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ARTEL SOLUTIONS GROUP HOLDINGS LIMITED
宏通集團控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The board (the "Board") of directors (the "Directors") of Artel Solutions Group Holdings Limited (the "Company") announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011, together with the comparative figures for the previous year prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Rental income	3	**300**	–
Dividend income from held for trading investments	3	**571**	533
(Loss)/gain on disposal of held for trading investments	3	**(2,293)**	4,134
(Loss)/gain on fair value changes on held for trading investments	3	**(1,998)**	4,239
		(3,420)	8,906
Revenue from distribution of computer components and information technology products	3	**6,171**	8,883
Cost of revenue		**(5,479)**	(8,524)
Gross (loss)/profit		**(2,728)**	9,265
Other operating income	4	**13,913**	328
Administrative expenses		**(4,833)**	(4,057)
Interests on unsecured other loans		**–**	(293)
Profit before taxation	5	**6,352**	5,243
Taxation	6	**(199)**	–
Profit for the year attributable to equity shareholders of the Company		**6,153**	5,243
Other comprehensive loss for the year (after tax)			
Exchange difference arising on translation of foreign operation before and after tax effects		**(44)**	(86)
Total comprehensive income for the year attributable to equity shareholders of the Company		**6,109**	5,157
Earnings per share (HK cents)	8		
– Basic		**0.11**	0.11
– Diluted		**0.06**	0.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties	9	**78,811**	–
Plant and equipment		**562**	429
		79,373	429
Current assets			
Held for trading investments	10	**68,132**	9,288
Trade receivables, prepayments and deposits	11	**890**	1,443
Bank balances and cash		**91,625**	235,776
		160,647	246,507
Current liabilities			
Trade payables, accrued charges and other payables	12	**489**	11,682
Unsecured other loans	13	**–**	2,031
Income tax payable		**11**	–
		500	13,713
Net current assets		**160,147**	232,794
Total assets less current liabilities		**239,520**	233,223
Non-current liability			
Deferred tax liability	14	**188**	–
Net assets		**239,332**	233,223
Capital and reserves			
Share capital		**70,541**	50,334
Reserves		**168,791**	182,889
Shareholders' funds		**239,332**	233,223

Notes:

1. BASIS OF PREPARATION

The Company is a limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company and the principal activities of the Group are properties investments, distribution of computer components and information technology products and trading of securities.

The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis as modified by the revaluation of held for trading investments and investment properties.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as "Hong Kong Financial Reporting Standards"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards. The adoption of the new Hong Kong Financial Reporting Standards had no material effect on the results and financial position of the Group for the current or prior accounting years.

The following Hong Kong Financial Reporting Standards in issue as at the date of authorisation of these consolidated financial statements have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2011:–

HKAS 19 (Revised 2011)	Employee Benefits [4]
HKAS 27 (Revised 2011)	Separate Financial Statements [4]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures [4]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [4]
HKFRS 11	Joint Arrangements [4]
HKFRS 12	Disclosure of Interests in Other Entities [4]
HKFRS 13	Fair Value Measurement [4]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine [4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income [3]
Amendments to HKAS12	Deferred tax: Recovery of Underlying Assets [2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities [5]
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [1]
Amendments to HKFRS 7 (2010)	Disclosures – Transfers of Financial Assets [1]
Amendments to HKFRS 7 (2011)	Disclosures – Offsetting Financial Assets and Financial Liabilities [4]
Amendments to HKFRS 7 and HKFRS 9	Disclosure – Mandatory Effective Date of HKFRS 9 and Transition Disclosures [6]

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

The Group is in the process of making an assessment of what the impact of these standards, amendments and interpretations are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. TURNOVER AND SEGMENTS AND EQUITY-WIDE INFORMATION

Turnover represents the aggregate of the rental income from letting of investment properties, net amounts received and receivable for goods sold to outside customers, less returns and allowance, dividend income from held for trading investments and net realised and unrealised gains or losses from trading of securities and is analysed as follows:–

	2011	2010
	HK$'000	*HK$'000*
Rental income	**300**	–
Dividend income from held for trading investments	**571**	533
(Loss)/gain on disposal of held for trading investments	**(2,293)**	4,134
(Loss)/gain on fair value changes on held for trading investments	**(1,998)**	4,239
Distribution of computer components and information technology products	**6,171**	8,883
	2,751	17,789

Reportable segments

For management purposes, the Group is organised into three operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:–

– Property investments
– Trading of securities
– Distribution of computer components and information technology products

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:–

(1) Segment assets consist primarily of investment properties and held for trading investments. Segment liabilities comprise operating liabilities and mainly exclude items such as income tax payable and deferred tax liabilities.

