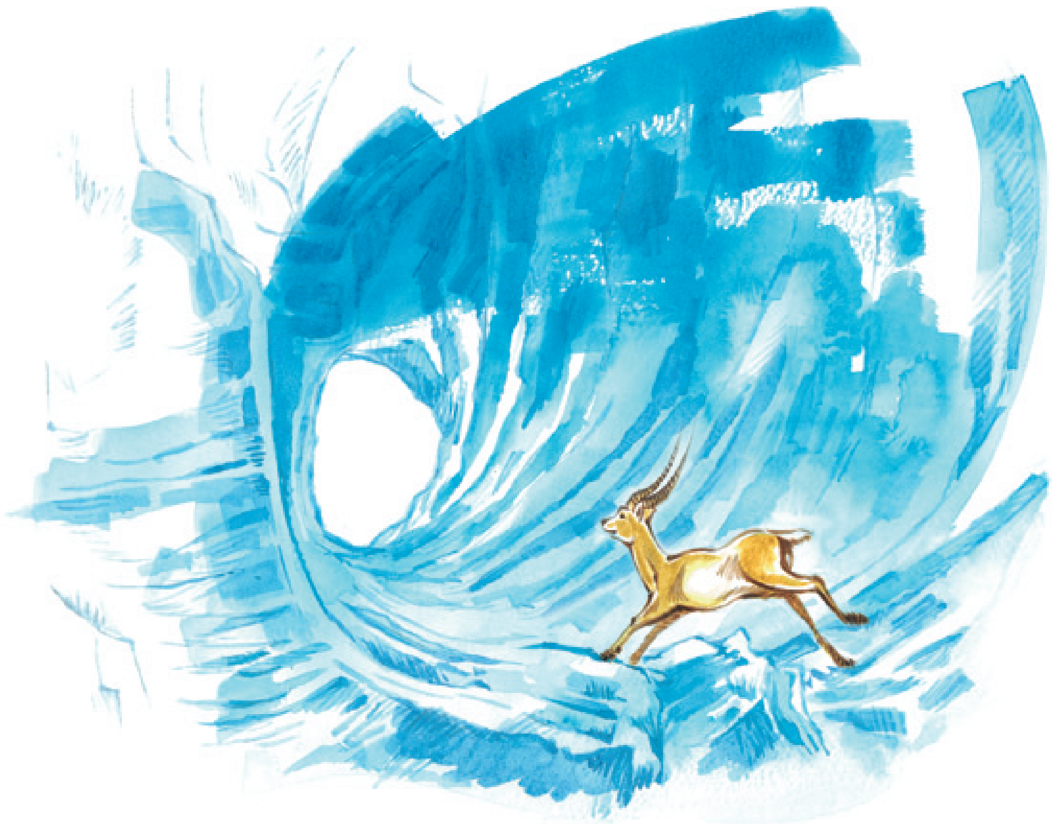
CINDERELLA MEDIA GROUP LIMITED

先傳媒集團有限公司

ANNUAL REPORT 2012



Stock Code: 550

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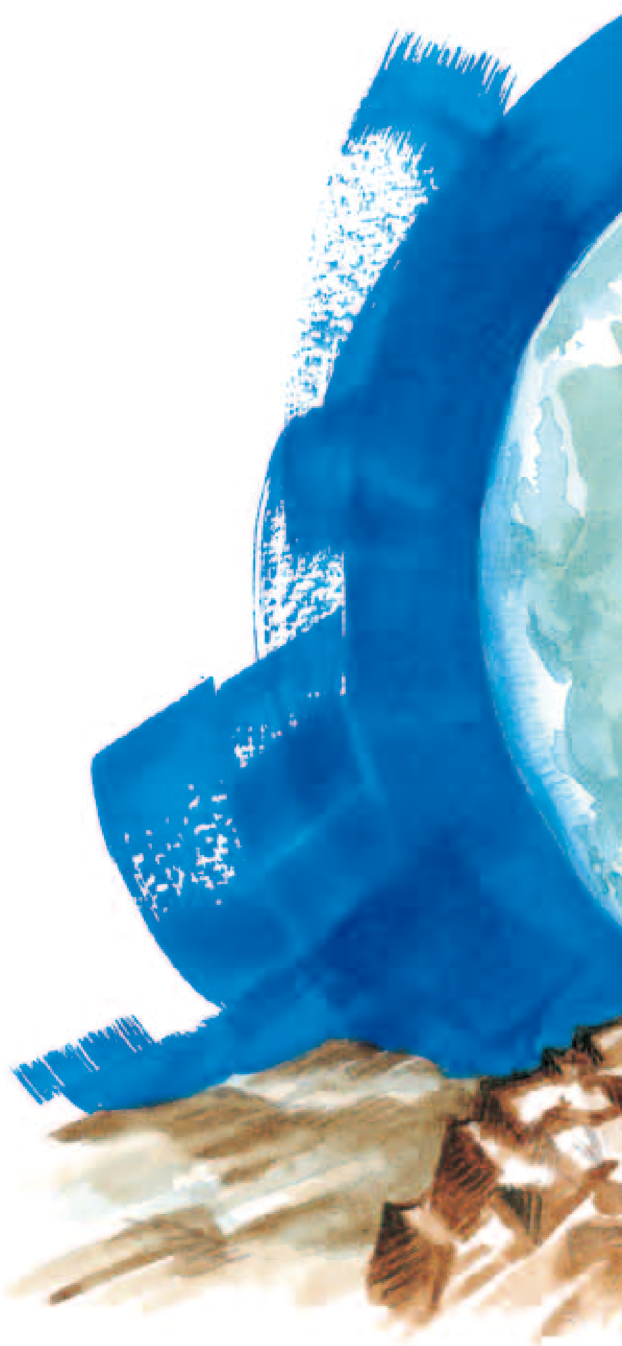
Chairman's Statement

"ON THE HEELS OF SUCCESS IN THE PREVIOUS YEAR, THE GROUP TURNED IN RECORD OPERATING PROFITS IN 2012."



1.5B

Sales Turnover (HK$)

251M

Profit Before Income Tax (HK$)

Dear shareholders,

On the heels of success in the previous year, the Group turned in record operating profits in 2012 which, marred by higher provisions for income and dividend tax, resulted in a slight decline in net profits after tax attributable to owners of the Company of 7%. Our return on sales still stands at a remarkable 12 % and this was achieved under harsh and turbulent business conditions so we could hardly complain.

The Inflight Magazine business unit had another stellar year when all three mainland airline contracts achieved spectacular results while our agency for Taiwan-based China Airlines also registered higher profit contributions. In an earlier announcement, alert shareholders would have noted that our contract with Air China expired at the end of December 2012 and we were grossly disappointed when they decided to turn that business in-house and not appoint an exclusive agent to handle the sales of advertisements. This marks the first time in history that we have been unable to renew an agency contract. Rather than agonize over the turn of events, management is actively seeking alternative business opportunities to replenish the loss in revenue. To-date, we have already secured new contracts with airline in Asia but more progress is needed for the business to return to the level we have enjoyed in recent years.

The Recruit Magazine/website business had a stable and rewarding year, despite continuous erosion in pricing when advertisers migrate to cheaper and increasingly popular channels such as internet web sites.

1010 Printing Group, our 60% owned subsidiary and a leader in book printing in the world had a fruitful and eventful year in 2012. One major challenge was to manage payment issues with a number of medium-sized customers and cope with changes in ownership/management among some of our key clients. To the credit of the 1010 management, we handled it well and achieved record operating and net profits. The addition of Asia Pacific Offset Limited ("APOL"), a leader in print management, at year-end, ushers in a new era. APOL is a game changer for 1010 and paves the way for its becoming a global leader in print management services.

We now operate offices directly or through exclusive sales agents in 15 cities in the world, including Beijing, Guangzhou, Shanghai, Yuanzhou, Shenzhen, Taipei, Hong Kong, London, Brisbane, Sydney, Auckland, New York, Washington DC, San Francisco, and Barcelona. Reflecting on our splendid performance, we are extremely grateful to our hardworking staff for their wonderful contributions in the past year.

Wan Siu Kau
Chairman
Hong Kong, 21 February 2013

Management Discussion and Analysis

BUSINESS REVIEW

161.9M

Total comprehensive income attributable to owners (HK$)

Business Review

Advertising Business

Inflight magazine

Our inflight magazine business achieved record operating profits in 2012. However, net profits after tax was weighed down by higher provisions for income tax and dividend tax in China.

Against a strong field of international competitors, Cinderella succeeded in renewing our exclusive sales/publishing contract with Taiwan-based China Airlines. The new contract carries a two-year fixed term with an option to renew for another year.

In November, 2012, Air China informed us of their decision to take over the advertisements for the inflight magazine themselves. This dealt a rather severe blow to our ambitious growth plans as the Air China contract was a significant one among our three agency contracts with mainland airlines (China Eastern Airlines and China Southern being the other two). In an effort to salvage the contract, Cinderella submitted a very aggressive proposal to Air China but to no avail. With hind sight, the decision by Air China was a strategic move and not a reflection of Cinderella's performance. In appreciation of our contributions in the past three years, Cinderella was appointed by Air China to continue to serve as an advertising sales agent, albeit on a non-exclusive basis.

The loss of the Air China contract presents a major challenge to Cinderella's management. We immediately responded by accelerating our efforts to acquire other exclusive advertising sales contracts and won advertising sales/magazines production contracts with Hong Kong Airlines and DFASS (Singapore) Pte Limited. It is evident, however, that profits generated from the new contracts will not be enough to match contributions from the Air China contract. Management is of course unfazed and is actively exploring other opportunities, through both organic growth and acquisitions, to achieve sustainable profits for the Group in the future.

In passing, we should add that our diversification into hi-speed railway advertising sales in China through the May 2011 agreement with Shanghai Railway Bureau had not been successful due to difficulty in distributing our magazines onboard the trains. Consequently the contract was dissolved by mutual agreement in July 2012 and we incurred a small trading loss.

Business Review (continued)

Advertising Business (continued)

Recruit Magazine and Website

The recruitment advertising industry went through a consolidation phase with advertising dollars continue to migrate to lower-priced internet job sites. In Hong Kong, industry players responded by cutting product development and promotion costs. Our Recruit magazine/website business, however, rebuked that trend and registered a 6% increase in sales turnover and higher profits. One of the reasons for Recruit's outperforming our competitors is the initiatives taken by management to seek additional sources of revenue. We successfully organized four job fairs during the year which were very well received by our customers and job applicants. The events generated immediate profits and helped promote the Recruit brand. We plan to capitalize on this initiative and organize more job fairs in 2013.

In 2012, we also launched "Like", a free subscription bi-weekly magazine, distributed in high traffic volume locations in Hong Kong. Featuring articles on "life style" topics and job/display advertisements, the magazine targets at job candidates for the retail industry. This industry – one of the key drivers of economic growth in Hong Kong – has been facing chronic shortage of staff. "Like" provides an alternative advertising medium for the retailers to reach out directly and expediently to prospective job seekers.

Business Review (continued)

Printing Business

1010 Printing Group Limited ("1010 Printing"), our 60% owned subsidiary, registered another solid year of performance with net profits after tax increasing to HK$68 million in 2012. 1010 currently ranks No. 2 among book printers exporting to the US market. This was achieved in an industry suffering from ever decreasing prices, escalating labor and shipping costs. The market for printed books in recent years has been hit hard by the advent of the ebook and steady shrinking of the distribution network, as Amazon continues its dominance in book sales.

On December 28, 2012, 1010 Printing completed the acquisition of Asia Pacific Offset Limited ("APOL"), one of the most successful book print management companies in the world. The combined paper procurement budget of 1010 and APOL will result in stronger bargaining power with paper mills. The merger is already gaining support from our major customers and 1010 management is convinced that providing comprehensive print management service to our publishing customers will be the future for 1010 Printing.

Prospects

The Air China episode has checked the growth momentum of our inflight magazine advertising business. Fortunately, our strong balance sheet provides us with a solid platform to explore other business prospects to compensate for profit contributions from the lost contract.

On a more positive note, in 1010 Printing, we have very exciting prospects and this operation will be a strong driver of earnings in the near-term future. We are actively seeking business opportunities to expand and diversify, and shareholders of both companies can expect more merger and acquisition activities to come.

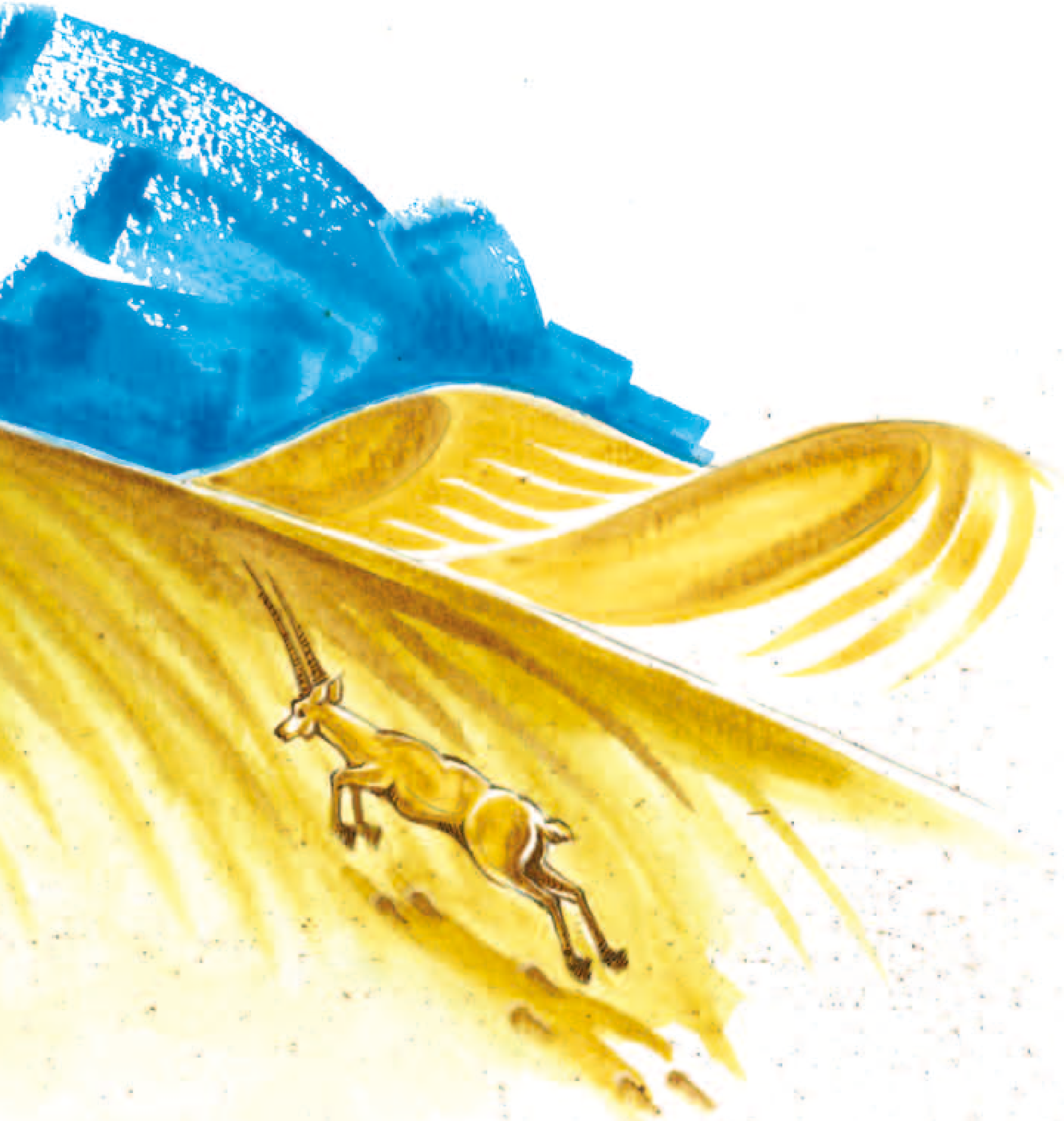
C. K. Lau
Executive Director
Hong Kong, 21 February 2013

Management Discussion and Analysis

FINANCIAL REVIEW

450.3M

Cash and Bank Balance (HK$)



LIQUIDITY AND FINANCIAL RESOURCES

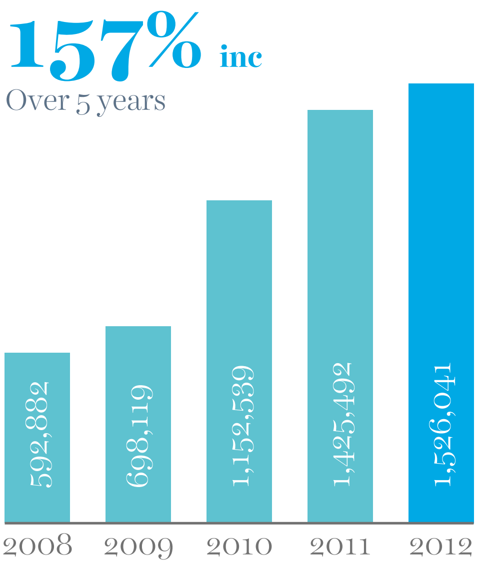
Financial Review

Turnover for the year ended 31 December 2012 was approximately HK$1.53 billion and represented an increase of 7% from the previous corresponding year (2011: HK$1.43 billion); whereas the advertising business and printing business accounted for 54% and 46% of the Group's revenue, representing a 5% and 9% growth respectively.

