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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 2012

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 2012, together with the comparative figures for the previous year prepared in accordance with generally accepted accounting principles in Hong Kong as follows:

* *for identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	**2012** **HK$'000**	2011 *HK$'000*
Rental income	*3*	**766**	300
Dividend income from held for trading investments	*3*	**1,998**	571
Gain/(loss) on disposal of held for trading investments	*3*	**19,100**	(2,293)
Loss on fair value changes on held for trading investments	*3*	**–**	(1,998)
		21,864	(3,420)
Revenue from distribution of computer components and information technology products	*3*	**–**	6,171
Cost of revenue		**–**	(5,479)
Gross profit/(loss)		**21,864**	(2,728)
Other operating income	*4*	**736**	13,913
Valuation gains on investment properties	*9*	**3,900**	–
Administrative expenses		**(5,216)**	(4,833)
Profit before taxation	*5*	**21,284**	6,352
Taxation	*6*	**(1,213)**	(199)
Profit for the year attributable to equity shareholders of the Company		**20,071**	6,153
Other comprehensive loss for the year (after tax)			
Exchange difference arising on translation of foreign operation before and after tax effects		**–**	(44)
Total comprehensive income for the year attributable to equity shareholders of the Company		**20,071**	6,109
Dividend	*7*	**7,676**	–
Earnings per share (HK cents)	*8*		
– Basic		**0.26**	0.11
– Diluted		**0.20**	0.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Investment properties	9	**84,800**	78,811
Plant and equipment		**702**	562
Deferred tax assets	11	**11**	–
		85,513	79,373
Current assets			
Held for trading investments	10	**–**	68,132
Prepayments and deposits		**894**	890
Bank balances and cash		**167,177**	91,625
		168,071	160,647
Current liabilities			
Accrued charges and other payables		**448**	489
Income tax payable		**1,345**	11
		1,793	500
Net current assets		**166,278**	160,147
Total assets less current liabilities		**251,791**	239,520
Non-current liability			
Deferred tax liability	11	**64**	188
Net assets		**251,727**	239,332
Capital and reserves			
Share capital		**86,863**	70,541
Reserves		**164,864**	168,791
Shareholders' funds		**251,727**	239,332

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, trading of securities and distribution of computer components and information technology products.

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 ended 31 December 2012 since they were not yet effective for the annual period beginning on 1 January 2012:–

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

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

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

	2012	2011
	HK$'000	*HK$'000*
Rental income	**766**	300
Dividend income from held for trading investments	**1,998**	571
Gain/(loss) on disposal of held for trading investments	**19,100**	(2,293)
Loss on fair value changes on held for trading investments	**–**	(1,998)
Distribution of computer components and information technology products	**–**	6,171
	21,864	2,751

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:–

– Properties investment
– 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, certain plant and equipment and held for trading investments and mainly exclude item of deferred tax assets. 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 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**	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER								
External	**766**	300	**21,098**	(3,720)	**–**	6,171	**21,864**	2,751
RESULT								
Segment result	**4,046**	156	**20,309**	(4,332)	**–**	416	**24,355**	(3,760)
Other operating income							**676**	13,913
Unallocated corporate expenses							**(3,747)**	(3,801)
Profit before taxation							**21,284**	6,352
Taxation							**(1,213)**	(199)
Profit for the year							**20,071**	6,153
Assets								
Segment assets	**85,435**	79,638	**–**	68,132	**–**	–	**85,435**	147,770
Unallocated corporate assets							**168,149**	92,250
Consolidated total assets							**253,584**	240,020
Liabilities								
Segment liabilities	**140**	186	**–**	–	**–**	–	**140**	186
Unallocated corporate liabilities							**1,717**	502
Consolidated total liabilities							**1,857**	688
Other information								
Allocated capital additions	**2,422**	79,096	**–**	–	**–**	–	**2,422**	79,096
Allocated depreciation	**41**	–	**–**	–	**–**	–	**41**	–
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:–

	2012	2011
	HK$'000	*HK$'000*
Revenue by geographical location of its lessees/customers:–		
Hong Kong	**766**	6,471

	2012	2011
	HK$'000	*HK$'000*
Carrying amount of non-current assets analysed by geographical area in which the assets are located of:–		
Hong Kong	**85,502**	79,373

During the year, the Group has two lessees/customers (2011: two).

