Recruit Holdings Limited
才庫媒體集團有限公司

SOLID GROWTH 穩健增長

Stock Code 股份代號: 550

Annual Report 年報 2010

Corporate Information

Board of Directors

EXECUTIVE DIRECTORS

Mr. Lau Chuk Kin (Chairman)
Ms. Lam Mei Lan
Ms. Chow So Chu

NON-EXECUTIVE DIRECTORS

Mr. Lee Ching Ming, Adrian
Mr. Wan Siu Kau
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 CPA, FCCA

Compliance Officer

Mr. Lau Chuk Kin

Authorised Representatives

Mr. Lau Chuk Kin
Ms. Lam Mei Lan

Audit Committee

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

Website

www.recruitonline.com

Auditor

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

Legal Adviser

P.C. Woo & Co.
12th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Share Registrars and Transfer Offices

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712 - 1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

26th Floor
625 King's Road
North Point
Hong Kong

Stock Code

550

Key Achievements

Sales Turnover
HK$
1,152.5M

Total Comprehensive Income Attributable to Owners
HK$
158M

Growth in Advertising Business
150%

Exporter of Books to the US Market Ranking
Top 7

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Advertising Business

INFLIGHT MAGAZINE 7

RECRUIT MAGAZINE 7

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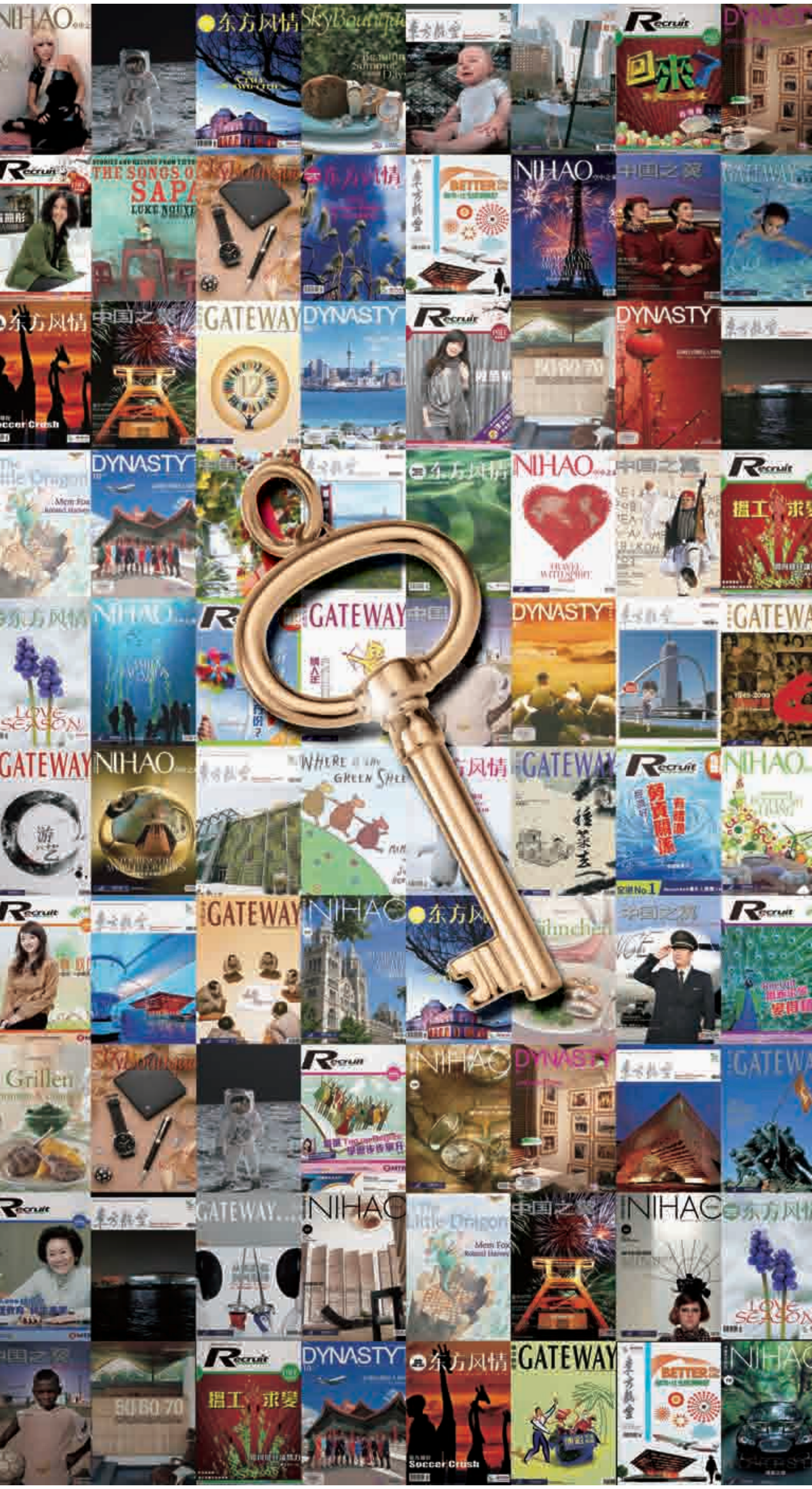


The Group had another outstanding year in 2010 when for the first time in its history sales turnover exceeded HK$

1 billion

and net income broke the HK$

150M

mark.

Chairman's Statement

Dear shareholders,

The Group had another outstanding year in 2010 when for the first time in its history sales turnover exceeded HK$1 billion and net income broke the HK$150 million mark. The buoyant economy in China with its strong demand for luxury consumer goods was the main driver of our growth.

Advertising Business

INFLIGHT MAGAZINE

Our wholly owned subsidiary, Cinmedia which holds the exclusive rights to sell advertising space on inflight magazines onboard major carriers in the Greater China region had a blow-out year and firmly established itself as the global leader in the industry.

Our contract with China Southern Airlines which was due to expire at the end of 2010 was renewed for another five years.

RECRUIT MAGAZINE

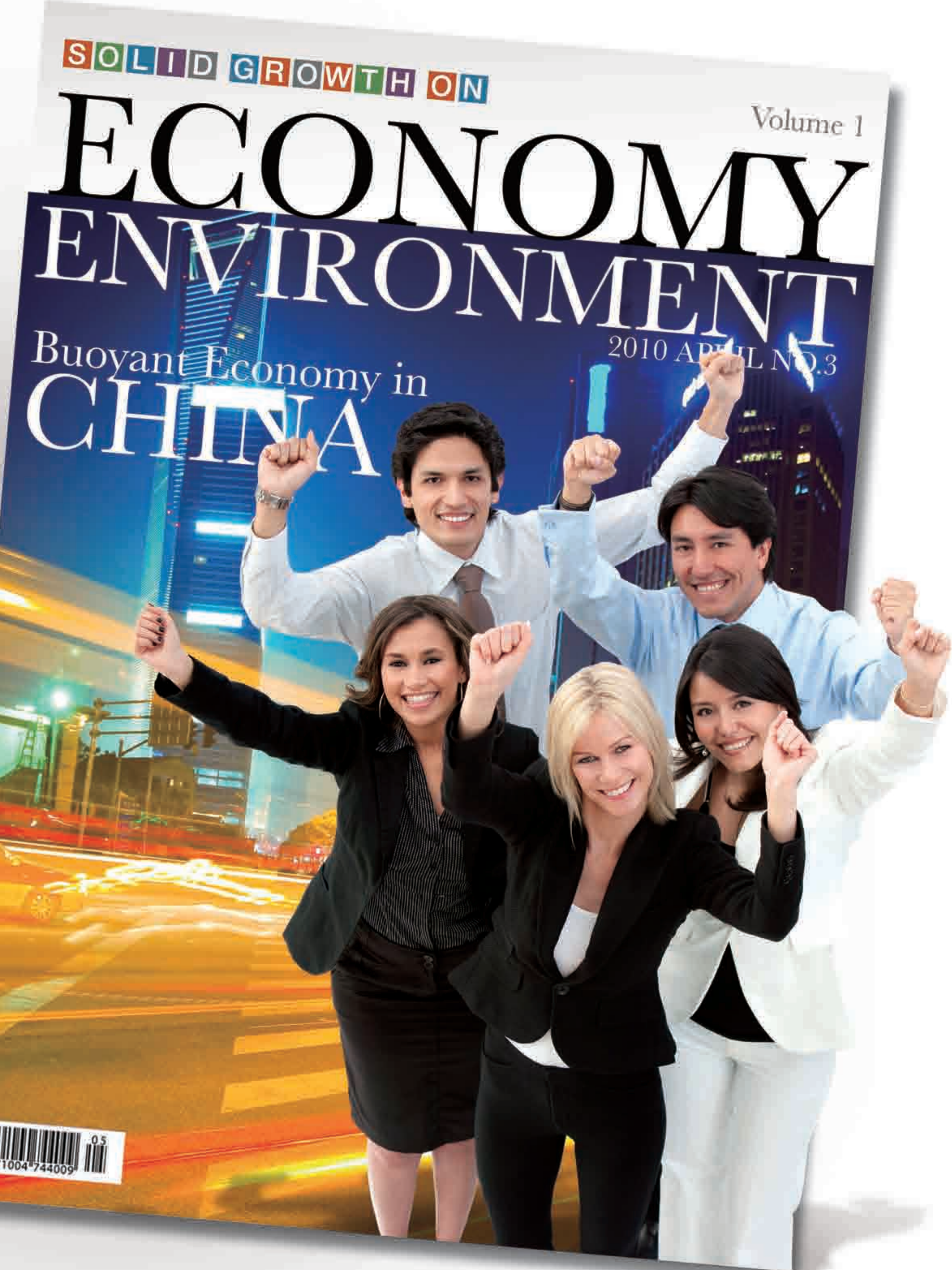
This division returned to profitability in 2010. The overall size of recruitment advertising market in Hong Kong, however, continued to shrink as the migration to the much lower priced internet advertising model continues its momentum.

Printing Business

The trading environment remained tough with ever decreasing margins as a) our publishing customers continued to face challenges posed by the e-books and the consolidation of conventional brick and mortar bookstores and b) the massive increase in labour costs in China and particularly in the Pearl River Delta. Against this back drop, 1010 Printing, a 82% owned subsidiary of the Group, performed well and is now the top 7 exporter of books to the US market.

With the improving balance sheet and our long established relationship with business partners, I am confident of the future prospects of the Recruit Group in going forward.

Lau Chuk Kin
Chairman
Hong Kong, 23 February 2011

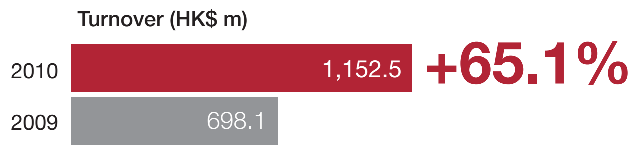

SOLID GROWTH ON
ECONOMY
ENVIRONMENT
Volume 1
2010 APRIL NO.3
Buoyant Economy in
CHINA

Management Discussion and Analysis

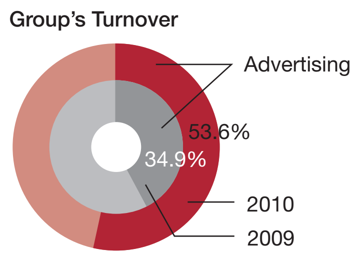
FINANCIAL REVIEW

Turnover for the year ended 31 December 2010 increased by 65.1% to approximately HK$1,152.5 million from HK$698.1 million of last year.

