China Mandarin Holdings Limited
中國東方實業集團有限公司

(Incorporated in Bermuda with limited liability)
Stock Code : 00009

China Mandarin

ANNUAL REPORT 2010

Contents

Corporate Information

Board of Directors

Executive Directors:
Ms. Lai Pik Chi, Peggy
(Chairman)
Ms. Law Kee, Alice
(Chief Executive Officer)
Mr. Hui Wai Lee, Willy
Mr. Jin Lei

Independent Non-executive Directors:
Mr. Tsui Pui Hung
Mr. Tang Ping Sum
Mr. Chu To, Jonathan

Company Secretary

Mr. Chan Chun Fat

Solicitors

Winnie Mak, Chan & Yeung
Solicitors
8th Floor, Two Chinachem Plaza,
68 Connaught Road Central
Hong Kong

Auditors

Ernst & Young
Certified Public Accountants
18/F, Two International Finance Centre,
8 Finance Street, Central
Hong Kong

Principal Bankers

ICBC (Asia) Limited
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Chong Hing Bank Limited

Audit Committee

Mr. Tang Ping Sum
(Chairman)
Mr. Tsui Pui Hung
Mr. Chu To, Jonathan

Remuneration Committee

Mr. Chu To, Jonathan
(Chairman)
Mr. Tang Ping Sum
Mr. Tsui Pui Hung

Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

Room 4101, 41/F
The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

Chairman's Statement

Dear Shareholders,

With momentous land acquisition made and record high box office achieved, year 2010 is definitely a year of significance for China Mandarin Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group").

Thanks to the promising rental returns and the encouraging feedback from our film businesses, I, on behalf of the Board of Directors, am delighted to announce that the Group's net profit recorded a 711% growth to HK$56,427,000 for the year under review.

Our positive performance in 2010 reflects the success of our business model – property investment in the PRC parallels with film production and related businesses.

Property rental has been providing the Group with stable income since the leasing of a five-storey shopping arcade in Chengdu, Sichuan, the PRC in 2008. In 2010, the Group further demonstrated

Chairman's Statement

our determination to strive for property development opportunities by acquiring Hunan Jiuhua International City Development Construction Company Limited whose principal scope of business includes property development, property management and hotel management.

The development project under the acquisition comprises a parcel of land with a gross area of approximately 325,989 square metres. Low-density residential units targeting the affluent class of Hunan Province and a five-star hotel with convention facilities are planned to be built. Expecting the project to start contributing to the Group's revenue in the fourth quarter of 2012, the Group considers the acquisition and the project have great investment potential and represent a valuable opportunity for the Group to increase its revenue and earnings base.

Both the living standard and the purchasing power of people in the PRC enhance along with the boosting economy. Demand for high-end residential buildings and shopping arcades are expected to grow strongly in the next few years. The Group is optimistic about the prospects of the real estate industry in the PRC and will continue to look for investment opportunities with an aim to bring along better performance for our shareholders.

While we see great potential in property investment in the PRC, we are also satisfied with the splendid performance of our film productions. Riding on the success of "Ip Man", "Ip Man 2", which was the Hong Kong top record of box office Chinese film in 2010, was distributed globally to major film markets and received excellent feedback as well.

Track record told us that films reflect the uniqueness of Chinese culture which is particularly supported by audience. Therefore, the Group is working on another film with the characteristics of traditional Chinese culture, namely "The Monkey King". "The Monkey King" is a 3D film based on the popular Chinese story, "Journey to the West".

As film production is one of the core businesses of the Group, the Group will keep producing high quality films that fit the taste of audience. With solid experience and extensive network, we are very confident to maintain our leading position in the market.

Acknowledgement

On behalf of the Board, I would like to extend our sincere gratitude to all management and staff members for their diligence, dedication and contribution as well as the unceasing support from our business partners, bankers, and the Group's shareholders. In the years to come, we will continue to strive for business growth and seize opportunities to bring the biggest returns to our shareholders.

Management's Discussion and Analysis

Financial Highlights

For the year ended 31 December 2010, the Group's turnover grew from HK$119,488,000 last year to HK$126,566,000, registering an increase of 5.9%. Gross profit also increased to HK$37,348,000 (2009: HK$29,772,000). The positive results were attributable to the diverse business of the Group. Film production, distribution and licensing, which accounted for 70% of the Group's turnover, recorded an amount of HK$88,947,000. Turnover from film processing was HK$22,426,000 while property rental in the PRC also contributed HK$15,193,000 to the Group. The Group's profit attributable to equity holders amounted to HK$54,796,000 (2009:HK$6,368,000). The disposal of subsidiaries holding film rights contributed HK$30,262,000 profit to the Group. And there was a valuation gain of HK$16,451,000 on the commercial property in Chengdu. Basic earnings per share was 3.3 HK cents (2009: 0.49 HK cent). The Board of Directors did not recommend dividend payout for the year ended 31 December 2010 (2009: Nil). As at 31 December 2010, cash on hand was HK$64,764,000.

Business Review

During the year under review, the Group was principally engaged in property rental in the PRC and film production and related businesses.

Property rental

For the year ended 31 December 2010, the property rental business was operated at a profit before tax of HK$8,397,000 (2009: HK$6,982,000, an increase of 20.3%).

Rental income was increased by 15% reaching HK$15,193,000 during the year under review, which was contributed by the commercial property in Chengdu, the PRC. Apart from a 10-year tenancy agreement with a department store, for the year under review, a 5-year contract with a hair salon was signed for a shop at ground floor and exceed 150% increase in rental was recorded.

Film production, distribution and licensing businesses

For the year ended 31 December 2010, turnover from film production, distribution and licensing businesses increased by 3.4% to HK$88,947,000. The receipts of "Ip Man 2", which was the Hong Kong top record of local box office film in 2010, took up the majority of the Group's revenue. "Ip Man 2", of which, few exports are undergoing, also received a number of film awards including "The Best Action Choreography" in the 47th Golden Horse Awards. It also ranked 12 in the "Top 25 User-Rated Movies of 2010" hosted by International Movies Database, the United States.

"Ip Man 2" was distributed globally to major film markets and was well-received by audience. Other than major global distribution and licensing revenue received, box office record amounted to approximately HK$43,313,000 and RMB232,340,000 in Hong Kong and the PRC respectively.

In June 2010, Grimston Limited, a wholly-owned subsidiary of the Company entered into an agreement with Filmko International Limited ("Filmko") to form a 35:65 joint venture company (the "JV Company") with Filmko for the development, production and promotion, and dealing with matters concerning copyrights and distribution of the Group's new film project, "The Monkey King" (the "Film") (the "JV Agreement"). The total investment cost amounts to HK$206,000,000, of which the Group shares HK$72,100,000.

According to the JV Agreement, Filmko is responsible for obtaining relevant licences, permits and approvals in relation to the filming, production, distribution, and promotion of the Film in the PRC and/or other countries as well as assisting the JV Company for filming and production of the Film via engaging Filmko Entertainment Limited for the Film's production and production administration, and engaging Filmko Films Distribution Limited for the Film's production and distribution. While the Group is responsible for the placement of suitable personnel to supervise and manage the accounting matters of the JV Company. The Board is confident that through the cooperation with Filmko, the Group would be able to benefit from the resources, expertise and business connections of Filmko in the film industry in Hong Kong which in turn would benefit the business of the Group. The Film has been working in progress and is expected to be released in 2012.

Film processing

Favored by the increased film output during the year under review, film processing business generated a turnover of HK$25,121,000 comparing to HK$21,747,000 for last year. Operating profit increased to HK$5,116,000 (2009: HK$2,934,000). The Group has a market share of more than 60% among the three films processing factories in Hong Kong.

In June 2010, the Group has installed an advanced, brand-new and industry leading digital sound recorder in order to expand its services to sound mixing on top of visual and subtitle. This service is well received in the industry for the practitioners are not required to mix sound outside Hong Kong. Having installed in June 2010, the recorder service, has gained over 50% market share in the industry. In addition, the Group's subtitle service continued to take a leading position in the market and contribute stable income to the Group.

Prospects

Long-term property investment in the PRC is an important business arm of the Group which provides steady income stream. The Group began to tap into the growing PRC property market by acquiring the Shopping Arcade in Chengdu, Sichuan Province, the PRC in 2008. The acquisition has proven to be beneficial to the Group as it has provided a steady income stream to the Group. Coming through the global financial crisis, further balancing of Chinese regional economies and urbanisation will inevitably be the trend of the next few years. Speeding up of urbanization throughout the country will bring great prospect for the real estate industry. Hence, the Group is optimistic about the medium and long term development of the PRC property market.

On 16 November 2010, the Group entered into an agreement with Ya Tai (China) Investment Limited to acquire the entire capital of Hunan Jiuhua International City Development Construction Company Limited ("Jiuhua") whose principal business activities are property development, property management and hotel management.

The development project under Jiuhua comprises a parcel of land with a gross area of approximately 325,989 square metres. It is located at the northern side of Huanghe Road and the western side of Binjiang Road, Jiuhua Demonstrative Zone, Xiangtan, Hunan Province, the PRC. Under the current plan, the project is intended to be developed into low-density residential units with condominiums and townhouses. A five-star hotel is also planned to be built under the project. The construction and development of the project is expected to take place earliest in the third quarter of 2011. The expected time which the project would be developed into residential units ready for sale is around the fourth quarter of 2012. The five-star hotel is expected to be completed and put into operation in early 2014 and Jiuhua is expected to commence generating revenue/profits in the fourth quarter of 2012.

In addition, film business of the Group is continued to be benefited by the evolving market in the PRC. Statistics released

by the State Administration for Radio, Film and Television (SARFT) showed that the Chinese box office rose from RMB4.3 billion in 2008 to RMB10.1 billion in 2010, representing an increase of 135%. The rapid growth reviews the potential of the film market in the PRC that the Group endeavors to tap.

Eyeing the thriving 3D films recently, the newly setup joint venture company is producing a 3D film, "The Monkey King", based on a popular Chinese story, "Journey to the West". Our main actor in "Ip Man", Donnie Yen is joining Aaron Kwok and Chow Yun Fat to take the role of main actor again in this film. The Group also engaged the production team of the 3D icon film "Avatar" to work on "The Monkey King".

Furthermore, the Group is also producing a literary film named "Hundred Years of a Floating City". With a setting in the 50s, "Hundred Years of a Floating City" is directed by Yim Ho and is expected to be released in the last quarter of 2011 or the first quarter of 2012. We have also successfully invited Aaron Kwok to be the leading actor of the film. As film production is one of the principal businesses of the Group which takes up a large proportion of our revenue, the Group will continue to produce more high quality films that fit the taste of audience.

We aim to further expand market share in both businesses with an ultimate goal to add value for our shareholders. The Group considers that if investment or acquisition opportunities arise, the Group will consider acquiring additional land or property for investment and development purpose. In view of the foregoing, the Group will continue to focus on two major business segments (i) film production and related businesses; and (ii) property investment and development to increase its market share. The Group will continue to seek greater synergies within its existing business operations by utilizing its expertise in film production and property investment and development. Looking ahead into a challenging economy, the management is confident that through continuous improvements in our operation, the Group will seek to continue to bring optimum return to all shareholders.

Dividend

The directors do not recommend payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

Liquidity and financial resources

At 31 December 2010, the Group's total equity amounted to HK$523,852,000 (2009: HK$261,569,000). The gearing ratio based on interest-bearing bank and other borrowings over total equity was 0.003 (2009: 0.008).

Net current assets was HK$72,532,000 (2009: HK$27,112,000) and current assets was HK$95,847,000 (2009: HK$100,689,000). Current liabilities were HK$23,315,000 (2009: HK$73,577,000), representing a current ratio based on current assets over current liabilities of 4.11 (2009: 1.37).

At 31 December 2010, the Group had cash and bank balances of HK$64,764,000 (2009: HK$32,892,000).

Borrowing and banking facilities

At 31 December 2010, the Group's outstanding bank and other borrowings were HK$1,789,000 (2009: HK$2,058,000).

Hedging

At 31 December 2010, no financial instruments are used for hedging.

Charges on group assets

At 31 December 2010, the Group's banking facilities are secured by certain of the Group's leasehold land and buildings and a property held for sale with a total carrying value of HK$21,100,000 (2009: HK$16,419,000).

Material litigation

At 31 December 2010, the Group had not involved in any material litigation or arbitration.

Commitment and contingent liabilities

Save for those disclosed in notes 35, 36 and 39 to the financial statements, there are no other capital commitments nor contingent liabilities that the Group is aware of.

Employees and remuneration policies

Staff cost for the year ended 31 December 2010 was HK$14,079,000 (2009: HK$16,330,000), representing a decrease of 13.8%. The Group employed a workforce of 71 staff members (2009: 73 staff members) as at the end of 2010. Among the 71 staff members, 47 staff members were in the film processing department. Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

Exposure of foreign exchange

The Group's asset and liabilities are mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi. There is no significant exposure to the fluctuation of foreign exchange rate, but the Group will closely monitor the market and make appropriate adjustment and measures when necessary.

Capital structure

Refer to notes 31 and 32 to the financial statements for details.

Capital expenditures

For the year ended 31 December 2010, the Group's capital expenditure were approximately HK$5,802,000 (2009: HK$997,000).

Acquisition and disposal of subsidiaries and associated companies

The Group disposed of 3 subsidiaries holding 109 film rights for, among others, a cash consideration of HK$29,000,000. Details are disclosed in note 34 of the financial statements.