4. OTHER OPERATING INCOME

	2012	2011
	HK$'000	*HK$'000*
Write back of payables and other loans	**–**	12,778
Interest income on bank deposits	**676**	1,135
Sundry income	**60**	–
	736	13,913

5. PROFIT BEFORE TAXATION

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging/(crediting):–		
Auditor's remuneration	**320**	317
Depreciation of plant and equipment	**193**	152
Operating lease rentals in respect of rented premises	**743**	476
Rental income less outgoings	**(518)**	(211)
Staff costs:–		
Directors' remuneration		
– fees	**170**	190
– other emoluments	**–**	–
	170	190
Staff costs excluding directors' remuneration	**1,506**	1,488
Retirement benefits scheme contributions, excluding amounts included in directors' remuneration	**36**	33
	1,542	1,521
Total staff costs	**1,712**	1,711

6. TAXATION

Taxation in the consolidated statement of comprehensive income represents:–

	2012	2011
	HK$'000	*HK$'000*
Current tax		
Provision for the year	**1,357**	11
Over provision in previous year	**(9)**	–
Deferred tax		
(Credit)/charge for the year – Note 11	**(135)**	188
	1,213	199

The provision for Hong Kong Profits Tax for the year is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the year.

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

	2012	2011
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year:		
Interim dividend of HK$0.1 cents (2011: Nil) per share declared and paid	**7,676**	–

The Directors proposed to declare a final dividend of HK$0.2 cent (2011: Nil) per share ("Share") of the Company for the year ended 31 December 2012. The proposed final dividend for the year ended 31 December 2012 is subject to the approval of the shareholders (the "Shareholders") of the Company at the forthcoming annual general meeting. This final dividend has not been included as a liability in the consolidated financial statements.

8. EARNINGS PER SHARE

The calculation of the basic earnings per Share attributable to equity Shareholders of the Company for the year is based on the profit for the year of approximately HK$20,071,000 (2011: HK$6,153,000) and the weighted average number of 7,688,646,145 (2011: 5,714,374,856) 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$20,071,000 (2011: HK$6,153,000) and the weight average number of 7,688,646,145 (2011: 5,714,374,856) Shares in issue adjusted for potential diluted effect of 2,590,673,575 (2011: 4,222,797,927) Shares to be allotted and issued upon the exercise in full of the conversion rights attaching to the outstanding convertible notes (see note 12).

	2012	2011
	Number of shares	Number of shares
Weighted average number of Shares		
Weighted average number of Shares (basic)	**7,688,646,145**	5,714,374,856
Effect of the exercise in full of the conversion rights attaching to the convertible notes	**2,590,673,575**	4,222,797,927
Weighted average number of Shares (diluted)	**10,279,319,720**	9,937,172,783

9. INVESTMENT PROPERTIES

	2012	2011
	HK$'000	*HK$'000*
At 1 January	**78,811**	–
Additions	**2,089**	78,811
Fair value adjustment	**3,900**	–
At 31 December, at fair value	**84,800**	78,811

The fair value of the Group's investment properties at 31 December 2012 and 2011 have 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 2012 and 2011, all of the Group's investment properties were located in Hong Kong and were built on land held under medium to long term leases.

	2012	2011
	HK$'000	*HK$'000*
Medium-term leases	**63,150**	58,361
Long-term leases	**21,650**	20,450
	84,800	78,811

10. HELD FOR TRADING INVESTMENTS

	2012	2011
	HK$'000	*HK$'000*
Equity securities listed in Hong Kong, at fair value	**–**	68,132

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 at the end of the reporting year.