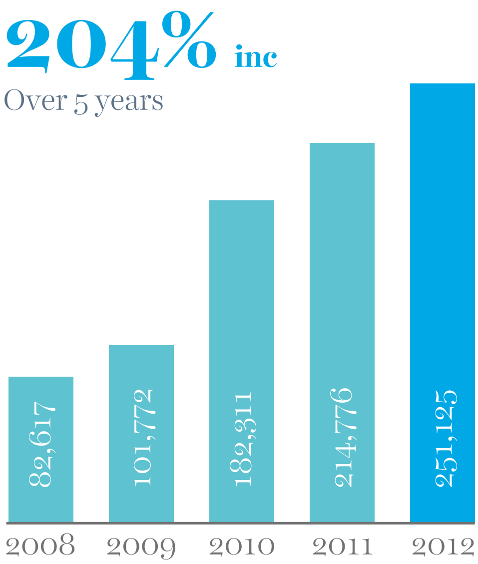
Other income decreased by 14% to approximately HK$35.9 million in 2012 (2011: HK$41.6 million) mainly due to the decrease in scrap material sales of HK$4 million, net foreign exchange gain of HK$4 million and impairment of trade receivable written back of HK$2 million. The decrease was partially offset by the increase in interest income of HK$3 million and sundry income of HK$2 million.

The selling and distribution expenses increased by 8% as a result of the increase in both advertising and printing businesses' turnover. The Group's conservative approach on its provision for impairment of trade receivables caused the increase in other expenses. Such increase was offset by the one-off listed expenses of approximately HK$6.3 million recorded in 2011.

Negatively impacted by the increase in income tax expenses, the Group's profit for the year decreased by HK$3 million to HK$188.9 million. The increase in income tax expenses mainly due to the change of operating mode in the printing business, increase in profits in the PRC subsidiaries and the payment and provision of dividend tax in the PRC. The Group's total comprehensive income attributable to owners of the Company recorded a 7% drop, amounting to approximately HK$161.9 million (2011: HK$174.1 million).



Turnover
(HK'000)



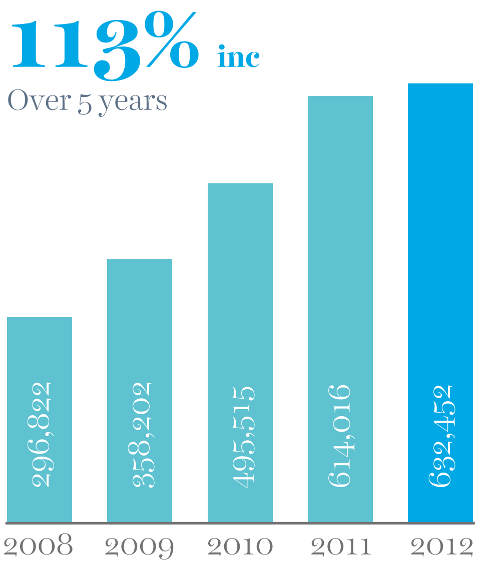
Profit before income tax
(HK'000)

Liquidity and Financial Resources

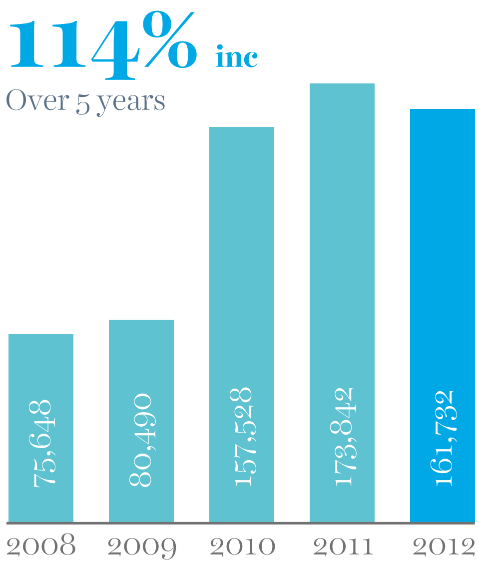
As at 31 December 2012, the Group had net current assets of approximately HK$566.7 million (2011: HK$553.2 million). The Group's current ratio as at 31 December 2012, which is defined as current assets over current liabilities, was 2.2 (2011: 2.6). The financial position of the Group was healthy with total cash and bank deposits approximately HK$450.3 million (2011: HK$407.3 million).

The Group's gearing ratio as at 31 December 2012 was 15.4 % (2011: 18.9%), which is calculated on the basis of the Group's total interest-bearing debts over the total equity interest. Total bank borrowings and finance lease liabilities were approximately HK$125.1 million (2011: HK$146.7 million). As at 31 December 2012, borrowings of HK$78.8 million and HK$46.3 million are denominated in Hong Kong dollars and US dollars respectively. All borrowings are at floating rates and repayable within five years except an amount of HK$4.2 million being repayable after five years and subject to a repayable on demand clause. For the borrowings as at 31 December 2011, approximately HK$24.4 million is denominated in Renminbi, at fixed rate and repayable within one year and the rest of the borrowing and finance leases are denominated in Hong Kong dollars, at floating rates and repayable within five years. The net book amount of property, plant and equipment includes net carrying amount of approximately HK$20.9 million (2011: HK$21.5 million) in respect of assets held under finance leases.

The Group adopts centralized financing and treasury policies in order to ensure the group funding is utilized efficiently. Conservative approach is adopted on monitoring foreign exchange exposure and interest rate risk. Forward contracts were used to hedge the foreign currency exposure in trading and capital expenditure when it was considered appropriate.



Equity attributable to owners (HK'000)



Profit attributable to owners (HK'000)

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Lau Chuk Kin,
aged 60, was appointed as Executive Director in October 2002. Mr. Lau was formerly the Managing Director of a leading executive search consultancy in Hong Kong. He also founded a main board listed printing company. Mr. Lau holds a Bachelor of Arts Degree from the United States and a Master of Business Administration Degree from The Chinese University of Hong Kong. He is also an executive director of 1010 Printing Group Limited, a subsidiary of the Company and a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1127).

Ms. Lam Mei Lan,
aged 46, was appointed as an Executive Director of the Company in October 2002. She is also the Company Secretary of the Group. During the period from July 2003 to May 2008, Ms. Lam had served as a Non-Executive Director. Ms. Lam holds a Doctor of Business Administration Degree from The Hong Kong Polytechnic University. She is a fellow member of the Hong Kong Institute of Certified Public Accountants. Ms. Lam has over 20 years of experience in finance and has held senior financial positions in various main board listed companies and a non-profit charitable organization in Hong Kong.

NON-EXECUTIVE DIRECTORS

Mr. Wan Siu Kau,
aged 61, is the Chairman of the Company. Mr. Wan joined the Group in January 2003 as a Non-Executive Director. Mr. Wan has over 20 years of experience in the executive search industry and holds a Master of Business Administration Degree from The Chinese University of Hong Kong. He was previously Managing Partner of Amrop Hever, a global executive search firm, during which period he simultaneously served as Head of Asia Pacific and Vice Chairman of the international group. He is currently an independent non-executive director of Wai Kee Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Lee Ching Ming, Adrian,
aged 61, was appointed as a Non-Executive Director in June 2002. Mr. Lee graduated from The University of Hong Kong with a Bachelor of Social Sciences Degree. He is an executive director and chief executive officer of Eagle Asset Management (CP) Limited and has more than 39 years of experience in banking, finance, investment, marketing and general management.

Mr. Peter Stavros Patapios Christofis,
aged 68, was appointed as a Non-Executive Director in March 2000. Mr. Christofis is a consultant – International Transport Media to JCDecaux SA. Prior to taking on this role, he was the Managing Director of JCDecaux Pearl & Dean – Hong Kong from where he retired in 2003. Mr. Christofis has over 40 years of advertising sales and general management experience gained in Europe, Africa and South East Asia.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mrs. Ling Lee Ching Man, Eleanor, SBS, OBE, JP,
aged 65, was appointed as an Independent Non-Executive Director in April 2000. Mrs. Ling has over 30 years of experience in management and is a Fellow of the Institute of Chartered Management. Mrs. Ling is now an Adviser to Jardine Matheson Limited and remains active in public services and community affairs. She is an Executive Committee Member of the Employers' Federation of Hong Kong, Chairman of the Keswick Foundation and a Vice Patron of the Community Chest.

Mr. Cheng Ping Kuen, Franco,
aged 59, was appointed as an Independent Non-Executive Director in January 2003. Mr. Cheng has over 30 years of experience in the management of private banking and investment businesses both in Hong Kong and Canada. Mr. Cheng holds a Master's Degree in Business Administration from The Chinese University of Hong Kong. He is the non-executive director of Pictet (Asia) Limited after his retirement from the position of Managing Director in 2012.

Mr. Ho David,
aged 64, was appointed as an Independent Non-Executive Director in February 2010. Mr. Ho has over 44 years of experience in finance and accounting. He is a fellow member of the Association of Chartered Certified Accountants of the UK, the Hong Kong Institute of Certified Public Accountants and CPA Australia. He holds a Master of Business Administration Degree from the Chinese University of Hong Kong. Mr. Ho is currently an independent non-executive director of Build King Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong.

SENIOR MANAGEMENT

Ms. Lai Wing Ting, Jacklen,
aged 42, is the General Manager of our recruitment advertising division. She rejoined the Group in January 2011. Ms. Lai is responsible for the recruitment magazine business of the Group. Ms Lai was responsible for the sales function of the recruitment magazine division during the period from 1995 to 2008. She has over 15 years of experience in advertising industry.

Ms. Lam Lai Chu, Rachel,
aged 36, is the General Manager of our inflight magazine advertising division. She rejoined the Group in 2012. Ms. Lam was the Assistant General Manager of the inflight magazine advertising division and responsible for the sales and marketing function during the period from 2004 to 2011. She holds a Bachelor of Social Sciences Degree (Hons) from the University of Hong Kong and has over 10 years of experience in sales and marketing.

Ms Ding Yin, Minnie,
aged 40, is the Deputy General Manager of our inflight magazine advertising division. She joined the Group in 2010. Ms Ding holds a Bachelor's Degree in English from Changsha Railway University. Ms. Ding is responsible for the sales and marketing function of our inflight magazine advertising division in the PRC. She has over 10 years of experience in sales and marketing.

Directors' Report

THE DIRECTORS PRESENT THEIR ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2012

Principal Activities

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries are set out in note 42 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 39.

The Directors have declared an interim dividend of HK$0.08 (2011: HK$0.06) per share, totaling HK$26,191,000 which was paid on 14 September 2012.

The Directors recommended a final dividend of HK$0.2 (2011: HK$0.2) per share (the "Final Dividend") and special dividend of HK$0.1 (2011: HK$0.2) per share (the "Special Dividend") for the year ended 31 December 2012 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 29 April 2013. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the Final Dividend and Special Dividend will be payable on 13 May 2013.

Reserves

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 42 to 43 and note 35 to the financial statements respectively.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 104 of the annual report.

Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the financial statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 33 to the financial statements.

Directors

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Lau Chuk Kin
Ms. Lam Mei Lan
Ms. Chow So Chu (resigned on 12 March 2012)

Non-Executive Directors

Mr. Wan Siu Kau
Mr. Lee Ching Ming, Adrian
Mr. Peter Stavros Patapios Christofis

Independent Non-Executive Directors

Mrs. Ling Lee Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Ho David

In accordance with No. 87 of the Company's bye-laws, Mr. Lau Chuk Kin, Mr. Peter Stavros Patapios Chirstofis and Mr. Ho David will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Directors' Services Contract

Each of the non-executive directors in 2012 has entered into a service contract with the Company for a term of two years ending on 31 December 2013 and is subject to termination by either party giving not less than one month's prior written notice to the other.

None of the directors being proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

Directors' Interest 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' and Chief Executives' Interests and Short Positions in the shares and Underlying Shares of the Company

As at 31 December 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any associated corporations, within the meaning of Part XV the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) (i) Long Position in the shares of the Company

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of the Company
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (Note 1)	Nil	Nil	183,632,000	183,632,000	55.96
Ms. Lam Mei Lan	2,400,000	Nil	Nil	2,400,000	0.73
Mr. Lee Ching Ming, Adrian (Note 2)	100,500	50,000	Nil	150,500	0.05
Mr. Peter Stavros Patapios Christofis	1,000,500	Nil	Nil	1,000,500	0.30
Mr. Cheng Ping Kuen, Franco	120,000	Nil	Nil	120,000	0.04

(ii) Long Position in the shares of ER2 Holdings Limited ("ER2 Holdings"), an associated corporation of the Company

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of ER2 Holdings
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin	8,375	Nil	Nil	8,375	67.00
Mr. Wan Siu Kau	1,500	Nil	Nil	1,500	12.00

(iii) Long Position in the shares of 1010 Printing Group Limited ("1010 Printing"), an associated corporation of the Company

Name of Directors	Personal Interests	Family Interests	Corporate Interests	Total Interests	Percentage to the issued share capital of 1010 Printing
	(Shares)	(Shares)	(Shares)	(Shares)	(%)
Mr. Lau Chuk Kin (note 3)	111,628	Nil	307,157,400	307,269,028	61.45
Ms. Lam Mei Lan	47,200	Nil	Nil	47,200	0.01
Mr. Cheng Ping Kuen, Franco	4,720	Nil	Nil	4,720	0.00

(b) Options to subscribe for shares of the Company

Name of Director	Number of share options				
	Outstanding at 1.1.2012	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at 31.12.2012
Ms. Lam Mei Lan	2,400,000	–	2,400,000	–	–

Notes:

1. Of 183,632,000 shares, 5,678,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings and City Apex Limited respectively. As at 31 December 2012, Mr. Lau Chuk Kin beneficially owned 67% of the issued share capital of ER2 Holdings, which is the ultimate holding company of City Apex Limited. Accordingly, Mr. Lau Chuk Kin is deemed to be interested in the said shares pursuant to Part XV of the SFO.

2. Of 150,500 shares, 50,000 shares are beneficially owned by the wife of Mr. Lee Ching Ming, Adrian, who is deemed to be interested in the said shares under Part XV of the SFO.

3. Of 307,157,400 shares, 299,894,907 shares, 6,999,524 shares and 262,969 shares are beneficially owned by Recruit (BVI) Limited, a wholly owned subsidiary of the Company, City Apex Limited and ER2 Holdings respectively.

Saved as disclosed above, as at 31 December 2012, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interests of short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Shares Options

Details of the movements in the share options of the Company during the year are set out in note 34 to the financial statements.