The Group had entered an agreement to acquire an indirect wholly-owned subsidiary, Hunan Jiuhua International City Development Construction Company Limited for property development business on 16 November 2010 and the acquisition was completed on 26 January 2011.

Purchase, redemption or sale of listed securities of the Company

During the year under review, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Corporate Governance Report

A Corporate Governance Practices

The Company has, throughout the financial year ended 31 December 2010, complied with all the code provisions in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. This report describes the Company's corporate governance practices and explains its applications.

B Directors' Securities Transactions

The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules was adopted by the Company. Specific enquiry of all Directors of the Company who were in office during the financial year ended 31 December 2010 was made and they have confirmed compliance with the Model Code during the financial year.

C Board of Directors

(I) Composition of the board, number of board meetings and directors' attendance

The Company's Board is comprised of experienced and highly competent individuals and a balanced composition of executive and non-executive directors. 22 Board meetings were held during the financial year ended 31 December 2010. The composition of the Board and attendance of the Directors are set out below:

Directors	**Attendance at Meetings**
Executive Directors:	
Ms. Lai Pik Chi, Peggy	22/22
Ms. Law Kee, Alice	22/22
Mr. Kwok Tsz Wing *(resigned on 1 February 2010)*	1/3
Mr. Hui Wai Lee, Willy	20/22
Mr. Jin Lei *(appointed on 8 March 2011)*	0/0
Non-executive Director:	
Mr. Sin Kwok Lam *(resigned on 1 February 2010)*	0/3
Independent non-executive Directors:	
Mr. Choy Sze Chung, Jojo *(resigned on 1 November 2010)*	16/18
Mr. Tsui Pui Hung	20/22
Mr. Chan Tung Tak, Alain *(resigned on 1 March 2011)*	19/22
Mr. Tang Ping Sum *(appointed on 1 November 2010)*	4/4
Mr. Chu To, Jonathan *(appointed on 1 March 2011)*	0/0

Each Director has been appointed on the strength of his/her calibre, experience and stature, and his/her potential contribution to the growth and development of the Group and its businesses. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions and telephone conference.

(II) Operation of the board

The Company is headed by an effective Board which takes decisions objectively in the interests of the Company. To provide effective supervision of and proper guidance to the management, the Board is required to consider and approve decisions in relation to the Company's long-term strategy, annual business plan and financial budget, major acquisition and disposal, dividend policy, appointment of Directors, remuneration policy, risk management and internal control. Where these changes are significant to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group.

Newly appointed Directors have received briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Directors are kept informed of the Company's affairs and development in a timely manner so as to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company effectively.

A clear division of responsibilities is evident between the Board and the management. Decisions on important matters, such as the Group's strategic policies, major investment, funding decisions and major commitments relating to the Group's operations, are specifically reserved to the Board while decisions on the Group's general day-to-day operations are delegated to the management.

D Chairman and Chief Executive Officer

In order to have a clear division between the management of the Board and the day-to day management of the business operation of the Group, the role of the Chairman is separate from that of the Chief Executive Officer. The Chairman, Ms. Lai Pik Chi, Peggy, focuses on overall corporate development and strategic direction of the Group and provides leadership for the Board and oversees the efficient functioning of the Board. The Chief Executive Officer, Ms. Law Kee, Alice, is responsible for all day-to-day corporate management matters as well as assisting the Chairman in planning and developing the Group's strategies. Such division of responsibilities helps to reinforce their independence and to ensure a balance of power and authority.

E Non-executive Directors

All non-executive Directors are appointed for a fixed term. However, they are appointed subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the provisions of the bye-laws of the Company (the "Bye-laws").

F Remuneration of Directors

A remuneration committee (the "Remuneration Committee") consisting of 3 independent non-executive Directors was set up by the Company in compliance with Appendix 14 of the Listing Rules. Mr. Chan Tung Tak, Alain was the chairman of the Remuneration Committee until his resignation on 1 March 2011. Mr. Chu To, Jonathan has become the chairman of the Remuneration Committee with effect from 1 March 2011.

The Remuneration Committee shall meet at least once a year. 2 meetings were held during the financial year ended 31 December 2010, during which the remuneration policy in remunerating the Directors and senior management of the Group was reviewed. None of the Directors participated in the determination of his/her own remuneration. Attendance of the members of the Remuneration Committee is set out below:

Members	**Attendance at Meeting**
Mr. Chan Tung Tak, Alain *(resigned on 1 March 2011)*	2/2
Mr. Tsui Pui Hung	1/2
Mr. Choy Sze Chung Jojo *(resigned on 1 November 2010)*	2/2
Mr. Kwok Tsz Wing *(resigned on 1 February 2010)*	0/0
Mr. Tang Ping Sum *(appointed on 1 November 2010)*	0/0
Mr. Chu To, Jonathan *(appointed on 1 March 2011)*	0/0

According to the terms of reference of the Remuneration Committee, its major roles and functions, inter alias, include making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management of the Company as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

A share option scheme was adopted by the Company on 21 August 2001, which serves as an incentive to attract, retain and motivate staff, including Directors. Details of the share option scheme are set out in note 32 to the financial statements. The emolument payable to Directors depends on their respective terms under the service contracts (if any), and as recommended by the Remuneration Committee. Details of the Directors' emolument are set out in note 8 to the financial statements.

G Nomination of Directors

The Company does not have a nomination committee. The roles and functions which are usually performed by such committee are taken up by the Board.

In this regard, the Board's responsibilities include formulating nomination policies, making recommendations to shareholders of the Company on Directors standing for re-election, providing sufficient biographical details of Directors to enable shareholders to make an informed decision on the re-election, and where necessary, nominating Directors to fill casual vacancies. The Chairman will from time to time review the composition of the Board with particular regard to ensuring that there is an appropriate number of Directors on the Board independent of the management.

The Chairman also identifies individuals suitably qualified to become Board members, and makes recommendations to the Board on the selection of individuals nominated for directorships.

Appointment of new Directors of the Company will be carried out by the Board. Directors appointed to fill casual vacancies are subject to retirement from the Board at the general meetings of the Company immediately following his or her appointment and may stand for re-election at the annual general meeting.

H Auditors' Remuneration

The fees in relation to the audit and other services for the financial year ended 31 December 2010 provided by Ernst & Young, the external auditors of the Company, amounted to HK$1,500,000 and HK$88,000 respectively.

I Audit Committee

The Company has set up an audit committee (the "Audit Committee") consisting of 3 independent non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise. Mr. Tang Ping Sum is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditors of the Company. 2 Audit Committee meetings were held during the financial year ended 31 December 2010. Attendance of the Members is set out below:

Members	**Attendance at Meeting**
Mr. Choy Sze Chung, Jojo *(resigned on 1 November 2010)*	2/2
Mr. Tsui Pui Hung	1/2
Mr. Chan Tung Tak, Alain *(resigned on 1 March 2011)*	2/2
Mr. Tang Ping Sum *(appointed on 1 November 2010)*	0/0
Mr. Chu To, Jonathan *(appointed on 1 March 2011)*	0/0

According to the existing terms of reference of the Audit Committee, its major roles and functions, inter alias, are to review the half-year and annual financial statements before submission to the Board and to review the Company's statement on internal control system.

J Internal Control

The Directors are ultimately responsible for the internal control system of the Group and, through the Audit Committee, have reviewed the effectiveness of the system. The internal control system comprises a well-defined organisational structure with specified limits of authority in place. Areas of responsibility of different business and operational units are clearly defined to ensure effective checks and balances.

Various procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of operational systems failure and to provide reasonable assurance against material errors, losses or fraud.

A review of the effectiveness of the Group's internal control system and procedures covering the relevant controls, including financial, operational and compliance and risk management, was conducted by the Audit Committee and subsequently reported to the Board during the financial year ended 31 December 2010. Based on the result of the review, the Directors considered that the Group's internal control system and procedures were effective and satisfactory.

K Directors' Responsibilities for the Financial Statements

The Directors understand and acknowledge their responsibility for overseeing the preparation of financial statements for the financial year ended 31 December 2010, which give a true and fair view of the affairs, profitability and cash flow of the Group in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended 31 December 2010:

(i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;

(ii) prudent and reasonable judgements and estimates are made; and

(iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

L Communication with Shareholders

The Company recognises the importance in engaging in regular, effective and fair communication with its shareholders and is committed to conveying important and relevant information to the shareholders on a timely basis.

The Company strives to ensure that information is made publicly available in a prompt and timely disseminated manner. Disclosure of information is made through announcements to the Stock Exchange, the Company's annual and interim reports, press releases, as well as the corporate website (http://www.hmdatalink.com/ChinaMandarin/eng/index.html).

M Greater Shareholders' Participation

The Company believes in the importance of shareholders' participation at general meetings. The Bye-laws stipulate that a shareholder is entitled to attend and vote or to appoint a proxy who need not be a shareholder of the Company to attend and vote at general meetings.

The rights of shareholders and the procedures for demanding a poll on resolutions at general meetings are contained in the Bye-laws. Details of such rights to demand a poll are included in all circulars to shareholders and will be explained at each general meeting. Whenever voting by way of a poll is demanded, the detailed procedures for conducting a poll will be explained at the meeting.

Results on any voting conducted by poll will be published in an announcement to be issued following the general meeting.

Report of the Directors

The Directors have pleasure in presenting to the shareholders their annual report together with the financial statements for the year ended 31 December 2010.

Change of Principal Place of Business and Company Logo

In order to enhance the corporate image, the Company has relocated its headquarters to the heart of commercial and shopping centre in Hong Kong Island and changed its principal place of business in Hong Kong to Room 4101, 41st Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong with effect from 28 May 2010.

After the completion of all necessary registration procedures with the Trade Marks Registry of Hong Kong, the Company has adopted its new logo which has been printed on all corporate documents of the Company including new share certificates of the Company issued by the Company on or after 1 November 2010.

Principal Activities

The Company acts as an investment holding company. The Group continues its principal activities which consist of film production and related business, the film processing and the rental of property. In addition, the Group also involved in property development during the year.

Results

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on pages 28 to 29 of the financial statements.

The directors do not recommend the payment of a dividend for the year.

Property, Plant and Equipment, and Investment Property

Details of the movements in the property, plant and equipment, and investment property of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 31 to the financial statements.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves of the Company

At 31 December 2010, the reserve of the Company available for distribution to the shareholders amounted to HK$160,745,000. 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 the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Directors and Directors' Service Contracts

The directors of the Company (the "Directors") during the year and up to the date of this report were:

Executive Directors:	
Ms. Lai Pik Chi, Peggy *(Chairman)*	
Ms. Law Kee, Alice *(Chief Executive Officer)*	
Mr. Kwok Tsz Wing *(Deputy Chairman)*	(resigned on 1 February 2010)
Mr. Hui Wai Lee, Willy	
Mr. Jin Lei	(appointed on 8 March 2011)
Non-executive Director	
Mr. Sin Kwok Lam	(resigned on 1 February 2010)
Independent non-executive Directors:	
Mr. Choy Sze Chung, Jojo	(resigned on 1 November 2010)
Mr. Tsui Pui Hung	
Mr. Chan Tung Tak, Alain	(resigned on 1 March 2011)
Mr. Tang Ping Sum	(appointed on 1 November 2010)
Mr. Chu To, Jonathan	(appointed on 1 March 2011)

At the forthcoming annual general meeting, Ms. Lai Pik Chi Peggy will retire from office by rotation in accordance with Bye-laws 87(1) and 87(2). Ms. Lai has notified the Company that she will not offer herself for re-election and accordingly will cease to be a Director on conclusion of the annual general meeting. She will however continue to serve the Company as its Financial Controller.

In accordance with Bye-laws 86(2), Mr. Jin Lei, Mr. Tang Ping Sum and Mr. Chu To, Jonathan shall retire from office at the forthcoming annual general meeting. Being eligible, Mr. Jin Lei, Mr. Tang Ping Sum and Mr. Chu To, Jonathan will offer themselves for re-election as executive/independent non-executive Directors (as the case maybe).

The term of office of each of the independent non-executive Directors is for an initial term of one year and renewable automatically for successive terms of one year and either the independent non-executive Director or the Company may terminate the appointment by giving to the other party at least one month's prior notice in writing and the independent non-executive Directors are subject to retirement by rotation in accordance with the Bye-laws.

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

Each of the executive Directors has entered into a service contract with the Company for an initial term of one year:

Executive Directors	**Date of commencement of service contract**
Ms. Law Kee, Alice	16 October 2007
Ms. Lai Pik Chi, Peggy	10 October 2008
Mr. Hui Wai Lee, Willy	6 April 2009
Mr. Jin Lei	8 March 2011

and all of which continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' and Chief Executive's Interests in Shares of the Company

At 31 December 2010, none of the Directors and chief executive of the Company have any interests or short positions in the existing shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Share Options

Particulars of the Company's share option scheme are set out in note 32 to the financial statements.

During the year ended 31 December 2010, no option was granted under the Company's share option scheme, and there was no option outstanding as at 31 December 2010.

Arrangement to Purchase Shares or Debentures

At no time during the year under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors 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 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 during the year.

Substantial Shareholders

At 31 December 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions

Ordinary shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheng Keung Fai	Beneficial owner	1,105,390,690	52.87%

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 31 December 2010.

For the latest position regarding the disclosure of interests in the existing shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO), please refer to the Stock Exchange webite (www.hknews.hk).