(2) Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

(3) Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

(4) Unallocated items comprises financial and corporate assets, unsecured other loans, and corporate and financial expenses.

The measure used for reporting segment result is "adjusted EBIT" i.e. adjusted earnings before interest and taxes. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

Segment information about the aforementioned businesses is set out as follows:–

	Properties investment		**Trading of securities**		**Distribution of computer components and information technology products**		**Consolidated**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER								
External	**300**	–	**(3,720)**	8,906	**6,171**	8,883	**2,751**	17,789
RESULT								
Segment result	**156**	–	**(4,332)**	8,486	**416**	98	**(3,760)**	8,584
Other operating income							**13,913**	328
Unallocated corporate expenses							**(3,801)**	(3,376)
Finance costs							**–**	(293)
Profit before taxation							**6,352**	5,243
Taxation							**(199)**	–
Profit for the year							**6,153**	5,243
Assets								
Segment assets	**79,638**	–	**68,132**	9,288	**–**	655	**147,770**	9,943
Unallocated corporate assets							**92,250**	236,993
Consolidated total assets							240,020	246,936
Liabilities								
Segment liabilities	**186**	–	**–**	–	**–**	6,851	**186**	6,851
Unallocated corporate liabilities							**502**	6,862
Consolidated total liabilities							**688**	13,713
Other information								
Allocated capital additions	**79,096**	–	**–**	–	**–**	–	**79,096**	–
Unallocated capital additions							**–**	2
Unallocated depreciation							**152**	152

Entity-wide information

The Group's operations are substantially located in Hong Kong for both years. An analysis of the Group's geographical information is set out as follows:–

	2011	2010
	HK$'000	*HK$'000*
Revenue by geographical location of its customers:–		
Hong Kong	**6,171**	8,883

	2011	2010
	HK$'000	*HK$'000*
Carrying amount of non-current assets analysed by geographical area in which the assets are located of:–		
Hong Kong	**79,373**	429

During the current year, the Group has only one customer (2010: one).

4. OTHER OPERATING INCOME

	2011	2010
	HK$'000	*HK$'000*
Write back of payables and other loans	**12,778**	–
Interest income on bank deposits	**1,135**	326
Exchange gain	**–**	2
	13,913	328

5. PROFIT BEFORE TAXATION

	2011	2010
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging/(crediting):–		
Auditor's remuneration	**317**	316
Depreciation of plant and equipment	**152**	152
Operating lease rentals in respect of rented premises	**476**	476
Rental income less outgoings	**(211)**	–
Staff costs:–		
Directors' remuneration		
– fees	**190**	190
– other emoluments	**–**	–
	190	190
Staff costs excluding directors' remuneration	**1,488**	1,476
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration	**33**	32
	1,521	1,508
Total staff costs	**1,711**	1,698

6. TAXATION

Taxation in the consolidated statement of comprehensive income represents:–

	2011	2010
	HK$'000	*HK$'000*
Current tax		
Provision for the year	**11**	–
Deferred tax		
Charge for the year – Note 14	**188**	–
	199	–

The provision for Hong Kong Profits Tax for the year is calculated at 16.5% of the estimated assessable profits for the year. No provision for Hong Kong Profits Tax had been made in the consolidated financial statements in prior year as the assessable profit for the prior year was fully offset by tax losses brought forward.

No provision for taxation has been made in respect of the Company's subsidiaries operating in other jurisdictions as they did not have assessable profits for both years.

7. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting period.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share of the Company (the "Share") attributable to equity shareholders of the Company for the year is based on the profit for the year of approximately HK$6,153,000 (2010: HK$5,243,000) and the weighted average number of 5,714,374,856 (2010: 4,923,829,040) Shares in issue.

The calculation of the diluted earnings per Share attributable to equity shareholders of the Company for the year is based on the profit for the year of approximately HK$6,153,000 (2010: HK$5,243,000) and the weight average number of 5,714,374,856 (2010: 4,923,829,040) Shares in issue adjusted for potential diluted effect of 4,222,797,927 (2010: 6,243,523,316) Shares to be allotted and issued upon the exercise in full of the conversion rights attaching to the outstanding convertible notes (see note 15).