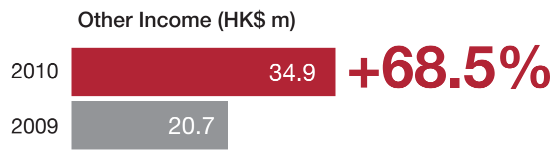
The significant growth in turnover was mainly due to the increase of 1.5 times in advertising business. The advertising business contributed 53.6% (2009: 34.9%) to the Group's turnover. The turnover for printing business increased by 17.7%.



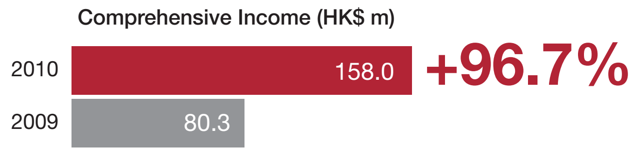
Other income increased by 68.5% to HK$34.9 million in 2010 from HK$20.7 million in 2009 which is primarily attributable to the increase in sales of scrap material and foreign exchange gain. Impairment of goodwill of HK$14.1 million was provided in 2010. This was the main reason for the increase in other expenses from $8.0 million in 2009 to HK$18.1 million in 2010.



Although management forecasted for an increase in the recruitment advertising market in 2011, the fierce competition and threat from the internet advertising model could not be neglected. Full impairment of the goodwill arose from the acquisition of 24.5% equity interest in the recruitment magazine business in 2008 was determined after management evaluated its fair value.



The Group's total comprehensive income attributable to owners was approximately HK$158.0 million, representing a 96.7% increase as compared with HK$80.3 million reported in 2009.




May 2010 No.2
SOLID GROWTH ON
STRONG
DEMAND
Vol 2
Luxury
Consumer Goods

BUSINESS REVIEW

Advertising Business

INFLIGHT MAGAZINE

In the past two years, we have achieved a 100% success rate in renewing our contracts with our airline principals.

Cinmedia, the global leader in the industry, achieved record sales turnover and profits in 2010. On going contracts with Air China, China Eastern Airlines, China Southern Airlines and China Airlines will enable Cinmedia to further consolidate its leadership position as demand for advertising space on media which cater to the interests of the affluent middle class in China continues.

In November 2010, Cinmedia renewed its contract with China Southern Airlines for another five years. In the past two years, we have achieved a 100% success rate in renewing our contracts with our airline principals. Detailed analysis were conducted on our risks and returns to ensure that the business model remains sound and commercially viable. In renewing the contracts, we had to improve our profit sharing arrangements to the airlines. As a result of this, the profit contribution from Cinmedia to the Group may decline slightly in the near future. However, it will continue to be a solid business with steady cashflow. We are actively seeking business prospects in the media industry in Hong Kong and China for acquisition to reduce our dependence on the inflight magazine sector. Management is optimistic that we have the proven sales network and contacts in the media industry in China for us to succeed.

RECRUIT

After suffering its first trading loss since 2003, this division regained profitability in 2010. We also successfully won the contract to distribute our magazines on the Mass Transit Railway lines. The contract commenced in January 2011 and results to-date have exceeded our expectation. The staff recruitment market in 2011 is forecast to be very active due to pent-up demand for staff triggered by the confidence of the employers that the recovery of the local economy has gained traction. Meantime, employees who were hesitant in changing jobs in the past two years are gaining confidence that the advent of an employees-market has firmly arrived. Recruit's forecast is for a more than 30% increase in the recruitment advertising market in Hong Kong in 2011.

BUSINESS REVIEW (continued)

Printing Business

With our strong balance sheet and portfolio of credit worthy customers, 1010 printing will be able to take advantage of this and expand through acquisition.

1010 printing continued its strong momentum and has established itself as a major high quality book printer. It was ranked number 7 in the shipment of books to the US market among all worldwide suppliers in 2010.

Much has been said about the cut throat nature of the printing industry : the ever shrinking prices demanded by our publishing customers and the massive increase in labour costs ushered in by the increase in minimum wage in China. Though 1010 Printing had frozen its total headcount in 2010, it had to cope with a 40% increase in labour costs. The latter is forecast to increase by another 25% in 2011.

Despite all this, we are cautiously optimistic of our future prospects. We are witnessing a consolidation of our publishing customers worldwide and the introduction of preferred suppliers by major publishers. Those who are conferred the status of preferred supplier will gain share in a gradually declining market at the expense of small printers. 1010 is either the top 1 or 2 supplier for the key customers that we serve.

We also foresee a wave of consolidation among medium sized book printers in China/Hong Kong as the trading environment deteriorates. So far, the low interest rate has given the much needed breathing space to the industry but as interest rate level returns to normal, the industry shake out will begin with marginal players being bought out or forced out of business. With our strong balance sheet and portfolio of credit worthy customers, 1010 printing will be able to take advantage of this and expand through acquisition.


SOLID GROWTH ON
April 2010 No.3
PREMIUM
QUALITY
Vol 3

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group had net current assets of approximately HK$359.7 million (2009: HK$203.3 million). The Group's current ratio as at 31 December 2010, which is defined as current assets over current liabilities, was 2.4 (2009: 2.0). The financial position of the Group was healthy with total cash and bank deposits approximately HK$218.2 million (2009: HK$135.2 million).

The Group's gearing ratio as at 31 December 2010 was 24.9 % (2009: 15.5%), 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$136.5 million (2009: HK$59.8 million). The bank borrowings 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 HK$37.6 million (2009: HK$15.7 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 are used to hedge the foreign currency exposure in trading and capital expenditure when it is considered appropriate.

The Group adopts centralized financing and treasury policies in order to ensure the group funding is utilized efficiently.

PROSPECTS

The Group which heads towards 2011 with confidence and optimism, is fully aware of the rapidly changing business environment. The recent changes in governments in Tunisia and Egypt are ushering in an era of uncertainty in the Middle East and global oil prices. The widely popular Kindle e-book readers and I-Pads are shaking up the conventional book publishing industry. The December, 2010, acquisition of JobsDB, Hong Kong leading website for jobs by Seek of Australia for a consideration that is reminiscent of the internet hey days, gives one renewed optimism of the prospects of the recruitment advertising industry.

Management is taking note of these uncertainties and making steps to ensure that Recruit will continue to thrive in the future.

Back in August 2002, the Company faced severe cash flow problems with its only business under attack by more nimble and technology savvy operators. Eight years on, we are turning in record profits, and in possession of a balance sheet that enables us to aggressively look out for new business prospects. The ability to adjust quickly to changes was and will be the critical factor to Recruit's success.
We have noticed that our shares have been thinly traded in the past and at level that is not commensurate with our performance record. To this end, Management is working with investment advisors to enhance the value of our shares and expect to be able to announce the details of our plan in the very near future. We are actively seeking acquisition targets that can bring incremental value to the Group.

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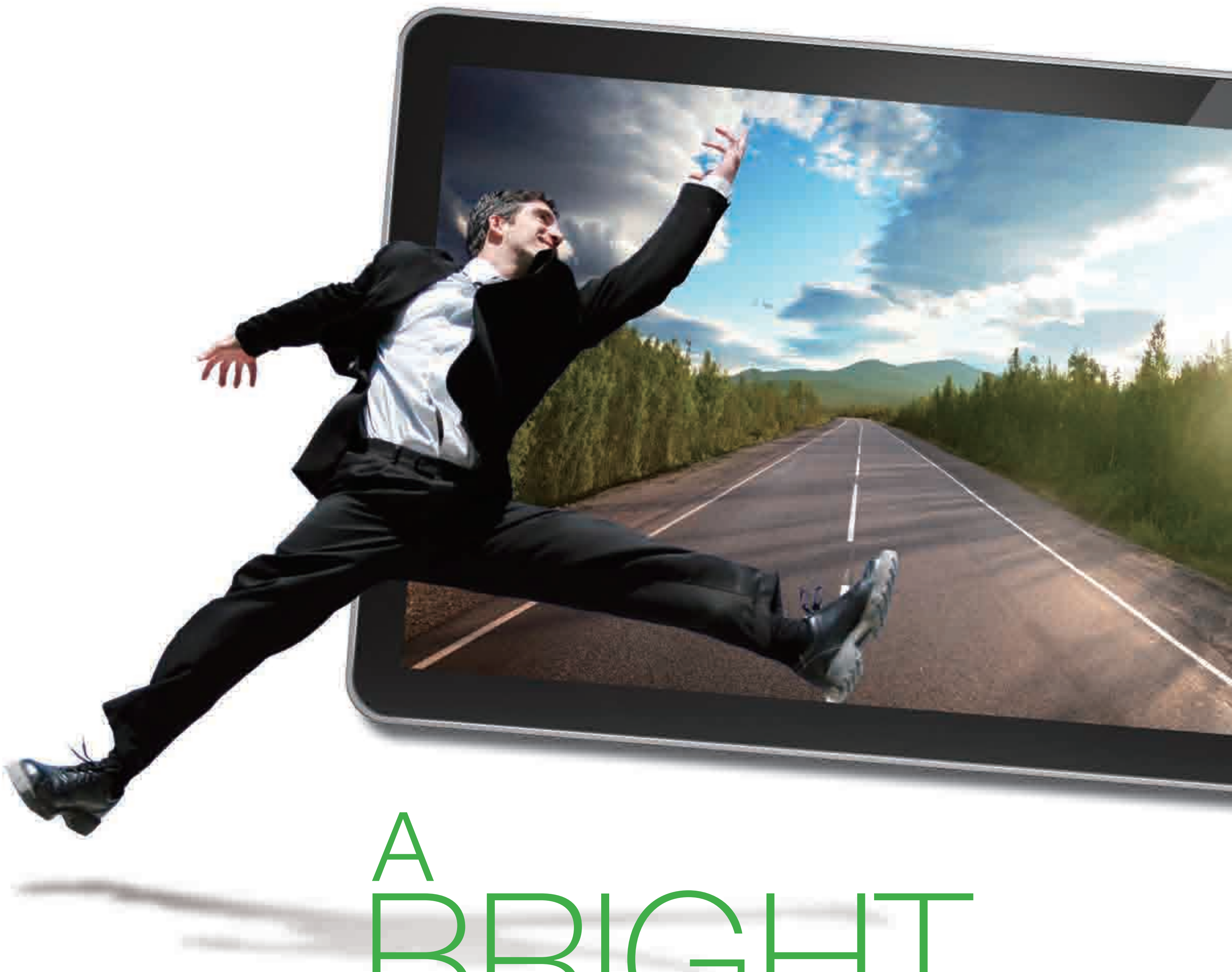

A BRIGHT FUTURE

Directors and Senior Management Profile

Executive Directors

Mr. Lau Chuk Kin, aged 58, was appointed as Chairman and an Executive Director of the Group 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.

