 September 2010: HK$138,591,662).

2. **Upbest**
   Upbest and its subsidiaries are principally engaged in the provision of a wide range of financial services including securities broking, futures broking, margin financing, money lending, corporate finance advisory, precious metal trading and assets management.

   The unaudited result attributable to shareholders of Upbest for the six months ended 30 September 2011 was a profit of approximately HK$67,940,000 (six months ended 30 September 2010: HK$17,302,000). As at 30 September 2011, the unaudited net asset value of Upbest was approximately HK$1,232,267,000 (As at 30 September 2010: HK$1,103,857,000).

18. Loans Receivable

	2011 HK$	2010 HK$
Loans receivable	–	2,863,000
Commercial paper	–	20,711,733
Derecognised during the year	–	(23,574,733)
Allowance for impairment	–	(23,574,731)
Eliminated upon derecognition	–	23,574,731
Carrying amount	–	–

The loans receivable were all made to a company incorporated in BVI of which is an independent third party to the Group.

19. Short Term Loans

The short term loans are unsecured and repayable on demand. Interest is charged at a range from 2% to 9.25% (2010: 2% to 9.25%) per annum.

20. Other Payable and Accurals

Included in the other payable and accruals are the amount due to directors arising from unsettled directors' fees amounting to HK$5,338,575 (2010: HK$3,988,575), and the amount due to former investment manager and current investment manager for unsettled investment management fee amounting to HK$1,145,451 (2010: HK$1,245,451) and HK$1,650,000 (2010: HK$1,100,000) respectively.

21. Due to a Director

The amount due to a director is unsecured, interest free and has no fixed term of repayment.

22. Share Capital

	2011 HK$	2010 HK$
Authorised:		
500,000,000 ordinary shares of HK$0.01 each	**5,000,000**	5,000,000
Issued and fully paid:		
72,000,000 ordinary shares of HK$0.01 each	**720,000**	720,000

23. Disposal of a Subsidiary

On 31 December 2011, the Group disposed of its entire interest in Jointline Investment Limited ("Jointline"), a wholly-owned subsidiary at a consideration of HK$1.

The net liabilities of Jointline at the date of disposal were as follows:

	HK$
Net liabilities disposed of:	
Amount due from former fellow subsidiary	181
Bank balances	2,821
Account payables	(15,071)
Provision for taxation	(1,005,082)
	(1,017,151)
Gain on disposal of a subsidiary	1,017,152
Total consideration satisfied by:	
Cash	1
Net cash outflow arising on disposal:	
Cash received	1
Bank balances disposed of	(2,821)
	(2,820)

The subsidiary disposed of during the year did not have any significant contribution to the results and cash flows of the Group for the period prior to the disposal.

The amount due from a former subsidiary of approximately HK$47 million arisen from disposal of Jointline has been fully impaired since the directors of the Company considered that Jointline is not capable of repaying the loan in the foreseeable future.

24. Financial Information of the Company

	Note	2011 HK$	2010 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**145,170**	1
Interests in subsidiaries	*(a)*	**8**	3,973
		145,178	3,974
CURRENT ASSETS			
Other receivables		**9,360**	9,360
Investments held for trading		**6,106,800**	7,599,684
Cash and bank balances		**24,276**	195,936
		6,140,436	7,804,980
CURRENT LIABILITIES			
Other payables and accruals		**9,405,450**	7,229,191
Amount due to a subsidiary		**12,047,471**	4,562,109
		21,452,921	11,791,300
NET CURRENT LIABILITIES		**(15,312,485)**	(3,986,320)
NET LIABILITIES		**(15,167,307)**	(3,982,346)
CAPITAL AND RESERVES			
Share capital	*22*	**720,000**	720,000
Reserves	*(b)*	**(15,887,307)**	(4,702,346)
SHAREHOLDERS' FUNDS		**(15,167,307)**	(3,982,346)