Arrangement to Purchase Shares or Debentures

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executive or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Substantial Shareholders

As at 31 December 2012, the following persons, other than a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company, being 5% or more in the issued share capital of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Number of shares	Percentage to the issued share capital of the Company
		%
Mr. Lau Chuk Kin (Note 1)	183,632,000	55.96
ER2 Holdings Limited (Note 1)	183,632,000	55.96
City Apex Limited (Note 1)	177,954,000	54.23
JobStreet Corporation Berhad	26,250,000	8.00
Great Eagle Holdings Limited (Note 2)	21,638,000	6.59
Jolly Trend Limited (Note 2)	21,638,000	6.59
The Great Eagle Company, Limited (Note 3)	21,638,000	6.59
Dr. Lo Ka Shui (Note 4)	21,788,000	6.64
Chan Family Investment Corporation Limited (Note 5)	20,115,333	6.13
Tai Wah Investment Company Limited (Note 5)	18,000,000	5.49

Notes:

1. Of the 183,632,000 shares, Mr. Lau Chuk Kin is deemed to be interested in the 5,678,000 shares directly held by ER2 Holdings. City Apex Limited is owned as to 77% by ER2 Holdings and 23% by Wellsmart Assets Limited, an indirectly wholly owned subsidiary of Great Eagle Holdings Limited. Each of Mr. Lau Chuk Kin and ER2 Holdings is deemed to be interested in the 177,954,000 shares owned by City Apex Limited.

2. Each of Great Eagle Holdings Limited and Jolly Trend Limited is deemed to be interested in the 21,638,000 shares owned by The Great Eagle Company, Limited.

3. Of these shares, 21,638,000 shares are duplicated in the interest described in note 2, as The Great Eagle Company, Limited is a wholly-owned subsidiary of Great Eagle Holdings Limited.

4. Dr. Lo Ka Shui was interested and/or deemed to be interested in the issued share capital of Great Eagle Holdings Limited. In addition, Dr. Lo Ka Shui has personal interest in 150,000 shares.

5. Of these shares, 1,117,333 shares are directly owned by Chan Family Investment Corporation Limited, 998,000 shares and 18,000,000 shares are respectively held by Earnyear Limited and Tai Wah Investment Company Limited. Both Earnyear Limited and Tai Wah Investment Company Limited are wholly-owned subsidiaries of Chan Family Investment Corporation Limited.

Save as disclosed above, as at 31 December 2012, the Company had not been notified of any other person (other than a Director or chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company and was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

Exempted Connected Transaction

During the year, the Group paid rental of approximately HK$ 631,000 to OGP Management Corp., a company owned by a substantial shareholder and director of a subsidiary of the Company. Such transaction was entered on normal commercial term, was exempted connected transaction under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

Save as disclosed above, the Group has not entered into any other connected transaction or continuing connected transaction for the year which should be disclosed pursuant to the requirements of rule 14A of the Listing Rules.

Major Suppliers and Customers

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 60% and 21% for the Group's total purchases for the year ended 31 December 2012 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 34% and 12% for the Group's total sales for the year ended 31 December 2012 respectively.

At no time during the year did a Director, an associate of a Director, within the meaning of the Listing Rules, or a shareholder of the Company which to the knowledge of the Directors owns more than 5% of the Company's share capital have any interest in the Group's five largest suppliers and five largest customers.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's bye-laws and there was no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, Sale or Redemption of shares

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Competing Interests

Interests of the directors of the Company in competing businesses required to be disclosed pursuant to of the Listing Rules are as follows:

Name of director	Name of companies	Nature of competing business	Nature of interest
Mr. Lau Chuk Kin	International Resources Group Limited ("IRG")	Executive search in the United Kingdom	As a director of the IRG's subsidiary in Hong Kong and having indirect interest of less than 1% in IRG

Notes:

1. Mr. Lau Chuk Kin is an indirect shareholder of IRG. He has been appointed as director of Odgers Ray & Berndtson (Hong Kong) Limited, a subsidiary of IRG, since August 2008. IRG is a company providing human resources/recruitment consulting services with a focus on senior executive and board level appointments, while the Group provides staff selection service which forms only a minimal part of the Group's income as an ancillary service for promoting its recruitment website. IRG is managed by independent management in the United Kingdom. Having considered (i) the nature, scope and size of the IRG businesses; and (ii) the nature and extent of Mr. Lau's interest in IRG, the directors of the Company believe that there is a clear delineation and no competition between the businesses of the Group and IRG.

Save as disclosed in this section, none of Directors of the Company or any of their respective associates (as defined in the Listing Rules) has any business or interest that competes or may compete with the business of the Group.

Non-Competition Undertakings

On 29 June 2011, the Company and 1010 Printing entered into a non-competition deed (the "Non-competition Deed") to avoid any potential competitions between the business of the Company and 1010 Printing after the spin-off and separate listing of 1010 Printing.

The Company has received a confirmation from 1010 Printing that it has complied with the terms of the Non-Competition Deed in 2012. The Independent Non-Executive Directors of the Company have also reviewed the said confirmation and are of the view that 1010 Printing has complied with the terms of the Non-competition Deed.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Directors confirm that the Company has maintained throughout the year ended 31 December 2012, the amount of public float as required under the Listing Rules.

Appointment of Independent Non-Executive Director

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

Corporate Governance

A report on the principle corporate governance practices adopted by the Company is set out on pages 31 to 36 of the annual report.

Employees and Emolument Policy

As at 31 December 2012, the Group had around 1,136 employees (2011: 1,094). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employees benefits include provident fund, insurance and medical cover.

Auditor

A resolution will be proposed at the forthcoming annual general meeting to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Wan Siu Kau
Chairman
Hong Kong, 21 February 2013

Corporate Governance Report

The Group has adopted practices which meet the Code on Corporate Governance Practices (effective until 31 March 2012) during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code and Corporate Governance Report (effective from 1 April 2012) during the period from 1 April 2012 to 31 December 2012 (collectively the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the" Stock Exchange"). The report describes its corporate governance practices, explains the applications of the principles of the Code and deviations, if any.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2012.

Board of Directors

The Board currently comprises eight Directors, of whom two are Executive Directors, three are Non-Executive Directors and three are Independent Non-Executive Directors. The Board has in its composition a balance of skills and experience necessary for decision making and fulfilling its business needs. The participation of Non-Executive Directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

Each of the Non-Executive Directors has entered into a service contract with the Company for a term of two years ending on 31 December 2013 and is subject to termination by either party giving not less than one month's prior written notice to the other.

The Board considers that all of the Independent Non-Executive Directors are independent and has received from each of them the annual confirmation of independence required by the Listing Rules.

The Board members for the year ended 31 December 2012 were:

Chairman

Mr. Wan Siu Kau

Executive Directors

Mr. Lau Chuk Kin
Ms. Lam Mei Lan
Ms. Chow So Chu (resigned on 12 March 2012)

Non-Executive Directors

Mr. Wan Siu Kau
Mr. Lee Ching Ming, Adrian
Mr. Peter Stavros Patapios Christofis

Independent Non-Executive Directors

Mrs. Ling Lee Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Ho David

The Board is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management. It is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to Executive Directors and senior management of every business segment, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through Executive Directors who have attended Board meetings.

The Company had arranged for appropriate liability insurance for the directors and officers of the Group for indemnifying their liabilities arising from corporate activities.

From April 2012 onwards, all Directors have been provided, on a monthly basis, with the Group's management information updates to give them aware of the Group's affairs and facilitates them to discharge their duties under the relevant requirements of the Listing Rules.

There were 4 Board meetings and one annual general meeting ("AGM") held in 2012. Details of the attendance of each director are as follows:

	Attended/Held	
Directors	Board meeting	AGM
Mr. Wan Siu Kau (Chairman)	4/4	1/1
Mr. Lau Chuk Kin	4/4	0/1
Ms. Lam Mei Lan	4/4	1/1
Ms. Chow So Chu (resigned on 12 March 2012)	0/1	N/A
Mr. Lee Ching Ming, Adrian	4/4	0/1
Mr. Peter Stavros Patapios Christofis	1/4	0/1
Mrs. Ling Lee Ching Man, Eleanor	4/4	0/1
Mr. Cheng Ping Kuen, Franco	4/4	1/1
Mr. Ho David	4/4	1/1

Accountability and Audit

The Directors were responsible for overseeing the preparation of the financial statements for the year ended 31 December 2012.

The Directors' responsibilities in the preparation of the financial statements and the auditor's responsibility are set out in the Independent Auditor's Report.

Internal Controls

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interest of the shareholders and the Group's assets.

During the year, the Company conducted reviews on the effectiveness of the internal control system. The Audit Committee reviewed the internal control report. No major issue has been identified during the course of review.

Chairman and the Chief Executive Officer

Mr. Wan Siu Kau is the chairman of the Company. The Chairman's responsibility is to oversee the functioning of the Board and the strategies and policies of the Group.

The Company has no specific title named as chief executive officer and the daily operation and management of the Company is monitored by the executive directors.

Professional Development

Every newly appointed Director will be given an induction training so as to ensure that he has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

The Company also provides regular updates on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, the Company has been encouraging the Directors to enroll in professional development courses and seminars relating to the Listing Rules, companies ordinance and corporate governance practices organized by professional bodies or chambers in Hong Kong. All directors are requested to provide the Company with their respective training records pursuant to the Code.

All Directors have participated in appropriate continuous professional development and refresh their knowledge and skills during the year. Such professional development was completed either by way of attending briefings, conference, forum, courses and seminars and self-reading which are relevant to the business or directors duties.

Corporate Governance Functions

The Board delegated the Corporate Governance Functions to the compliance officer, Mr. Lau Chuk Kin. The compliance officer is responsible for the corporate governance duties as follows:

(a) To develop and review the Company's policies and practices on corporate governance and make recommendations to the board;

(b) To review and monitor the training and continuous professional development of directors and senior management;

(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(e) To review the Company's compliance with the Code and disclosure in the Corporate Governance Report

Company Secretary

The company secretary of the Company is Ms. Lam Mei Lan, a fellow member of The Hong Kong Institute of Certified Public Accountants. Ms. Lam is also an executive Director. As an employee of the Company, the company secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. She has taken not less than 15 hours of relevant professional training in 2012.

Remuneration Committee

The Remuneration Committee comprises three Independent Non-Executive Directors, namely Mr. Cheng Ping Kuen, Franco, Mrs. Ling Lee Ching Man, Eleanor, and Mr. Ho David. Mr. Cheng Ping Kuen, Franco is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are posted on the Company's website. The principal functions include:

– to recommend to the Board on the Company's policies and structure for the remuneration of the Directors and senior management of the Group;

– to determine the remuneration packages of all Executive Directors and senior management of the Group;

– to review and approve the management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time;

The principal elements of executive remuneration package include basic salary, discretionary bonus and share option. The emoluments of Executive Directors are based on skill, knowledge and involvement in the Company's affairs of each Director and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

During the year, a meeting with 100% attendance of the Remuneration Committee's members was duly held for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the Executive Directors and the senior executives and other related matters.

Pursuant to paragraph B.1.5 of the Code, the remuneration of the members of the senior management by band for the year ended 31 December 2012 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	1
HK$1,000,001 – HK$1,500,000	2

Nomination Committee

The Nomination Committee of the Company was established in March 2012 comprising the Non-executive Chairman Mr. Wan Siu Kau, the Executive Director Mr Lau Chuk Kin, and the Independent Non-executive Directors namely Mrs Ling Lee Ching Man, Eleanor, Mr. Cheng Ping Kuen, Franco and Mr. Ho David. The Chairman of the Nomination Committee is Mr. Wan Su Kau. The terms of reference of the Nomination Committee are posted on the Company's website.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Directors, selecting or making recommendations to the Board on nominations, appointment or re-appointment of Directors and Board succession, and assessing the independence of the independent non-executive directors.

During the year, a meeting with 100% attendance of the Nomination Committee's members was duly held for reviewing the structure, size and composition, and assessing the independence of the independent non-executive directors of the board of directors.

Audit Committee

The Audit Committee was established in April 2000. It comprises three Independent Non-Executive Directors, namely Mrs. Ling Lee Ching Man, Eleanor, Mr. Cheng Ping Kuen, Franco and Mr. Ho David. The chairman of the Audit Committee is Mr. Ho David.

The terms of reference of the Audit Committee, which are in compliance with the Listing Rules, are posted on the Company's website. Under the terms of reference, the Audit Committee is responsible for overseeing the relationship between the Company and its external auditors, reviewing the Group's financial information and overseeing the Group's financial reporting, internal control and risk management systems.

The Audit Committee held three meetings in 2012. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Mrs. Ling Lee Ching Man, Eleanor	3/3
Mr. Cheng Ping Kuen, Franco	3/3
Mr. Ho David	3/3

During the year, the Audit Committee met with senior management to review the Group's draft annual report and accounts, half-yearly report, internal audit report, risk assessment report and circulars, and provided advice and comments thereon to the Company's Board of Directors. The Audit Committee members met with internal and external auditors to discuss matters arising from the audit. The Audit Committee also discussed with the external auditor the nature and scope of the audit and reporting obligations before the audit commenced.

The Group's 2012 interim report and 2011 annual report have been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. For the 2011 annual report, the Audit Committee met with the external auditors to discuss auditing, internal control, statutory compliance and financial reporting matters before recommending it to the Board for approval. The committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the Listing Rules.

Auditor's Remuneration

The fees in relation to the audit service provided by BDO Ltd, the external auditor of the Company, for the year ended 31 December 2012 amounted to HK$1,400,000 (2011: HK$1,200,000), and those in relation to non-audit services amounted to HK$150,000 (2011:HK$642,000).

Communication with Shareholders

The Company has adopted a Shareholders' Communication Policy in March 2012 reflecting mostly the current practices of the Company for communication with its shareholders. Information will be communicated to shareholders through:

- continuous disclosure to the Stock Exchange of all material information;
- periodic disclosure through the annual and interim reports;
- notices of meetings and explanatory material;
- the annual general meetings and other general meetings; and
- the Company's website at www.cinderellagroup.com.hk

The Board endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation. The chairman of the Board attended the annual general meeting held in 2012 to answer questions and collect views of shareholders. The chairmen of the audit, remuneration and nomination committees and the external auditor also attended the annual general meeting to answer questions of shareholders.

Shareholders' Rights

(i) *Procedures for members to convene a special general meeting ("SGM")*

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition sent to the Company's registered office in Bermuda and its principal place of business in Hong Kong, for the attention of the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the Shareholders concerned themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act, but any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

The written requisition must state the purposes of the general meeting, signed by the Shareholders concerned and may consist of several documents in like form, each signed by one or more of those Shareholders.

If the requisition is in order, the Company Secretary will ask the Board to convene a SGM by serving sufficient notice in accordance with the statutory requirements to all the registered Members. On the contrary, if the requisition is invalid, the Shareholders concerned will be advised of this outcome and accordingly, a SGM will not be convened as requested.

The notice period to be given to all the registered Members for consideration of the proposal raised by the shareholders concerned at a SGM varies according to the nature of the proposal, as follows:

– at least twenty-one clear days' and not less than ten clear business days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and

– at least fourteen clear days' and not less than ten clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

(ii) Procedures for a member to propose a person for election as a director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the Corporate Governance section of the Company's website at www.cinderellagroup.com.hk

(iii) Procedures for directing Shareholders' enquires to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the principal place of business of the Company in Hong Kong or by e-mail to enquiry@cinderellagroup.com.hk for the attention of the company secretary.

(iv) Procedures for putting forward proposals at a general meeting

Shareholders holding (i) not less than one-twentieth of the total voting rights of all Shareholders having the right to vote at the general meeting of the Company; or (ii) not less then 100 Shareholders, can submit a written request stating the resolution intended to be moved at the AGM; or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting. The written request/statements must be signed by the Shareholders concern and deposited at the Company's registered office in Bermuda and its principal place of business in Hong Kong for the attention of the company secretary of the Company, not less than six weeks before the AGM in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

If the written request is in order, the Company Secretary will ask the Board (i) to include the resolution in the agenda for the AGM; or (ii) to circulate the statement for the general meeting, provided that the Shareholders concerned have deposited a sum of money reasonably determined by the Board sufficient to meet the Company's expenses in serving the notice of the resolution and/or circulating the statement submitted by the Shareholders concerned in accordance with the statutory requirements to all the registered Members. On the contrary, if the requisition is invalid or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Shareholders concerned will be advised of this outcome and accordingly, the proposed resolution will not be included in the agenda for the AGM; or the statement will not be circulated for the general meeting.

Independent Auditor's Report

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To the shareholders of CINDERELLA MEDIA GROUP LIMITED
先傳媒集團有限公司
(incorporated in Cayman Islands and redomiciled to Bermuda with limited liability)

We have audited the consolidated financial statements of Cinderella Media Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 39 to 103, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited.