Directors' Interest in Contracts and Connected Transactions

During the year ended 31 December 2010, the Group had entered into transactions which constituted connected transactions/continuing connected transactions under the Listing Rules. Details are set out below:

i) Connected Transactions

(a) On 17 December 2009, the Group entered into an sale and purchase agreement with Pegasus Motion Pictures Limited ("Pegasus"), which was wholly and beneficially owned by Mr. Wong Pak Ming ("Mr. Wong"), a former director of the Company, in relation to the disposal of three subsidiaries of the Group to Pegasus at the consideration of HK$29,000,000 together with the balance of payment from the sales of film rights which were signed before the date of disposal and were remained to be performed in whole or in part, a tax indemnity of HK$1,000,000 and inter-companies balances with Grimston. The transaction was completed on 3 March 2010, after satisfaction of the conditions precedent set out in the sale and purchase agreement.

(b) On 28 November 2007, the Group entered into a tenancy agreement with Wealth Gate Investment Limited, a company in which Mr. Sin Kwok Lam ("Mr. Sin"), a former director of the Company, was the substantial shareholder, for the tenancy period commencing from 1 December 2007 to 30 November 2010. The rental expenses paid by the Group in 2010 were HK$25,000.

(c) On 27 December 2007, the Group entered into a loan agreement with First Credit Limited, a company in which Mr. Sin has beneficial interest. The interest incurred during the year ended 31 December 2010 was HK$18,000.

(d) On 23 June 2010, the Group entered into an underwriting agreement with Mr. Cheng Keung Fai ("Mr. Cheng"), a substantial shareholder of the Company, in relation to an open offer of the Company. The underwriting commission paid to Mr. Cheng pursuant to the underwriting agreement was HK$4,017,000.

ii) Continuing Connected Transactions

(a) The Group entered into a master agreement ("Master Agreement") with Mr. Wong, pursuant to which the Group will procure or nominate member(s) of the Group to enter into agreement(s) with Mr. Wong and/or his designated associates ("PM Wong Associates") in relation to the provision of services for the period from 6 May 2009 to 31 December 2011. The services to be provided by Mr. Wong to the Group include (but not limit to) (i) provision of services as an actor to shoot films to be produced by the Group; (ii) provision of services as executive producer for films to be produced by the Group; and (iii) leasing of premises owned by Mr. Wong to the Group. The services to be provided by PM Wong Associates include (but not limit to) (i) provision of services as screenwriter for films to the produced by the Group; (ii) provision of services as director of films to be produced by the Group; (iii) provision of services as line producer of films to be produced by the Group; (iv) pre-production and post-production services for films to be produced by the Group; (v) shooting and editing services for films to be produced by the Group; (vi) marketing promotion, media planning and design services for films to be produced by the Group; (vii) distribution services of films to be produced by the Group; and (viii) any other services in connection with film industry or to be provided at the request of the Group as agreed from time to time;

(b) Pursuant to the Master Agreement, the production expenses paid by the Group to Pure Project Limited and Pegasus, which were PM Wong Associates, in 2010 were HK$200,000 and HK$151,000 respectively; and

(c) Pursuant to the Master Agreement, agency fees were payable by the Group to 廣州東影影視出品有限公司 ("Tung Ying") and Prime Moon International Limited ("Prime Moon"), which were PM Wong Associates, for the distribution income generated by Tung Ying and Prime Moon. The agency fees of HK$115,000 and HK$5,000 were charged by Tung Ying and Prime Moon respectively in 2010.

In respect of the continuing connected transactions, our Directors (including the independent non-executive Directors), after having reviewed the aforesaid transactions, confirmed that the transactions have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms, and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In respect of the continuing connected transactions mentioned above, the Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year under review.

The Company has also received a letter from Ernst & Young, the Company's auditors, to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued the letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules and stating that:

i. the transactions have received the approval of the Company's board of Directors;

ii. the transactions have been entered into and conducted in accordance with the relevant agreements governing the transactions; and

iii. the annual amounts of the transactions have not exceeded the annual cap as mentioned in the Master Agreement.

Other than disclosed above, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Emolument Policy

The Group remunerates its employees including the Directors, based on their performances, experiences and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme. Details of the share option scheme are set out in note 32 to the financial statements. The determination of emoluments of the Directors had taken into consideration of their expertise and job specifications.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

Donation

The Group had made donation for charitable and community purposes amounting to HK$600,000 (2009: Nil).

Major Customers and Suppliers

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 26.98% and 60.91%, respectively, of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 26.28% and 35.23%, respectively, of the Group's total purchases for the year.

None of the Directors, their associates, or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) has any interest in the Group's five largest customers and suppliers.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2010.

Events After the Reporting Date Period

Details of the events after the reporting period of the Group are set out in note 42 to the financial statements.

Auditors

Ernst & Young, the Company's auditors, will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appointed Ernst & Young as auditors of the Company.

On behalf of the Board

Lai Pik Chi, Peggy
Chairman

Hong Kong, 28 March 2011

Biographical Details of Directors

Executive Directors

Ms. LAI Pik Chi, Peggy, aged 46, an executive Director who is also the chairman of the Board. Ms. Lai joined the Group in June 2008 and was appointed as an executive Director in October 2008. Ms. Lai obtained a Master of Business Administration Degree from University of Manchester. Ms. Lai is also the director and honorary treasurer of Manchester Business School Alumni Association (China) Limited. Ms. Lai has over 20 years experience in auditing, accounting, financial management and corporate finance spanning a diverse range of business from media, entertainment, manufacturing, publishing, distribution and retailing. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Ms. LAW Kee, Alice, aged 44, is an executive Director and the chief executive officer of the Company. Ms. Law joined the Group in September 2007 and was appointed as an executive Director in October 2007. Ms. Law holds a Bachelor Degree in Business Administration from University of Management and Technology, USA. She has extensive experience in business development, operation and marketing management. She is a member of The Hong Kong Institute of Directors and a member of The Hong Kong Association for the Advancement of Real Estate and Construction Technology Limited.

Mr. HUI Wai Lee, Willy, aged 50, is currently a director of Supreme Jewellery Company. Mr. Hui joined the Group as executive Director in April 2009. He has extensive experience in designing and manufacturing of European-style jewelry.

Mr. JIN Lei, aged 39, was appointed as an executive Director on 8 March 2011. Mr. Jin has over 17 years solid experience in construction work, property development and operation management. Mr. Jin was a civil engineer of 山東淄川建築設計院 (Architectural Design Institute of Shandong Zichuan) from 1993 to 1995. From 1995 to 2001, Mr. Jin was the 主任工程師 (engineer supervisor) of 山東黃淮糧油機械集團 (濟寧機械設計院土木建築室) (Shandong Huanghuai Cereals & Oils Machinery Group Company (Civil Construction House of Jining Machinery Design Institute)). In 2002, Mr. Jin was awarded by the municipal government of Jining City, Shandong Province, the People's Republic of China as one of the 百名經濟管理人才 (Top 100 Managerial Talents in Economics). Mr. Jin holds a bachelor degree from 華東交通大學建築工程系 (Department of Architectural Engineering, East China Jiaotong University), major in 工業與民用建築 (Industrial and Residential Architecture). Mr. Jin was also awarded a master degree of business administration by 中國人民大學 (Renmin University of China) in 2005.

Independent Non-executive Directors

Mr. TSUI Pui Hung, aged 36, is a practicing solicitor of the High Court of Hong Kong and an independent non-executive director of B.A.L. Holdings Limited (Stock Code: 8079). Mr. Tsui holds the degrees of a Master in Laws from University of London, a Bachelor of Laws (with Honours) from Manchester Metropolitan University, a Bachelor of Science (with Honours) from the Chinese University of Hong Kong, a Postgraduate Certificate in Laws from University of Hong Kong and a Diploma in Translation from the Chinese University of Hong Kong. Mr. Tsui has years of management experience and is familiar with internal control issues and regulatory rules of listed company.

Mr. TANG Ping Sum, aged 54, was appointed as an independent non-executive director on 1 November 2010. Mr. Tang obtained a bachelor degree of commerce from University of Western Australia in December 1981 and a master degree of applied finance from Macquarie University, Australia in April 1992. He is a certified practicing accountant of Australia and was a fellow member of the Hong Kong Institute of Certified Public Accountants until 2007. Mr. Tang has over 11 years' experiences in the securities industry in Hong Kong. Mr. Tang joined Hantec Investment Holdings Limited (stock code: 111, now known as Cinda International Holdings Limited), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), in January 1998. He was appointed as its executive director in May 2000 until October 2006. He was then the head of China division of Taifook Securities Group from January 2007 to September 2008, responsible for developing its securities businesses in China. Mr. Tang is currently the responsible officer of Grand Partners Asset Management Limited ("Grand Partners") and is mainly responsible for monitoring the risk control of Grand Partners. From March 2003 to December 2006, Mr. Tang was an independent non-executive director of Cosmopolitan International Holdings Limited (stock code: 120), a company listed on the Stock Exchange. He was an independent non-executive director of Sino Resources Group Limited (stock code: 223), a company listed on the Stock Exchange, from 30 April 2009 to 31 December 2010; and a non-executive director of Univision Engineering Limited (AIM code: UVEL), a company listed on the Alternative Investment Market of the London Stock Exchange, since December 2005.

Mr. CHU To, Jonathan, aged 46, was appointed as an independent non-executive Director on 1 March 2011. Mr. Chu obtained a bachelor degree of science from University of Toronto, Canada in 1986. He has over 20 years of experience in the finance sector and has extensive experience particularly in private equity (including pre-IPO investments) and fund management. Mr. Chu is currently the deputy managing director and responsible officer of China Everbright Securities (HK) Limited and China Everbright Forex & Futures (HK) Limited. In addition, Mr. Chu is the founder and chairman of P.T. Metalli Resources, an Indonesia company which engages in mining and processing of lead, zinc and copper ores.

Independent Auditors' Report

安 永

To the shareholders of China Mandarin Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Mandarin Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 28 to 117, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, 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 in necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

To the shareholders of China Mandarin Holdings Limited
(Incorporated in Bermuda with limited liability)

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.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
28 March 2011

Consolidated Income Statement

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (restated)
Continuing operations			
Revenue	5	**126,566**	119,488
Cost of sales		**(89,218)**	(89,716)
Gross profit		**37,348**	29,772
Other income and gains	5	**1,456**	3,132
Gain on disposal of subsidiaries	34	**30,262**	17,622
Fair value gain on derivative component of convertible bonds	29	**–**	9
Loss on redemption of convertible bonds	29	**–**	(7,050)
Fair value gain on investments held for trading, net		**–**	1
Fair value gain on an investment property	15	**16,451**	–
(Loss) Gain on disposal of items of property, plant and equipment		**(2)**	39
Administrative expenses		**(22,387)**	(24,879)
Finance costs	6	**(89)**	(6,207)
Share of results of:			
Jointly-controlled entities	18	**–**	(4,038)
An associate	17	**(85)**	–
Profit before tax from continuing operations	7	**62,954**	8,401
Income tax expense	9	**(6,527)**	(1,236)
Profit for the year from continuing operations		**56,427**	7,165
Discontinued operation			
Loss for the year from a discontinued operation	13	**–**	(211)
Profit for the year		**56,427**	6,954

	Notes	2010 HK$'000	2009 HK$'000 (restated)
Attributable to:			
Owners of the Company	10	**54,796**	6,368
Non-controlling interests		**1,631**	586
		56,427	6,954
Earnings per share attributable to owners of the Company	12		
Basic			
– For profit for the year		**HK3.30 cents**	HK0.49 cent
– For profit from continuing operations		**HK3.30 cents**	HK0.51 cent
Diluted			
– For profit for the year		**N/A**	N/A
– For profit from continuing operations		**N/A**	N/A

Details of the dividend are disclosed in note 11 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (restated)
Profit for the year		**56,427**	6,954
Other comprehensive income:			
Surplus arising from revaluation of leasehold land and buildings	14	**5,178**	–
Income tax effect	30	**(854)**	–
		4,324	–
Exchange differences arising on translation of foreign operations		**7,762**	130
Total comprehensive income for the year		**68,513**	7,084
Attributable to:			
Owners of the Company		**66,035**	6,485
Non-controlling interests		**2,478**	599
		68,513	7,084

Consolidated Statement of Financial Position

31 December 2010

	Notes	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
			(restated)	(restated)
Non-current assets				
Property, plant and equipment	14	**10,810**	18,314	19,466
Investment property	15	**310,223**	283,801	283,640
Deposits paid	22	**161,666**	1,666	–
Investment in an associate	17	**47,095**	–	–
Investments in jointly-controlled entities	18	**–**	–	13,672
Film rights		**101**	–	–
Total non-current assets		**529,895**	303,781	316,778
Current assets				
Film rights		**–**	1	62
Film production in progress		**5,339**	55,767	63,325
Property held for sale	19	**15,600**	–	–
Inventories	20	**2,005**	2,237	2,007
Investments held for trading		**–**	–	1
Trade receivables	21	**7,644**	7,320	5,487
Other receivables, prepayments and deposits paid	22	**495**	1,786	1,351
Due from a non-controlling shareholder		**–**	–	12,372
Pledged deposits		**–**	–	536
Cash and cash equivalents	23	**64,764**	32,892	15,961
		95,847	100,003	101,102
Assets of a disposal group classified as held for sale	24	**–**	686	–
Total current assets		**95,847**	100,689	101,102
Current liabilities				
Trade payables	25	**1,604**	1,027	4,081
Other payables, accruals and deposits received	26	**19,256**	70,365	50,493
Loans from former shareholders		**–**	–	13,036
Due to a former director		**–**	–	104
Due to a shareholder		**–**	–	6,991
Interest-bearing bank and other borrowings	27	**1,789**	1,958	12,611
Obligations under a finance lease	28	**–**	92	92
Tax payable		**666**	1	142
		23,315	73,443	87,550
Liabilities directly associated with the assets classified as held for sale	24	**–**	134	–
Total current liabilities		**23,315**	73,577	87,550