Ms. Lam Mei Lan, aged 44, was appointed as an Executive Director in October 2002. She is also the Company Secretary of the Group. Ms. Lam had resigned her executive role and served as Non-Executive Director of the Group in July 2003 and was redesignated from Non-Executive Director to Executive Director on 19 May 2008. 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.

Ms. Chow So Chu, aged 38, was appointed as an Executive Director of the Company in February 2008. She is also the General Manager of the inflight magazine advertising division of the Group. Ms. Chow holds a Bachelor's Degree in Language and Communication from The Hong Kong Polytechnic University and has over 14 years of experience in sales and marketing. She joined the Group in March 2004.

Non-Executive Directors

Mr. Lee Ching Ming, Adrian, aged 59, 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 37 years of experience in banking, finance, investment, marketing and general management.

Mr. Wan Siu Kau, aged 59, 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 and 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. Peter Stavros Patapios Christofis, aged 66, 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 38 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 63, 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 community services. 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 57, 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 and is now the Managing Director of Pictet (Asia) Limited.

Mr. Ho David, aged 62, was appointed as an Independent Non-Executive Director in February 2010. Mr. Ho has over 42 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

Mr. Yang Sze Chen, Peter, aged 72, joined the Group in February 2009. Mr. Yang is the Chairman of 1010 Group Limited, the printing division of the Group. He graduated from the London School of Printing and Graphic Art (currently known as London Printing College) in 1956. Mr. Yang has over 45 yeas of experience in the printing industry. He is the founder of a premier book printing company in Hong Kong.

Ms. Choi Ching Kam, Dora, aged 46, is the Human Resources Manager of the Group, Ms. Choi has over 20 years experience in mainstream publishing and held senior positions in a number of leading newspapers and magazines in Hong Kong. She joined the Group as Editor in July 2002, was promoted to Managing Editor in November 2002 and became the Chief Editor of the Group in 2005. In May 2007, she was reassigned as the Human Resources Manager of the Group. She is responsible for the human resources function and also the development of the publishing services of the Group. Ms. Choi holds a Diploma in Chinese Language and Literature from Hong Kong Shue Yan College, the predecessor of Hong Kong Shue Yan University.

Ms. Lai Wing Ting, Jacklen, aged 40, is the General Manager of our recruitment advertising division. She rejoined the Group in January 2011. Ms. Lai is responsible for the recruitment and display advertising business of the Group. Ms Lai was responsible for the sales function of the Group's recruitment advertising division during the period from 1995 to 2008. She has over 13 years of experience in advertising industry.

Ms. Tan Lai Ming, Janet, aged 33, is the Group Finance Manager of the Group. She joined the Group in March 2008. Ms. Tan holds a Bachelor Degree in Accountancy from City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. She worked in one of the international accounting firm for over seven years before joining the Group.

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 2010.

Principal Activities

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries and associates are set out in notes 41 and 19 respectively to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 25.

The directors have declared an interim dividend of HK$0.03 (2009: HK$0.015) per share, totaling HK$9,308,000 which was paid on 17 September 2010.

The Directors recommended a final dividend of HK$0.065 (2009: HK$0.05) per share (the "Final Dividend") and a special dividend of HK$0.035 (2009: Nil) per share (the "Special Dividend") for the year ended 31 December 2010 payable to shareholders whose names appear on the Register of Members of the Company at the close of business on 1 April 2011. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, the Final Dividend and Special Dividend will be payable on 15 April 2011.

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 28 to 29 and note 34 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 80 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 32 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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mrs. Ling Lee Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Ho David (appointed on 2 February 2010)
Mr. Tyen Kan Hee, Anthony (resigned on 2 February 2010)

In accordance with No. 87 of the Company's bye-laws, Mr. Lau Chuk Kin, Mr. Lee Ching Ming, Adrian and Mr. Wan Siu Kau 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 2010 has entered into a service contract with the Company for a term of two years ending on 31 December 2011 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 2010, 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) 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)	2,838,000	Nil	179,860,000	182,698,000	58.83
Ms. Chow So Chu	48,000	Nil	Nil	48,000	0.02
Mr. Lee Ching Ming, Adrian (Note 2)	100,500	50,000	Nil	150,500	0.05
Mr. Peter Stavros Patapios Christofis	670,500	Nil	Nil	670,500	0.22
Mr. Cheng Ping Kuen, Franco	120,000	Nil	Nil	120,000	0.04

(b) Options to subscribe for shares of the Company

	Number of share options				
Name of Director	Outstanding at 1.1.2010	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at 31.12.2010
Ms. Lam Mei Lan	1,200,000	2,400,000	–	–	3,600,000
Ms. Chow So Chu	1,200,000	2,100,000	–	–	3,300,000

Notes:

1. Of 179,860,000 shares, 1,906,000 shares and 177,954,000 shares are beneficially owned by ER2 Holdings Limited ("ER2") and City Apex Limited respectively. As at 31 December 2010, Mr. Lau Chuk Kin beneficially owned 67% of the issued share capital of ER2, 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.

Saved as disclosed above, as at 31 December 2010, 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.

Share Options

Details of the movements in the share options of the Company during the year are set out in note 33 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 2010, 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)	182,698,000	58.83
ER2 Holdings Limited (Note 1)	179,860,000	57.91
City Apex Limited (Note 1)	177,954,000	57.30
JobStreet Corporation Berhad	26,250,000	8.45
Chan Family Investment Corporation Limited (Note 2)	24,115,333	7.76
Tai Wah Investment Company Limited (Note 2)	22,000,000	7.08
Dr. Lo Ka Shui (Note 3)	21,788,000	7.02
Great Eagle Holdings Limited (Note 4)	21,638,000	6.97
Jolly Trend Limited (Note 4)	21,638,000	6.97
The Great Eagle Company, Limited (Note 4)	21,638,000	6.97

Notes:

1. Of the 182,698,000 shares, Mr. Lau Chuk Kin has 2,838,000 personal interest and is deemed to be interested in the 1,906,000 shares directly held by ER2. Each of Mr. Lau Chuk Kin and ER2 is deemed to be interested in the 177,954,000 shares owned by City Apex Limited.

2. Of these shares, 1,117,333 shares are directly owned by Chan Family Investment Corporation Limited, 998,000 shares and 22,000,000 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.

3. Of these shares, 21,638,000 shares are duplicated in the interest described in note 4, as The Great Eagle Company, Limited is a wholly-owned subsidiary of Great Eagle Holdings Limited. 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.

4. 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.

Save as disclosed above, as at 31 December 2010, 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.

Major Suppliers and Customers

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 56% and 18% for the Group's total purchases for the year ended 31 December 2010 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 38% and 11% for the Group's total sales for the year ended 31 December 2010 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 2010, 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 in Shanghai. 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.

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 2010, 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 Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited. 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 19 to 22 of the annual report.

Employees and Emolument Policy

As at 31 December 2010, the Group had around 135 employees (2009: 132). 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

During the year, Grant Thornton Hong Kong resigned and BDO Limited was appointed as auditor of the Company. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the Board

Lau Chuk Kin
Chairman
Hong Kong, 23 February 2011

Corporate Governance Report

The Group has adopted practices which meet the Code on Corporate Governance Practices (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 2010.

Board of Directors

The Board comprises nine directors, of whom three are executive directors, three are non-executive directors and three are independent non-executive directors. 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 year 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 2010 were:

CHAIRMAN

Mr. Lau Chuk Kin

EXECUTIVE DIRECTORS

Mr. Lau Chuk Kin
Ms. Lam Mei Lan
Ms. Chow So Chu

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mrs. Ling Lee Ching Man, Eleanor
Mr. Cheng Ping Kuen, Franco
Mr. Ho David (appointed on 2 February 2010)
Mr. Tyen Kan Hee, Anthony (resigned on 2 February 2010)

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, 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 Board held 4 board meetings in 2010. Details of the attendance of the Board are as follows:

Directors	Attended/Held
Mr. Lau Chuk Kin	4/4
Ms. Lam Mei Lan	4/4
Ms. Chow So Chu	4/4
Mr. Lee Ching Ming, Adrian	3/4
Mr. Wan Siu Kau	4/4
Mr. Peter Stavros Patapios Christofis	1/4
Mrs. Ling Lee Ching Man, Eleanor	4/4
Mr. Cheng Ping Kuen, Franco	4/4
Mr. Ho David (appointed on 2 February 2010)	4/4

Accountability and Audit

The Directors were responsible for overseeing the preparation of the financial statements for the year ended 31 December 2010.

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. Lau Chuk Kin assumes the role of both the Chairman and the Chief Executive Officer of the Company. While serving as the Chairman of the Group, Mr. Lau leads the Board and is responsible for the proceedings and workings of the Board. He ensures that:

- the Board acts in the best interests of the Group; and
- the Board functions effectively, and that all key and appropriate issues are properly briefed and discussed by the Board.

The role of Chairman and Chief Executive Officer of the Group rests on the same individual which deviates from the code provision in the Code of not having a clear division of responsibilities. The Board is of the view that this has not compromised accountability and independent decision making for the following reasons:

- the Non-Executive Directors form the majority of the Board of which three out of six are independent; and
- Audit Committee composed exclusively of independent non-executive directors;
- The Independent Directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

Mr. Lau, the Executive Chairman, is a substantial shareholder of the Group and has considerable industry experience. He is motivated to contribute to the growth and profitability of the Group. The Board is of the view that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

Remuneration Committee

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

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 their performance-based remuneration.

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.

The Remuneration Committee consults the Chairman and Chief Executive Officer about its proposals relating to the remuneration of other Executive Directors. During the year, a meeting of the Remuneration Committee 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. The meeting was chaired by Mr. Cheng Ping Kuen, Franco.

Nomination of Directors

The Board is empowered under the Company's Bye Laws to appoint any person as a director either to fill a casual vacancy on or, subject to authorization by the shareholders of the Company in general meeting, as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

Auditor's Remuneration

The fees in relation to the audit service provided by BDO Ltd, the external auditors of the Company, for the year ended 31 December 2010 amounted to HK$730,000 (2009: HK$650,000), and those in relation to non-audit services amounted to HK$40,000 (2009:HK$500,000).

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. Mr. Tyen Kan Hee, Anthony resigned and Mr. Ho David was appointed as the audit committee member on 2 February 2010. 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 four meetings in 2010 with 100% attendance of its members. Details of the attendance record of the committee meetings are as follows:

Committee members	Attended/Held
Mrs. Ling Lee Ching Man, Eleanor	4/4
Mr. Cheng Ping Kuen, Franco	4/4
Mr. Ho David	4/4

During the year, the Audit Committee met with senior management to review the Group's draft annual report and accounts, half-yearly report, quarterly reports, 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 also met with internal and external auditors to discuss matters arising from the audit.

The Group's 2010 interim report and 2009 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 2009 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.