BDO Limited
Certified Public Accountants

Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 21 February 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012	2011
		HK$'000	HK$'000
Turnover	5	1,526,041	1,425,492
Direct operating costs		(1,125,083)	(1,076,341)
Gross profit		400,958	349,151
Other revenue and net income	7	35,943	41,557
Selling and distribution costs		(117,739)	(108,577)
Administrative expenses		(52,432)	(53,771)
Other expenses		(13,077)	(11,077)
Finance costs	8	(2,528)	(2,507)
Profit before income tax	9	251,125	214,776
Income tax expense	12	(62,207)	(22,836)
Profit for the year		188,918	191,940
Other comprehensive income			
Exchange gain on translation of financial statements of foreign operations		73	357
Other comprehensive income for the year, net of tax		73	357
Total comprehensive income for the year		188,991	192,297
Profit for the year attributable to:			
Owners of the Company	13	161,732	173,842
Non-controlling interests		27,186	18,098
		188,918	191,940
Total comprehensive income attributable to:			
Owners of the Company		161,896	174,121
Non-controlling interests		27,095	18,176
		188,991	192,297
Earnings per share for profit attributable to owners of the Company during the year	15		
Basic		HK49.84 cents	HK54.74 cents
Diluted		HK49.46 cents	HK54.04 cents

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012	2011
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	219,404	229,758
Prepaid land lease payments	17	5,848	5,944
Interests in associate	19	–	–
Intangible assets	20	66,487	9,614
Deferred tax assets	32	3,803	–
		295,542	245,316
Current assets			
Inventories	23	73,523	63,874
Trade and other receivables and deposits	24	517,167	425,842
Financial assets at fair value through profit or loss	25	870	2,572
Advances to associate	19	–	–
Taxes recoverables		–	666
Pledged cash and bank balances	26	7,297	–
Cash and cash equivalents	26	442,982	407,252
		1,041,839	900,206
Current liabilities			
Trade and other payables	27	289,277	185,670
Financial liabilities at fair value through profit or loss	28	718	–
Bank borrowings	29	118,297	133,901
Finance lease liabilities	30	6,227	6,060
Provision for taxation		60,591	21,408
		475,110	347,039
Net current assets		566,729	553,167
Total assets less current liabilities		862,271	798,483
Non-current liabilities			
Finance lease liabilities	30	526	6,750
Other payables	31	32,000	–
Deferred tax liabilities	32	15,940	13,454
		48,466	20,204
Net assets		813,805	778,279
EQUITY			
Share capital	33	65,632	64,118
Reserves	35	566,820	549,898
Equity attributable to owners of the Company		632,452	614,016
Non-controlling interests		181,353	164,263
Total equity		813,805	778,279

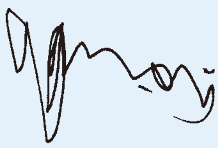
Director

Director

Statement of Financial Position

As at 31 December 2012

	Notes	2012	2011
		HK$'000	HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	18	62,030	62,030
Interests in associate	19	–	–
		62,030	62,030
Current assets			
Amounts due from subsidiaries	21	339,879	203,941
Advance to associate	19	–	–
Other receivables		288	282
Tax recoverables		–	265
Cash and cash equivalents	26	246,140	194,713
		586,307	399,201
Current liabilities			
Other payables		467	312
Amounts due to subsidiaries	22	343,873	139,717
		344,340	140,029
Net current assets		241,967	259,172
Net assets		303,997	321,202
EQUITY			
Share capital	33	65,632	64,118
Reserves	35	238,365	257,084
Total equity		303,997	321,202



Director

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Employee compensation reserve	Exchange reserve	Merger reserve	Contributed surplus	Statutory reserves	Other reserve	Proposed final and special dividends	Retained earnings	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2011	62,113	84,941	3,947	(312)	(43,897)	2,371	1,855	979	31,057	352,461	495,515	53,476	548,991
Equity-settled share-based payment expense (Note 11)	–	–	2,554	–	–	–	–	–	–	–	2,554	–	2,554
Exercise of share options	2,005	10,479	(2,194)	–	–	–	–	–	–	–	10,290	–	10,290
Share issue expenses	–	(24)	–	–	–	–	–	–	–	–	(24)	–	(24)
Share options lapsed	–	–	(161)	–	–	–	–	–	–	161	–	–	–
Final and special 2010 dividends paid (Note 14)	–	–	–	–	–	–	–	–	(31,057)	(714)	(31,771)	–	(31,771)
Interim 2011 dividend paid (Note 14)	–	–	–	–	–	–	–	–	–	(19,218)	(19,218)	–	(19,218)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(8,008)	(8,008)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	78,388	78,388
Acquisition of subsidiaries (Note 39)	–	–	–	–	–	–	–	–	–	–	–	780	780
Loss on disposal of interests in a subsidiary (Note 42)	–	–	–	–	–	–	–	(2,018)	–	–	(2,018)	6,018	4,000
Loss on dilution of interests in a subsidiary (Note 42)	–	–	–	–	–	–	–	(15,433)	–	–	(15,433)	15,433	–
Transactions with owners	2,005	10,455	199	–	–	–	–	(17,451)	(31,057)	(19,771)	(55,620)	92,611	36,991
Profit for the year	–	–	–	–	–	–	–	–	–	173,842	173,842	18,098	191,940
Other comprehensive income													
Currency translation	–	–	–	279	–	–	–	–	–	–	279	78	357
Total comprehensive income for the year	–	–	–	279	–	–	–	–	–	173,842	174,121	18,176	192,297
Proposed final and special 2011 dividends (Note 14)	–	–	–	–	–	–	–	–	128,284	(128,284)	–	–	–
Appropriation to statutory reserves	–	–	–	–	–	–	234	–	–	(234)	–	–	–
Balance at 31 December 2011	64,118	95,396	4,146	(33)	(43,897)	2,371	2,089	(16,472)	128,284	378,014	614,016	164,263	778,279

	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Employee compensation reserve	Exchange reserve	Merger reserve	Contributed surplus	Statutory reserves	Other reserve	Proposed final and special dividends	Retained earnings	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2012	64,118	95,396	4,146	(33)	(43,897)	2,371	2,089	(16,472)	128,284	378,014	614,016	164,263	778,279
Equity-settled share-based payment expense (Note 11)	–	–	740	–	–	–	–	–	–	–	740	–	740
Exercise of share options	1,514	12,883	(2,720)	–	–	–	–	–	–	–	11,677	–	11,677
Share issue expenses	–	(41)	–	–	–	–	–	–	–	–	(41)	–	(41)
Share options lapsed	–	–	(43)	–	–	–	–	–	–	43	–	–	–
Final and special 2011 dividends paid (Note 14)	–	–	–	–	–	–	–	–	(128,284)	(1,361)	(129,645)	–	(129,645)
Interim 2012 dividend paid (Note 14)	–	–	–	–	–	–	–	–	–	(26,191)	(26,191)	–	(26,191)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(10,005)	(10,005)
Transactions with owners	1,514	12,842	(2,023)	–	–	–	–	–	(128,284)	(27,509)	(143,460)	(10,005)	(153,465)
Profit for the year	–	–	–	–	–	–	–	–	–	161,732	161,732	27,186	188,918
Other comprehensive income													
Currency translation	–	–	–	164	–	–	–	–	–	–	164	(91)	73
Total comprehensive income for the year	–	–	–	164	–	–	–	–	–	161,732	161,896	27,095	188,991
Proposed final and special 2012 dividends (Note 14)	–	–	–	–	–	–	–	–	98,589	(98,589)	–	–	–
Appropriation to statutory reserves	–	–	–	–	–	–	252	–	–	(252)	–	–	–
Balance at 31 December 2012	65,632	108,238	2,123	131	(43,897)	2,371	2,341	(16,472)	98,589	413,396	632,452	181,353	813,805

Merger reserve of the Group arose as a result of the Group's reorganisation in 2000 and represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of Recruit (BVI) Limited. Contributed surplus of the Group arose as a result of the reduction in share capital in accordance with the Group's capital reorganisation in 2003.

Other reserve of the Group represented (1) the difference between the fair value of consideration paid to acquire additional interest in 1010 Group Limited and the amount of adjustment to non-controlling interests and (2) the difference between the fair value of consideration received on dilution of interests in 1010 Printing Group Limited and the amount of adjustment to non-controlling interests.

In accordance with relevant regulations prevailing in the People's Republic of China ("the PRC"), the Company's certain subsidiaries, established in the PRC, are required to appropriate no less than 10% of their net profits to the statutory reserves, until the respective balances of the fund reach 50% of the respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset against their respective accumulated losses, if any.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012	2011
		HK$'000	HK$'000
Cash flows from operating activities			
Profit before income tax		251,125	214,776
Adjustments for:			
Amortisation of prepaid land lease payments		143	139
Depreciation		32,468	29,691
Dividend income from listed equity securities		(52)	(117)
Equity-settled share-based payment expenses	34	740	2,554
Loss on disposal of a subsidiary	39	3	–
Loss on financial assets/liabilities at fair value through profit or loss		1,425	160
Impairment of trade receivables	9	13,077	4,800
Write-down of inventories made	9	4,896	–
Reversal of write-down of inventories	9	(2,900)	–
Interest expenses		2,528	2,507
Impairment of trade receivables written back	7	(1,970)	(4,039)
Interest income		(5,039)	(2,299)
(Gain)/Loss on disposals of property, plant and equipment		(52)	436
Operating profit before working capital changes		296,392	248,608
Increase in inventories		(201)	(3,969)
Decrease/(Increase) in trade and other receivables and deposits		50,593	(81,091)
Change in financial assets/liabilities at fair value through profit or loss		995	(4,133)
Increase in trade and other payables		19,207	45,768
Cash generated from operations		366,986	205,183
Income taxes paid		(32,667)	(4,941)
Net cash from operating activities		334,319	200,242
Cash flows from investing activities			
Dividend income from listed equity securities received		52	117
Increase in pledged deposits		(7,297)	–
Interest received		5,039	2,299
Proceeds on disposals of property, plant and equipment		1,527	675
Purchases of property, plant and equipment		(23,341)	(41,936)
Net cash outflow in respect of disposal of a subsidiary	39	(461)	–
Acquisition of subsidiaries	40	(95,702)	(10,629)
Net cash used in investing activities		(120,183)	(49,474)

	Notes	2012	2011
		HK$'000	HK$'000
Cash flows from financing activities			
Repayments of capital element of finance lease liabilities		(6,057)	(7,007)
Interest element of finance lease payments		(276)	(422)
Proceeds of bank borrowings		121,259	85,558
Repayments of bank borrowings		(136,875)	(71,399)
Interest on bank borrowings paid		(2,252)	(2,085)
Proceeds from shares issued on exercise of share options		11,677	10,290
Capital contribution from non-controlling interests		–	78,388
Share issue expenses paid		(41)	(24)
Proceeds on disposals of interests in a subsidiary		–	4,000
Dividend paid to non-controlling interests		(10,005)	(8,008)
Dividends paid		(155,836)	(50,989)
Net cash (used in)/from financing activities		(178,406)	38,302
Net increase in cash and cash equivalents		35,730	189,070
Cash and cash equivalents at 1 January		407,252	218,182
Cash and cash equivalents at 31 December		442,982	407,252

Notes to the Financial Statements

For the year ended 31 December 2012

1. GENERAL INFORMATION

Cinderella Media Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company on 13 March 2000 and redomiciled to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda, with limited liability on 29 January 2003. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is 26/F, 625 King's Road, North Point, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK").

As at 31 December 2012, the Company's ultimate holding company is ER2 Holdings Limited which was incorporated in Hong Kong and the Company's immediate holding company is City Apex Limited, which was incorporated in the British Virgin Islands.

The Company acts as an investment holding company and provides corporate management services. Details of the activities of its principal subsidiaries are set out in Note 42 to the financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter. Except of the acquisition of Asia Pacific Offset Limited on 28 December 2012 which are detailed in Note 40(b) to the financial statements, there were no significant changes in the Group's operations during the year.

The financial statements for the year ended 31 December 2012 were approved for issue by the board of directors of the Company (the "Directors") on 21 February 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 39 to 103 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in Note 3.

The financial statements have been prepared under historical cost convention except for certain financial assets and liabilities that are measured at fair value through profit or loss, which are stated at fair values. The measurement bases are fully described in the accounting policies below.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Business combination and basis of consolidation

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

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

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in those non-controlling interest having a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

In consolidated financial statements, investment in associate is initially recognised at cost and subsequently accounted for using equity method. Under the equity method, the Group's interest in associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associate recognised for the period.

When the Group's share of losses in associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value-in-use and fair value less costs to sell) of the associate and its carrying amount. In determining the value-in-use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

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

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

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

2.6 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease, and other items of plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation on property, plant and equipment is provided to write off their costs over their estimated useful lives, using straight-line method, at the following rates per annum:

Leasehold land and buildings	Over 50 years or the lease term, whichever is shorter
Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	20% – 50% or over the lease term, whichever is shorter
Computer equipment and systems	33%
Motor vehicles	20%
Machinery	6.6% – 20%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Property, plant and equipment (continued)

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

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

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

Assets held under finance leases are depreciated over their estimated useful lives or where shorter the term of the lease using the same method as owned assets in the same category.

2.7 Prepaid land lease payments

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in Note 2.12. Amortisation is calculated on straight-line method over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

2.8 Intangible assets

(i) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired. Goodwill on acquisition of subsidiaries is included in intangible assets.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGU") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets (continued)

(ii) Non competition covenants

Non competition covenants acquired in business combination are recognised at fair value at the date of acquisition. Non competition covenants have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using straight-line method over the expected useful lives of two years. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see Note 2.18).

2.9 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and associates are set out below. The Group's financial assets are classified into loans and receivables and financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

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

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

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

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in Note 2.17 to these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

(ii) Loans and receivables

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

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment and impairment is recognised based on the classification of the financial asset.

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

- Significant financial difficulty of the debtors;
- A breach of contract, such as a default of delinquency in interest for principal payments;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group. If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using first-in, first-out method, and in the case of work-in-progress and finished goods, cost comprises direct materials and, where applicable, direct labour costs and those overhead costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.11 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are payable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash in hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.12 Leases

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

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset or, if lower, the present value of the minimum lease payments ("the initial value"), of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance lease charges, are recorded as finance lease liabilities.

Subsequent accounting for assets held under finance leases corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Leases (continued)

(iii) Operating lease charges as the lessee

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

2.13 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2.14 Financial liabilities

The Group's financial liabilities include bank borrowings, trade and other payables, financial liabilities at fair value through profit or loss, finance lease liabilities and amounts due to group companies.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2.20).

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

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

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see Note 2.12).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Financial liabilities (continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowing using effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Financial liabilities at fair value through profit or loss

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivate contract is entered into and subsequently re-measured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

Trade and other payables and amounts due to group companies

These are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method.

2.15 Contingent liabilities

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

2.16 Share capital

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

– Advertising income is recognised on the date of the relevant publication issue or on time-proportion basis by reference to the period in which the advertisement is displayed in the website.

– Printing income and publication sales are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

– Service income is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

– Interest income is recognised on time-proportion basis using effective interest method.

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

2.18 Impairment of non-financial assets

Intangible assets, property, plant and equipment and interests in subsidiaries are subject to impairment testing.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested for impairment annually. All other assets are tested for impairment whenever there are indications that the carrying amount may not be recoverable.

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

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

Impairment losses are charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits

(i) Retirement benefit schemes

The Group participates in several staff retirement benefit schemes for employees in Hong Kong, the PRC, except Hong Kong and other countries, comprising defined contribution retirement schemes and a Mandatory Provident Fund scheme (the "MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and by the relevant group companies. The retirement benefit scheme costs charged to profit or loss represents contributions payable by the Group to the schemes.

The subsidiaries operating in the PRC and other countries are required to participate in the defined contribution retirement schemes for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit schemes at a specified percentage of employees' relevant income and there are no other further obligations to the Group.