Consolidated Statement of Financial Position (Continued)

31 December 2010

	Notes	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
			(restated)	(restated)
Net current assets		72,532	27,112	13,552
Total assets less current liabilities		602,427	330,893	330,330
Non-current liabilities				
Convertible bonds	29	–	–	51,538
Loans from a former shareholder		–	–	20,000
Deposits received		1,445	1,078	–
Deferred tax liabilities	30	77,130	68,238	66,824
Obligations under a finance lease	28	–	8	100
Total non-current liabilities		78,575	69,324	138,462
Net assets		523,852	261,569	191,868
Equity				
Equity attributable to owners of the Company				
Issued capital	31	209,078	261,348	217,790
Reserves	33	288,562	(23,513)	(48,723)
		497,640	237,835	169,067
Non-controlling interests		26,212	23,734	22,801
Total equity		523,852	261,569	191,868

Lai Pik Chi, Peggy
Director

Law Kee, Alice
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

	Attributable to owners of the Company										
	Issued capital HK$'000	Share premium HK$'000	Contributed surplus** HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Special reserve*** HK$'000	Share option reserve HK$'000	Retained profit (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
				(restated)				(restated)			
At 1 January 2009, as previously reported	217,790	205,370	–	–	2,881	17,926	1,674	(287,493)	158,148	22,801	180,949
Effect of changes in accounting policy (note 2.2)	–	–	–	9,727	–	–	–	1,192	10,919	–	10,919
At 1 January 2009 (restated)	217,790	205,370	–	9,727	2,881	17,926	1,674	(286,301)	169,067	22,801	191,868
Exchange differences arising on transaction of foreign operations	–	–	–	–	117	–	–	–	117	13	130
Profit for the year (restated)	–	–	–	–	–	–	–	6,368	6,368	586	6,954
Total comprehensive income for the year	–	–	–	–	117	–	–	6,368	6,485	599	7,084
Contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	334	334
Issue of shares (note 31(a))	43,558	19,601	–	–	–	–	–	–	63,159	–	63,159
Transaction costs attributable to issue of shares	–	(876)	–	–	–	–	–	–	(876)	–	(876)
Transferred to accumulated losses on forfeiture of share options	–	–	–	–	–	–	(1,674)	1,674	–	–	–
At 31 December 2009	261,348	224,095*	–*	9,727*	2,998*	17,926*	–*	(278,259)*	237,835	23,734	261,569
At 1 January 2010, as previously reported	261,348	224,095	–	–	2,998	17,926	–	(279,125)	227,242	23,734	250,976
Effect of changes in accounting policy (note 2.2)	–	–	–	9,727	–	–	–	866	10,593	–	10,593
At 1 January 2010 (restated)	261,348	224,095	–	9,727	2,998	17,926	–	(278,259)	237,835	23,734	261,569
Exchange differences arising on transaction of foreign operations	–	–	–	–	6,915	–	–	–	6,915	847	7,762
Surplus arising from revaluation of land and buildings	–	–	–	4,324	–	–	–	–	4,324	–	4,324
Profit for the year	–	–	–	–	–	–	–	54,796	54,796	1,631	56,427
Total comprehensive income for the year	–	–	–	4,324	6,915	–	–	54,796	66,035	2,478	68,513
Capital reorganisation (note 31(c))	(235,213)	(224,095)	459,308	–	–	–	–	–	–	–	–
Setting off the accumulated losses (note 31(c))	–	–	(340,146)	–	–	–	–	340,146	–	–	–
Issue of shares (note 31(d))	182,943	16,465	–	–	–	–	–	–	199,408	–	199,408
Transaction costs attributable to issue of shares	–	(5,638)	–	–	–	–	–	–	(5,638)	–	(5,638)
At 31 December 2010	209,078	10,827*	119,162*	14,051*	9,913*	17,926*	–*	116,683*	497,640	26,212	523,852

* These reserve accounts comprise the consolidated reserves of HK$288,562,000 (2009 deficit: HK$23,513,000) in the consolidated statement of financial position.

** The contributed surplus of the Group was arising from the Company's Capital reorganisation on 6 September 2010 (note 31(c))

*** The special reserve of the Group mainly represents the sum of the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the group reorganisation in 2001 of approximately HK$10,420,000 and the consideration for the acquisition of additional interests in jointly-controlled entities which became wholly-owned subsidiaries by the substantial shareholder of the Company prior to the group reorganisation of HK$7,506,000.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (restated)
Cash flows from operating activities			
Profit before tax			
From continuing operations		**62,954**	8,401
From a discontinued operation		**–**	(211)
Adjustments for:			
Bank interest income	5	**(146)**	(57)
Gain on disposal of subsidiaries		**(30,262)**	(17,622)
Interests on bank and other borrowings, loans from former shareholders and a finance lease	6, 13	**89**	1,048
Interest on convertible bonds	6	**–**	5,160
Loss on redemption of convertible bonds		**–**	7,050
Depreciation	7, 13	**2,850**	1,811
Impairment of trade receivables	7	**–**	989
Fair value gain on an investment property		**(16,451)**	–
Loss (Gain) on disposal of items of property, plant and equipment	7	**2**	(39)
Fair value gain on investments held for trading, net		**–**	(1)
Fair value gain on derivative component of convertible bonds		**–**	(9)
Write-back of impairment of trade receivables	7	**(1,858)**	(1,411)
Share of results of an associate		**85**	–
Share of results of jointly-controlled entities		**–**	4,038
		17,263	9,147
Decrease in film rights and film production in progress		**50,328**	6,933
Decrease (Increase) in inventories		**232**	(230)
Proceeds from disposal of investments held for trading		**–**	2
Decrease (Increase) in trade receivables		**1,534**	(1,655)
Decrease (Increase) in other receivables, prepayments and deposits paid		**1,291**	(2,183)
Increase (Decrease) in trade payables		**577**	(2,942)
(Decrease) Increase in other payables, accruals and deposits received		**(51,742)**	21,257
Decrease in amounts due to a former director		**–**	(93)
Decrease in an amount due to a shareholder		**–**	(6,991)
Cash generated from operations		**19,483**	23,245
Hong Kong profits tax paid		**(75)**	–
PRC profits tax paid		**(231)**	–

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000 (restated)
Net cash flows from operating activities		**19,177**	23,245
Cash flows from investing activities			
Increase in investment of an associate		**(47,180)**	–
Purchases of items of property, plant and equipment		**(5,802)**	(997)
Decrease in an amount due from a non-controlling shareholder		**–**	12,372
Proceeds from disposal of items of property, plant and equipment		**41**	84
Return of capital from a jointly-controlled entity		**–**	3,184
Proceeds from disposal of subsidiaries	34	**31,814**	24,384
Deposit paid for the acquisition of a subsidiary	22	**(160,000)**	–
Redemption of convertible bonds	29	**–**	(63,739)
Interest received	5	**146**	57
Decrease in pledged bank deposits with original maturity of less than three months		**–**	536
Net cash flows used in investing activities		**(180,981)**	(24,119)
Cash flows from financing activities			
Proceeds from issue of shares	31(a), 31(d)	**199,408**	63,159
Transaction costs attributable to issue of shares		**(5,638)**	(876)
Capital contribution from a non-controlling shareholder		**–**	334
New bank loans and other borrowings		**–**	2,000
Repayment of bank loans and other borrowings		**(169)**	(6,048)
Repayment of loans from former shareholders		**–**	(33,036)
Interest paid		**(89)**	(1,048)
Capital element of finance lease rental payments		**(100)**	(92)
Net cash flows from financing activities		**193,412**	24,393
Net increase in cash and cash equivalents		**31,608**	23,519
Cash and cash equivalents at beginning of year		**32,892**	9,356
Effect of foreign exchange rate changes, net		**264**	17
Cash and cash equivalents at end of year		**64,764**	32,892
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the consolidated statement of financial position	23	**64,764**	32,892

Statement of Financial Position

31 December 2010

	Notes	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
			(restated)	
Non-current assets				
Investments in subsidiaries	16	**6,172**	6,172	6,172
Current assets				
Due from subsidiaries	16	**354,990**	165,286	213,143
Prepayment		**–**	–	90
Cash and cash equivalents	23	**21,519**	20,488	103
Total current assets		**376,509**	185,774	213,336
Current liabilities				
Accruals	26	**242**	619	246
Due to a former director		**–**	–	62
Due to a subsidiary		**–**	–	450
Interest-bearing bank and other borrowings	27	**1,789**	1,958	3,655
Total current liabilities		**2,031**	2,577	4,413
Net current assets		**374,478**	183,197	208,923
Total assets less current liabilities		**380,650**	189,369	215,095
Non-current liabilities				
Convertible bonds	29	**–**	–	51,538
Loans from former shareholders		**–**	–	20,000
Total non-current liabilities		**–**	–	71,538
Net assets		**380,650**	189,369	143,557
Equity				
Issued capital	31	**209,078**	261,348	217,790
Reserves	33	**171,572**	(71,979)	(74,233)
Total equity		**380,650**	189,369	143,557

Lai Pik Chi, Peggy	**Law Kee, Alice**
Director	*Director*

1. Corporate information

The Company was incorporated in Bermuda on 9 May 2001 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Room 4101, 41st Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong.

The Company acts as an investment holding company. The Group continues its principal activities which consist of film production and related business, the film processing and the rental of property. In addition, the Group also involved in property development during the year.

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings, an investment property, investments held for trading and derivative component of the convertible bonds, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Basis of consolidation from 1 January 2010

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.1 Basis of preparation (continued)

Basis of consolidation (continued)

Basis of consolidation prior to 1 January 2010

All of the above-mentioned requirements for the basis of consolidation from 1 January 2010 have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interests (formerly known as minority interests) until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 Changes in accounting policy and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvement to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendments to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

2.2 Changes in accounting policy and disclosures (continued)

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009*, HK Interpretation 4 (Revised in December 2009) and HK Interpretation 5, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

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

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

2.2 Changes in accounting policy and disclosures (continued)

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKAS 7 Statement of Cash Flows:* Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- *HKAS 17 Leases:* Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009.* Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

2.2 Changes in accounting policy and disclosures (continued)

(b) (continued)

- *HKAS 17 Leases:* (continued)

The Group has reassessed its leases in Hong Kong, previously classified as operating leases, upon the adoption of the amendments. As substantially all the risks and rewards associated with the leases in Hong Kong have been transferred to the Group, the leases in Hong Kong have been reclassified from operating leases under "prepaid land lease payments" to finance leases under "property, plant and equipment". The corresponding amortisation has also been reclassified to depreciation. The effects of the above changes are summarised below:

	31 December 2010 HK$'000	31 December 2009 HK$'000
Consolidated income statement		
Decrease in amortisation of prepaid land lease payments	**(75)**	(75)
Increase in depreciation of property, plant and equipment	**401**	401
	326	326
Consolidated statement of comprehensive income		
Surplus arising from revaluation of land and buildings	**5,178**	–
Income tax effect	**(854)**	–
	4,324	–

2.2 Changes in accounting policy and disclosures (continued)

(b) (continued)

- *HKAS 17 Leases:* (continued)

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Consolidated statement of financial position			
Increase in property, plant and equipment	**20,487**	15,710	16,111
Decrease in prepaid land lease payments	**(2,278)**	(2,353)	(2,428)
Increase in deferred tax liabilities	**(3,618)**	(2,764)	(2,764)
	14,591	10,593	10,919
Consolidated statement of financial position			
Asset revaluation reserve	**14,051**	9,727	9,727
Retained profit (accumulated losses)	**540**	866	1,192
	14,591	10,593	10,919

Due to the retrospective application of the amendments which has resulted in the restatement of items in the consolidated statement of financial position, a consolidated statement of financial position as at 1 January 2009, and the related notes affected by the amendments have been presented in these financial statements.

2.2 Changes in accounting policy and disclosures (continued)

(c) HK Interpretation 5: *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

HK Interpretation 5 requires that a loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement.

Prior to the adoption of this interpretation, the Group's term loan was classified in the statement of financial position as a non-current liability separately as to the current and non-current liability portions based on the maturity dates of repayment. Upon the adoption of the interpretation, the term loan has been reclassified as a current liability. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1 *Presentation of Financial Statements*, these financial statements also include statements of financial position as at 1 January 2009.

Further details of the loan are disclosed in note 27 to the financial statements.

The above change has had no effect on the consolidated income statement. The effect on the consolidated and company statements of financial position is summarised as follows:

Group	**31 December 2010 HK$'000**	31 December 2009 HK$'000	1 January 2009 HK$'000
Current liabilities			
Increase in interest-bearing bank and other borrowings	**1,613**	1,789	166
Non-current liabilities			
Decrease in interest-bearing bank and other borrowings	**(1,613)**	(1,789)	(166)

Company	**31 December 2010 HK$'000**	31 December 2009 HK$'000	1 January 2009 HK$'000
Current liabilities			
Increase in interest-bearing bank and other borrowings	**1,613**	1,789	–
Non-current liabilities			
Decrease in interest-bearing bank and other borrowings	**(1,613)**	(1,789)	–

There was no impact on the net assets of the Group and the Company.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective in these financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe hyperinflation and Removal of Fixed Dates for First-time Adoptors* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Summary of significant accounting policies

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

2.4 Summary of significant accounting policies (continued)

Jointly-controlled entities (continued)

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2.4 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

Business combinations from 1 January 2010 (continued)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, an investment property, financial assets and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 Summary of significant accounting policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

Film rights and production in progress

Perpetual film rights acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Costs of film rights represent the purchase price of the perpetual film rights and are amortised over the period of the expected income streams.