Independent Auditor's Report

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To the shareholders of Recruit Holdings Limited
才庫媒體集團有限公司
(Incorporated in Cayman Islands and redomiciled to Bermuda with limited liability)

We have audited the consolidated financial statements of Recruit Holdings Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 25 to 79, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 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 2010 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
Certified Public Accountants

Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 23 February 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010	2009
		HK$'000	HK$'000
Revenue and turnover	5	**1,152,539**	698,119
Direct operating costs		**(833,320)**	(490,011)
Gross profit		**319,219**	208,108
Other income	7	**34,873**	20,696
Selling and distribution costs		**(110,197)**	(76,712)
Administrative expenses		**(41,584)**	(41,113)
Other expenses		**(18,134)**	(8,019)
Finance costs	8	**(1,866)**	(1,188)
Profit before income tax	9	**182,311**	101,772
Income tax expense	12	**(12,810)**	(8,940)
Profit for the year		**169,501**	92,832
Other comprehensive income, including reclassification adjustments			
Exchange gain/(loss) on translation of financial statements of foreign operations		**428**	(254)
Other comprehensive income for the year, including reclassification adjustments and net of tax		**428**	(254)
Total comprehensive income for the year		**169,929**	92,578
Profit for the year attributable to:			
Owners of the Company	13	**157,528**	80,490
Non-controlling interests		**11,973**	12,342
		169,501	92,832
Total comprehensive income attributable to:			
Owners of the Company		**157,987**	80,320
Non-controlling interests		**11,942**	12,258
		169,929	92,578
Earnings per share for profit attributable to owners of the Company during the year	15		
Basic		**HK50.80 cents**	HK25.98 cents
Diluted		**HK50.33 cents**	N/A

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010	2009	1 January 2009
		HK$'000	HK$'000 (restated)	HK$'000 (restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	16	**206,992**	170,722	137,086
Prepaid land lease payments	17	**5,837**	5,769	–
Interests in associate	19	**–**	–	–
Goodwill	20	**–**	14,119	14,119
		212,829	190,610	151,205
Current assets				
Inventories	23	**59,905**	41,477	51,304
Trade and other receivables and deposits	24	**340,347**	224,267	164,258
Financial assets at fair value through profit or loss	25	**3,773**	753	996
Advances to associate	19	**–**	–	–
Taxes recoverable		**1,028**	2,495	2,984
Cash and cash equivalents	26	**218,182**	135,178	85,769
		623,235	404,170	305,311
Current liabilities				
Trade and other payables	27	**128,764**	138,834	78,375
Financial liabilities at fair value through profit or loss	28	**5,174**	2,360	–
Bank borrowings	29	**116,646**	54,328	49,500
Finance lease liabilities	30	**7,003**	4,358	4,365
Provision for taxation		**5,925**	1,025	1,174
		263,512	200,905	133,414
Net current assets		**359,723**	203,265	171,897
Total assets less current liabilities		**572,552**	393,875	323,102
Non-current liabilities				
Finance lease liabilities	30	**12,814**	1,104	5,513
Deferred tax liabilities	31	**10,747**	7,628	2,470
		23,561	8,732	7,983
Net assets		**548,991**	385,143	315,119
EQUITY				
Share capital	32	**62,113**	61,969	61,969
Reserves	34	**433,402**	296,233	234,853
Equity attributable to owners of the Company		**495,515**	358,202	296,822
Non-controlling interests		**53,476**	26,941	18,297
Total equity		**548,991**	385,143	315,119

Director　　　　*Director*

Statement of Financial Position

As at 31 December 2010

	Notes	2010	2009
		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	**162,783**	175,696
Advance to associate	19	**–**	–
Other receivables		**444**	369
Tax recoverable		**665**	147
Cash and cash equivalents	26	**122,719**	6,650
		286,611	182,862
Current liabilities			
Other payables		**169**	150
Amounts due to subsidiaries	22	**111,027**	50,831
		111,196	50,981
Net current assets		**175,415**	131,881
Net assets		**237,445**	193,911
EQUITY			
Share capital	32	**62,113**	61,969
Reserves	34	**175,332**	131,942
Total equity		**237,445**	193,911

Director

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to owners of the Company											Non-controlling interests	Total
	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 2009	**61,969**	**84,288**	**625**	**(601)**	**(43,897)**	**2,371**	**–**	**–**	**15,492**	**176,575**	**296,822**	**18,297**	**315,119**
Equity-settled share-based payment expense (Note 11)	–	–	1,200	–	–	–	–	–	–	–	1,200	–	1,200
Lapse of share option	–	–	(228)	–	–	–	–	–	–	228	–	–	–
Final 2008 dividend paid (Note 14)	–	–	–	–	–	–	–	–	(15,492)	–	(15,492)	–	(15,492)
Interim 2009 dividend paid (Note 14)	–	–	–	–	–	–	–	–	–	(4,648)	(4,648)	–	(4,648)
Acquisition of non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(3,614)	(3,614)
Transactions with owners	–	–	972	–	–	–	–	–	(15,492)	(4,420)	(18,940)	(3,614)	(22,554)
Profit for the year	–	–	–	–	–	–	–	–	–	80,490	80,490	12,342	92,832
Other comprehensive income													
Currency translation	–	–	–	(170)	–	–	–	–	–	–	(170)	(84)	(254)
Total comprehensive income for the year	–	–	–	(170)	–	–	–	–	–	80,490	80,320	12,258	92,578
Proposed final 2009 dividend (Note 14)	–	–	–	–	–	–	–	–	15,492	(15,492)	–	–	–
Appropriation to statutory reserves	–	–	–	–	–	–	477	–	–	(477)	–	–	–
Balance at 31 December 2009	**61,969**	**84,288**	**1,597**	**(771)**	**(43,897)**	**2,371**	**477**	–	**15,492**	**236,676**	**358,202**	**26,941**	**385,143**

	Attributable to owners of the Company											Non-controlling interests	Total
	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 2010	**61,969**	**84,288**	**1,597**	**(771)**	**(43,897)**	**2,371**	**477**	**–**	**15,492**	**236,676**	**358,202**	**26,941**	**385,143**
Equity-settled share-based payment expense (Note 11)	–	–	2,490	–	–	–	–	–	–	–	2,490	–	2,490
Exercise of share options	144	666	(140)	–	–	–	–	–	–	–	670	–	670
Share issue expenses	–	(13)	–	–	–	–	–	–	–	–	(13)	–	(13)
Final 2009 dividend paid (Note 14)	–	–	–	–	–	–	–	–	(15,492)	–	(15,492)	–	(15,492)
Interim 2010 dividend paid (Note 14)	–	–	–	–	–	–	–	–	–	(9,308)	(9,308)	–	(9,308)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(6,246)	(6,246)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	21,818	21,818
Gain on deemed acquisition of non-controlling interests (Note 41)	–	–	–	–	–	–	–	979	–	–	979	(979)	–
Transactions with owners	144	653	2,350	–	–	–	–	979	(15,492)	(9,308)	(20,674)	14,593	(6,081)
Profit for the year	–	–	–	–	–	–	–	–	–	157,528	157,528	11,973	169,501
Other comprehensive income													
Currency translation	–	–	–	459	–	–	–	–	–	–	459	(31)	428
Total comprehensive income for the year	–	–	–	459	–	–	–	–	–	157,528	157,987	11,942	169,929
Proposed final and special 2010 dividends (Note 14)	–	–	–	–	–	–	–	–	31,057	(31,057)	–	–	–
Appropriation to statutory reserves	–	–	–	–	–	–	1,378	–	–	(1,378)	–	–	–
Balance at 31 December 2010	**62,113**	**84,941**	**3,947**	**(312)**	**(43,897)**	**2,371**	**1,855**	**979**	**31,057**	**352,461**	**495,515**	**53,476**	**548,991**

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. The 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. The other reserve of the Group represented 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 in 2010.

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 2010

	Notes	2010	2009
		HK$'000	HK$'000 (restated)
Cash flows from operating activities			
Profit before income tax		182,311	101,772
Adjustments for:			
Amortisation of prepaid land lease payments		133	33
Depreciation		25,388	19,714
Dividend income from listed equity securities		(25)	–
Equity-settled share-based payment expenses	33	2,490	1,200
Excess of the Group's interest in the net fair value of a subsidiary's identifiable assets, liabilities and contingent liabilities over cost of investment	39	–	(207)
Excess of the Group's interest in the net carrying amount of a non-controlling interests' identifiable assets and liabilities over cost of investment upon acquisition of non-controlling interests of subsidiaries	41	–	(564)
Loss on financial assets/liabilities at fair value through profit or loss		1,009	7,003
Impairment of trade receivables	9	4,015	3,645
Impairment of goodwill	9	14,119	–
Provision for inventories made/(written back)	9	3,000	(99)
Interest expenses		1,866	1,188
Impairment of trade receivables written back	7	(3,038)	(1,556)
Interest income		(454)	(119)
Gain on disposals of property, plant and equipment		(149)	(56)
Operating profit before working capital changes		230,665	131,954
(Increase)/Decrease in inventories		(21,428)	9,926
Increase in trade and other receivables and deposits		(116,945)	(50,534)
Increase in financial assets/liabilities at fair value through profit or loss		(1,215)	(4,400)
(Decrease)/Increase in trade and other payables		(9,135)	47,972
Cash generated from operations		81,942	134,918
Income taxes paid		(4,260)	(3,442)
Net cash from operating activities		77,682	131,476

	Notes	2010	2009
		HK$'000	HK$'000 (restated)
Cash flows from investing activities			
Dividend income from listed equity securities received		**25**	–
Interest received		**454**	119
Proceeds on disposals of property, plant and equipment		**213**	1,311
Increase in prepaid land lease payments		**–**	(5,751)
Purchases of property, plant and equipment		**(37,606)**	(54,406)
Acquisition of a subsidiary	39	**–**	626
Net cash used in investing activities		**(36,914)**	(58,101)
Cash flows from financing activities			
Repayments of capital element of finance lease liabilities		**(9,645)**	(4,416)
Interest element of finance lease payments		**(584)**	(183)
Proceeds of bank borrowings		**85,100**	10,000
Repayments of bank borrowings		**(22,782)**	(5,172)
Interest on bank borrowings paid		**(1,282)**	(1,005)
Proceeds from shares issued on exercise of share options		**670**	–
Capital contribution from non-controlling interests	41	**21,818**	–
Payments on acquisition of non-controlling interests of subsidiaries	41	**–**	(3,050)
Share issue expenses paid		**(13)**	–
Dividend paid to minority shareholders		**(6,246)**	–
Dividends paid		**(24,800)**	(20,140)
Net cash generated from/(used in) financing activities		**42,236**	(23,966)
Net increase in cash and cash equivalents		**83,004**	49,409
Cash and cash equivalents at 1 January		**135,178**	85,769
Cash and cash equivalents at 31 December		**218,182**	135,178

1. GENERAL INFORMATION

Recruit Holdings 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 Stock Exchange of Hong Kong Limited.

As at 31 December 2010, 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 41 to the financial statements. The Company and its subsidiaries are collectively referred to as the "Group" hereafter. There were no significant changes in the Group's operations during the year.