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. DEFERRED TAXATION

The following is deferred tax (assets)/liabilities recognised by the Group and movement thereon during the year are as follows:–

	Tax losses *HK$'000*	Accelerated depreciation allowances *HK$'000*	Total *HK$'000*
At 1.1.2011	–	–	–
Charge for the year – Note 6	–	188	188
At 31.12.2011 and 1.1.2012	–	188	188
(Credit)/charge for the year – Note 6	(337)	202	(135)
At 31.12.2012	**(337)**	**390**	**53**

At the end of the reporting period, the Group had unused tax losses of approximately HK$494,574,000 (2011: HK$503,229,000) 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.

At the end of the reporting period, the Group had deductible temporary differences of approximately HK$1,702,000 (2011: HK$1,574,000) 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.

Reconciliation to the consolidated statement of financial position:–

	2012 ***HK$'000***	2011 *HK$'000*
Net deferred tax asset recognised in the consolidated statement of financial position	**(11)**	–
Net deferred tax liability recognised in the consolidated statement of financial position	**64**	188
	53	188

12. 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 2011 was HK$241,000,000. On 31 August 2011, Mr. Kan exercised the conversion rights attaching to 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.

On 26 January 2012 and 12 December 2012, Mr. Kan exercised the conversion rights attaching to the Convertible Notes in relation to the conversion of an aggregate principal amount of HK$63,000,000 of the Convertible Notes and an aggregate of 1,632,124,352 Shares were allotted and issued to Mr. Kan. The outstanding principal amount of the Convertible Notes as at 31 December 2012 was HK$100,000,000.

FINAL DIVIDEND

The Board have resolved to recommend a final dividend of HK0.2 cents per Share in cash distributed from the share premium account of the Company for the year ended 31 December 2012 to the Shareholders whose names appear on the register of members of the Company on 29 May 2013. As at 31 December 2012, the Company's share premium account was approximately HK$505,941,000. After the payment of the final dividend, assuming there are no other changes to the share premium account, the Company's share premium account is expected to be reduced to approximately HK$488,568,000. Together with the interim dividend of HK0.1 cents per Share approved by the Shareholders in an extraordinary general meeting (the "EGM") of the Company held on 12 October 2012 and paid on 2 November 2012, the total distribution per Share for the year ended 31 December 2012 will thus be HK0.3 cents per Share.

The proposed final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on 21 May 2013. The final dividend will be paid on or about 13 June 2013.

The register of members of the Company will be closed from 27 May 2013 to 29 May 2013, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 24 May 2013.

BUSINESS REVIEW AND FINANCIAL REVIEW

During the year, turnover of the Group increased significantly from approximately HK$3 million to approximately HK$22 million. The significant increase in turnover was mainly resulted from the increase in the realized or unrealized gain on trading of equity securities listed in Hong Kong from a net loss of approximately HK$4 million to a gain of approximately HK$19 million during the year.

In order to broaden the income base of the Group and for long term investment purpose, the Group invested in three properties in the second half of 2011. Rental income of HK$766,000 was derived from two residential properties located in Kwu Tung, New Territories (the "Kwu Tung Property") and in Central Mid-levels (the "Central Property") during the year 2012. The tenancy agreement of the Kwu Tong Property was expired on 7 August 2012 and the property remains vacant ever since. The Central Property was leased out on 1 September 2012 with a monthly rental of HK$70,000 for two years. The other residential property located in the Repulse Bay (the "Repulse Bay Property") is under major external building renovation work which is expected to be finished at around the end of the first quarter of 2013. The Group continued to seek for tenants of the vacant properties for rental income purpose. On the other hand, an independent professional valuation of the three properties as at 31 December 2012 produced a valuation surplus over the original costs of approximately HK$3.9 million, which was recognised in the consolidated statement of comprehensive income during the year.

Due to the continuous adverse market conditions of the business of distribution of computer components and information technology products in the last few years, the Directors had ceased all trading business in the year 2012; no revenue was recorded during the year as compared with a total revenue of approximately HK$6 million generated in the year 2011. The Group does not envisage to continue the business of distribution of computer components and information technology products until such time the market conditions have improved satisfactorily.