Film production in progress represents films and television series under production and is stated at production costs incurred to date, less accumulated impairment losses. Such production costs are carried forward as production in progress.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Valuations are performed frequently enough to ensure that the fair value of revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

2.4 Summary of significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	2.5%
Furniture and fixtures	20%
Leasehold improvements	Over the shorter of the lease terms and 20%
Motor vehicles	20% – 50%
Plant, machinery and equipment	20% – $33^1/_3$%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

2.4 Summary of significant accounting policies (continued)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investment, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and cash equivalents, pledged deposits, investments held for trading, trade and other receivables and an amount due from a non-controlling shareholder.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

2.4 Summary of significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to a former director and a shareholder, loans from former shareholders, a finance lease, interest-bearing bank and other borrowings, and convertible bonds.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Convertible bonds

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

2.4 Summary of significant accounting policies (continued)

Derecognition of financial liabilities

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

When 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 a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.4 Summary of significant accounting policies (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the production and distribution of films, when the production is completed and the film is released, the film has been distributed to the cinema circuit and the amount can be measured reliably, which is generally when the cinema circuit confirms to the Group its share of box office receipts;

(c) from the licensing of the distribution and broadcasting rights over films and television series, when the Group's entitlement to such payments has been established which, subject to the terms of the relevant agreements, is usually upon delivery of the film negatives to the customers;

(d) from the provision of film processing service, when the services are provided;

(e) rental income, on a time proportion basis over the lease terms; and

(f) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(g) dividend income, when the shareholder's right to receive payment has been established.

2.4 Summary of significant accounting policies (continued)

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as an additional share dilution in the computation of earnings per share.

2.4 Summary of significant accounting policies (continued)

Employee benefits (continued)

Retirement benefits schemes

The Group continues to operate a defined contribution scheme (the "Defined Contribution Scheme") for its employees, the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the Defined Contribution Scheme. When an employee leaves the Defined Contribution Scheme before his/her interest in the employer contributions vests fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

Apart from the Defined Contribution Scheme, the Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 Summary of significant accounting policies (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

3. Significant accounting judgements and estimates (continued)

Judgements (continued)

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of this property which is leased out on operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

Estimation of fair value of its investment property

As described in note 15, the investment property of the Group was revalued at the end of the reporting period on an open market, existing use basis by independent professional qualified valuers. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgements, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Impairment of trade receivables

Management regularly reviews the recoverability and/or ageing of trade receivables. Appropriate impairment for estimated irrecoverable amounts is recognised in the income statement when there is objective evidence that the asset is impaired.

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive discounted using the original effective interest rate and their carrying value.

Estimated impairment loss on film production in progress

Management regularly reviews the recoverability of the Group's film production in progress with reference to its intended use and current market environment. Appropriate impairment for estimated irrecoverable amounts is recognised in the income statement when there is objective evidence that the asset is impaired.

In determining whether impairment on film production in progress is required, the Group takes into consideration the intended use of the assets, the current market environment, the estimated market value of the assets and/or the present value of future cash flows expected to be received. Impairment is recognised based on the higher of estimated future cash flows and estimated market value.

3. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Presentation of convertible bonds and fair value of derivative component of convertible bonds

Convertible bonds of the Group are presented as the derivative component and the liability component of the convertible bonds in accordance with HKAS 39. This requires an initial recognition of the derivative component and the liability component at fair value.

The derivative component initially recognised and subsequently measured at fair value is determined by a binomial model.

The amount of the liability component initially recognised is determined with reference to the net proceeds from the issuance of the convertible bonds and the fair value of the derivative component at initial recognition. The liability component is subsequently measured at amortised cost using the effective interest rate method until it is extinguished on conversion or redemption.

4. Operating segment information

For management purposes, the Group is organised into four business units – property rental, film distribution and licensing, film processing and property development.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit (loss), which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, gain on disposal of subsidiaries, gain (loss) on disposal of items of property, plant and equipment, fair value gain on investment property, fair value gain on derivative component of convertible bonds, loss on redemption of convertible bonds, fair value gain on investments held for trading, net, share of results of jointly-controlled entities, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, investments held for trading and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, obligations under a finance lease and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. Operating segment information (continued)

Year ended 31 December 2010

	Continuing operations						Discontinued operation	
	Property rental HK$'000	Film distribution and licensing HK$'000	Film processing HK$'000	Property development HK$'000	Elimination HK$'000	Total HK$'000	Advertising and promotional services HK$'000	Total HK$'000
Segment revenue:								
External revenue	15,193	88,947	22,426	–	–	126,566	–	126,566
Intersegment revenue	–	–	2,695	–	(2,695)	–	–	–
Total revenue	15,193	88,947	25,121	–	(2,695)	126,566	–	126,566
Segment results	8,397	9,690	5,116	(959)	–	22,244	–	22,244
Other income						32	–	32
Unallocated corporate expenses						(6,090)	–	(6,090)
Interest income						146	–	146
Gain on disposal of subsidiaries						30,262	–	30,262
Loss on disposal of items of property, plant and equipment						(2)	–	(2)
Fair value gain on investment property						16,451	–	16,451
Finance costs						(89)	–	(89)
Profit before tax						62,954	–	62,954
Income tax expense						(6,527)	–	(6,527)
Profit for the year						56,427	–	56,427

4. Operating segment information (continued)

Year ended 31 December 2010

	Continuing operations						Discontinued operation	
	Property rental HK$'000	Film distribution and licensing HK$'000	Film processing HK$'000	Property development HK$'000	Unallocated HK$'000	Total HK$'000	Advertising and promotional services HK$'000	Total HK$'000
Assets and liabilities								
Segment assets	312,231	57,022	31,035	160,000	–	560,288	–	560,288
Unallocated corporate assets						65,454		65,454
Total assets						625,742		625,742
Segment liabilities	78,210	12,137	7,880	–	–	98,227	–	98,227
Unallocated corporate liabilities						3,663		3,663
Total liabilities						101,890		101,890
Other segment information:								
Capital expenditure	13	2,758	1,651	–	1,380	5,802	–	5,802
Write-back of impairment of trade receivables	–	–	(1,858)	–	–	(1,858)	–	(1,858)
Uncollectible trade receivables recovered	–	–	(1,134)	–	–	(1,134)	–	(1,134)
Depreciation	36	1,315	809	–	690	2,850	–	2,850

4. Operating segment information (continued)

Year ended 31 December 2009
(restated)

	Continuing operations						Discontinued operation	
	Property rental HK$'000	Film distribution and licensing HK$'000	Film processing HK$'000	Property development HK$'000	Elimination HK$'000	Total HK$'000	Advertising and promotional services HK$'000	Total HK$'000
Segment revenue:								
External revenue	13,215	85,989	20,284	–	–	119,488	1,505	120,993
Intersegment revenue	–	–	1,463	–	(1,463)	–	–	–
Total revenue	13,215	85,989	21,747	–	(1,463)	119,488	1,505	120,993
Segment results	6,982	8,280	2,934	–	–	18,196	(210)	17,986
Other income						69	–	69
Unallocated corporate expenses						(10,297)	–	(10,297)
Interest income						57	–	57
Gain on disposal of subsidiaries						17,622	–	17,622
Gain on disposal of items of property, plant and equipment						39	–	39
Fair value gain on derivative component of convertible bonds						9	–	9
Loss on redemption of convertible bonds						(7,050)	–	(7,050)
Fair value gain on investments held for trading, net						1	–	1
Share of results of jointly-controlled entities						(4,038)	–	(4,038)
Finance costs						(6,207)	(1)	(6,208)
Profit (Loss) before tax						8,401	(211)	8,190
Income tax expense						(1,236)	–	(1,236)
Profit (Loss) for the year						7,165	(211)	6,954

4. Operating segment information (continued)

Year ended 31 December 2009
(restated)

	Continuing operations						Discontinued operation	
	Property rental HK$'000	Film distribution and licensing HK$'000	Film processing HK$'000	Property development HK$'000	Unallocated HK$'000	Total HK$'000	Advertising and promotional services HK$'000	Total HK$'000
Assets and liabilities								
Segment assets	285,766	59,277	25,787	–	–	370,830	–	370,830
Unallocated corporate assets						33,640		33,640
Total assets						404,470		404,470
Segment liabilities	68,843	44,757	6,178	–	–	119,778	–	119,778
Unallocated corporate liabilities						23,123		23,123
Total liabilities						142,901		142,901
Other segment information:								
Capital expenditure	9	749	236	–	3	997	–	997
Impairment of trade receivables	–	–	989	–	–	989	–	989
Write-back of impairment of trade receivables	–	–	(1,411)	–	–	(1,411)	–	(1,411)
Depreciation	33	552	589	–	552	1,726	85	1,811

4. Operating segment information (continued)

Geographical information

2010

	Hong Kong HK$'000	**People's Republic of China ("PRC") HK$'000**	**Others HK$'000**	**Total HK$'000**
Revenue	**42,527**	**52,743**	**31,296**	**126,566**
Non-current assets	**59,425**	**470,470**	**–**	**529,895**
Capital expenditure	**5,789**	**13**	**–**	**5,802**

2009

	Hong Kong HK$'000	PRC HK$'000	Others HK$'000	Total HK$'000
Revenue	51,253	40,147	28,088	119,488
Non-current assets (restated)	19,675	284,106	–	303,781
Capital expenditure	988	9	–	997

4. Operating segment information (continued)

Geographical information (continued)

The discontinued operation was primarily derived from external customers based in Hong Kong and all assets of that operation were located in Hong Kong. No geographical information is presented in accordance with HKFRS 8 "*Operating Segments*".

Information about major customers

Revenue from continuing operations of approximately HK$34,145,000 (2009: Nil) and HK$18,741,000 (2009: HK$19,886,000) were derived from two customers of the film distribution and licensing segment.

During the reporting period ended 31 December 2009, no discontinued operation revenue from transactions with a single external customer amounted to 10% more of the Group's total revenue.

5. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from its investment property during the year.

An analysis of revenue, and other income and gains from continuing operations is as follows:

	2010 HK$'000	2009 HK$'000
Revenue		
Property rental income	15,193	13,215
Film distribution and licensing income	88,947	85,989
Film processing income	22,426	20,284
	126,566	119,488
Other income and gains		
Bank interest income	146	57
Others	1,310	3,075
	1,456	3,132

6. Finance costs

An analysis of finance costs from continuing operations is as follows:

	2010 HK$'000	2009 HK$'000
Interest on bank and other borrowings wholly repayable within five years	**71**	148
Interest on loans from former shareholders	**–**	860
Interest on a finance lease	**18**	39
Interest on convertible bonds	**–**	5,160
	89	6,207

As further explained in notes 2.2 and 41 to the financial statements, due to the adoption of HK Interpretation 5 in the current year, the Group's term loan containing an on-demand clause has been reclassified as a current liability.

7. Profit before tax from continuing operations

The Group's profit before tax from continuing operations is arrived at after charging (crediting):

	2010 HK$'000	2009 HK$'000 (restated)
Employee benefit expenses (excluding directors' remuneration – note 8):		
Wages and salaries	**11,848**	12,126
Retirement benefit scheme contributions	**500**	445
	12,348	12,571
Auditors' remuneration	**1,500**	1,328
Depreciation	**2,850**	1,726
Impairment of trade receivables	**–**	989
Cost of inventories recognised as expenses*	**78,038**	82,090
Loss (Gain) on disposal of items of property, plant and equipment	**2**	(39)
Minimum lease payments under operating leases	**4,308**	2,586
Foreign exchange differences, net	**(208)**	46
Interest income	**(146)**	(57)
Rental income on investment property less direct operating expenses of HK$4,392,000 (2009: HK$2,993,000)	**(10,801)**	(10,222)
Write-back of impairment of trade receivables	**(1,858)**	(1,411)
Uncollectible trade receivables recovered	**(1,134)**	–
Fair value gain on an investment property	**(16,451)**	–

* The cost of inventories recognised as expenses for the year is included in "Cost of sales" on the face of the consolidated income statement.