	2011 Number of Shares	2010 Number of Shares
Weighted average number of Shares		
Weighted average number of Shares (basic)	**5,714,374,856**	4,923,829,040
Effect of the exercise in full of the conversion rights attaching to the outstanding convertible notes	**4,222,797,927**	6,243,523,316
Weighted average number of Shares (diluted)	**9,937,172,783**	11,167,352,356

9. INVESTMENT PROPERTIES

	HK$'000
Additions and at 31.12.2011, at fair value	**78,811**

The fair value of the Group's investment properties at 31 December 2011 has been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Ltd, an independent professional surveyor and property valuer not connected with the Group. RHL Appraisal Ltd is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant location. The valuations were arrived at by reference to comparable sales transactions as available in the relevant market.

As at 31 December 2011, all of the Group's investment properties were located in Hong Kong and were built on land held under the following term leases:–

	HK$'000
Medium-term leases	**58,361**
Long-term leases	**20,450**
	78,811

10. HELD FOR TRADING INVESTMENTS

	2011	2010
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at fair value	**68,132**	9,288

The fair value of the Group's investments in listed equity securities has been determined directly by reference to their published price quotations in active market as at 31 December 2011.

Details of the Group's investments as at 31 December 2011 are as follows:–

Name	**Place of incorporation**	**Principal activities**	**Number of shares held**	**Approximate percentage of equity interest held**
PCCW Limited	Hong Kong	Provision of telecommunications services, internet access services, interactive multimedia and pay-TV services, the sale and rental of telecommunications equipment, and the provision of computer, engineering and other technical services; investments in, and development of, systems integration and technology–related businesses; and investments in, and development of, infrastructure and properties	11,600,000	0.16%
Tracker Fund of Hong Kong	Hong Kong	Funds investment and assets management	2,000,000	0.08%

11. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**–**	106
Prepayments and deposits	**890**	1,337
	890	1,443

The Group allowed its trade customers with a credit period normally from cash on delivery to 30 days. The trade receivables as at 31 December 2010 of approximately HK$106,000 were past due within 60 days but not impaired at the end of the reporting period.

Trade receivables that were past due but not impaired are related to the customer that had a good track record with the Group. Based on the past experience, management believed that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were considered fully recoverable. The Group did not hold any collateral over the balances.

12. TRADE PAYABLES, ACCRUED CHARGES AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**–**	6,851
Accrued charges and other payables	**489**	4,831
	489	11,682

13. UNSECURED OTHER LOANS

Included in the unsecured loans amounted to HK$1,800,000 was interest-bearing at an annual rate of 15% while the remaining balance of approximately HK$231,000 was interest-bearing at an annual rate of 10%. During the year, the whole balance was written back as the Group's obligation has expired.

14. DEFERRED TAXATION

The following is deferred tax liabilities recognised by the Group and movement thereon during the year is as follows:–

	Accelerated depreciation allowances
	HK$'000
Charge for the year and at 31.12.2011-Note 6	**188**

At the end of the reporting period, the Group had unused tax losses of approximately HK$503,229,000 (2010: HK$496,135,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely except the losses of approximately HK$Nil (2010: HK$628,000) which will expire as follows:–

Year of expiry	**2011**	2010
	HK$'000	*HK$'000*
2011	**–**	628

At the end of the reporting period, the Group had deductible temporary differences of approximately HK$1,574,000 (2010: HK$1,448,000) arising from the decelerated tax allowances. No deferred tax asset has been recognised in relation to these deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

15. CONVERTIBLE NOTES

On 15 January 2008, the Company and Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), an executive Director and the substantial shareholder of the Company, entered into a subscription agreement (the "Subscription Agreement") pursuant to which the Company had conditionally agreed to issue and Mr. Kan had conditionally agreed to subscribe for the zero-coupon and non-redeemable convertible notes (the "Convertible Notes") of the Company in an aggregate principal amount of HK$358 million. The initial conversion price is HK$0.0386 per Share. Assuming that the conversion rights attaching to the Convertible Notes are exercised in full at the conversion price of HK$0.0386 per Share, an aggregate of 9,274,611,398 Shares will be issued.

Completion of the Subscription Agreement took place on 13 February 2008 and the Convertible Notes were issued by the Company to Mr. Kan pursuant to the Subscription Agreement on the same date. The subscription price of the Convertible Notes of HK$358 million was satisfied in part of approximately HK$318 million by setting off the full amount of (i) the bank overdraft and borrowings of approximately HK$256 million and the debt of approximately HK$59 million due to a supplier which had been assigned to Mr. Kan; and (ii) the loan of approximately HK$3 million advanced by Mr. Kan, against such amount of the subscription price of the Convertible Notes on a dollar for dollar basis. The remaining balance of the subscription price of approximately HK$40 million was settled in cash, which was used as general working capital of the Group. The maturity date of the conversion rights attaching to the Conversion Notes is 13 February 2013, being the date falling on the fifth anniversary from the date of issue of the Convertible Notes. In the event the compulsory conversion of the outstanding principal amount of the Convertible Notes on the maturity date would render the then issued Shares held in the public hands being less than the minimum public float as required under the Listing Rules from time to time, the Convertible Notes will be renewed automatically for successive term of one year commencing the day next after the expiry of the then current term of the Convertible Notes.