Before 1 December 2000, the Group operated a defined contribution retirement scheme ("the ORSO Scheme") in Hong Kong for all qualified employees. The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 7.5% of the employees' basic salary, depending on the length of service with the Group. The Group's contributions under the ORSO Scheme were reduced by contributions forfeited by those employees who left the ORSO Scheme prior to vesting fully in the contributions.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes Ordinance"). With effect from 1 December 2000, the MPF Scheme was set up under the MPF Schemes Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, retirement scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% of their monthly basic salaries whereas the Group's contribution will be 5% of the relevant income with a maximum monthly contribution of HK$1,000 and there are no other legal or constructive obligations to the Group. The maximum monthly contribution has been increased to HK$1,250 effective on 1 June 2012.

(ii) Share-based employee compensation

The Group operates equity-settled share-based compensation plans to remunerate its employees and directors.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

(ii) Share-based employee compensation (Continued)

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

(iii) Bonus plans

The Group recognises a liability and an expense for bonuses where it has a contractual obligation or where there is a past practice that has created a constructive obligation.

(iv) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.20 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.21 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. 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. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Accounting for income taxes (continued)

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 “Investment Property”. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

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

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

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

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

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

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

    (i) the same taxable entity; or

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the Directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- Advertising – providing advertising services on different publications and magazines.
- Printing – printing of books and magazines.
- Investment – trading of financial assets at fair value through profit or loss.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- expenses related to share-based payments
- finance costs
- income tax
- corporate income and expenses which are not directly attributable to the business activities of any operating segment

are not included in arriving at the operating results of the operating segments.

Segment assets include all assets but interests in associates. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include deferred tax liabilities and liabilities incurred for financing rather than operating purposes.

No asymmetrical allocations have been applied to reportable segments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

3. ADOPTION OF NEW OR AMENDED HKFRSs

During the year, the Group has adopted all the amended HKFRSs which are first effective for the reporting year and relevant to the Group. Except as explained below, the adoption of these amended HKFRSs did not result in material changes to the Group's accounting policies.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

New/amended HKFRSs that have been issued but are not yet effective

At the date of this report, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the Directors have preliminarily concluded that the initial application of these HKFRSs will not result in material financial impact on the consolidated financial statements. Information on new and amended HKFRSs that are expected to have an impact on the Group's accounting policies is provided below.

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

This standard is effective for accounting periods beginning on or after 1 July 2012. The amendments change the disclosure of items presented in other comprehensive income in the statement of comprehensive income and require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has changed to "Statement of profit or loss and other comprehensive income". However, HKAS 1 permits entities to use other titles.

HKFRS 9 Financial instruments

This standard is effective for accounting periods beginning on or after 1 January 2015. Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for de-recognition of financial assets and financial liabilities.

3. ADOPTION OF NEW OR AMENDED HKFRSs (continued)

New/amended HKFRSs that have been issued but are not yet effective (continued)

HKFRS 10 Consolidated Financial Statements

This standard is effective for accounting periods beginning on or after 1 January 2013. HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor.

An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

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.

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

(i) Estimated impairment of goodwill and non competition covenants

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.8 and tests whenever there are indications that the carrying amount of non competition covenants may not be recoverable as disclosed in Note 2.18. The recoverable amounts of CGUs have been determined based on value-in-use calculations, which require the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value.

(ii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassesses these estimations at the reporting date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(iii) Estimated impairment of receivables and advances

The policy for impairment of receivables and advances of the Group is based on, where appropriate, the evaluation of collectability and ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

(iv) Depreciation

The Group depreciates property, plant and equipment using straight-line method over the estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(v) Current taxation and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the amount of the provision of taxation and the timing of the related tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final outcome of the tax matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. TURNOVER

Turnover represents the revenue from the Group's principal activities as analysed below:

	2012	2011
	HK$'000	HK$'000
Advertising income	825,976	785,390
Printing income	700,065	640,102
	1,526,041	1,425,492

6. SEGMENT INFORMATION

The executive directors have identified the Group's three service lines as operating segments as described in Note 2.22. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Advertising		Printing		Investment		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
Revenue								
– External sales	825,976	785,390	700,065	640,102	–	–	1,526,041	1,425,492
Reportable segment profit/(loss)	177,619	157,712	84,094	75,659	312	(1,453)	262,025	231,918
Amortisation of prepaid land lease payments	143	139	–	–	–	–	143	139
Bank interest income	2,393	1,338	110	116	–	–	2,503	1,454
Depreciation	1,516	1,638	30,483	27,739	–	–	31,999	29,377
(Loss)/Gain on disposals of property, plant and equipment	(25)	–	77	(436)	–	–	52	(436)
(Loss)/Gain on financial assets/liabilities at fair value through profit or loss	–	–	(1,682)	1,370	257	(1,530)	(1,425)	(160)
Impairment of trade receivables	5,457	3,533	7,620	1,267	–	–	13,077	4,800
Write-down of inventories	–	–	4,896	–	–	–	4,896	–
Reportable segment assets	222,792	292,868	856,621	640,990	4,967	6,658	1,084,380	940,516
Additions to non-current segment assets during the year	517	317	21,932	40,967	–	–	22,449	41,284
Reportable segment liabilities	69,198	99,656	254,153	85,530	20	20	323,371	185,206

6. SEGMENT INFORMATION (continued)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2012	2011
	HK$'000	HK$'000
Reportable segment revenue	1,526,041	1,425,492
Other revenue	24,515	26,262
Group revenue	1,550,556	1,451,754
Reportable segment profit	262,025	231,918
Unallocated corporate income	2,471	1,270
Equity-settled share-based payment	(740)	(2,554)
Unallocated corporate expenses	(10,103)	(13,351)
Finance costs	(2,528)	(2,507)
Profit before income tax	251,125	214,776
Reportable segment assets	1,084,380	940,516
Interests in associate	–	–
Deferred tax assets	3,803	–
Other corporate assets	249,198	205,006
Group assets	1,337,381	1,145,522
Reportable segment liabilities	323,371	185,206
Other corporate liabilities	65,968	34,682
Deferred tax liabilities	15,940	13,454
Borrowings	118,297	133,901
Group liabilities	523,576	367,243

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
PRC	728,775	698,707	205,638	213,492
United States of America	289,390	233,504	92	111
United Kingdom	160,140	141,295	13	15
Australia	135,951	160,198	42	48
Hong Kong (domicile)	111,449	92,634	89,715	31,550
Germany	36,328	29,820	–	–
New Zealand	19,227	18,393	–	–
Others	44,781	50,941	42	100
	1,526,041	1,425,492	295,542	245,316

6. SEGMENT INFORMATION (continued)

Sales by geographical markets are analysed based on the location of customers and the geographical location of non-current assets is based on (1) the physical location of the assets (for property, plant and equipment and prepaid land lease payments) and (2) location of operations (for intangible assets).

7. OTHER REVENUE AND NET INCOME

	2012	2011
	HK$'000	HK$'000
Sales of scrapped paper and by-products	19,424	23,846
Interest income	5,039	2,299
Net foreign exchange gain	4,773	8,814
Impairment of trade receivables written back	1,970	4,039
Gain on disposals of property, plant and equipment	52	–
Dividend income from listed equity securities	52	117
Sundry income	4,633	2,442
	35,943	41,557

8. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	2,252	2,081
Interest charges on other bank borrowings, wholly repayable within five years	–	4
Finance lease charges	276	422
	2,528	2,507

9. PROFIT BEFORE INCOME TAX

	2012	2011
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of prepaid land lease payments	143	139
Auditor's remuneration	1,662	1,394
Cost of inventories recognised as an expense	377,615	338,742
Write down of inventories	4,896	–
Reversal of write-down of inventories	(2,900)	–
Depreciation (Note):		
– Owned assets	31,824	27,127
– Leased assets	644	2,564
Employee benefit expense (Note 11)	148,873	81,545
Impairment of trade receivables	13,077	4,800
Loss on disposals of property, plant and equipment	–	436
Minimum lease payments paid under operating leases in respect of:		
– Rented premises and production facilities	13,911	12,855
– Internet access line	328	314
Losses on financial assets/liabilities at fair value through profit or loss	1,425	160

Auditor's remuneration for other services paid during the year is HK$150,000 (2011: HK$642,000).

Note: Depreciation charges of HK$27,974,000 (2011: HK$25,524,000) and HK$4,494,000 (2011: HK$4,167,000) have been included in direct operating costs and administrative expenses respectively.

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The aggregate amounts of the emoluments paid or payable to the Directors are as follows:

	Fee	Salaries, allowances and discretionary bonuses	Retirement benefit scheme contributions	Equity-settled share-based payments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2012					
Executive directors					
Mr. Lau Chuk Kin	–	1,800	14	–	1,814
Ms. Lam Mei Lan	–	2,249	14	110	2,373
Ms. Chow So Chu (resigned on 12 March 2012)	–	235	3	40	278
Non-executive directors					
Mr. Lee Ching Ming, Adrian	120	–	–	–	120
Mr. Peter Stavros Patapios Christofis	120	–	–	–	120
Mr. Wan Siu Kau	120	–	–	–	120
Independent non-executive directors					
Mr. Cheng Ping Kuen, Franco	180	–	–	–	180
Mrs. Ling Lee Ching Man, Eleanor	180	–	–	–	180
Mr. Ho David	180	–	–	–	180
	900	4,284	31	150	5,365
2011					
Executive directors					
Mr. Lau Chuk Kin	–	3,600	12	–	3,612
Ms. Lam Mei Lan	–	2,563	12	449	3,024
Ms. Chow So Chu	–	1,600	9	392	2,001
Non-executive directors					
Mr. Lee Ching Ming, Adrian	120	–	–	–	120
Mr. Peter Stavros Patapios Christofis	120	–	–	–	120
Mr. Wan Siu Kau	120	–	–	–	120
Independent non-executive directors					
Mr. Cheng Ping Kuen, Franco	180	–	–	–	180
Mrs. Ling Lee Ching Man, Eleanor	180	–	–	–	180
Mr. Ho David	180	–	–	–	180
	900	7,763	33	841	9,537

Details of equity-settled share-based payments expenses relating to equity instruments granted to the Directors under the Company's share option scheme are set in Note 34 to the financial statements.

During each of the two years ended 31 December 2012 and 2011, none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2011: three) directors whose emoluments are reflected in the analysis presented above. Emoluments payable to the remaining three (2011: two) individuals during the year are as follows:

	2012	2011
	HK$'000	HK$'000
Salaries, allowances, discretionary bonuses and other benefits	4,974	3,255
Retirement benefit scheme contributions	136	–
Equity-settled share-based payments	55	224
	5,165	3,479

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
HK$1,000,001 – HK$3,000,000	3	2

During each of the two years ended 31 December 2012 and 2011, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. EMPLOYEE BENEFIT EXPENSE (including directors' emoluments)

	2012	2011
	HK$'000	HK$'000
Directors' fee	900	900
Wages, salaries and other benefits	140,332	75,000
Equity-settled share-based payments (Note 34)	740	2,554
Retirement benefit scheme contributions	6,901	3,091
	148,873	81,545

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2012	2011
	HK$'000	HK$'000
Hong Kong profits tax		
Current year	31,895	9,484
(Over)/Under provision in prior years	(230)	204
	31,665	9,688
Overseas tax		
Current year	31,174	10,965
(Over)/Under provision in prior years	(79)	110
	31,095	11,075
Deferred tax (Note 32)		
Current year	(553)	2,073
	62,207	22,836

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2012	2011
	HK$'000	HK$'000
Profit before income tax	251,125	214,776
Notional tax calculated at the rates applicable to the profits in the tax jurisdictions concerned	53,736	35,152
Tax effect of non-taxable revenue	(9,379)	(26,209)
Tax effect of non-deductible expenses	2,924	13,600
Tax effect of tax losses not recognised	1,185	418
Tax effect of temporary differences not recognised	171	174
Utilisation of previously unrecognised tax losses	(485)	(613)
(Over)/Under provision in prior years	(309)	314
Withholding tax on undistributed earnings of PRC subsidiary	14,364	–
Income tax expense	62,207	22,836

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of HK$161,732,000 (2011: HK$173,842,000), profit of HK$126,255,000 (2011: HK$121,926,000) has been dealt with in the financial statements of the Company.

14. DIVIDENDS

(a) Dividends attributable to the year:

	2012	2011
	HK$'000	HK$'000
Interim dividend of HK$0.08 (2011: HK$0.06) per share	26,191	19,218
Proposed final dividend of HK$0.2 (2011: HK$0.2) per share	65,726	64,142
Proposed special dividend of HK$0.1 (2011: HK$0.2) per share	32,863	64,142
	124,780	147,502

Final and special dividends proposed after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of retained earnings for the years ended 31 December 2012 and 2011 to proposed final and special dividends reserve.

The proposed final and special dividends are to be distributed subsequent to the reporting date and are subject to the approval of the Company's equity holders in the forthcoming annual general meeting.

(b) Dividends approved and paid during the year:

	2012	2011
	HK$'000	HK$'000
Interim dividend of HK$0.08 (2011: HK$0.06) per share	26,191	19,218
Final dividend of HK$0.2 (2011: HK$0.065) per share in respect of the previous financial year	64,142	20,187
Additional final dividend in previous financial year	1,361	714
Special dividend of HK$0.2 (2011: HK$0.035) per share in respect of the previous financial year	64,142	10,870
	155,836	50,989

15. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	2012	2011
	HK$'000	HK$'000
Profit attributable to owners of the Company	161,732	173,842

	Number of shares	
	2012	2011
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	324,506	317,603
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	2,467	4,068
Weight average number of ordinary shares for the purpose of diluted earnings per share	326,973	321,671

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings	Furniture and fixtures	Office equipment	Leasehold improvements	Computer equipment and systems	Motor vehicles	Machinery	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011								
Cost	3,029	4,723	4,289	42,005	35,436	1,646	217,831	308,959
Accumulated depreciation	(86)	(2,768)	(2,556)	(18,083)	(28,664)	(535)	(49,275)	(101,967)
Net book amount	2,943	1,955	1,733	23,922	6,772	1,111	168,556	206,992
Year ended 31 December 2011								
Opening net book amount	2,943	1,955	1,733	23,922	6,772	1,111	168,556	206,992
Exchange differences	123	6	1	7	3	7	(3)	144
Additions	5,790	308	737	1,563	584	538	32,416	41,936
Acquisition of subsidiaries (Note 40)	10,800	278	–	138	262	10	–	11,488
Disposals	–	(5)	–	(2)	(4)	–	(1,100)	(1,111)
Depreciation	(171)	(675)	(661)	(4,753)	(3,258)	(325)	(19,848)	(29,691)
Closing net book amount	19,485	1,867	1,810	20,875	4,359	1,341	180,021	229,758
At 31 December 2011								
Cost	19,748	5,299	5,027	43,716	36,215	2,206	248,837	361,048
Accumulated depreciation	(263)	(3,432)	(3,217)	(22,841)	(31,856)	(865)	(68,816)	(131,290)
Net book amount	19,485	1,867	1,810	20,875	4,359	1,341	180,021	229,758
Year ended 31 December 2012								
Opening net book amount	19,485	1,867	1,810	20,875	4,359	1,341	180,021	229,758
Exchange differences	25	1	5	2	5	1	61	100
Additions	–	419	701	1,590	1,092	–	19,539	23,341
Acquisition of subsidiaries (Note 40)	–	56	18	1	97	14	–	186
Disposals	–	(20)	(10)	(6)	–	–	(1,439)	(1,475)
Disposal of a subsidiary (Note 39)	–	(4)	(29)	–	(5)	–	–	(38)
Depreciation	(519)	(753)	(742)	(4,939)	(3,114)	(391)	(22,010)	(32,468)
Closing net book amount	18,991	1,566	1,753	17,523	2,434	965	176,172	219,404
At 31 December 2012								
Cost	19,775	5,703	5,707	44,882	37,287	2,226	266,950	382,530
Accumulated depreciation	(784)	(4,137)	(3,954)	(27,359)	(34,853)	(1,261)	(90,778)	(163,126)
Net book amount	18,991	1,566	1,753	17,523	2,434	965	176,172	219,404

Net book amount of property, plant and equipment as at 31 December 2012 includes the net carrying amount of HK$20,876,000 (2011: HK$21,520,000) held under finance leases.

As at 31 December 2012, the Group's leasehold land and buildings were situated in the PRC and Hong Kong and were held under medium-term leases.

As at 31 December 2012, certain of the Group's leasehold land and buildings with net book amount of HK$16,042,000 (2011: Nil) were pledged to secure general banking facilities granted to the Group and certain of the Group's property, plant and equipment with net book amount of HK$186,000 (2011: Nil) were collateralised against the banking facilities granted to the Group. Details are set out in Note 29.