8. Directors' remuneration and five highest paid individuals

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Fees	**391**	521
Other emoluments:		
Salaries, allowances and benefits in kind	**1,629**	2,444
Retirement benefit scheme contributions	**102**	133
	2,122	3,098

8. Directors' remuneration and five highest paid individuals (continued)

(a) Directors' remuneration (continued)

2010

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:				
Ms. Lai Pik Chi, Peggy	–	736	47	783
Ms. Law Kee, Alice	–	686	43	729
Mr. Kwok Tsz Wing	–	25	–	25
Mr. Hui Wai Lee, Willy	–	182	12	194
	–	1,629	102	1,731
Non-executive director:				
Mr. Sin Kwok Lam	25	–	–	25
	25	–	–	25
Independent non-executive directors:				
Mr. Choy Sze Chung, Jojo	110	–	–	110
Mr. Tsui Pui Hung	120	–	–	120
Mr. Chan Tung Tak, Alain	120	–	–	120
Mr. Tang Ping Sum	16	–	–	16
	366	–	–	366
	391	1,629	102	2,122

8. Directors' remuneration and five highest paid individuals (continued)

(a) Directors' remuneration (continued)

2009

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:				
Ms. Lai Pik Chi, Peggy	–	677	51	728
Ms. Law Kee, Alice	–	500	38	538
Mr. Wong Pak Ming ("Mr. Wong")	–	662	8	670
Ms. Wong Yee Kwan, Alvina	–	159	3	162
Mr. Wong Chi Woon, Edmond ("Mr. Edmond Wong")	–	36	3	39
Mr. Kwok Tsz Wing #	–	286	21	307
Mr. Hui Wai Lee, Willy	–	124	9	133
	–	2,444	133	2,577
Non-executive directors:				
Mr. Kwok Tsz Wing #	36	–	–	36
Mr. Sin Kwok Lam	125	–	–	125
	161	–	–	161
Independent non-executive directors:				
Mr. Choy Sze Chung, Jojo	120	–	–	120
Mr. Tsui Pui Hung	120	–	–	120
Mr. Chan Tung Tak, Alain	120	–	–	120
	360	–	–	360
	521	2,444	133	3,098

Appointed as a non-executive director and re-designated as an executive director during the year ended 31 December 2009.

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

8. Directors' remuneration and five highest paid individuals (continued)

(b) Emoluments of highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2009: three) were directors of the Company, whose emoluments are included in the disclosure set out in note (a) above. The emoluments of the remaining three (2009: two) highest paid individuals were as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	1,675	1,270
Retirement benefit scheme contributions	33	20
	1,708	1,290

All of their emoluments were less than HK$1,000,000 for both years.

9. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. No provision of Hong Kong profits tax had been made in prior year as the Group had available tax losses brought forward from prior years to offset the assessable profits generated during the year ended 31 December 2009.

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the PRC income tax rate is unified to 25% for all enterprises. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group	
	2010 HK$'000	2009 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	232	–
Overprovision in prior years	–	(141)
Current – PRC		
Charge for the year	610	–
Underprovision in prior years	129	–
Deferred (note 30)	5,556	1,377
Total tax charge for the year	6,527	1,236

9. Income tax (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
		(restated)
Profit before tax from continuing operations	**62,954**	8,401
Tax at the statutory tax rates	**12,492**	1,675
Expenses not deductible for tax	**1,255**	4,259
Income not subject to tax	**(5,634)**	(3,558)
Adjustments in respect of current tax of previous periods	**129**	(141)
Tax losses not recognised	**272**	643
Tax losses utilised from previous periods	**(1,987)**	(2,652)
Profits and losses attributable to jointly-controlled entities	**–**	1,010
Tax charge at the Group's effective rate	**6,527**	1,236

10. Profit attributable to owners of the Company

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 includes a loss of HK$2,489,000 (2009: loss of HK$16,471,000) which has been dealt with in the financial statements of the Company (note 33).

11. Dividend

No dividend was paid or proposed during the years ended 31 December 2010 and 2009, nor has any dividend been proposed since the end of the reporting period.

12. Earnings per share attributable to owners of the Company

The calculation of basic earnings per share amounts is based on the profit for the year and the profit for the year from continuing operations of HK$54,796,000 (2009 restated: HK$6,368,000) and HK$54,796,000 (2009 restated: HK$6,579,000), respectively, attributable to owners of the Company, and the weighted average number of ordinary shares of 1,662,108,000 (2009 restated: 1,290,204,000) in issue during the year, as adjusted to reflect the open offer and the consolidation of shares during the year.

No diluted earnings per share amounts are presented for the year ended 31 December 2010, as there were no dilutive potential ordinary shares in existence during the current year.

No adjustment had been made to the basic earnings per share amounts presented for the year ended 31 December 2009 in respect of a dilution as the convertible bonds and share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The comparative basic earnings per share amounts have been adjusted to reflect the open offer and the consolidation of shares during the year, as further detailed in note 31 to the financial statements.

13. Discontinued operation

On 27 March 2009, a share purchase agreement (the “Share Purchase Agreement”) was entered into between Grimston Limited (“Grimston”), a wholly-owned subsidiary of the Company, and an independent third party to dispose of Chili Advertising & Promotions Limited (“Chili”). Chili is engaged in the provision of advertising and promotional services and is a separate business segment. In view of the global economic downturn and Chili was operating at a loss, the Group believes that the demand for film advertising and promotional services from the Group and other film companies will decrease and the performance of Chili will be even worse. The transaction was completed on 31 March 2009.

Financial information relating to the discontinued advertising and promotional services operation for the year is set out below. The income statement distinguishes discontinued operation from continuing operations.

13. Discontinued operation (continued)

The results of Chili contributed to the Group up to the completion of its disposal at 31 March 2009 are presented below:

	2009 HK$'000
Revenue	1,505
Cost of sales	(697)
Gross profit	808
Depreciation	(85)
Administrative expenses	(933)
Finance costs	(1)
Loss before tax from the discontinued operation	(211)
Income tax expense	–
Loss for the year from the discontinued operation	(211)

13. Discontinued operation (continued)

The net cash flows incurred by Chili are as follows:

	2009 HK$'000
Operating activities	(1,282)
Investing activities	534
Financing activities	(1)
Net cash outflow	(749)
Loss per share:	
Basic, from discontinued operation (restated)	HK(0.02) cent
Diluted, from discontinued operation	N/A
The calculations of basic loss per share from the discontinued operation are based on:	
Loss attributable to owners of the Company from the discontinued operation	HK$(211,000)
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation (restated)	1,261,222,000

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2009 in respect of a dilution as the convertible bonds and share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The comparative weighted average number of ordinary shares amounts have been adjusted to reflect the open offer and the consolidation of shares during the year, as further detailed in note 31 to the financial statements.

14. Property, plant and equipment

Group

	Leasehold land and buildings HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Total HK$'000
	(restated)					(restated)
Cost or valuation:						
At 1 January 2008	18,900	5,789	2,759	1,202	21,229	49,879
Additions	–	10	262	238	82	592
Acquisition of subsidiaries	–	–	–	292	18	310
Deficit on revaluation	(2,000)	–	–	–	–	(2,000)
Exchange realignment	–	–	–	6	–	6
At 31 December 2008 and 1 January 2009	16,900	5,799	3,021	1,738	21,329	48,787
Additions	–	330	549	–	118	997
Disposals	–	–	–	–	(134)	(134)
Disposal of subsidiaries (note 34)	–	(135)	(362)	(238)	(253)	(988)
Exchange realignment	–	2	–	–	–	2
At 31 December 2009 and 1 January 2010	16,900	5,996	3,208	1,500	21,060	48,664
Additions	–	342	2,431	1,380	1,649	5,802
Disposals	–	(41)	(1,569)	–	(8)	(1,618)
Surplus on revaluation	4,200	–	–	–	–	4,200
Re-allocated to property held for sale (note 19)	(15,600)	–	–	–	–	(15,600)
Exchange realignment	–	1	–	10	1	12
At 31 December 2010	5,500	6,298	4,070	2,890	22,702	41,460
Comprising:						
At cost	–	6,298	4,070	2,890	22,702	35,960
At valuation – 2010	5,500	–	–	–	–	5,500
	5,500	6,298	4,070	2,890	22,702	41,460

14. Property, plant and equipment (continued)

Group

	Leasehold land and buildings HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Total HK$'000
	(restated)					(restated)
Depreciation and amortisation:						
At 1 January 2008	–	5,297	2,002	260	20,540	28,099
Provided for the year	540	134	593	259	231	1,757
Write-back on revaluation	(540)	–	–	–	–	(540)
Exchange realignment	–	–	–	5	–	5
At 31 December 2008 and 1 January 2009	–	5,431	2,595	524	20,771	29,321
Provided for the year	481	130	600	370	230	1,811
Disposals	–	–	–	–	(89)	(89)
Disposal of subsidiaries (note 34)	–	(109)	(362)	(32)	(192)	(695)
Exchange realignment	–	1	–	(5)	6	2
At 31 December 2009 and 1 January 2010	481	5,453	2,833	857	20,726	30,350
Provided for the year	497	256	888	857	352	2,850
Disposals	–	(3)	(1,566)	–	(6)	(1,575)
Write-back on revaluation	(978)	–	–	–	–	(978)
Exchange realignment	–	–	–	2	1	3
At 31 December 2010	–	5,706	2,155	1,716	21,073	30,650
Carrying value:						
At 31 December 2010	5,500	592	1,915	1,174	1,629	10,810
At 31 December 2009	16,419	543	375	643	334	18,314
At 31 December 2008	16,900	368	426	1,214	558	19,466

14. Property, plant and equipment (continued)

At 31 December 2009, a motor vehicle with a net carrying amount of HK$392,000 was held under a finance lease.

The buildings of the Group are situated in Hong Kong and are held under medium terms.

The Group's leasehold land and buildings were revalued at 30 November 2010 by RHL Appraisal Limited, independent professional qualified valuers on an open market basis, by the direct comparison approach. Revaluation surplus of HK$5,178,000 was credited to the asset revaluation reserve. The effect of the total revaluation surplus of HK$5,178,000 was reflected as increase of revaluation of property, plant and equipment of HK$4,200,000 and write-back of accumulated depreciation of HK$978,000.

At 31 December 2010, had the leasehold land and buildings of the Group been carried at historical cost less accumulated depreciation and amortisation and accumulated impairment losses, their carrying values would have been HK$902,000 (2009: HK$4,649,000).

At 31 December 2010, the Group's leasehold land and buildings with a net carrying amount of HK$5,500,000 (2009: HK$16,419,000) were pledged to secure banking facilities granted to the Group (note 37).

15. Investment property

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**283,801**	283,640
Gain from a fair value adjustment	**16,451**	–
Exchange realignment	**9,971**	161
Carrying amount at 31 December	**310,223**	283,801

The Group's investment property is situated in No. 19, Yongling Road, Jinniu District, Chengdu City Sichuan Province, the PRC, and is held under a medium lease term.

The Group's investment property was revalued on 31 December 2010 by RHL Appraisal Limited, independent professional qualified valuers, at HK$310,223,000 on an open market, existing use basis. The investment property is leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

16. Investments in subsidiaries

	Company 2010 HK$'000	Company 2009 HK$'000
Unlisted shares, at cost	**6,172**	6,172

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries of the Company at 31 December 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company 2010	Percentage of equity attributable to the Company 2009	Principal activities
Adore Capital Limited	British Virgin Islands ("BVI")/ Hong Kong	US$1	**100**	100	Investment holding
Brilliant Field Corporation Limited #	Hong Kong	HK$1	**100**	–	Investment holding
Mandarin Films Limited	Hong Kong	HK$1	**100**	100	Production and distribution of films and provision of management services
Grimston Limited	BVI/Hong Kong	US$10,000	**100**	100	Investment holding
Mandarin Films Distribution Company Limited	Hong Kong	HK$20 ordinary shares HK$10,000,000 non-voting deferred shares (note)	**100**	100	Distribution of films produced or purchased by the Group
Pioneer Films Limited	BVI/Hong Kong	US$10,000	**–**	100	Distribution of films produced or purchased by the Group
Elite Films Limited	Hong Kong	HK$100	**–**	100	Production and distribution of films
Mandarin Laboratory Limited	Hong Kong	HK$10,000	**100**	100	Investment holding

16. Investments in subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company 2010	2009	Principal activities
Mandarin Laboratory (International) Limited	Hong Kong	HK$1,000,000	**100**	100	Film processing and storage of films
Motion Picture Limited	Hong Kong	HK$500,000	**–**	100	Production of films
Silverland Enterprises Limited #	BVI/Hong Kong	US$1	**100**	–	Investment holding
Sino Step Inc.	BVI/Hong Kong	US$1	**100**	100	Investment holding
Walsbo Limited	Hong Kong	HK$2 ordinary shares HK$9,800 non-voting deferred shares (note)	**100**	100	Investment holding
Profit Source International Limited	Hong Kong	HK$1	**100**	100	Investment holding
Chengdu Zhongfa Real Estate Development Co. Ltd. ("Chengdu") ^	PRC	Renminbi 175,000,000	**90**	90	Property holding
Prosper China Limited	BVI/Hong Kong	US$100	**100**	100	Investment holding
北京東方新青年文化發展有限公司 ^^	PRC	HK$10,000,000	**100**	100	Distribution of films produced by the Group
Mandarin Films Library Limited	Hong Kong	HK$1	**100**	100	Films licensing

Note: The deferred shares practically carry no rights to dividends or to receive notice to attend or vote at any general meeting of the Company or to participate in any distribution on winding up.

Newly incorporated during the year.

^ Chengdu is registered as a Sino-foreign-owned joint venture enterprise under the PRC law.

^^ 北京東方新青年文化發展有限公司 is registered as a wholly-foreign-owned enterprise under the PRC law.

16. Investments in subsidiaries (continued)

During the year, the Group disposed of Pioneer Films Limited, Elite Films Limited and Motion Picture Limited. Further details of the disposal of subsidiaries are included in note 34 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries has issued any debt securities during the year or at the end of the reporting period.

The Company directly holds the interests in Adore Capital Limited, Grimston Limited and Silverland Enterprises Limited. All other interests shown above are indirectly held.

17. Investment in an associate

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net deficit	**(82)**	–
Loans to an associate	**47,177**	–
	47,095	–

The loans to an associate are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these loans are considered as quasi-equity investment in the associate.