In conclusion, due to the good results generated from the trading of securities and the fair value gain on the investment properties, the net profit of the Group increased from approximately HK$6 million for the last year to a profit of approximately HK$20 million for the year 2012.

PROSPECTS

Besides the existing businesses, the Group continued to look for new business opportunities to diversify its business into industries that provide better returns for the Shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group had total cash and bank balances of approximately HK$167 million as at 31 December 2012 (2011: approximately HK$92 million). There was no other short-term borrowing as at 31 December 2012 and 31 December 2011, no gearing ratio of the Group as at 31 December 2012 and 31 December 2011 was calculated. Net assets were approximately HK$252 million as at 31 December 2012 (2011: approximately HK$239 million).

The Group recorded total current asset value of approximately HK$168 million as at 31 December 2012 (2011: approximately HK$161 million) and total current liability value of approximately HK$1.8 million as at 31 December 2012 (2011: approximately HK$500,000). The current ratio of the Group, calculated by dividing the total current asset value by the total current liability value, was approximately 93.74 as at 31 December 2012 (2011: approximately 321.29).

FOREIGN EXCHANGE EXPOSURE

Transactions of the Group were mainly denominated in Hong Kong dollars. No exposure to foreign exchange risk was expected for the year.

TREASURY POLICIES

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

PLEDGE OF ASSETS

The Group had no pledged assets as at 31 December 2012.

SIGNIFICANT INVESTMENT

During the year, the Group acquired equity securities listed in Hong Kong of approximately HK$93 million and all equity securities had been disposed of as at 31 December 2012. Details of the performance of these listed securities are set out in Note 3 to 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 2012.

SEGMENTAL INFORMATION

Details of segmental information for the year ended 31 December 2012 are set out in note 3 to this announcement.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2012.

STAFF AND REMUNERATION POLICIES

As at 31 December 2012, the Group had 5 employees (2011: 7 employees). The Group's total staff costs amounted to approximately HK$1,712,000 (2011: HK$1,711,000) for the year ended 31 December 2012.

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 2012 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 2012, 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 Stock Exchange has made various amendments to the Code on Corporate Governance Practices (the "Old Code") contained in Appendix 14 to the Listing Rules and renamed it the Corporate Governance Code (the "CG Code"). The CG Code took effect on 1 April 2012.

The Company has complied with the code provisions of the Old Code during the period from 1 January 2012 to 31 March 2012 and of the CG Code during the period from 1 April 2012 to 31 December 2012 except for the following deviations:

1. Under the Code Provision A.2, the Company has not appointed any individual to take up the posts of the chief executive officer and chairman of the Company since the resignation of the former chief executive officer and chairman of the Company, Mr. Kan on 27 January 2012 and the daily operation and management of the Group were monitored by the directors as well as the senior management of the Group. The balance of power and authority was ensured by the operation of the Board and the Board considered that the current structure would not impair the balance of power and authority between the Board and the senior management of 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 ("INEDs") 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 of the Company at least once every three years.

3. Under the Code Provision A.6.7, non-executive directors, including independent non-executive directors, should attend board, committee and general meetings. Two of the INEDs, namely Mr. Ip Woon Lai and Mr. Lee Kong Leong were unable to attend the annual general meeting (the "AGM") of the Company held on 18 May 2012 and all of the INEDs were unable to attend the EGM as they had other business engagements. However, they subsequently requested the company secretary of the Company to report to them on the views of the Shareholders in the AGM and the EGM. As such, the Board considers that the development of a balanced understanding of the views of Shareholders among the INEDs was ensured.

4. Under the Code Provision E.1.2, the chairmen of the board, the audit, remuneration and nomination committees should attend the annual general meeting. The Company has not appointed any individual to take up the post of chairman of the Company since 27 January 2012. Mr. Li Kai Yien, Arthur Albert, an executive Director, was elected as the chairman of the AGM to ensure effective communication with Shareholders at the AGM. Mr. Li Siu Yui, the chairman of the audit committee, remuneration committee and nomination committee of the Company had attended the AGM.

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 2012.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 21 May 2013, 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, 27 March 2013

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.