The financial statements for the year ended 31 December 2010 were approved for issue by the board of directors (the "Directors") on 23 February 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements on pages 25 to 79 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 disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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 financial assets and liabilities 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.

2.2 Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

Business combination from 1 January 2010

Acquisition of subsidiaries or businesses is accounted for using the 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 interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

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 the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the 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, the 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 interest 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 the non-controlling interest having a deficit balance.

Business combination prior to 1 January 2010

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connected with business combinations were capitalised as part of the cost of the acquisition.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recognised profit or loss. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

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, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the 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). The 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 year.

When the Group's share of losses in an 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 the 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 associates. 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.

2.5 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation (continued)

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:

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%

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Goodwill arising from business combinations

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.

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 that are expected to benefit from the synergies of the acquisition. A cash-generating unit 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 an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit 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.

2.9 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.

Derecognition 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.

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

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

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, the 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

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

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 lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance lease charges.

Finance lease charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the period in which they are incurred.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Finance lease liabilities

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

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 the 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 remeasured 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 the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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

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.

2.17 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 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 the effective interest method.
- Dividend income is recognised when the right to receive payment is established.

2.18 Impairment of non-financial assets

Goodwill, property, plant and equipment and interests in subsidiaries and associates are subject to impairment testing.

Goodwill arising from business combinations is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Impairment of non-financial assets (continued)

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. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for CGU, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is 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 goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

(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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Accounting for income taxes (continued)

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on 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.

2.22 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. 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 arms length prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Segment reporting (continued)

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
- share of profit or loss of associates accounted for using the equity method
- 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 segment.

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.

2.23 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. ADOPTION OF NEW OR AMENDED HKFRSs

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

3. ADOPTION OF NEW OR AMENDED HKFRSs (continued)

HKFRS 3 (Revised) – Business Combinations and HKAS 27(Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are described in note 2 to the financial statements, which are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

Prior the adoption of the revised HKAS 27, goodwill was recognised for the change in the ownership interest of a subsidiary (without loss of control) when there was excess of the consideration transferred over the carrying amount of the subsidiary's net assets attributable to the additional interest acquired. The revised HKAS 27 requires that such change is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group increased its ownership interest in one of its subsidiaries in 2010. However this transaction was not material and the adoption of revised HKAS 27 has had no material impact on the Group's financial statements.

Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control shall be classified as cash flows from financial activities in according to revised HKAS 27 and shall be applied retrospectively. Accordingly, payment on acquisition of non-controlling interests of subsidiary of HK$3,050,000 during 2009 was restated from cash flows from investing activities to cash flows from financing activities in the comparatives of the consolidated statement of cash flows for the year ended 31 December 2010.

HKAS 17 (Amendments) – Lease

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group concluded that the classification of such leases in the PRC as operating leases continues to be appropriate, and the change in accounting policy on land leases has no impact on the financial statements.

Hong Kong Interpretation 5 ("HKInt 5") – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

In November 2010 the HKICPA issued HKInt 5 which is effective immediately and is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. This interpretation sets out that any term loan, which contains a clause giving the lender the unconditional right to demand repayment at any time, shall be classified as current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HKInt 5, the Group has changed its accounting policy on the classification of term loans containing a repayment on demand clause. Under the new policy, term loans with clauses giving the lender the unconditional right to call the loan at any time are classified as current liabilities in the consolidated statement of financial position. Previously these loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement at the reporting date or otherwise had reason to believe that the lender would not invoke its rights under the immediate repayment clause within the foreseeable future.

3. ADOPTION OF NEW OR AMENDED HKFRSs (continued)

Hong Kong Interpretation 5 ("HKInt 5") – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (continued)

The new policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has had no effect on the reported profit or loss, total comprehensive income or net assets for any period presented.

Effect of adoption of HKInt 5 on the consolidated statement of financial position

	At 31 December 2010	At 31 December 2009	At 1 January 2009
	HK$'000	HK$'000	HK$'000
Increase/(decrease) in:			
Current liabilities			
Bank borrowings	74,342	35,482	44,328
Non-current liabilities			
Bank borrowings	(74,342)	(35,482)	(44,328)

As a result of the above retrospective reclassification, an additional consolidated statement of financial position is presented in accordance with HKAS 1 Presentation of Financial Statements.

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 of the Company 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 of the Company are currently assessing the impact of the new and amended HKFRSs upon initial application. So far, the directors of the Company 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.

HKFRS 9 Financial instruments

(i) Financial assets

This standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. It reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors of the Company are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

(ii) Financial liabilities

Most of the requirements in HKAS 39 for the classification and measurement of financial liabilities, and de-recognition of financial assets and financial liabilities have been carried forward unchanged to HKFRS 9. However changes have been made where an entity chooses to measure its own debts at fair value. HKFRS 9 now requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income. The only exception to this new requirement is where the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are to be presented in profit or loss. Under HKAS 39 there is no requirement to identify change in fair value due to change in the entity's own credit risk.

The other key change is the elimination of the exception from fair value measurement of derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument. HKFRS 9 requires them to be measured at fair value. HKAS 39 allows those derivatives the fair value of which cannot be reliably measured to be stated at cost.

3. ADOPTION OF NEW OR AMENDED HKFRSs (continued)

HKFRS 9 Financial instruments (continued)

(iii) Derecognition of financial assets and financial liabilities

The requirements relating to de-recognition of financial assets and financial liabilities have been brought forward from HKAS 39.

HKFRS 9 published to date is first mandatory for annual accounting periods beginning on or after 1 January 2013. Entities are required to apply the standard retrospectively in accordance with HKAS 8, changes in accounting estimates and errors together with the specific transition provisions in the standard on the Group's results and financial position in the first year of application.

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

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated 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.

(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. REVENUE AND TURNOVER

	2010	2009
	HK$'000	HK$'000
Advertising income	617,625	243,768
Printing income	534,914	454,351
	1,152,539	698,119

6. SEGMENT INFORMATION

The executive directors have identified the Group's three service lines as operating segments as further 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	
	2010	2009	2010	2009	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue – External sales	617,625	243,768	534,914	454,351	–	–	1,152,539	698,119
Reportable segment profit	122,315	47,595	74,001	68,706	223	390	196,539	116,691
Amortisation of prepaid land lease payments	133	33	–	–	–	–	133	33
Bank interest income	365	43	89	24	–	52	454	119
Depreciation	1,024	1,080	24,364	18,634	–	–	25,388	19,714
(Loss)/Gain on disposals of property, plant and equipment	(6)	–	155	56	–	–	149	56
(Loss)/Gain on financial assets/ liabilities at fair value through profit or loss	–	–	(1,220)	(7,330)	211	327	(1,009)	(7,003)
Impairment of trade receivables	3,469	1,728	546	1,917	–	–	4,015	3,645
Impairment of goodwill	14,119	–	–	–	–	–	14,119	–
Provision for inventories made/ (written back)	–	–	3,000	(99)	–	–	3,000	(99)
Reportable segment assets	218,655	171,133	483,673	411,540	8,074	843	710,402	583,516
Additions to non-current segment assets during the year	3,798	9,452	57,808	50,705	–	–	61,606	60,157
Reportable segment liabilities	65,932	69,800	67,695	71,105	5	5	133,632	140,910

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:

	2010	2009
	HK$'000	HK$'000
Reportable segment revenue	1,152,539	698,119
Other revenue	–	–
Group revenue	1,152,539	698,119
Reportable segment profit	196,539	116,691
Unallocated corporate income	101	823
Equity-settled share-based payment	(2,490)	(1,200)
Unallocated corporate expenses	(9,973)	(13,354)
Finance costs	(1,866)	(1,188)
Profit before income tax	182,311	101,772
Reportable segment assets	710,402	583,516
Interests in associate	–	–
Other corporate assets	125,662	11,264
Group assets	836,064	594,780
Reportable segment liabilities	133,632	140,910
Other corporate liabilities	24,967	6,771
Deferred tax liabilities	11,828	7,628
Borrowings	116,646	54,328
Group liabilities	287,073	209,637

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

Sales by geographical markets are analysed (based on the location of customers) as follows:

	Revenue from external customers		Non-current assets	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Mainland China	553,982	211,326	205,250	169,330
United States	154,582	154,202	–	–
Australia	131,927	126,380	81	80
United Kingdom	125,227	95,248	71	98
Hong Kong (domicile)	82,704	43,086	7,348	21,102
Germany	39,273	25,669	–	–
New Zealand	22,781	11,697	–	–
Others	42,063	30,511	79	–
	1,152,539	698,119	212,829	190,610

The geographical location of non-current assets is based on the physical location of the asset.

7. OTHER INCOME

	2010	2009
	HK$'000	HK$'000
Gain from sales of scrapped paper and by-products	17,724	7,068
Net foreign exchange gain	11,869	9,946
Impairment of trade receivables written back	3,038	1,556
Excess of the Group's interest in the net fair value of a subsidiary's identifiable assets, liabilities and contingent liabilities over cost of investment (Note 39)	–	207
Excess of the Group's interest in the net carrying amount of a non-controlling interests' identifiable assets and liabilities over cost of investment upon acquisition of minority interests of subsidiaries (Note 41)	–	564
Gain on disposals of property, plant and equipment	149	56
Dividend income from listed equity securities	25	–
Interest income on financial assets stated at amortised costs	454	119
Sundry income	1,614	1,180
	34,873	20,696

8. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Interest charges on bank borrowings, which contain a repayment on demand clause, wholly repayable within five years	1,282	1,005
Finance lease charges	584	183
	1,866	1,188

9. PROFIT BEFORE INCOME TAX

	2010	2009
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation of prepaid land lease payments	133	33
Auditor's remuneration		
– Audit services	885	746
– Other services	40	500
Cost of inventories recognised as an expense	263,280	227,438
– including provision for inventories made/(written back)	3,000	(99)
Depreciation (Note):		
– Owned assets	22,144	18,254
– Leased assets	3,244	1,460
Employee benefit expense (Note 11)	57,757	44,137
Impairment of trade receivables	4,015	3,645
Impairment of goodwill	14,119	–
Minimum lease payments paid under operating leases in respect of:		
– Rented premises and production facilities	12,905	10,371
– Internet access line	370	391
Loss on financial assets/liabilities at fair value through profit or loss	1,009	7,003

Note: Depreciation expenses of HK$22,081,000 (2009: HK$16,983,000) and HK$3,307,000 (2009: HK$2,731,000) have been included in direct operating costs and administrative expenses respectively.