17. Investment in an associate (continued)

Particulars of the associate are as follows:

Name of entity	Particulars of issued shares held	Place of incorporation/ operation	Percentage of nominal value of issued share capital held indirectly by the Company 2010	2009	Principal activities
Talent Films Limited*	10,000 ordinary shares of HK$1 each	Hong Kong	**35**	–	Production and distribution of film

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

The Company's voting power held and profit sharing arrangement in relation to Talent Films Limited is 35%.

The Group's shareholding in the associate represents the equity shares held by the Company.

The summarised financial information in respect of the Group's associate which is accounted for using the equity method is set out below:

	2010 HK$'000	2009 HK$'000
Assets	**45,006**	–
Liabilities	**(45,088)**	–
Revenue and other income	**–**	–
Loss for the year	**(85)**	–

18. Investments in jointly-controlled entities

	Group 2010 HK$'000	Group 2009 HK$'000
Unlisted investments, at cost	**3,500**	3,500
Impairment	**(3,500)**	(3,500)
Share of post-acquisition losses	**–**	–
	–	–

Particulars of the jointly-controlled entity are as follows:

Name of entity	Form of business structure	Place of incorporation/ operations	Percentage of nominal value of registered capital held indirectly by the Company 2010	2009	Principal activity
東方橫店影視後期製作有限公司	Incorporated	PRC (note)	**49**	49	Dormant

Note: This company is a Sino-foreign-equity joint venture established in the PRC.

18. Investments in jointly-controlled entities (continued)

The summarised financial information in respect of the Group's investments in the jointly-controlled entities which are accounted for using the equity method is set out below:

	2010 HK$'000	2009 HK$'000
Share of the results, including the jointly-controlled entities which were disposed of during the year:		
Revenue and other income	–	8,319
Expenses	–	(12,357)
Income tax expense	–	–
Loss for the year	–	(4,038)

19. Property held for sale

The Group had signed a sole agent agreement with an agent to sell a property-in-use, which was disposed of to an independent third party at a consideration of HK$44,093,000 subsequent to the end of the reporting period (notes 14 and 42(b)).

At 31 December 2010, the Group's property held for sale with a carrying value of HK$15,600,000 was pledged to secure bank facilities granted to the Group (note 37).

20. Inventories

	Group	
	2010 HK$'000	2009 HK$'000
Raw materials	1,980	1,349
Work in progress	25	888
	2,005	2,237

21. Trade receivables

	Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables	**9,382**	10,916
Impairment	**(1,738)**	(3,596)
	7,644	7,320

The Group has a policy of allowing its trade customers credit periods normally ranging from 90 to 120 days. Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customers. Limits attributed to customers are reviewed regularly.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2010	2009
	HK$'000	HK$'000
0 – 90 days	**5,460**	5,687
91 – 180 days	**617**	1,168
181 – 365 days	**831**	458
Over 1 year	**736**	7
	7,644	7,320

Ageing of trade receivables which are past due but not impaired is as follows:

	2010	2009
	HK$'000	HK$'000
91 – 180 days	**617**	1,168
More than 180 days	**1,567**	465
	2,184	1,633

21. Trade receivables (continued)

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

The trade receivables that were past due but not impaired relate to customers that have good track records with the Group. 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 fully recoverable. The Group does not hold any collateral over these balances.

Movements in the provision for impairment of trade receivables are as follows:

	2010	2009
	HK$'000	HK$'000
At 1 January	**3,596**	12,780
Impairment recognised	**–**	989
Impairment reversed due to amount recovered	**(1,858)**	(1,411)
Amount written off as uncollectible	**–**	(8,762)
At 31 December	**1,738**	3,596

The impairment loss recognised on trade receivables is mainly for customers who have financial difficulties.

At 31 December 2010, trade receivables of HK$1,738,000 (2009: HK$3,596,000) were individually determined to be impaired. The individually impaired trade receivables relate to receivables which are expected not to be recoverable or only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

22. Other receivables, prepayments and deposits paid

	Note	Group 2010 HK$'000	2009 HK$'000
Other receivables		**58**	545
Prepayments		**164**	121
Deposit for acquisition of a subsidiary	(i)	**160,000**	–
Other deposits		**1,939**	2,786
Carrying amount at 31 December		**162,161**	3,452
Current portion		**(495)**	(1,786)
Non-current portion		**161,666**	1,666

(i) On 16 November 2010, an agreement was entered into between Brilliant Field Corporation Limited ("Brilliant Field"), an indirect wholly-owned subsidiary of the Company, and an independent third party, Ya Tai (China) Investment Limited ("Ya Tai"), pursuant to which Ya Tai has conditionally agreed to sell and Brilliant Field has conditionally agreed to purchase the 100% equity interest in 湖南九華國際新城開發建設有限公司 (Hunan Jiuhua International City Development Construction Company Limited*) ("Jiuhua International"), which was engaged in property development (the "Acquisition"). The purchase consideration for the Acquisition amounted to approximately HK$700,000,000 and would be satisfied by:

(a) paying cash of HK$160,000,000 as initial refundable deposit paid on the date of the agreement;

(b) settling a loan amount of approximately RMB21,276,150 (equivalent to approximately HK$24,872,000) due from Ya Tai to Jiuhua International upon the completion of the Acquisition; and

(c) issuing convertible bonds with an aggregate principal of HK$515,128,000.

Further details of the Acquisition are set out in the circular for very substantial acquisition and the announcement for the completion of very substantial acquisition dated 7 January 2011 and 26 January 2011, respectively.

At the end of the reporting period, the Group has paid HK$160,000,000 as initial refundable deposit (note 42(a)).

* *for identification purpose only*

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there is no recent history of default.

23. Cash and cash equivalents

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**64,764**	32,892	**21,519**	20,488

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$10,798,000 (2009: HK$3,004,000). RMB is not freely convertible into the other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

24. A disposal group classified as held for sale

On 17 December 2009, Grimston and Pegasus Motion Pictures Limited ("Pegasus"), a company which was owned by Mr. Edmond Wong, the son of Mr. Wong and a former director of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement"). Pursuant to the Sale and Purchase Agreement, Grimston shall dispose of and Pegasus shall acquire the entire 100% issued and fully-paid ordinary shares of Elite Films Limited, Motion Picture Limited and Pioneer Films Limited (collectively known as the "Disposal Group") at a cash consideration of HK$29,000,000 together with the balance of payment from the sales of film rights which were signed before the date of disposal and were remained to be performed in whole or in part, a tax indemnity of HK$1,000,000 and inter-companies balances with Grimston. The Sales and Purchase Agreement constituted a connected transaction.

At 31 December 2009, the Sale and Purchase Agreement had not yet been completed. In accordance with HKFRS 5, the assets and liabilities of the Disposal Group have been presented as assets and liabilities of a disposal group classified as held for sale under current assets and current liabilities, respectively.

The major classes of the assets and liabilities of the Disposal Group classified as held for sale as at 31 December 2009 are as follows:

	2009 HK$'000
Assets	
Film rights	62
Film production in progress	624
Assets classified as held for sale	686
Liabilities	
Other payables and accruals	(134)
Net assets directly associated with a disposal group classified as held for sale	552

On 3 March 2010, the Sale and Purchase Agreement was completed and details of the disposal are as shown in note 34(a) to the financial statements.

25. Trade payables

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
0 – 90 days	**1,604**	993
91 – 180 days	**–**	34
	1,604	1,027

26. Other payables, accruals and deposits received

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**12,633**	9,059	**–**	–
Accruals	**5,648**	3,737	**242**	619
Deposits in advance	**975**	57,569	**–**	–
	19,256	70,365	**242**	619

Other payables are non-interest-bearing and have an average term of three months.

At 31 December 2009, deposits in advance mainly represented the amount received from distributors and the deposit of HK$20,000,000 received from the disposal of subsidiaries (note 24) which was unsecured, interest-free and had no fixed terms of repayment.

27. Interest-bearing bank and other borrowings

	Effective contractual interest rate %	Maturity	Group 31 December 2010 HK$'000	Group 31 December 2009 HK$'000 (restated)	Group 1 January 2009 HK$'000 (restated)	Company 31 December 2010 HK$'000	Company 31 December 2009 HK$'000 (restated)	Company 1 January 2009 HK$'000
Current								
Bank loan – secured	3.75	On demand	**1,789**	1,958	–	**1,789**	1,958	–
Bank loan – secured	4.75 – 7.5	On demand	**–**	–	166	**–**	–	–
Bank overdrafts – secured	5 – 7	On demand	**–**	–	6,605	**–**	–	3,655
Other borrowings – unsecured	1 – 5.58	2009	**–**	–	5,840	**–**	–	–
			1,789	1,958	12,611	**1,789**	1,958	3,655

	Group 31 December 2010 HK$'000	Group 31 December 2009 HK$'000 (restated)	Group 1 January 2009 HK$'000 (restated)	Company 31 December 2010 HK$'000	Company 31 December 2009 HK$'000 (restated)	Company 1 January 2009 HK$'000
Analysed into:						
Bank loans and overdrafts repayable:						
Within one year or on demand (Note)	**1,789**	1,958	6,771	**1,789**	1,958	3,655
	1,789	1,958	6,771	**1,789**	1,958	3,655
Other borrowings repayable:						
Within one year	**–**	–	5,840	**–**	–	–
	1,789	1,958	12,611	**1,789**	1,958	3,655

The Group's bank borrowings were secured by the leasehold land and buildings and the property held for sale of the Group (note 37).

The carrying amounts of the Group's interest-bearing bank and other borrowings approximate to their fair values.

Note: As further explained in notes 2.2 and 41 to the financial statements, due to the adoption of HK Interpretation 5 in the current reporting period, the Group's term loan in the amount of HK$1,789,000 (2009: HK$1,958,000) containing an on-demand clause has been reclassified as a current liability. For the purpose of the above analysis, the loan is included within current interest-bearing bank and other borrowings and analysed into bank loans and overdrafts repayable within one year or on demand.

Based on the maturity terms of the loan, the amounts repayable in respect of the loan are: HK$176,000 payable within one year or on demand (2009: HK$169,000); HK$183,000 payable in the second year (2009: HK$176,000); HK$539,000 payable in the third to fifth years, inclusive (2009: HK$569,000); and HK$891,000 payable beyond five years (2009: HK$1,044,000).

28. Obligations under a finance lease

In the prior year, the Group leased its motor vehicle for its business use. The lease was classified as a finance lease and had a remaining lease term of two years. Interest rate underlying all obligations under the finance lease was fixed at contract date of 4%. This lease had no terms of renewal or purchase options and escalation clauses. No arrangement had been entered into for contingent rental payments.

The finance lease was fully repaid during the year.

Group

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	–	110	–	92
In the second year	–	11	–	8
Total minimum finance lease payments	–	121	–	100
Future finance charges	–	(21)		
Total net finance lease payables	–	100		
Portion classified as current liabilities	–	(92)		
Non-current portion	–	8		

29. Convertible bonds

As part of the consideration for the acquisition of Profit Source International Limited ("Profit Source") and its subsidiary (the "Profit Source Group"), the Company issued zero coupon convertible bonds due on 18 October 2011 up to an aggregate principal amount of HK$70,000,000 of which HK$40,000,000 could be reduced on a dollar to dollar basis shall the Group has to settle in cash for several litigations more than a settlement amount of RMB130,956,000 as accrued by the Profit Source Group upon its disposal. The bonds are convertible at the option of the bondholders into fully paid ordinary shares at a par value of HK$0.10 each of the Company at any time from the date of the issue of the bonds up to and including 18 October 2011 at an initial conversion price of HK$0.4 per share (subject to adjustment). Pursuant to the open offer of 1,426,900,000 new ordinary shares by the Company, the conversion price was adjusted to HK$0.274 per share. The Group has an option to settle the conversion requested by bondholders in cash. The bonds are redeemable at the option of the Company at 100% of their principal amount six months after the issuance. Any convertible bonds not converted will be redeemed on 18 October 2011 at 100% of their principal amount.

The Group had entered into a settlement agreement with the relevant counterparties to the several litigations against the Profit Source Group, pursuant to which the Group had paid an aggregate amount of RMB136,464,000 which exceeded the amount of RMB130,956,000 as disclosed in the circular dated 12 March 2008 to the relevant counterparties being full and final settlement. The Group was then entitled to deduct the exceeding amount of RMB5,508,000 (equivalent to approximately HK$6,261,000) from the principal amount of HK$40,000,000 convertible bond. Accordingly, a new convertible bond certificate of HK$33,739,000 had been issued and delivered to the bondholders thereafter.

The fair value of the derivative component was estimated at the issuance date using a binomial model and the change in fair value of that component was recognised in the consolidated income statement. The residual amount was assigned as the liability component.

29. Convertible bonds (continued)

The convertible bonds issued in 2008 had been split as to the derivative and liability components, and the movements in the derivative and liability components were as follows:

	HK$'000
Nominal value of convertible bonds issued	63,739
Derivative component	(20,916)
Liability component at the issuance date	42,823
Interest expense for the year	1,975
Liability component at 31 December 2008	44,798
Interest expense for the year	5,160
Redemption during the year	(49,958)
Liability component at 31 December 2009	–
Derivative component at the issuance date	20,916
Fair value gain recognised during the year	(14,176)
Derivative component at 31 December 2008	6,740
Fair value gain recognised during the year	(9)
Redemption during the year	(6,731)
Derivative component at 31 December 2009	–

In the prior year, the Group redeemed the convertible bonds from the bondholders in the principal amount of HK$63,739,000 at 100% of the outstanding principal amount. The loss on the early redemption of HK$7,050,000 was recognised in the consolidated income statement.