24. Financial Information of the Company (Continued)

(a) Interests in subsidiaries

	2011 HK$	2010 HK$
Unlisted shares, at cost	9	9
Amounts due from subsidiaries	47,369,893	40,984,123
	47,369,902	40,984,132
Less: Allowance for impairment	(47,369,894)	(40,980,159)
	8	3,973

Details of the subsidiaries, which were all wholly-owned by the Company, as at 31 December 2011, are as follows:

Name	Principal activities and operation	Place of Incorporation	Particulars of issued share capital	Portion of interest directly held in the Company 2011	2010
Jointline Investment Limited *(Note)*	Investment holding in Hong Kong	British Virgin Islands	1 ordinary share of US$1 each	–	100%
Perfect Partner Holdings Limited	Investment holding in Hong Kong	Hong Kong	1 ordinary share of HK$1 each	100%	100%
Sparkling Achievement Limited	Investment holding in Hong Kong	British Virgin Islands	1 ordinary share of US$1 each	100%	–

Note: Disposed on 31 December 2011.

(b) Reserves

	Share premium HK$	Accumulated losses HK$	Total HK$
At 1 January 2010	67,320,071	(68,846,960)	(1,526,889)
Total comprehensive loss for the year	–	(3,175,457)	(3,175,457)
At 31 December 2010	67,320,071	(72,022,417)	(4,702,346)
Total comprehensive loss for the year	–	(11,184,961)	(11,184,961)
At 31 December 2011	67,320,071	(83,207,378)	(15,887,307)

25. Consolidated Statement of Cash Flows

(a) Reconciliation of loss before taxation to net cash (used in)/from operating activities during the year are as follows:

	2011 **HK$**	2010 HK$
Loss before taxation	**(4,971,164)**	(4,323,809)
Adjustment for:		
Interest expenses	**594,030**	542,656
Depreciation of property, plant and equipment	**–**	3,989
Loss on derecognition of available-for-sale investments	**–**	2
Loss on derecognition of loans receivable	**–**	2
Gain on disposal of a subsidiary	**(1,017,152)**	–
Unrealised loss on listed securities	**1,492,884**	34,164
Operating cash outflow before changes in working capital	**(3,901,402)**	(3,742,996)
(Increase)/decrease in prepayments and other receivables	**(104,577)**	10,000
Increase in other payables and accruals	**2,186,260**	1,959,368
Increase in due to a director	**1,793,892**	1,952,381
Cash (used in)/from operation	**(25,827)**	178,753

(b) Analysis of balance of cash and cash equivalents

	2011 **HK$**	2010 HK$
Cash and bank balances	**24,276**	199,970

26. Contingent Liabilities

At the end of the reporting period, the Group did not have any significant amount of contingent liabilities.

27. Commitments under Operating Leases

At 31 December 2011, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	2011 **HK$**	2010 HK$
Within one year	**352,728**	441,280
In the second to fifth year inclusive	**323,334**	–
	676,062	441,280

The above lease agreement was made between the Group and the landlord for a term of two years and rentals are fixed for two years. The lease payments were guaranteed by the Company.

28. Related Party Transactions

Compensation of key management personnel of the Group

	2011 **HK$**	2010 HK$
Short term benefits	**1,200,000**	1,200,000
Post employment benefits	**–**	–
	1,200,000	1,200,000

Further details of directors' emoluments are included in note 14.

29. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 30 March 2012.

FIVE YEAR FINANCIAL SUMMARY

	2011	2010	2009	2008	2007
	HK$	HK$	HK$	HK$	HK$
RESULTS					
Loss attributable to equity holders of the Company	**(4,971,164)**	(4,323,809)	(2,072,639)	(8,233,579)	(72,027,662)
ASSETS AND LIABILITIES					
Total assets	**6,530,401**	7,949,233	7,818,637	5,738,629	9,398,954
Total liabilities	**24,389,861**	20,837,529	16,383,124	12,230,477	7,657,223
Total equity	**(17,859,460)**	(12,888,296)	(8,564,487)	(6,491,848)	1,741,731