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January		
Cost	6,264	6,007
Accumulated amortisation	(320)	(170)
Net book amount	5,944	5,837
Opening net book amount	5,944	5,837
Exchange differences	47	246
Amortisation	(143)	(139)
Closing net book amount	5,848	5,944
At 31 December		
Cost	6,315	6,264
Accumulated amortisation	(467)	(320)
Net book amount	5,848	5,944

As at 31 December 2012, the Group's prepaid land lease payments represented up-front payments to acquire an interest in the usage of land situated in the PRC, which was held under a medium-term lease.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	62,030	62,030

Details of principal subsidiaries are set out in Note 42 to the financial statements.

19. INTERESTS IN ASSOCIATE

	Group		Company	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current portion:				
Unlisted shares at cost, less impairment losses	–	–	–	–
Share of net assets	–	–	–	–
	–	–	–	–
Current portion:				
Advances to associate (Note (a))	–	70	–	70
Less: Impairment losses	–	(70)	–	(70)
	–	–	–	–

Notes:

(a) Advances to associate were unsecured, interest-free and repayable on demand.

(b) The Company's associate, Trion Pacific Limited, was disposed to independent third party at the consideration of HK$2 during the year.

20. INTANGIBLE ASSETS

Group

	Goodwill	Non competition covenants	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2011			
Gross carrying amount	14,119	–	14,119
Accumulated impairment	(14,119)	–	(14,119)
Net carrying amount	–	–	–
Net carrying amount as at 1 January 2011	–	–	–
Acquired through business combination (Note 40(a))	9,614	–	9,614
Net carrying amount at 31 December 2011	9,614	–	9,614
At 31 December 2011			
Gross carrying amount	23,733	–	23,733
Accumulated impairment	(14,119)	–	(14,119)
Net carrying amount	9,614	–	9,614

20. INTANGIBLE ASSETS (continued)

Group (continued)

	Goodwill	Non competition covenants	Total
	HK$'000	HK$'000	HK$'000
Net carrying amount as at 1 January 2012	9,614	–	9,614
Acquired through business combination (Note 40(b))	56,132	741	56,873
Net carrying amount at 31 December 2012	65,746	741	66,487
At 31 December 2012			
Gross carrying amount	79,865	741	80,606
Accumulated impairment	(14,119)	–	(14,119)
Net carrying amount	65,746	741	66,487

Goodwill is allocated to the Group's CGU. A summary of goodwill allocation is presented below:

	2012	2011
	HK$'000	HK$'000
Express Ocean Investment Limited and O.G. Printing Productions Limited	9,614	9,614
Asia Pacific Offset Limited ("APOL")	56,132	–
	65,746	9,614

The recoverable amount for the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates as stated below. The growth rate does not exceed the long-term average growth rate for the printing business in which the CGU operates. The discount rates used for value in use calculations are pre-tax and reflect specific risks relating to the relevant CGU.

The key assumptions used for value-in-use calculations are as follows:

	Express Ocean Investment Limited and O.G. Printing Productions Limited		APOL	
	2012	2011	2012	2011
Growth rate	7%	7%	0%	–
Pre-tax discount rate	12%	12%	25%	–

Apart from the considerations described above in determining the value-in-use of the CGU, management is not aware of any other probable changes that would necessitate changes in the key assumptions. Management determines that the CGU containing goodwill does not suffer any impairment.

Non competition covenants arose from the acquisition of APOL on 28 December 2012. In accordance with to HKFRS 3 "Business Combination", the Group recognised APOL's assets, liabilities and contingent liabilities which include intangible assets at the acquisition date. The fair value of non competition covenants on the completion date of the acquisition has been determined based on a valuation performed by an independent professional valuer, Ascent Partners Valuation Service Limited. The valuation is determined based on a cash flow projection to be generated from APOL with or without the non competition covenants on the acquisition.

Non competition covenants have definite useful lives and are amortised on straight-line method over their expected useful lives of two years.

21. AMOUNTS DUE FROM SUBSIDIARIES – COMPANY

	2012	2011
	HK$'000	HK$'000
Amounts due from subsidiaries	372,049	237,773
Less: Impairment losses	(32,170)	(33,832)
	339,879	203,941

Amounts due from subsidiaries are unsecured, interest-free and repayable on demand except for the amount of HK$33,500,000 which is interest bearing at 2.25% plus 3 months' HIBOR rate per annum (2011: Nil).

22. AMOUNTS DUE TO SUBSIDIARIES – COMPANY

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

23. INVENTORIES – GROUP

	2012	2011
	HK$'000	HK$'000
Raw materials	55,209	46,265
Work-in-progress	23,002	20,256
Finished goods	1,290	1,335
	79,501	67,856
Less: Provision for net realisable value	(5,978)	(3,982)
	73,523	63,874

During the year, the Group made a write-down of inventories of HK$4,896,000 (2011: Nil) and reversed a write-down of inventories of HK$2,900,000 (2011: Nil) as a result of an increase in the estimated net realisable value of the inventories. These amounts were included in "direct operating costs" in profit or loss.

As at 31 December 2012, the Group's inventories of HK$11,529,000 (2011: Nil) were collateralised against the banking facilities as set out in note 29.

24. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	Group	
	2012	2011
	HK$'000	HK$'000
Trade receivables	490,791	315,975
Less: Provision for impairment of trade receivables	(15,374)	(5,288)
Trade receivables – net	475,417	310,687
Other receivables and deposits	41,750	115,155
	517,167	425,842

As at 31 December 2012, the Group's trade and other receivables of HK$151,383,000 (2011: Nil) were collateralised against the banking facilities as set out in note 29.

Movement in the provision for impairment loss on trade receivables is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Balance at the beginning of the year	5,288	4,674
Amounts written off during the year	(1,067)	(198)
Impairment loss recognised during the year	13,077	4,800
Impairment loss recovered during the year	(1,970)	(4,039)
Exchange differences	46	51
Balance at the end of the year	15,374	5,288

The Group recognised provision for impairment of trade receivables on individual assessment based on the accounting policy stated in Note 2.9.

Ageing analysis of trade receivables, net of provision as at 31 December 2012, based on the invoice date, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
0 – 30 days	108,386	81,643
31 – 60 days	96,945	65,606
61 – 90 days	73,981	33,885
91 – 120 days	73,309	50,789
121 – 150 days	67,497	39,129
Over 150 days	55,299	39,635
Total trade receivables	475,417	310,687

The Group allows a credit period from 7 to 180 days (2011: 7 to 180 days) to its customers.

24. TRADE AND OTHER RECEIVABLES AND DEPOSITS (continued)

The Directors consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

All trade receivables are subject to credit risk exposure. At each of the reporting dates, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2012, the Group determined trade receivables of HK$15,374,000 (2011: HK$5,288,000) as impaired and as a result, impairment loss of HK$13,077,000 (2011: HK$4,800,000) has been recognised. The impaired trade receivables are due from the customers experiencing financial difficulties that have in the possibility of default or delinquency of payments.

At 31 December 2012, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. Ageing analysis of trade receivables past due but not impaired is as follows:

	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	349,428	195,020
1 – 30 days past due	70,845	58,978
31 – 90 days past due	47,924	47,523
Over 90 days past due but less than one year	7,220	9,166
	125,989	115,667
	475,417	310,687

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of these balances.

Other receivables and deposits as at 31 December 2012 included deposits paid to airlines of HK$21,361,000 (2011: HK$100,095,000) in accordance with the relevant agreements in the inflight business.

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

	2012	2011
	HK$'000	HK$'000
Held for trading		
Equity securities, listed in Hong Kong	870	1,549
Forward foreign exchange contracts	–	1,023
Fair value	870	2,572

The fair values of the Group's investments in listed equity securities have been measured as described in Note 43(h).

Forward foreign exchange contracts were considered by management as part of economic hedging arrangements but had not been formally designated as hedges in accordance with HKAS 39. These foreign exchange contracts were stated at fair value. Its fair value had been measured as described in Note 43(h).

26. PLEDGED CASH AND BANK BALANCES AND CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Bank and cash balances	438,965	296,592	246,140	134,514
Cash at brokers	4,017	5,030	–	–
Short-term deposits	–	105,630	–	60,199
Cash and cash equivalents	442,982	407,252	246,140	194,713

Short-term bank deposits of the Group as at 31 December 2011 earned interest at the rates ranging from 1.40% to 3.10% per annum. These deposits had maturity of 7 to 90 days and were eligible for immediate cancellation without penalty but any interest for the last deposit period would be forfeited. The Directors considered that the fair value of short-term bank deposits was not materially different from its carrying amount because of the short maturity period on its inception.

Included in bank and cash balances of the Group is HK$87,835,000 (2011: HK$116,644,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

As at 31 December 2012, the Group's cash at banks and in hand of HK$7,297,000 (2011: Nil) were collateralised against the banking facilities as set out in note 29.

27. TRADE AND OTHER PAYABLES – GROUP

	2012	2011
	HK$'000	HK$'000
Trade payables	138,454	103,286
Other payables and accruals	150,823	82,384
	289,277	185,670

As at 31 December 2012, ageing analysis of trade payables based on invoice date is as follows:

	2012	2011
	HK$'000	HK$'000
0 – 30 days	51,345	41,644
31 – 60 days	34,716	22,991
61 – 90 days	25,325	14,887
91 – 120 days	8,595	8,016
Over 120 days	18,473	15,748
	138,454	103,286

Credit terms granted by suppliers are 30 days to 90 days save for the net balance payable to a major business partner of the Group that will be settled on a half yearly (2011: half yearly) basis according to the terms of an agreement signed with this business partner.

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

28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP

This related to forward foreign exchange contracts which were considered by management as part of economic hedging arrangements but had not been formally designated as hedges in accordance with HKAS 39. These foreign exchange contracts were stated at fair value. Its fair value had been measured as described in Note 43(h).

29. BANK BORROWINGS – GROUP

	2012	2011
	HK$'000	HK$'000
Current portion		
– Bank loans due for repayment within one year	24,636	47,824
– Bank loans due for repayment after one year which contain a repayment on demand clause	93,661	86,077
Total bank borrowings	118,297	133,901

The current portion includes bank borrowings of HK$93,661,000 (2011: HK$86,077,000) are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

29. BANK BORROWINGS – GROUP (continued)

Assuming that the banks do not request the clause for repayment on demand and based on the repayment dates as scheduled in the loan agreements, the Group's bank borrowings are due for repayment, as at each of the reporting dates, as follows:

	2012	2011
	HK$'000	HK$'000
Within one year	50,440	82,684
In the second year	25,804	26,936
In the third to fifth year	37,873	24,281
Wholly repayable within 5 years	114,117	133,901
Over five years	4,180	–
	118,297	133,901

Bank borrowings as at 31 December 2012 included (1) bank loans brought forward from 2011 with original principal amounts of HK$115.6 million, which include bank borrowings of HK$24 million under the loan guarantee schemes sponsored by the Government of the Hong Kong Special Administrative Region, and a new borrowing of HK$56.3 million obtained during the year. These bank borrowings are repayable in 3 years to 7 years through monthly instalments; and (2) trade finance facilities of HK$16.7 million which is repayable within one year. Bank borrowings of HK$108,285,000 are secured by either the corporate guarantee from the Company or a subsidiary of the Company. Another bank borrowings of HK$10 million is secured by the corporate guarantees from a subsidiary of the Company, the personal guarantee from the non-controlling shareholder of that subsidiary and the Group's leasehold land and buildings of HK$16,042,000 (Note 16).

As at 31 December 2012, the banking borrowing of HK$12,000 of one of the Group's subsidiaries are secured by a charge over proceeds from documentary credit and an all monies debenture over the assets and an undertaking of the subsidiary. The subsidiary's secured bank borrowing is subject to the fulfilment of covenants relating to the subsidiary's net asset position, as are commonly found in lending arrangements with financial institutions. Should the subsidiary breach the covenants, the drawn down facilities will become payable on demand. At the end of each reporting period, none of the covenants relating to drawn down facilities had been breached.

Bank borrowings as at 31 December 2011 included (1) bank loans brought forward from 2010 with original principal amounts of HK$126.8 million, which included bank borrowings of HK$48 million under the loan guarantee schemes sponsored by the Government of the Hong Kong Special Administrative Region, and another borrowing of HK$12.8 million obtained in 2011. These bank borrowings were repayable in 3 years to 5 years through monthly instalments; (2) trade finance facilities of HK$23.4 million which was repayable within one year; (3) a short-term bank borrowing of RMB20 million, equivalent to HK$24.4 million, which was repayable within 2 months from the date of borrowing. All bank borrowings were secured by either the corporate guarantee from the Company or a subsidiary of the Company.

Effective interest rate of the bank borrowings ranged from 1.52% to 2.35% (2011: 1.25% to 3.75%) per annum for the year.

30. FINANCE LEASE LIABILITIES – GROUP

	2012	2011
	HK$'000	HK$'000
Total minimum lease payments:		
Due within one year	6,335	6,326
Due in the second to fifth years	527	6,854
	6,862	13,180
Future finance charges on finance leases	(109)	(370)
Present value of finance lease liabilities	6,753	12,810
Present value of minimum lease payments:		
Due within one year	6,227	6,060
Due in the second to fifth years	526	6,750
	6,753	12,810
Less: Portion due within one year included under current liabilities	(6,227)	(6,060)
Non-current portion included under non-current liabilities	526	6,750

The Group entered into finance leases for various items of machineries. These leases run for initial periods of four years (2011: three to five years). These leases do not have options to renew or any contingent rental provisions.

Finance lease liabilities are effectively secured by the underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

31. OTHER PAYABLES – GROUP

The balance represented the outstanding payable to the vendors for the acquisition to APOL by the Group and is repayable on 28 December 2014.

32. DEFERRED TAX

Deferred taxation is calculated on temporary differences under liability method using the rates of taxation prevailing in the countries in which the Group operates.

Group

Movements of major deferred tax liabilities/(assets) recognised in the statement of financial position during the current and prior year are as follows:

	Accelerated tax depreciation	Fair value adjustments arising from acquisition of subsidiaries	Impairment of trade receivables	Write-down of inventories	Provision of staff benefit costs	Non competition covenants	Temporary difference on withholding tax on undistributed profits of PRC subsidiaries	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	10,747	–	–	–	–	–	–	10,747
Charged to profit or loss	2,073	–	–	–	–	–	–	2,073
Acquisition of subsidiaries (Note 40)	–	634	–	–	–	–	–	634
At 31 December 2011 and 1 January 2012	12,820	634	–	–	–	–	–	13,454
(Credited)/Charged to profit or loss	(11,954)	(17)	–	(1,495)	(1,451)	–	14,364	(553)
Acquisition of subsidiaries (Note 40)	(29)	–	(857)	–	–	122	–	(764)
At 31 December 2012	837	617	(857)	(1,495)	(1,451)	122	14,364	12,137

Group

For the purpose of presentation in statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012	2011
	HK$'000	HK$'000
Deferred tax assets	(3,803)	–
Deferred tax liabilities	15,940	13,454
	12,137	13,454

Pursuant to the PRC Corporate Income Tax Law, 10% withholding tax is levied on dividends declared to foreign investment enterprises established in the PRC. Effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate to the Group is 10%. The Group is liable to withholding taxes on dividends distributed by the subsidiary established in the PRC in respect of earnings generated from 1 January 2008.

32. DEFERRED TAX (continued)

Company

No deferred tax has been provided in the financial statements of the Company as there are no temporary differences.

At the reporting date, the major components of unrecognised deductible temporary differences are as follows:

	Group		Company	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Difference between depreciation and depreciation allowance	(1,065)	(2,080)	–	–
Unutilised tax losses	15,160	15,074	4,197	–
	14,095	12,994	4,197	–

The deductible temporary differences have not been recognised in the financial statements as it is not probable that future taxable profit will be available against which these deductible temporary differences can be utilised. All tax losses and deductible temporary differences of the Group and the Company have no expiry dates under the current tax legislation (2011: all tax losses and deductible temporary differences of the Group and the Company had no expiry dates under the current tax legislation except for the tax losses amounting to HK$3,092,000 incurred by one subsidiary in the PRC which would expire after 5 years from the year in which the tax losses were incurred).