The outstanding principal amount of the Convertible Notes as at 1 January 2010 and 31 December 2010 was HK$241,000,000. On 31 August 2011, Mr. Kan exercised the conversion rights attaching to the Convertible Notes in relation to the conversion of an aggregate principal amount of HK$78,000,000 of the Convertible Notes and an aggregate of 2,020,725,388 Shares were allotted and issued to Mr. Kan. The outstanding principal amount of the Convertible Notes as at 31 December 2011 was HK$163,000,000.

BUSINESS REVIEW AND FINANCIAL REVIEW

During the year, the turnover of the Group included rental income from letting of properties of approximately HK$300,000, dividend income from held for trading investments of approximately HK$571,000, loss on disposal of held for trading investments of approximately HK$2 million, loss on fair value changes on held for trading investments of approximately HK$2 million and revenue from distribution of computer components and information technology products of approximately HK$6 million. The current year turnover of the Group was approximately HK$2.8 million or 84.5% lower than the turnover of HK$17.8 million for the previous year. The decrease in turnover was mainly resulted from the realized or unrealized loss of approximately HK$4.3 million on trading of equity securities listed in Hong Kong as compared with an unrealized and realized gain of approximately HK$8.4 million for the previous year.

Other operating income increased significantly by approximately HK$13.6 million to approximately HK$13.9 million for the year ended 31 December 2012. The increase was mainly due to written back of other payables of approximately HK$11 million and other unsecured loans of approximately HK$2 million as the Group's obligation has expired together with the increase in interest income from bank deposits of approximately HK$809,000 during the year.

Overall, the Group recorded a net profit of approximately HK$6 million for the year, representing a 17.4% increase from a net profit of approximately HK$5 million for the previous year.

Regarding the two framework agreements (the "Framework Agreements") entered into by the Company with 山西蘭花煤炭實業集團有限公司(Shanxilanhua Coal Industrial Group Co. Ltd.) ("Shanxilanhua") in relation to the possible acquisition by the Company of approximately 28.01% equity interest in the registered capital of Shanxilanhua, a joint venture agreement entered between Shanxilanhua, Deluxe Full Holdings Limited and the Company (the "JV Agreement") in respect of the formation of a joint venture in the People's Republic of China and a cooperative letter of intent with 山西蘭花集團莒山煤礦有限公司(Shanxilanhua Group Ju Shan Coal Mining Co. Ltd.) ("Ju Shan") (the "LOI") in respect of the proposed capital injection in Ju Shan by the Company, due to the fact that the Group could not agree with the counterparties of each of the Framework Agreements, the JV Agreement and the LOI on the terms of the respective agreements, the Group decided not to proceed with the Framework Agreements, the JV Agreement and the LOI.

In order to broaden the income base of the Group and on the optimistic view of the Directors about the long term prospect of properties investments in Hong Kong, the Group acquired three local properties during the year. The rental income generated from the below properties will be classified as a main income stream of the Group.

On 5 May 2011, ACE Vantage Investments Limited ("ACE"), a wholly-owned subsidiary of the Company, entered into the provisional agreement for acquisition of a property (the "Central Property") located in Central Mid-levels with a gross floor area of approximately 3,052 square feet, for residential purpose, at a cash consideration of HK$36.8 million, which will be satisfied by internal resources of the Group. The acquisition of the Central Property by ACE was completed on 18 August 2011. The Central Property is under renovation and will be leased out for rental income in the first half of 2012.

On 27 June 2011, Strong Mix Limited ("Strong Mix"), a wholly-owned subsidiary of the Company, entered into the provisional agreement for the purchase of a property (the "KT Property") located at Kwu Tung, New Territories with a gross residential floor area of approximately 2,811 square feet, for residential purpose, at a cash consideration of HK$18 million, which will be satisfied by internal resources of the Group. The acquisition of the KT Property was completed on 8 August 2011 while on the same date, Strong Mix and the previous owner of KT Property entered into a tenancy agreement as landlord and tenant respectively of the KT Property with a monthly rental of HK$60,000 for the period from 8 August 2011 to 7 August 2012 both days inclusive.