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(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 payment expenses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010					
Executive directors					
Mr. Lau Chuk Kin	–	1,650	11	–	1,661
Ms. Lam Mei Lan	–	2,060	12	395	2,467
Ms. Chow So Chu	–	2,298	12	350	2,660
Non-executive directors					
Mr. Lee Ching Ming, Adrian	90	–	–	–	90
Mr. Peter Stavros Patapios Christofis	90	–	–	–	90
Mr. Wan Siu Kau	90	–	–	–	90
Independent non-executive directors					
Mr. Cheng Ping Kuen, Franco	150	–	–	–	150
Mrs. Ling Lee Ching Man, Eleanor	150	–	–	–	150
Mr. Ho David (appointed on 2 February 2010)	150	–	–	–	150
	720	6,008	35	745	7,508
2009					
Executive directors					
Mr. Lau Chuk Kin	–	1,920	12	–	1,932
Ms. Lam Mei Lan	–	1,393	12	132	1,537
Ms. Chow So Chu	–	1,308	12	131	1,451
Ms. Ho Suk Yi (resigned on 31 March 2009)	–	–	–	–	–
Non-executive directors					
Mr. Lee Ching Ming, Adrian	60	–	–	–	60
Mr. Peter Stavros Patapios Christofis	60	–	–	–	60
Mr. Wan Siu Kau	60	–	–	–	60
Independent non-executive directors					
Mr. Cheng Ping Kuen, Franco	132	–	–	–	132
Mrs. Ling Lee Ching Man, Eleanor	132	–	–	–	132
Mr. Tyen Kan Hee, Anthony (resigned on 2 February 2010)	132	–	–	–	132
	576	4,621	36	263	5,496

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

Details of equity-settled share-based payments expenses granted to the directors under the Company's share option scheme are set in Note 33 to the financial statements.

During each of the two years ended 31 December 2010 and 2009, none of the directors of the Company waived or agreed to waive any remuneration and there were no emoluments paid by the Group to the directors of the Company as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2009: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: two) individuals during the year are as follows:

	2010	2009
	HK$'000	HK$'000
Salaries, allowances, discretionary bonuses and other benefits	1,994	1,786
Retirement benefit scheme contributions	24	24
Equity-settled share-based payments	153	66
	2,171	1,876

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Emolument bands		
Nil – HK$1,000,000	–	2
HK$1,000,001 – HK$3,000,000	2	–

During each of the two years ended 31 December 2010 and 2009, 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)

	2010	2009
	HK$'000	HK$'000
Wages and salaries	50,711	39,243
Equity-settled share-based payments (Note 33)	2,490	1,200
Defined contribution retirement benefit scheme contributions	2,314	1,710
Other benefits	2,242	1,984
	57,757	44,137

12. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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.

	2010	2009
	HK$'000	HK$'000
Hong Kong profits tax		
Current year	**2,131**	1,313
Over provision in prior years	**–**	(254)
	2,131	1,059
Overseas profits tax		
Current year	**7,758**	2,811
Over provision in prior years	**(198)**	(88)
	7,560	2,723
Deferred tax (Note 31)		
Current year	**3,119**	5,158
	12,810	8,940

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

	2010	2009
	HK$'000	HK$'000
Profit before income tax	**182,311**	101,772
Notional tax calculated at the rates applicable to the profits in the tax jurisdictions concerned	**32,539**	17,359
Tax effect of non-taxable revenue	**(25,233)**	(13,799)
Tax effect of non-deductible expenses	**6,138**	4,696
Tax effect of tax losses not recognised	**821**	1,188
Tax effect of temporary differences not recognised	**(443)**	39
Utilisation of previously unrecognised tax losses	**(814)**	(201)
Over provision in prior years	**(198)**	(342)
Income tax expense	**12,810**	8,940

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of HK$157,528,000 (2009: HK$80,490,000), a profit of HK$65,187,000 (2009: a loss of HK$2,429,000) has been dealt with in the financial statements of the Company.

14. DIVIDENDS

(a) Dividends attributable to the year:

	2010	2009
	HK$'000	HK$'000
Interim dividend of HK$0.03 (2009: HK$0.015) per share	9,308	4,648
Proposed final dividend of HK$0.065 (2009: HK$0.05) per share	20,187	15,492
Proposed special dividend of HK$0.035 (2009: Nil) per share	10,870	–
	40,365	20,140

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 2010 and 2009 and a proposed final and special dividends reserve has been set up.

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:

	2010	2009
	HK$'000	HK$'000
Interim dividend of HK$0.03 (2009: HK$0.015) per share	9,308	4,648
Final dividend of HK$0.05 (2009: HK$0.05) per share in respect of the previous financial year	15,492	15,492
	24,800	20,140

15. EARNINGS PER SHARE

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

	2010	2009
	HK$'000	HK$'000
Profit attributable to owners of the Company	157,528	80,490

	Number of shares	
	2010	2009
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	310,106	309,846
Effect of dilutive potential ordinary shares in respect of share options issued by the Company	2,913	N/A
Weight average number of ordinary shares for the purpose of diluted earnings per share	313,019	N/A

Diluted earnings per share for the year ended 31 December 2009 were not presented because the impact of the exercise of the share options was anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	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 2009								
Cost	–	3,089	2,835	29,415	29,304	1,211	131,517	197,371
Accumulated depreciation	–	(1,615)	(1,492)	(10,329)	(26,342)	(786)	(19,721)	(60,285)
Net book amount	–	1,474	1,343	19,086	2,962	425	111,796	137,086
Year ended 31 December 2009								
Opening net book amount	–	1,474	1,343	19,086	2,962	425	111,796	137,086
Exchange differences	26	15	–	4	9	14	–	68
Additions	2,899	242	769	6,967	4,473	601	38,455	54,406
Acquisition of subsidiary	–	27	–	79	25	–	–	131
Disposals	–	(16)	(6)	(8)	(2)	(237)	(986)	(1,255)
Depreciation	(16)	(505)	(469)	(3,389)	(2,160)	(134)	(13,041)	(19,714)
Closing net book amount	2,909	1,237	1,637	22,739	5,307	669	136,224	170,722
At 31 December 2009								
Cost	2,926	3,359	3,593	36,463	32,347	1,090	168,703	248,481
Accumulated depreciation	(17)	(2,122)	(1,956)	(13,724)	(27,040)	(421)	(32,479)	(77,759)
Net book amount	2,909	1,237	1,637	22,739	5,307	669	136,224	170,722
Year ended 31 December 2010								
Opening net book amount	2,909	1,237	1,637	22,739	5,307	669	136,224	170,722
Exchange differences	101	4	–	9	5	(3)	–	116
Additions	–	1,369	702	5,628	4,056	669	49,182	61,606
Disposals	–	(1)	(5)	(20)	–	(3)	(35)	(64)
Depreciation	(67)	(654)	(601)	(4,434)	(2,596)	(221)	(16,815)	(25,388)
Closing net book amount	2,943	1,955	1,733	23,922	6,772	1,111	168,556	206,992
At 31 December 2010								
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

Net book amount of property, plant and equipment includes the net carrying amount of HK$37,615,000 (2009: HK$15,654,000) held under finance leases.

As at 31 December 2010, the Group's buildings were situated in the PRC, which located on the medium-term leasehold land.

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January		
Cost	**5,802**	–
Accumulated amortisation	**(33)**	–
Net book amount	**5,769**	–
Opening net book amount	**5,769**	–
Exchange differences	**201**	51
Addition	**–**	5,751
Amortisation	**(133)**	(33)
Closing net book amount	**5,837**	5,769
At 31 December		
Cost	**6,007**	5,802
Accumulated amortisation	**(170)**	(33)
Net book amount	**5,837**	5,769

As at 31 December 2010, 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	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**62,030**	62,030

Details of principal subsidiaries are set out in Note 41 to the financial statements.

19. INTERESTS IN ASSOCIATE

	Group		Company	
	2010	2009	**2010**	2009
	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	**70**	70
Less: Impairment losses	**(70)**	(70)	**(70)**	(70)
	–	–	**–**	–

19. INTERESTS IN ASSOCIATE (continued)

Notes:

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

(b) Particulars of the associate as at 31 December 2010 are as follows:

Name of company	Particulars of issued shares held	Country of incorporation/ operation and kind of legal entity	Percentage of interest held by the Company directly	Principal activities
Trion Pacific Limited 三慧顧問有限公司	35 ordinary shares of HK$1 each	Hong Kong, limited liability company	35% (2009: 35%)	Trading of books

(c) Summarised financial information in respect of the Group's associate is set out below:

	Assets	Liabilities	Equity	Revenue	Loss
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010					
100 per cent	**139**	**209**	**(70)**	**–**	**4**
Group's effective interest	**48**	**73**	**(24)**	**–**	**1**
2009					
100 per cent	144	209	(66)	1	16
Group's effective interest	50	73	(23)	–	5

The financial information above is based on the unaudited management accounts for each of the two years ended 31 December 2010 and 2009.

The Group has not recognised loss of HK$1,000 (2009: HK$5,000) for the Group's associate. The accumulated losses not recognised were HK$24,000 (2009: HK$23,000).

The Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.

20. GOODWILL

This arose from the acquisition from minority interests of Recruit Group Limited and Recruit Human Resources Group Limited, subsidiaries of the Company, which are engaged in the advertising business of "Recruit" magazine. Net carrying amount of goodwill, net of any impairment loss, is analysed as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January		
Gross carrying amount	**14,119**	14,119
Accumulated impairment	**–**	–
Net carrying amount	**14,119**	14,119
Net carrying amount at 1 January	**14,119**	14,119
Impairment	**(14,119)**	–
Net carrying amount at 31 December	**–**	14,119
At 31 December		
Gross carrying amount	**14,119**	14,119
Accumulated impairment	**(14,119)**	–
Net carrying amount	**–**	14,119

20. GOODWILL (continued)

Impairment tests for goodwill

The recoverable amount for the cash-generating unit in relation to the subsidiaries of the Company was determined based on value-in-use calculations, covering a detailed 5-year budget plan. The pre-tax discount rate used for value-in-use calculations is 3%, which reflects specific risks relating to the relevant cash-generating unit.

Apart from the considerations described above in determining the value-in-use of the cash-generating unit, the Company's management is not aware of any other probable changes that would necessitate changes in the key assumptions.

In view of the keen competition in the market due to the introduction of strong competitor during the year and the increasing demand for advertising resources input, the directors considered that the expected cash flows from the CGU of advertising business of "Recruit" magazine was not sufficient to recover the carrying amount of relevant goodwill. Accordingly, impairment of goodwill of HK$14,119,000 was made during the year.

21. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Amounts due from subsidiaries		
• interest bearing at 3% per annum	**–**	150,850
• interest-free	**193,703**	55,766
	193,703	206,616
Less: Impairment losses	**(30,920)**	(30,920)
	162,783	175,696

Amounts due from subsidiaries are unsecured and repayable on demand.

22. AMOUNTS DUE TO SUBSIDIARIES – COMPANY

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

23. INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**44,259**	30,373
Work-in-progress	**19,422**	11,514
Finished goods	**206**	572
	63,887	42,459
Less: Provision for net realisable value	**(3,982)**	(982)
	59,905	41,477

During the year, the Group made the provision for inventories of HK$3,000,000. The amount was included in "direct operating costs" in profit or loss.

During the year ended 31 December 2009, the Group reversed a provision of HK$99,000 which was made in 2008 as the related inventories were sold above their costs during the year. The reversed amount was included in "direct operating costs" in profit or loss.

24. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables	**227,517**	197,793
Less: provision for impairment of trade receivables	**(4,674)**	(3,669)
Trade receivables – net	**222,843**	194,124
Other receivables and deposits	**117,504**	30,143
	340,347	224,267

The movement in the provision of trade receivables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Balance at the beginning of the year	**3,669**	1,872
Amount written off during the year	**(57)**	(328)
Impairment loss recognised	**4,015**	3,645
Impairment loss written back	**(3,038)**	(1,556)
Exchange differences	**85**	36
	4,674	3,669

Ageing analysis of trade receivables, net of provision as at 31 December 2010, based on the invoice date, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
0 – 30 days	**71,059**	60,947
31 – 60 days	**40,000**	37,087
61 – 90 days	**24,612**	26,564
91 – 120 days	**29,388**	27,357
121 – 150 days	**32,775**	30,256
Over 150 days	**25,009**	11,913
Total trade receivables	**222,843**	194,124

The Group allows a credit period from 7 to 180 days (2009: 7 to 180 days) to its customers.

As at 31 December 2009, trade receivables of AUD1,467,000 were pledged to a bank to secure the bank borrowings. No other trade receivable was pledged to a bank as at 31 December 2010.

Other receivables and deposits included deposits paid to airlines of HK$87,515,000 (2009:HK$17,476,000) in accordance with the relevant agreements in the inflight business.

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 2010, the Group determined trade receivables of HK$4,674,000 (2009: HK$3,669,000) as impairment and as a result, impairment loss of HK$4,015,000 (2009: HK$3,645,000) has been recognised. The impaired trade receivables are due from the customers experiencing financial difficulties that have been in default or delinquency of payments.

24. TRADE AND OTHER RECEIVABLES AND DEPOSITS (continued)

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:

	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	159,376	153,646
1 – 30 days past due	43,543	21,561
31 – 90 days past due	17,050	17,882
Over 90 days past due but less than one year	2,874	1,035
	63,467	40,478
	222,843	194,124

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 customer 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.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	HK$'000	HK$'000
Held for trading		
Equity securities, listed in Hong Kong	3,773	753
Fair value	3,773	753

The fair values of the Group's investments in listed equity securities have been measured as described in Note 42(h).

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

	Group		Company	
	2010	2009	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Bank and cash balances	210,447	135,163	122,719	6,650
Cash at brokers	4,225	15	–	–
Short-term deposits	3,510	–	–	–
	218,182	135,178	122,719	6,650

As at 31 December 2010, the short-term bank deposits of the Group earned 1.35% interest per annum. These deposits had a maturity of 7 days and were eligible for immediate cancellation without penalty but any interest for the last deposit period would be forfeited.

26. CASH AND CASH EQUIVALENTS (continued)

The Directors consider that the fair value of short-term bank deposits is 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$35,109,000 (2009: HK$77,495,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China'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.

27. TRADE AND OTHER PAYABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Trade payables	**79,878**	90,270
Other payables and accruals	**48,886**	48,564
	128,764	138,834

As at 31 December 2010, ageing analysis of trade payables based on invoice date is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
0 – 30 days	**31,951**	30,629
31 – 60 days	**19,353**	25,035
61 – 90 days	**9,697**	14,018
91 – 120 days	**5,389**	9,894
Over 120 days	**13,488**	10,694
	79,878	90,270

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 (2009: 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 fair value.

28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

This relates to the forward foreign exchange contracts which are intended to be held for trading in nature. Its fair value has been measured as described in Note 42(h).

29. BANK BORROWINGS

	Group		
	2010	2009	1 January 2009
	HK$'000	HK$'000 (restated)	HK$'000 (restated)
Current portion	**116,646**	54,328	49,500
Total bank borrowings	**116,646**	54,328	49,500

The interest-bearing bank borrowings, representing the term loans repayable on demand, are carried at amortised cost. None of the portion of term loans due from 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.

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:

	2010	2009
	HK$'000	HK$'000
Within one year	**42,304**	18,846
In the second year	**32,304**	13,790
In the third to fifth year	**42,038**	21,692
Wholly repayable within 5 years	**116,646**	54,328

As at 31 December 2009, the bank borrowings included (i) bank loans brought forward from 2008 with original principal amounts of HK$51.7 million, which were repayable in 5 years through monthly instalments and secured by the corporate guarantees provided by the Company and minority shareholders of a subsidiary; and (ii) bank factoring loan with principal amounts of HK$10 million which were secured by the underlying factoring trade receivables of AUD1,467,000 with recourse and is repayable within one year.

As at 31 December 2010, the bank borrowings included (i) bank loan brought forward from 2008 with original principal amounts of HK$51.7 million which are repayable in 5 years through monthly instalments; (ii) short term revolving credit facility of HK$10 million which is repayable within one year; and (iii) several new bank loans with total principal amounts of HK$75.1 million which include bank borrowings of HK$36 million under loan guarantee schemes sponsored by the Government of the Hong Kong Special Administrative Region. These bank loans were repayable in 3 years to 5 years through monthly instalments. All bank borrowings are secured by either the corporate guarantee from the Company or the corporate guarantees from the Company and minority shareholders of a subsidiary.

Effective interest rate of the bank borrowings ranged from 1.38% to 2.24% (2009: 2.05% to 2.35%) per annum for the year.

30. FINANCE LEASE LIABILITIES

The analysis of the Group's obligations under finance leases is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Total minimum lease payments:		
Due within one year	7,434	4,434
Due in the second to fifth years	13,190	1,103
	20,624	5,537
Future finance charges on finance leases	(807)	(75)
Present value of finance lease liabilities	19,817	5,462

	Group	
	2010	2009
	HK$'000	HK$'000
Present value of minimum lease payments:		
Due within one year	7,003	4,358
Due in the second to fifth years	12,814	1,104
	19,817	5,462
Less: Portion due within one year included under current liabilities	(7,003)	(4,358)
Non-current portion included under non-current liabilities	12,814	1,104

The Group entered into finance leases for various items of machineries and motor vehicle. The lease runs for initial periods of 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. DEFERRED TAX LIABILITIES

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

Group

Movement on the deferred tax liabilities is as follows:

	2010	2009
	HK$'000	HK$'000
At 1 January	7,628	2,470
Deferred taxation charged to profit or loss (Note 12)	3,119	5,158
At 31 December	10,747	7,628

31. DEFERRED TAX LIABILITIES (continued)

Group (continued)

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		Tax losses		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**10,416**	6,752	**(2,788)**	(4,282)	**7,628**	2,470
Charged to profit or loss	**331**	3,664	**2,788**	1,494	**3,119**	5,158
At 31 December	**10,747**	10,416	**–**	(2,788)	**10,747**	7,628

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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Difference between depreciation and depreciation allowance	**(3,016)**	(41)	**–**	–
Unutilised tax losses	**19,179**	19,152	**–**	–
	16,163	19,111	**–**	–

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 except for the tax losses amounting to HK$7,613,000 (2009: HK$7,613,000) incurred by one (2009: one) subsidiary in the PRC which will expire after 5 years from the year in which the tax losses were incurred.

In addition to the above, at the reporting date, deferred tax liabilities of approximately HK$940,000 (2009: HK$59,000) in respect of the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries incorporated in the PRC have not been recognised. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of its subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

32. SHARE CAPITAL

	2010		2009	
	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	**309,846**	**61,969**	309,846	61,969
Shares issued upon exercise of share options (Note 33)	**720**	**144**	–	–
At 31 December	**310,566**	**62,113**	309,846	61,969

33. SHARE-BASED EMPLOYEE COMPENSATION

The share option scheme (the "Share Option Scheme") was adopted by the Company pursuant to a resolution passed on 13 July 2007 and will expire 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 Company 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 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 Stock Exchange on the date of offer of the option; (ii) the average of the closing prices of the shares on the Stock Exchange 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 of Recruit Holdings or any advisor and service provider of any member of the Group of Recruit Holdings 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 board of directors of Company 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.

33. SHARE-BASED EMPLOYEE COMPENSATION (continued)

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

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 2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2010
Directors	2,400,0000	4,500,000	–	–	6,900,000
Employees	7,800,0000	9,600,000	(720,000)	–	16,680,000
Total	**10,200,0000**	**14,100,000**	**(720,000)**	**–**	**23,580,000**
Weighted average exercise price	HK$0.928	HK$1.625	HK$0.930	–	HK$1.345

Notes:

(i) 14,100,000 new share options were granted during the year ended 31 December 2010.

(ii) The closing price of the shares of the Company quoted on the Stock Exchange on 10 June 2010 and 22 June 2010, being the business date immediately before the date on which the share options were granted, was HK$1.60 and HK$1.62 respectively.

(iii) The fair value of the options granted under the Share Option Scheme on 11 June 2010 and 23 June 2010, measured at the date of grant, was approximately HK$1,665,000 and HK$3,716,000 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

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

(iv) In total, HK$2,490,000 of share-based employee compensation expense were included in the consolidated statement of comprehensive income for the year ended 31 December 2010 (2009: HK$1,200,000) with a corresponding credit in equity. No liabilities were recognised as these were all equity-settled share-based payment transactions.

(v) As at 31 December 2010, 9,180,000 (2009: 4,800,000) share options are exercisable and the weighted average exercise price of these share options is HK$0.93 (2009: HK$0.93).

(vi) As at 31 December 2010, the weighted average remaining contractual life for the outstanding share options is 1,372 days (2009: 1,351 days).

34. RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 28 to 29.

	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 2009	84,288	625	20,290	–	32,616	137,819
Equity-settled share-based payment expense	–	1,200	–	–	–	1,200
Lapsed of share option	–	(228)	–	–	228	–
Loss for the year	–	–	–	–	(2,429)	(2,429)
Interim 2009 dividend paid (Note 14)	–	–	–	–	(4,648)	(4,648)
Proposed final 2009 dividend (Note 14)	–	–	–	15,492	(15,492)	–
At 31 December 2009 and 1 January 2010	84,288	1,597	20,290	15,492	10,275	131,942
Equity-settled share-based payment expense	–	2,490	–	–	–	2,490
Exercise of share options	666	(140)	–	–	–	526
Final 2009 dividend paid (Note 14)	–	–	–	(15,492)	–	(15,492)
Share issue expenses	(13)	–	–	–	–	(13)
Profit for the year	–	–	–	–	65,187	65,187
Interim 2010 dividend paid (Note 14)	–	–	–	–	(9,308)	(9,308)
Proposed final and special 2010 dividends (Note 14)	–	–	–	31,057	(31,057)	–
At 31 December 2010	**84,941**	**3,947**	**20,290**	**31,057**	**35,097**	**175,332**

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.

35. OPERATING LEASE COMMITMENTS

Group

As at 31 December 2010, 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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**12,009**	10,889	**230**	277
In the second to fifth years inclusive	**27,834**	32,235	**163**	–
After five years	**–**	28,698	**–**	–
	39,843	71,822	**393**	277

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 ten 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

As at 31 December 2010, the total future minimum lease payments of the Company under non-cancellable operating leases in respect of rented premises are payable as follows:

	2010	2009
	HK$'000	HK$'000
Within one year	**–**	60

The Company leases a property under operating leases. The leases run for an initial period of half year.