As at 31 December 2012, deferred tax liabilities of HK$176,000 (2011: HK$819,000) have not been recognised in respect of the tax that would be payable on the distribution of the retained profits of the Group's subsidiaries established in the PRC as the Group controls the dividend policy of these subsidiaries and the Directors are of the opinion that profits will not be probably be distributed in the foreseeable future.

33. SHARE CAPITAL

	2012		2011	
	Number of shares	Nominal value	Number of shares	Nominal value
	'000	HK$'000	'000	HK$'000
Authorised:				
Ordinary shares of HK$0.20 each	500,000	100,000	500,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.20 each				
At 1 January	320,592	64,118	310,566	62,113
Shares issued upon exercise of share options (Note 34)	7,568	1,514	10,026	2,005
At 31 December	328,160	65,632	320,592	64,118

34. SHARE-BASED EMPLOYEE COMPENSATION

The share option scheme ("the Share Option Scheme") was adopted by the Company pursuant to its resolution passed on 13 July 2007 and expires on 12 July 2017. The purpose of the Share Option Scheme is to reward participants who have contributed to the Group and to encourage participants to work towards enhancing the value of the Group and its shares for the benefit of the Company and its shareholders as a whole. The board of directors may, at its discretion, offer to directors, employees of any member of the Group, any advisors and service providers of any member of the Group, options to subscribe for the shares in the Company at a price not less than the highest of: (i) the closing price of the shares of the Company on the SEHK on the date of offer of the option; (ii) the average of the closing prices of the shares on the SEHK for the five trading days immediately preceding the date of the grant of the options; and (iii) the nominal value of a share. A nominal consideration of HK$1 is payable on acceptance of the grant of an option irrespective of numbers of share options granted. The options vest on the condition that the grantee is a director or employee of any member of the Group or any advisor and service provider of any member of the Group from the date of options grant to the commencement date of the exercisable period of the options.

The options are exercisable at any time during the period to be determined and notified by the Directors to the grantee at the time of making an offer in respect of any particular option which shall not expire later than 10 years from the date of grant.

The share-based employee compensation is to be settled by the issue of the Company's ordinary shares. The Group has no legal or constructive obligation to repurchase or settle the options other than in the Company's ordinary shares.

Details of the share options granted under the Share Option Scheme are as follows:

Date of grant	Number of options granted	Vesting period	Exercisable period	Exercise price per share
				HK$
18.08.2008	5,700,000	18.08.2008 to 17.08.2009	18.08.2009 to 17.08.2013	0.93
18.08.2008	5,700,000	18.08.2008 to 17.08.2010	18.08.2010 to 17.08.2013	0.93
29.10.2009	300,000	29.10.2009 to 28.04.2010	29.04.2010 to 28.10.2014	0.902
29.10.2009	300,000	29.10.2009 to 28.10.2011	29.10.2011 to 28.10.2014	0.902
11.06.2010	2,190,000	11.06.2010 to 10.06.2011	11.06.2011 to 10.06.2015	1.600
11.06.2010	2,190,000	11.06.2010 to 10.06.2012	11.06.2012 to 10.06.2015	1.600
23.06.2010	4,860,000	23.06.2010 to 22.06.2011	23.06.2011 to 22.06.2015	1.636
23.06.2010	4,860,000	23.06.2010 to 22.06.2012	23.06.2012 to 22.06.2015	1.636
16.12.2011	250,000	16.12.2011 to 15.12.2012	16.12.2012 to 15.12.2016	2.000
16.12.2011	250,000	16.12.2011 to 15.12.2013	16.12.2013 to 15.12.2016	2.000

34. SHARE-BASED EMPLOYEE COMPENSATION (continued)

The following table shows the movements in the outstanding options granted under the Share Option Scheme:

	Number of share options				
Grantees	Outstanding at 1 January 2012	Exercised during the year	Lapsed during the year	Transfer during the year*	Outstanding at 31 December 2012
Directors	4,500,000	(2,400,000)	–	(2,100,000)	–
Employees	8,804,000	(5,168,000)	(112,000)	2,100,000	5,624,000
Total	13,304,000	(7,568,000)	(112,000)	–	5,624,000
Weighted average exercise price	HK$1.594	HK$1.543	HK$1.600	–	HK$1.663

* During the year, Ms. Chow So Chu resigned as director of the Company but continued to be employed by the Company as consultant. Accordingly, the share options granted to her have been reclassified.

	Number of share options				
Grantees	Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2011
Directors	6,900,000	–	(2,400,000)	–	4,500,000
Employees	16,680,000	500,000	(7,626,000)	(750,000)	8,804,000
Total	23,580,000	500,000	(10,026,000)	(750,000)	13,304,000
Weighted average exercise price	HK$1.345	HK$2.000	HK$1.026	HK$1.614	HK$1.594

Notes:

(i) No new share options were granted during the year ended 31 December 2012.

(ii) The following significant assumptions were used to derive the fair values of the options granted under the Share Option Scheme, using the Black-Scholes option pricing model:

Date of grant	16.12.2011	23.6.2010	11.6.2010	29.10.2009	18.8.2008
Expected volatility	41.28%	43.60%	43.64%	43.55%	46.71%
Expected life (in years)	4	4	4	4	4
Risk-free interest rate (being the approximate yield of Exchange Fund on the grant date)	0.728%	1.298%	1.298%	1.505%	3.32%
Expected dividend yield	5%	4.94%	5.00%	8.99%	8.6%

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Black-Scholes option pricing model. No special features pertinent to the options granted were incorporated into measurement of fair value.

(iii) In total, HK$740,000 of share-based employee compensation expense were included in the consolidated statement of comprehensive income for the year ended 31 December 2012 (2011: HK$2,554,000) with a corresponding credit in equity. No liabilities were recognised as these were all equity-settled share-based payment transactions.

(iv) As at 31 December 2012, 5,374,000 (2011: 6,279,000) share options are exercisable and the weighted average exercise price of these share options is HK$1.65 (2011: HK$1.53).

(v) As at 31 December 2012, the weighted average remaining contractual life for the outstanding share options is 949 days (2011: 1,241 day).

35. RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 42 to 43.

	Company					
	Share premium	Employee compensation reserve	Contributed surplus	Proposed final and special dividends	Retained earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	84,941	3,947	20,290	31,057	35,097	175,332
Equity-settled share-based payment expense	–	2,554	–	–	–	2,554
Exercise of share options	10,479	(2,194)	–	–	–	8,285
Final and special 2010 dividends paid (Note 14)	–	–	–	(31,057)	(714)	(31,771)
Share issue expenses	(24)	–	–	–	–	(24)
Share options lapsed	–	(161)	–	–	161	–
Profit for the year	–	–	–	–	121,926	121,926
Interim 2011 dividend paid (Note 14)	–	–	–	–	(19,218)	(19,218)
Proposed final and special 2011 dividends (Note 14)	–	–	–	128,284	(128,284)	–
At 31 December 2011 and 1 January 2012	95,396	4,146	20,290	128,284	8,968	257,084
Equity-settled share-based payment expense	–	740	–	–	–	740
Exercise of share options	12,883	(2,720)	–	–	–	10,163
Final 2011 dividends paid (Note 14)	–	–	–	(128,284)	(1,361)	(129,645)
Share issue expenses	(41)	–	–	–	–	(41)
Share options lapsed	–	(43)	–	–	43	–
Profit for the year	–	–	–	–	126,255	126,255
Interim 2012 dividend paid (Note 14)	–	–	–	–	(26,191)	(26,191)
Proposed final and special 2012 dividends (Note 14)	–	–	–	98,589	(98,589)	–
At 31 December 2012	108,238	2,123	20,290	98,589	9,125	238,365

The Company's reserves available for distribution comprise its contributed surplus and retained earnings.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

36. OPERATING LEASE COMMITMENTS

Group

As at 31 December 2012, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	Rented premises and production facilities		Internet access line	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	14,508	13,587	198	247
In the second to fifth years inclusive	48,256	35,190	–	–
Over five years	22,371	4,918	–	–
	85,135	53,695	198	247

The Group leases a number of properties and production facilities and internet access line under operating leases. The leases run for an initial period ranged from one to eight years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

Company

The Company does not have operating lease commitments as at 31 December 2011 and 2012.

37. CAPITAL COMMITMENTS

	Group		Company	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Contracted but not accounted for in respect of acquisition of property, plant and equipment	902	9,746	–	–

38. CORPORATE GUARANTEES

	Group		Company	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Corporate guarantees given and utilised	–	–	5,970	22,650

As at 31 December 2012, the Company provided corporate guarantees to its wholly owned subsidiaries to the extent of HK$12,000,000 (2011: HK$36,000,000) in relation to the payments for bank borrowings, HK$5,970,000 (2011: HK$22,650,000) of which was utilised.

In the opinion of the directors of the Company, no material liabilities will arise from the above guarantees which arose in the ordinary course of business and the fair value of the corporate guarantees granted by the Company is immaterial.

39. DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed its entire interests in 上海獵英人才服務有限公司 to independent third parties at the consideration of RMB2. Its net assets at the date of disposal are as follows:

	HK$'000
Property, plant and equipment	38
Trade and other receivables	140
Cash and cash equivalents	461
Trade and other payables	(624)
Provision for taxation	(12)
	3
Loss on disposal of a subsidiary	(3)
Total consideration satisfied by cash	–
Net cash outflow arising on disposal:	
Cash consideration	–
Cash and cash equivalents disposed of	(461)
	(461)

40. BUSINESS COMBINATION

(a) Acquisition of Express Ocean Investment Limited and O.G. Printing Productions Limited

On 16 September 2011, the Group acquired 80% equity interests in Express Ocean Investment Limited and O.G. Printing Productions Limited, both of which are limited liability companies incorporated in Hong Kong, for a cash consideration of HK12,731,000. These companies are engaged in the provision of graphic design. Goodwill of HK$9,614,000 arose on this acquisition.

The acquired business contributed revenue of HK$3,032,000 and a loss after income tax of HK$329,000 to the Group for the period from 16 September 2011 to 31 December 2011.

Had the acquisition occurred on 1 January 2011, the Group's revenue and profit after income tax would have been HK$1,432,054,000 and HK$191,967,000 respectively for the year ended 31 December 2011. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

40. BUSINESS COMBINATION (continued)

(a) Acquisition of Express Ocean Investment Limited and O.G. Printing Productions Limited (continued)

Details of net assets acquired were as follows:

	HK$'000
Purchase consideration – cash paid	12,731
Fair value of net assets acquired (see below)	(3,117)
Goodwill (Note 20)	9,614
Purchase consideration settled in cash	(12,731)
Cash and cash equivalents acquired	2,102
Cash outflow on acquisition of subsidiaries	(10,629)

Assets and liabilities arising from this acquisition were as follows:

	Fair value	Acquiree's carrying amount
	HK$'000	HK$'000
Property, plant and equipment	11,488	7,642
Trade and other receivables	5,198	5,198
Cash and cash equivalents	2,102	2,102
Trade and other payables	(11,138)	(11,138)
Bank borrowings	(3,096)	(3,096)
Provision for taxation	(23)	(23)
Deferred tax liabilities	(634)	–
Net assets	3,897	685
Less: Non-controlling interests	(780)	
Net assets acquired	3,117	

The non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interest's proportionate share of the recognised amount of the net assets of these companies and amounted to HK$780,000.

40. BUSINESS COMBINATION (continued)

(b) Acquisition of APOL

On 12 December 2012, the Group entered into the share transfer agreement with independent third parties to acquire the entire issued share capital of APOL at a consideration of HK$160 million. APOL is engaged in the business of printing, binding, colour separation and other printed and non-printed books, magazines and other printed material. The acquisition of this company allowed the Group to broaden its clientele base in the Europe and the United States of America.

The acquisition was completed on 28 December 2012. On 28 December 2012, the Group owned 93.33% equity interest in APOL whilst the remaining equity interest in APOL will be transferred to the Group on 28 December 2013. According to the share transfer agreement, the Group has already obtained all the rights for the entire equity interest of APOL (including the right to all dividends declared) since 28 December 2012. Goodwill of HK$56,132,000 arose on the acquisition of APOL, reflecting the benefits of revenue growth and future market development of APOL contributed to the Group's existing printing services. An amount of HK$100 million was paid during the year whilst the remaining considerations of HK$28 million and HK$32 million are repayable on 28 February 2013 and 28 December 2014 respectively. The acquired business contributed revenue of HK$1,191,000 and a profit after income tax of HK$67,000 to the Group for the period from 28 December 2012 to 31 December 2012.

Had the acquisition occurred on 1 January 2012, the Group's revenue and profit after income tax would have been HK$2,007,802,000 and HK$226,238,000 respectively for the year ended 31 December 2012. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

Details of net assets acquired were as follows:

	HK$'000
Purchase consideration – cash paid	100,000
Other payables (included in trade and other payables under current liabilities)	28,000
Other payable (under non-current liabilities)	32,000
Fair value of net assets acquired (see below)	(103,868)
Goodwill (Note 20)	56,132
Purchase consideration settled in cash	(100,000)
Cash and cash equivalents acquired	4,298
Cash outflow on acquisition of subsidiaries	(95,702)

40. BUSINESS COMBINATION (continued)

(b) Acquisition of APOL (continued)

Assets and liabilities arising from this acquisition were as follows:

	Fair value	Acquiree's carrying amount
	HK$'000	HK$'000
Property, plant and equipment	186	186
Intangible assets – non competition covenants	741	–
Deferred tax assets	886	886
Inventories	11,444	11,444
Trade and other receivables	153,165	153,165
Cash and cash equivalents	4,298	4,298
Trade and other payables	(56,950)	(56,950)
Bank borrowings	(12)	(12)
Provision for taxation	(9,768)	(9,768)
Deferred tax liabilities	(122)	–
Net assets acquired	103,868	103,249

The fair value of trade and other receivables at the date of acquisition amounted to HK$153,165,000 which was also the gross contractual amounts of these trade and other receivables acquired. None of the contractual cash flows of the above amount was estimated to be uncollectible.

41. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Save as disclosed in Notes 19, 21 and 22 to the financial statements, details of other significant transactions between the Group and other related parties during the year are disclosed as follows:

(a) Related party transactions

Name of related party	Nature of transactions	2012	2011
		HK$'000	HK$'000
Related company			
OGP Management Corporation	Rental expenses	631	351

Rental expenses were charged by a related company, OGP Management Corporation, in which the non-controlling interest of a subsidiary has controlling interest, for leasing of office premises. The lease runs for a period of one year (2011: one year) and the monthly rental was determined at the market rate at the date when the lease arrangement was entered into.

The above related party transactions constitute exempted connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on the SEHK.