On 28 June 2011, Smart Look Limited, a wholly-owned subsidiary of the Company, entered into the property acquisition agreement with the BK Capital Limited for the purchase of a property (the "RB Property") located at the Repulse Bay with a gross floor area of approximately 1,220 square feet, for residential purpose, at a cash consideration of HK$19.5 million, which will be satisfied by internal resources of the Group. The acquisition of the RB Property was completed on 28 September 2011. The whole building of RB Property is now under a major renovation and the Group expects to be able to lease out the RB Property for rental income purpose after completion of the renovation works around the end of 2012.

PROSPECTS

Besides the business of investment in properties, the trading of computer components and information technology products and the trading of securities, the Group continued to look for new business opportunities to diversify its business into industries that provide better returns for the shareholders of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group had total cash and bank balances of approximately HK$92 million as at 31 December 2011 (2010: approximately HK$236 million). There was no other short-term borrowing as at 31 December 2011, no gearing ratio of the Group as at 31 December 2011 was calculated. Balance of other short-term borrowings was approximately HK$2 million as at 31 December 2010. The gearing ratio of the Group as at 31 December 2010 calculated as a ratio of total interest-bearing loans to total assets was approximately 0.8%. Net assets were approximately HK$239 million as at 31 December 2011 (2010: approximately HK$233 million).

The Group recorded total current asset value of approximately HK$161 million as at 31 December 2011 (2010: approximately HK$247 million) and total current liability value of approximately HK$500,000 as at 31 December 2011 (2010: approximately HK$14 million). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was approximately 321.29 as at 31 December 2011 (2010: approximately 17.98).

FOREIGN EXCHANGE EXPOSURE

Transactions of the Group were mainly denominated either in Hong Kong dollars or United States dollars. In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the year.

TREASURY POLICIES

Bank balances and cash held by the Group were denominated in Hong Kong dollars and United States dollars. The Group currently does not have a foreign currency and interest rate hedging policy. However, the management of the Group monitored foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign currency and interest rate exposure should the need arise.

PLEDGE OF ASSETS

The Group had no pledged assets as at 31 December 2011.

SIGNIFICANT INVESTMENT

During the year, the Group acquired equity securities listed in Hong Kong of approximately HK$98 million of which approximately HK$38 million had been disposed of. As at 31 December 2011, the held for trading investment represented the equity securities listed in Hong Kong at fair value of approximately HK$68 million. Details of the performance of these listed securities are set out in Note 3 to this announcement.

During the year, the Group acquired three residential properties at total consideration of approximately HK$74.3 million for rental income purposes. Details of these investment properties are set out in note 9 to this announcement and the Business Review and Financial Review on pages 13 and 14 of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries or associated companies for the year ended 31 December 2011.

SEGMENTAL INFORMATION

Details of segmental information for the year ended 31 December 2011 are set out in note 3 to this announcement.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2011.

STAFF AND REMUNERATION POLICIES

As at 31 December 2011, the Group had 7 employees (2010: 7 employees). The Group's total staff costs amounted to approximately HK$1,711,000 (2010: HK$1,698,000) for the year ended 31 December 2011.

The Group remunerated its employees mainly based on the industry practice, individual's performance and experience. Apart from the basic remuneration, discretionary bonus and share options may be granted to eligible employees by reference to the Group's performance as well as individual's performance. Other benefits include medical and retirement schemes.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "Audit Committee") include the review and supervision of the Group's financial reporting process and internal control. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2011 and was of the opinion that the audited consolidated financial statements of the Group have been properly prepared in accordance with the statutory requirements and applicable accounting standards.

The Audit Committee currently comprises three independent non-executive directors of the Company, namely Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong.

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

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") under Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2011 except the followings:

1. Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separate. The positions of chairman and chief executive officer of the Company were held by Mr. Kan Che Kin, Billy Albert ("Mr. Kan"). The board (the "Board") of directors (the "Directors") of the Company believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. The Board has full confidence in Mr. Kan and believes that his dual roles will be beneficial to the Group.

2. Under the Code Provisions A.4.1 and A.4.2, non-executive Director should be appointed for a specific term and each Director should be subject to retirement by rotation at least once every three years. The existing independent non-executive Directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in

accordance with the articles of association (the "Articles of Association") of the Company at least once every three years.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they have confirmed that they complied with the required standards as set out in the Model Code during the year ended 31 December 2011.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 18 May 2012, details of which are set out in the notice of annual general meeting of the Company which will be published in due course.

By order of the Board
Li Kai Yien, Arthur Albert
Director

Hong Kong, 29 March 2012

As at the date of this announcement, the Board comprises two executive Directors, namely Ms. Li Shu Han, Eleanor Stella and Mr. Li Kai Yien, Arthur Albert and three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Ip Woon Lai and Mr. Lee Kong Leong.