36. CAPITAL COMMITMENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted but not accounted for in respect of acquisition of property, plant and equipment	**16,334**	30,987	**–**	–

37. CORPORATE GUARANTEES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Corporate guarantees given and utilised	**–**	–	**165,580**	64,640

As at 31 December 2010, the Company provided corporate guarantees to its non wholly owned subsidiaries to the extent of HK$186,980,000 (2009: HK$93,640,000) in relation to the payments for bank borrowings and certain finance leases to financial institutions as set out in Note 29 and Note 30 to the financial statements, respectively, HK$129,580,000 (2009: HK$64,640,000) of which was utilised.

Apart from the above, the Company also provided corporate guarantees to its wholly owned subsidiaries to the extent of HK$36,000,000 (2009: HK$12,000,000) in relation to the payments for bank borrowings, HK$36,000,000 (2009: Nil) of which was utilised as at 31 December 2010.

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.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

For the year ended 31 December 2010, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$24,000,000 (2009: Nil).

39. BUSINESS COMBINATION

On 30 November 2009, the Group acquired 100% of the equity interest of 北京海溢吉盛廣告有限公司, a limited company incorporated in the PRC for a cash consideration of HK$565,000. This Company was principally engaged in the provision of advertising services. The acquired business contributed revenue of HK$1,277,000 and a loss after income tax of HK$208,000 to the Group for the period from 30 November 2009 to 31 December 2009.

Had the acquisition occurred on 1 January 2009, the Group's revenue and profit after income tax would have been HK$719,287,000 and HK$97,219,000 respectively for the year ended 31 December 2009. 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 2009, 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	**565**
Fair value of net assets acquired (see below)	**(772)**
Excess of the Group's interest in the net fair value of a subsidiary's identifiable assets, liabilities and contingent liabilities over cost of investment (Note 7)	**(207)**

39. BUSINESS COMBINATION (continued)

The assets and liabilities arising from this acquisition were as follows:

	Fair value	Acquiree's carrying amount
	HK$'000	HK$'000
Property, plant and equipment	131	131
Trade and other receivables	11,937	11,937
Cash and cash equivalents	1,191	1,191
Trade and other payables	(12,487)	(12,487)
Net assets acquired	772	772

	HK$'000
Purchase consideration settled in cash	(565)
Cash and cash equivalents acquired	1,191
Cash inflow on acquisition of a subsidiary	626

40. 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 10, 19, 21 and 22 to the financial statements, details of other significant transactions between the Group and other related parties during the year ended 31 December 2010 are disclosed as follows:

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.

41. 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 Group Limited	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$81,000,000	81.97%	Investment holding, Hong Kong
1010 Printing International Limited 滙星印刷國際有限公司	10 January 2005	Hong Kong, limited liability company	Ordinary	HK$1	81.97%	Printing, Hong Kong
1010 Printing (UK) Limited *	2 January 2007	United Kingdom, limited liability company	Ordinary	GBP1,000	80.74%	Printing agency, United Kingdom
1010 Printing Asia Limited	3 April 2007	Hong Kong, limited liability company	Ordinary	HK$1	81.97%	Printing, Hong Kong
1010 Printing Limited	5 February 2010	Hong Kong, limited liability company	Ordinary	HK$1	81.97%	Printing, Hong Kong
1010 Printing (Australia) Pty Limited*	10 October 2008	Australia, limited liability company	Ordinary	AUD2	81.97%	Provision for printing services, Australia
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
Cinderella Media Group Limited	13 March 2009	Bermuda, limited liability company	Ordinary	HK$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 才庫資訊科技有限公司	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	81.97%	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
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

41. 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
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

In 2009, the Group increased the shareholdings in 1010 Group Limited from 72.73% to 77.79% and 1010 Printing (UK) Limited from 53.82% to 76.62% by acquisition of minority interests of subsidiaries at a total consideration of HK$3,050,000. These transactions resulted in the excess of the Group's interest in the net carrying amount of minority interests' identifiable assets and liabilities over cost of investment of HK$564,000 for the year.

During the year, 1010 Group Limited, a subsidiary of the Company increased its share capital by issuing 480,000,000 ordinary shares of HK$0.1 each at HK$0.3 per share to the Group and one of its minority shareholders. The Group has subscribed 407,273,000 ordinary shares with the total consideration of HK$122,182,000 while the minority shareholders subscribed 72,727,000 ordinary shares with the total consideration of HK$21,818,000. The Group has increased its shareholdings in 1010 Group Limited from 77.79% to 81.97%. These transactions resulted gain on deemed acquisition of non-controlling interests of HK$979,000, which is included in "other reserve" in the equity and attributed to the owners of the Company.

* The statutory accounts of these companies have been audited 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 and Cinderella Media Group Limited.

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.

42. 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. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes.

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 42(g) below.

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

(a) Credit risk (continued)

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 40% 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 24 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.

(b) Currency risk

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

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 are as follows:

2010	US$'000	RMB'000	AUD'000
Trade and other receivables	14,661	15,976	6,244
Cash and cash equivalents	1,145	18	282
Trade and other payables	(2,028)	(3,303)	(94)
	13,778	12,691	6,432
Notional amounts of forward foreign exchange contracts	992	–	(6,153)
	14,770	12,691	279

2009	US$'000	RMB'000	AUD'000
Trade and other receivables	11,165	6,930	7,533
Cash and cash equivalents	2,157	24	678
Trade and other payables	(662)	(2,879)	–
	12,660	4,075	8,211
Notional amounts of forward foreign exchange contracts	4,417	–	(4,500)
	17,077	4,075	3,711

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

(b) Currency risk (continued)

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 financial 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.

Group

	2010		2009	
	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$	0.2%	234	0.01%	13
	(0.2%)	(234)	(0.01%)	(13)
RMB	2.9%	431	0.3%	14
	(2.9%)	(431)	(0.3%)	(14)
AUD	10%	196	34%	8,201
	(10%)	(196)	(34%)	(8,201)

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 earn 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$359,723,000 (2009: HK$203,265,000) and net assets of HK$548,991,000 (2009: HK$385,143,000) as at 31 December 2010. 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.

42. 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 2010					
Non-derivative financial liabilities					
Trade and other payables	128,764	128,764	128,764	–	–
Finance lease liabilities	19,817	20,624	2,686	4,748	13,190
Bank borrowings (restated)	116,646	116,646	116,646	–	–
	265,227	266,034	248,096	4,748	13,190
Derivative financial liabilities					
Gross settled forward foreign exchange contracts – cash outflow	(5,174)	(5,174)	(3,166)	(2,008)	–
	(5,174)	(5,174)	(3,166)	(2,008)	–
As at 31 December 2009					
Non-derivative financial liabilities					
Trade and other payables	138,834	138,834	138,834	–	–
Finance lease liabilities	5,462	5,537	1,115	3,319	1,103
Bank borrowings (restated)	54,328	54,328	54,328	–	–
	198,624	198,699	194,277	3,319	1,103
Derivative financial liabilities					
Gross settled forward foreign exchange contracts – cash inflow	160	160	–	160	–
– cash outflow	(2,520)	(2,520)	(2,520)	–	–
	(2,360)	(2,360)	(2,520)	160	–

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

(d) Liquidity risk (continued)

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.

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
Term loans subject to repayment-on-demand clause based on scheduled repayments:					
31 December 2010	**116,646**	**120,360**	**20,854**	**23,191**	**76,315**
31 December 2009	54,328	56,147	11,515	8,169	36,463

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 2010					
Other payables	**169**	**169**	**169**	**–**	**–**
Amounts due to subsidiaries	**111,027**	**111,027**	**111,027**	**–**	**–**
	111,196	**111,196**	**111,196**	**–**	**–**
Financial guarantees issued					
Maximum amount guaranteed	**165,580**	**165,580**	**165,580**	**–**	**–**
As at 31 December 2009					
Other payables	150	150	150	–	–
Amounts due to subsidiaries	50,831	50,831	50,831	–	–
	50,981	50,981	50,981	–	–
Financial guarantees issued					
Maximum amount guaranteed	64,640	64,640	64,640	–	–

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

(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.

(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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Current assets				
Financial assets at fair value through profit or loss	**3,773**	753	**–**	–
Loans and receivables:				
• Trade and other receivables	**223,383**	214,763	**–**	–
• Advances to associate	**–**	–	**–**	–
• Amounts due from subsidiaries	**–**	–	**162,783**	175,696
• Cash and cash equivalents	**218,182**	135,178	**122,719**	6,650
	445,338	350,694	**285,502**	182,346
Financial liabilities				
Current liabilities				
Financial liabilities at fair value through profit or loss	**5,174**	2,360	**–**	–
Financial liabilities measured at amortised cost:				
• Trade and other payables	**128,764**	138,834	**169**	150
• Amounts due to subsidiaries	**–**	–	**111,027**	50,831
• Bank borrowings (restated)	**116,646**	54,328	**–**	–
• Finance lease liabilities	**7,003**	4,358	**–**	–
Non-current liabilities				
Financial liabilities measured at amortised cost:				
• Finance lease liabilities	**12,814**	1,104	**–**	–
	270,401	200,984	**111,196**	50,981

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

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

The Group adopted the amendments to HKFRS 7 Improving Disclosures about Financial Instruments effective from 1 January 2009. These amendments introduce a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. The Group has taken advantage of the transitional provisions in the amendments to HKFRS 7 and accordingly, no comparatives for the hierarchy for fair value measurement disclosures have been presented.

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 form 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:

		2010 – Group			
	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
		HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Listed securities held for trading	(a)	3,773	–	–	3,773
Liabilities					
Forward foreign exchange contracts	(b)	–	(5,174)	–	(5,174)
Net fair values		3,773	(5,174)	–	(1,401)

		2009 – Group			
	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
		HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Listed securities held for trading	(a)	753	–	–	753
Liabilities					
Forward foreign exchange contracts	(b)	–	(2,360)	–	(2,360)
Net fair values		753	(2,360)	–	(1,607)

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.

42. 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.

43. 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 2009 and 2010 amounted to approximately HK$385,143,000 and HK$548,991,000 respectively, which management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

Financial Summary

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				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue and turnover	298,333	439,075	592,882	698,119	**1,152,539**
Profit before income tax	64,262	71,960	82,617	101,772	**182,311**
Income tax expense	(5,982)	(4,918)	(2,274)	(8,940)	**(12,810)**
Profit for the year	58,280	67,042	80,343	92,832	**169,501**
Attributable to:					
Owners of the Company	55,102	57,904	75,648	80,490	**157,528**
Non-controlling interests	3,178	9,138	4,695	12,342	**11,973**
Profit for the year	58,280	67,042	80,343	92,832	**169,501**

	As at 31 December				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK'$000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	253,468	329,787	456,516	594,780	**836,064**
Total liabilities	(65,861)	(97,886)	(141,397)	(209,637)	**(287,073)**
Total equity	187,607	231,901	315,119	385,143	**548,991**

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