(b) Compensation of key management personnel

The key management personnel of the Group are the directors of the Company. The remuneration of the key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends. Details of the remuneration paid to them are set out in Note 10(a) to the financial statements.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company ^	Principal activities and place of operations
1010 Printing Group Limited 匯星印刷集團有限公司	9 March 2011	Bermuda, limited liability company	Ordinary	HK$5,000,000	59.98%	Investment holding, Hong Kong
1010 Group Limited	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$81,000,000	59.98%	Investment holding, Hong Kong
1010 Printing International Limited 匯星印刷國際有限公司	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$1	59.98%	Printing, Hong Kong
1010 Printing (UK) Limited *	2 January 2007	United Kingdom, limited liability company	Ordinary	GBP1,000	59.08%	Printing agency, United Kingdom
1010 Printing Asia Limited	3 April 2007	Hong Kong, limited liability company	Ordinary	HK$1	59.98%	Printing, Hong Kong
1010 Printing Limited	5 February 2010	Hong Kong, limited liability company	Ordinary	HK$1	59.98%	Printing, Hong Kong
1010 Printing (Australia) Pty Limited *	10 October 2008	Australia, limited liability company	Ordinary	AUD2	59.98%	Provision for printing services, Australia
Express Ocean Investment Limited 飛洋投資有限公司	5 May 2008	Hong Kong, limited liability company	Ordinary	HK$2,000	47.98%#	Property investment, Hong Kong
O.G. Printing Productions Limited 海濤製作有限公司	11 August 1989	Hong Kong, limited liability company	Ordinary	HK$500,000	47.98%#	Provision of graphic design services, Hong Kong
Oceanic Graphic International Inc.	12 August 2011	United States of America, limited liability company	Ordinary	US$100,000	47.98%#	Printing, United States of America
惠州匯星印刷有限公司	28 January 2011	PRC, sino-foreign equity enterprise	N/A	RMB150,000,000 (registered capital)	29.39%##	Production and distribution of books and periodicals, PRC
Central Publisher Limited 卓越出版社有限公司	26 September 1997	Hong Kong, limited liability company	Ordinary	HK$1,000	100%	Publishing and investment trading, Hong Kong
Recruit (BVI) Limited	15 March 2000	British Virgin Islands, limited liability company	Ordinary	US$10,000	100%	Investment holding, Hong Kong
Recruit (China) Holdings Limited 才庫（中國）控股有限公司	3 November 2004	British Virgin Islands, limited liability company	Ordinary	US$1	100%	Investment holding, Hong Kong
Recruit Group Limited	8 January 2007	British Virgin Islands, limited liability company	Ordinary	US$10,000	100%	Investment holding, Hong Kong
Recruit Human Resources Group Limited 才庫招聘資源有限公司	7 April 2005	British Virgin Islands, limited liability company	Ordinary	US$2,564,102	100%	Investment holding, Hong Kong
Recruit Information Technology Limited 才庫媒體集團有限公司	7 November 2003	Hong Kong, limited liability company	Ordinary	HK$1,000	100%	Provision of website development and information technology services, Hong Kong
Recruit Management Services Limited 才庫管理有限公司	13 April 2006	Hong Kong, limited liability company	Ordinary	HK$1	100%	Provision of corporate management service, Hong Kong
CinMedia Limited 先傳媒有限公司	26 July 2004	Hong Kong, limited liability company	Ordinary	HK$1	100%	Provision of advertising services, Hong Kong
台灣先傳媒有限公司 CinMedia (Taiwan) Limited	12 January 2010	Taiwan, limited liability company	Ordinary	TWD250,000	100%	Provision of advertising services, Taiwan
Mega Form Inc. Limited 大豐興業有限公司	2 July 2008	Hong Kong, Limited liability company	Ordinary	HK$1	100%	Investment holding, Hong Kong
Recruit Advertising Limited 才庫廣告有限公司	30 April 1999	Hong Kong, limited liability company	Ordinary	HK$52,000,000	100%	Provision of advertising services, Hong Kong
Easking Limited 宜勁有限公司	15 September 2004	Hong Kong, limited liability company	Ordinary	HK$1	100%	Provision of advertising services, Hong Kong
廣州海螢廣告有限公司* Arabesque Advertising Limited	1 February 2005	PRC, limited liability company	N/A	HK$1,900,000 (registered capital)	100%	Provision of advertising services, PRC

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of company	Date of incorporation/ establishment	Place/Country of incorporation/establishment and kind of legal entity	Class of shares	Issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company ^	Principal activities and place of operations
才庫企業管理顧問（上海）有限公司* Recruit Management Consulting (Shanghai) Company Limited	5 January 2005	PRC, limited liability company	N/A	US$2,000,000 (registered capital)	100%	Investment holding and provision of corporate management service, PRC
海蘊廣告（上海）有限公司* Iguazu (Shanghai) Advertising Company Limited	8 December 2008	PRC, limited liability company	N/A	US$300,000 (registered capital)	100%	Provision of advertising services, PRC
Eastern Inflight Magazine Productions Limited 中國香港航機雜誌製作有限公司	12 February 2004	British Virgin Islands, limited liability company	Ordinary	US$100	100%	Provision of advertising services, Hong Kong
Southern Inflight Magazine Production Limited 東南航機雜誌製作有限公司	19 April 2005	Anguilla, limited liability company	Ordinary	US$1	100%	Provision of advertising services, Hong Kong
北京海溢吉盛廣告有限公司*	29 October 2002	PRC, limited liability company	N/A	RMB500,000 (registered capital)	100%	Provision of advertising services, PRC
上海海響廣告有限公司*	20 May 2011	PRC, limited liability company	N/A	RMB1,000,000 (registered capital)	100%	Provision of advertising services, PRC
Asia Pacific Offset Limited	15 December 1978	Hong Kong, limited liability company	Ordinary	HK$150,000	55.98%###	Provision of printing services, Hong Kong

* The statutory accounts of these companies have been examined by firms other than BDO Limited. The English translation of Chinese names of PRC subsidiaries, if any, is included for identification only and should not be regarded as their official English translation.

^ All principal subsidiaries are indirectly held by the Company except for Recruit (BVI) Limited.

\# The Group's interests in these companies were held by the Company's subsidiary, 1010 Printing Group Limited which held 80% of the issued shares of each of these companies.

\## The Group's interest in this company are 49% held directly by 1010 Printing International Limited, a subsidiary of the Company, and 51% held on trust by a third party on behalf of 1010 Printing International Limited. In the opinion of the Directors, 1010 Printing International Limited has full control on this company by way of contractual agreements entered into among 1010 Printing International Limited, the company and the registered shareholders. Accordingly, the company is a wholly owned subsidiary of 1010 Printing International Limited.

\### As at 31 December 2012, 93.33% equity interest in this company was owned by a subsidiary of the Group. The remaining 6.67% equity interest will be acquired on 28 December 2013. As the Group has obtained full control and all the rights for the entire equity interest of this company on 28 December 2012, the company was deemed as a wholly owned subsidiary of a subsidiary of the Group. Details are set out in Note 40(b).

The directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of the subsidiaries which materially affect the results or assets of the Group.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group's activities expose it to a variety of financial instrument risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance by closely monitoring the individual exposure.

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate strategies to manage the Group's exposure to a variety of risks which resulted from its operating and investing activities. Generally, the Group employs conservative strategies regarding its risk management to ensure appropriate measures are implemented on a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out as follows:

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's financial assets are summarised in Note 43(g) below.

The directors of the Company consider the Group does not have a significant concentration of credit risk. The top 5 customers accounted for less than 35% of total sales during the year. In this regards, the Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

The Group also continuously evaluates the credit risk of its customers to ensure appropriateness of the amount of credit granted. Credit terms are extended to customers based on the evaluation of individual customer's financial conditions. In addition, the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in Note 25 to the financial statements.

The Group has deposited its cash with various banks and brokers. The credit risk on cash and bank balances is limited because most of the Group's bank deposits are deposited with major reputable banks and financial institutions located in Hong Kong and the PRC.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(b) Currency risk

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

Most of the sales transactions of the Group are denominated in United States Dollars ("US$"), Australian Dollars ("AUD"), RMB and HK$ and there are expenses and capital expenditures denominated in US$, RMB and HK$. Certain trade receivables and trade payables of the Group are denominated in foreign currencies, mainly US$, AUD and RMB.

To mitigate the impact of exchange rate fluctuations, the Group continuously assesses and monitors the exposure to foreign currency risk. During the year, management of the Group had used foreign currency forward contracts to hedge the exposure to foreign exchange risk when the need arises.

Foreign currency denominated financial assets of the Group are as follows:

2012	US$'000	RMB'000	AUD'000
Trade and other receivables	37,068	17,959	5,256
Cash and cash equivalents	16,317	108,160	622
Trade and other payables	(2,669)	(5,967)	(61)
	50,716	120,152	5,817
Notional amounts of forward foreign exchange contracts	(1,030)	–	2,000
	49,686	120,152	7,817

2011	US$'000	RMB'000	AUD'000
Trade and other receivables	18,003	21,418	6,239
Cash and cash equivalents	2,535	10	792
Trade and other payables	(535)	(9,289)	–
	20,003	12,139	7,031
Notional amounts of forward foreign exchange contracts	–	–	(7,000)
	20,003	12,139	31

The following table illustrates the sensitivity of the net results for the year and retained earnings in regards to the Group's financial assets and liabilities at the reporting date and the reasonably possible changes in the foreign exchange rates in the next 12 months to which the Group has significant exposure at the reporting date, based on the assumption that other variables are held constant. Changes in foreign exchange rates have no impact on the Group's other components of equity.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(b) Currency risk (continued)

Group

	2012		2011	
	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
		HK$'000		HK$'000
US$	0.6%	2,301	0.3%	466
	(0.6%)	(2,301)	(0.3%)	(466)
RMB	0.8%	1,182	4.3%	637
	(0.8%)	(1,182)	(4.3%)	(637)
AUD	1.3%	803	6.8%	16
	(1.3%)	(803)	(6.8%)	(16)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

(c) Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for deposits held in banks, certain bank borrowings and finance lease contracts. Cash at bank earns interest at floating rates based on the daily bank deposits rates during the year. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense. The terms of repayment of bank borrowings and obligations under finance leases are set out in Notes 29 and 30 to the financial statements respectively.

During the year, management did not consider it necessary to use interest rate swaps to hedge their exposure to interest rate risk as the interest rate risk exposure is not significant.

(d) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements, its compliance with lending covenants and its relationships with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term. The Group has net current assets of HK$566,729,000 (2011: HK$553,167,000) and net assets of HK$813,805,000 (2011: HK$778,279,000) as at 31 December 2012. In the opinion of directors, the Group's exposure to liquidity risk is limited.

The following table details the remaining contractual maturities at each of the reporting dates of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at the reporting date) and the earliest date the Group may be required to pay.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(d) Liquidity risk (continued)

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity is required to pay, that is if the banks were to invoke the unconditional rights to call the loans with immediate effect.

Group

	Carrying amount	Total contractual undiscounted cash flow	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2012					
Non-derivative financial liabilities					
Trade and other payables	321,277	321,277	321,277	–	–
Finance lease liabilities	6,753	6,862	1,584	4,751	527
Bank borrowings	118,297	118,297	118,297	–	–
	446,327	446,436	441,158	4,751	527
Derivative financial liabilities					
Gross settled forward foreign exchange contacts – cash outflow/(inflow)	718	718	777	(59)	–
	718	718	777	(59)	–
As at 31 December 2011					
Non-derivative financial liabilities					
Trade and other payables	185,670	185,670	185,670	–	–
Finance lease liabilities	12,810	13,180	1,581	4,745	6,854
Bank borrowings	133,901	133,901	133,901	–	–
	332,381	332,751	321,152	4,745	6,854

The table that follows summarises the maturity analysis of those term loans with repayment-on-demand clause based on the agreed scheduled repayments set out in the loan agreements. The amounts included interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment, the directors of the Company believe that such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(d) Liquidity risk (continued)

Group

	Carrying amount	Total contractual undiscounted cash flow	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years	Over 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Term loans subject to repayment-on-demand clause based on scheduled repayments:						
31 December 2012	118,297	123,072	23,832	28,714	66,199	4,327
31 December 2011	133,901	137,010	57,302	27,175	52,533	–

Company

	Carrying amount	Total contractual undiscounted cash flow	Within 3 months or on demand	More than 3 months but less than 1 year	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2012					
Other payables	467	467	467	–	–
Amounts due to subsidiaries	343,873	343,873	343,873	–	–
	344,340	344,340	344,340	–	–
Financial guarantees issued					
Maximum amount guaranteed	5,970	5,970	5,970	–	–
As at 31 December 2011					
Other payables	312	312	312	–	–
Amounts due to subsidiaries	139,717	139,717	139,717	–	–
	140,029	140,029	140,029	–	–
Financial guarantees issued					
Maximum amount guaranteed	22,650	22,650	22,650	–	–

(e) Other pricing risk

The Group has invested in listed equity securities which are measured at fair value at each reporting date. Therefore, the Group is exposed to equity price risk. The Group monitors the price movements and take appropriate actions when it is required. Sensitivity of the Group's profit after tax and retained earnings to a reasonable change in the equity price is assessed to be immaterial. Changes in equity prices have no impact on other components of equity.

(f) Fair values

The directors of the Company consider the fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments. The fair values of non-current financial assets and liabilities were not disclosed because these are not materially different from their carrying amounts.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(g) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting dates are categorised as follows. See Notes 2.9 and 2.14 for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	Group		Company	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Current assets				
Financial assets at fair value through profit or loss – held for trading	870	2,572	–	–
Loans and receivables:				
– Trade and other receivables	483,555	311,173	–	–
– Advances to associate	–	–	–	–
– Amounts due from subsidiaries	–	–	339,879	203,941
– Pledged cash and bank balances	7,297	–	–	–
– Cash and cash equivalents	442,982	407,252	246,140	194,713
	934,704	720,997	586,019	398,654
Financial liabilities				
Current liabilities				
Financial liabilities at fair value through profit or loss – held for trading	718	–	–	–
Financial liabilities measured at amortised cost:				
– Trade and other payables	289,277	185,670	467	312
– Amounts due to subsidiaries	–	–	343,873	139,717
– Bank borrowings	118,297	133,901	–	–
– Finance lease liabilities	6,227	6,060	–	–
Non-current liabilities				
Financial liabilities measured at amortised cost:				
– Finance lease liabilities	526	6,750	–	–
– Other payables	32,000	–	–	–
	447,045	332,381	344,340	140,029

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(h) Fair value measurements recognised in the statement of financial position – Group

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

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

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

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

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

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

		2012 – Group			
		Level 1	Level 2	Level 3	Total
	Note	HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Listed securities held for trading	(a)	870	–	–	870
Forward foreign exchange contracts	(b)	–	(718)	–	(718)
Net fair values		870	(718)	–	152

		2011 – Group			
		Level 1	Level 2	Level 3	Total
	Note	HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Listed securities held for trading	(a)	1,549	–	–	1,549
Forward foreign exchange contracts	(b)	–	1,023	–	1,023
Net fair values		1,549	1,023	–	2,572

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

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

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (continued)

(h) Fair value measurements recognised in the statement of financial position – Group (continued)

(a) Listed securities

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

(b) Derivatives

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date. Normally, the derivatives entered into by the Group are not traded on active markets. The fair values of such contracts are estimated using a valuation technique that maximizes the use of observable market inputs e.g. market currency and interest rates (Level 2). Most derivatives entered into by the Group are included in Level 2 and consist of foreign currency forward contracts.

44. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's objectives when managing capital are:

- To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Group's stability and growth; and
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group has not adopted any formal dividend policy.

Management regards total equity as capital, for capital management purpose. The amount of capital as at 31 December 2011 and 2012 amounted to approximately HK$778,279,000 and HK$813,805,000 respectively, which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

Financial Summary

For the year ended 31 December 2012

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated upon the adoption of the new or amended HKFRSs as appropriate, is set out below:

FINANCIAL RESULTS

	Financial year ended 31 December				
	2008	2009	2010	2011	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	592,882	698,119	1,152,539	1,425,492	1,526,041
Profit before income tax	82,617	101,772	182,311	214,776	251,125
Income tax expense	(2,274)	(8,940)	(12,810)	(22,836)	(62,207)
Profit for the year	80,343	92,832	169,501	191,940	188,918
Attributable to:					
Owners of the Company	75,648	80,490	157,528	173,842	161,732
Non-controlling interests	4,695	12,342	11,973	18,098	27,186
Profit for the year	80,343	92,832	169,501	191,940	188,918

	As at 31 December				
	2008	2009	2010	2011	2012
	HK$'000	HK'$000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	456,516	594,780	836,064	1,145,522	1,337,381
Total liabilities	(141,397)	(209,637)	(287,073)	(367,243)	(523,576)
Total equity	315,119	385,143	548,991	778,279	813,805

Corporate Information

Board of Directors

EXECUTIVE DIRECTORS
Mr. Lau Chuk Kin
Ms. Lam Mei Lan

NON-EXECUTIVE DIRECTORS
Mr. Wan Siu Kau *(Chairman)*
Mr. Lee Ching Ming, Adrian
Mr. Peter Stavros Patapios Christofis

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mrs. Ling Lee Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Ho David

Company Secretary
Ms. Lam Mei Lan *FCPA, FCCA*

Compliance Officer
Mr. Lau Chuk Kin

Authorised Representatives
Mr. Lau Chuk Kin
Ms. Lam Mei Lan

Audit Committee
Mr. Ho David *(Chairman)*
Mrs. Ling Lee Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco

Remuneration Committee
Mr. Cheng Ping Kuen, Franco *(Chairman)*
Mrs. Ling Lee Ching Man, Eleanor
Mr. Ho David

Nomination Committee
Mr. Wan Siu Kau *(Chairman)*
Mr. Lau Chuk Kin
Mr. Ho David
Mrs. Ling Lee Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco

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