30. Deferred tax

The following is the major deferred tax liabilities recognised by the Group and movements therein during the current and prior years:

Deferred tax liabilities
Group

	Temporary differences arising from the acquisition of subsidiaries HK$'000	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
			(restated)	(restated)
At 1 January 2009	63,581	479	2,764	66,824
Deferred tax charged (credited) to the consolidated income statement during the year (note 9)	1,459	(79)	–	1,380
Exchange realignment	37	–	–	37
At 31 December 2009 and 1 January 2010	65,077	400	2,764	68,241
Deferred tax charged (credited) to the consolidated income statement during the year (note 9)	5,772	(219)	–	5,553
Deferred tax debited to equity during the year	–	–	854	854
Exchange realignment	2,482	–	–	2,482
At 31 December 2010	73,331	181	3,618	77,130

30. Deferred tax (continued)

Deferred tax assets

Group	Losses available for offsetting against future taxable profits	
	2010	2009
	HK$'000	HK$'000
At 1 January	**3**	–
Deferred tax (charged) credited to the income statement during the year (note 9)	**(3)**	3
At 31 December	**–**	3

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

	2010	2009
	HK$'000	HK$'000
		(restated)
Net deferred tax liabilities recognised in the consolidated statement of financial position	**77,130**	68,238

At 31 December 2010, the Group had unused tax losses of approximately HK$18,303,000 (2009: HK$106,619,000) available indefinitely for offsetting against future profits of the companies in which the losses arose. No deferred tax asset in respect of such losses has been recognised due to the unpredictability of future profit streams.

31. Share capital

	Notes	2010 HK$'000	2009 HK$'000
Authorised:			
10,000,000,000 (2009: 10,000,000,000) ordinary shares of HK$0.10 (2009: HK$0.10) each	(b)	**1,000,000**	1,000,000
Issued and fully paid:			
2,090,784,000 (2009: 2,613,480,000) ordinary shares of HK$0.10 (2009: HK$0.10) each	(c), (d) & (e)	**209,078**	261,348

A summary of the transactions during the current and prior years with reference to the movements in the Company's issued ordinary share capital is as follows:

		No. of shares	**Amount** HK$'000
At 1 January 2009		2,177,900,000	217,790
Placement	(a)	435,580,000	43,558
At 31 December 2009 and 1 January 2010		2,613,480,000	261,348
Capital reorganisation	(c)	–	(235,213)
Open offer	(d)	18,294,360,000	182,943
Share consolidation	(e)	(18,817,056,000)	–
At 31 December 2010		2,090,784,000	209,078

31. Share capital (continued)

(a) On 20 November 2009, 435,580,000 ordinary shares of HK$0.10 each were allotted and issued, credited as fully paid at an issue price of HK$0.145 per share, for repayment of debts and general working capital, resulting the total cash consideration of HK$63,159,000, of which HK$43,558,000 was credited to the share capital and the balance of HK$19,601,000 was credited to the share premium.

(b) Pursuant to an ordinary resolution passed on 23 June 2010, the authorised share capital of the Company of HK$1,000,000,000 was divided into 100,000,000,000 new shares of HK$0.01 each. Pursuant to an ordinary resolution passed on 24 December 2010, the authorised share capital of the Company was consolidated on the basis of every ten shares of HK$0.01 each into one share of HK$0.10.

(c) On 6 September 2010, the Company reduced the issued share capital by cancelling the paid up capital to the extent of HK$0.09 on each share such that the nominal value of all issued shares was reduced from HK$0.10 each to HK$0.01 each and the share capital of the Company was reduced by HK$235,213,000. On the same date, the share premium account of the Company of HK$224,095,000 was reduced to zero.

The credits arising in the books of accounts of the Company from the reduction in the issued share capital and the share premium account have been transferred to the contributed surplus account of the Company and an amount of HK$340,146,000 has been applied in setting off the accumulated losses of the Company of HK$340,146,000.

(d) On 29 September 2010, the Company completed the open offer by issuing 18,294,360,000 shares ("Open Share(s)") on the basis of seven Open Shares for every existing share, at a subscription price at HK$0.0109 each per share, resulting the cash consideration of HK$199,408,000, of which HK$182,943,000 was credited to the share capital and the balance of HK$16,465,000 was credited to the share premium.

(e) On 28 December 2010, every ten issued and unissued shares of HK$0.01 each in the share capital of the Company were consolidated into one consolidated share of HK$0.10 each in the share capital of the Company.

32. Share options

The Company's share option scheme was adopted pursuant to a resolution passed on 21 August 2001 (the "Scheme"). Under the Scheme, the board of directors of the Company may grant options to full time employee of the Company or any subsidiary including any executive director and non-executive director of the Company and its subsidiaries (the "Eligible Person"), to subscribe for shares in the Company. The Scheme was further amended pursuant to Shareholders' resolutions passed on 27 May 2004 of which the existing categories of the Eligible Person were expanded by adding new classes of persons.

(i) any employee (whether full time or part time including executive director) of any member of the Group or any entity in which the Group holds an equity interests ("Invested Entity");

(ii) any non-executive director (including independent non-executive directors) of any member of the Group or any Invested Entity;

(iii) any consultant, adviser or agent engaged by any member of the Group or any Invested Entity, who, under the terms of relevant engagement with the Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company; and

(iv) any vendor, supplier of goods or services or customer of or to any member of the Group or Invested Entity who, under the terms of relevant agreement with the Group or the relevant Invested Entity, is eligible to participate in a share option scheme of the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares in respect of options that may be granted to any individual is not permitted to exceed 1% of the issued share capital of the Company for the time being, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant upon payment of HK$1 per each grant of option(s). Options may generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the board of directors of the Company may at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of: (i) the closing price of the Company's share as stated in the daily quotations sheets of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share, subject to the terms of the Scheme.

32. Share options (continued)

Details of the share options granted under the Scheme to directors of the Company and certain employees of the Group under the Scheme during the year and movement in such holding during the year are as follows:

Name of director	Date of grant	Exercise period	Exercise price per share HK$	Outstanding at 1.1.2009	Granted during the year	Forfeited during the year	Outstanding at 1.1.2010	Granted during the year	Forfeited during the year	Outstanding at 31.12.2010
Mr. Wong#	23.6.2006	24.12.2006 to 20.8.2011	0.577	533,548	–	(533,548)	–	–	–	–
	10.5.2007	22.11.2007 to 20.8.2011	0.541	2,033,340	–	(2,033,340)	–	–	–	–
Mr. Edmond Wong#	23.6.2006	24.12.2006 to 20.8.2011	0.577	533,548	–	(533,548)	–	–	–	–
	10.5.2007	22.11.2007 to 20.8.2011	0.541	2,033,340	–	(2,033,340)	–	–	–	–
Ms. Wong Yee Kwan, Alvina#	23.6.2006	24.12.2006 to 20.8.2011	0.577	533,548	–	(533,548)	–	–	–	–
	10.5.2007	22.11.2007 to 20.8.2011	0.541	2,033,340	–	(2,033,340)	–	–	–	–
				7,700,664	–	(7,700,664)	–	–	–	–
Employees	23.6.2006	24.12.2006 to 20.8.2011	0.577	1,067,096	–	(1,067,096)	–	–	–	–
	10.5.2007	22.11.2007 to 20.8.2011	0.541	3,660,012	–	(3,660,012)	–	–	–	–
				4,727,108	–	(4,727,108)	–	–	–	–
				12,427,772	–	(12,427,772)	–	–	–	–

Resigned during the year ended 31 December 2009

During the year ended 31 December 2009, the Company forfeited 12,427,772 share options and the estimated fair value of share options being transferred to accumulated losses was HK$1,674,000.

At the end of the reporting period, the Company had no share options outstanding under the Scheme.

33. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Notes	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009		205,370	44,072	1,674	(325,349)	(74,233)
Loss for the year	10	–	–	–	(16,471)	(16,471)
Total comprehensive loss for the year		–	–	–	(16,471)	(16,471)
Issue of shares	31(a)	19,601	–	–	–	19,601
Transaction costs attributable to issue of shares		(876)	–	–	–	(876)
Transferred to accumulated losses on forfeiture of share options		–	–	(1,674)	1,674	–
At 1 January 2010		224,095	44,072	–	(340,146)	(71,979)
Loss for the year	10	–	–	–	(2,489)	(2,489)
Total comprehensive loss for the year		–	–	–	(2,489)	(2,489)
Capital reorganisation	31(c)	–	235,213	–	–	235,213
Capital reorganisation	31(c)	(224,095)	224,095	–	–	–
Setting off the accumulated losses	31(c)	–	(340,146)	–	340,146	–
Issue of shares	31(d)	16,465	–	–	–	16,465
Transaction costs attributable to issue of shares		(5,638)	–	–	–	(5,638)
At 31 December 2010		10,827	163,234	–	(2,489)	171,572

The contributed surplus of the Company comprises (i) HK$44,072,000 arising from the excess of the combined net assets of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof at the time of the Group reorganisation; and (ii) HK$119,162,000 arising from the Company's capital reorganisation on 6 September 2010.

34. Disposal of subsidiaries

(a) Disposal of subsidiaries

On 3 March 2010, the Sale and Purchase Agreement had been completed (note 24), details in respect of the disposal of subsidiaries during the reporting period are as follows:

	2010 HK$'000
Net assets disposed of:	
Film rights	62
Production in progress	624
Other payable and accruals	(134)
Amount due to Grimston	(93,148)
	(92,596)
Gain on the disposal	30,262
	(62,334)
Satisfied by:	
Cash	29,000
Net income received from customers	2,814
Tax indemnity	(1,000)
Amount due to Grimston	(93,148)
	(62,334)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2010 HK$'000
Cash consideration	29,000
Net income received from customers	2,814
Net inflow of cash and cash equivalents in respect of the disposal of the Disposal Group	31,814

34. Disposal of subsidiaries (continued)

(b) Disposal of Chili

On 27 March 2009, the Group entered into the Share Purchase Agreement with the independent third party to dispose of Chili for a total consideration of HK$2,363,000 which was partly settled by a cash consideration of HK$500,000 and with the remaining balance accounting to HK$1,863,000 being offset by the loan due from Grimston, the immediate holding company of Chili. Details in respect of the disposal of Chili during the prior year are as follows:

	Note	2009 HK$'000
Net assets disposed of:		
Property, plant and equipment	14	293
Trade receivables		244
Other receivables, prepayments and deposits paid		82
Due from Grimston		1,863
Trade payables		(112)
Other payables and accruals		(173)
Due to a former director		(11)
Bank overdraft		(21)
		2,165
Gain on the disposal		198
		2,363
Satisfied by:		
Cash		500
Due from Grimston		1,863
		2,363

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Chili is as follows:

	2009 HK$'000
Cash consideration	500
Bank overdraft disposed of	21
Net inflow of cash and cash equivalents in respect of the disposal of Chili	521

34. Disposal of subsidiaries (continued)

(c) Disposal of Film City

On 3 December 2009, Grimston, the immediate holding company of Film City Enterprises Limited ("Film City"), and Billion Base Investments Limited, a company which was owned by Mr. Zhang Yong, the son of Mr. Zhang Xun, a former shareholder of the Company, entered into a sale and purchase agreement. Pursuant to the sale and purchase agreement, the Group disposed of the entire interest in Film City which holds a 37.5% interest in a jointly-controlled entity, 浙江東方國際發展有限公司, and the amount due to Grimston amounted to HK$15,192,000 for total consideration of HK$23,863,000, which was settled by cash. Details in respect of the disposal of Film City during the year are as follows:

	2009 HK$'000
Net assets disposed of:	
Interest in a jointly-controlled entity	6,439
Due to Grimston	(15,192)
	(8,753)
Gain on the disposal	17,424
	8,671
Satisfied by:	
Cash	23,863
Due to Grimston	(15,192)
	8,671

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of Film City is as follows:

	2009 HK$'000
Cash consideration and net inflow of cash and cash equivalents in respect of the disposal of Film City	23,863

35. Operating lease commitments

(a) As lessor

The Group leases its investment property under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**16,687**	14,831
In the second to fifth years, inclusive	**68,066**	63,966
Over five years	**57,854**	72,064
	142,607	150,861

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**4,491**	810
In the second to fifth years, inclusive	**4,963**	237
	9,454	1,047

36. Other commitments

(a) At the end of the reporting period, the Group had the commitments for the following expenditure in respect of:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted but not provided for:		
Production of a film	**18,130**	710
Plant and machinery	**–**	829
Loans to an associate	**24,923**	–
	43,053	1,539
Authorised but not contracted for:		
Production of a film	**–**	7,850
	43,053	9,389

The Company did not have any other significant commitments at the end of the reporting period (2009: Nil).

(b) At 31 December 2009, the Group had contract for capital commitments of HK$3,000,000 in respect of a Sino-foreign-owned joint venture enterprise in the PRC.

37. Banking facilities and pledge of assets

At 31 December 2010, the Group's banking facilities are secured by the Group's leasehold land and buildings and a property held for sale with a total carrying value of HK$21,100,000 (2009: HK$16,419,000).

38. Related party disclosures

(i) Related party transactions and connected transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the reporting periods:

– The agency fees of HK$115,000 (2009: HK$119,000) and HK$5,000 (2009: HK$25,000) are charged by 廣州東影影視出品有限公司 ("Tung Ying") and Prime Moon International Limited ("Prime Moon"), in which a brother and a sister of Mr. Wong have beneficial interests, respectively, for the distribution income generated by Tung Ying and Prime Moon on behalf of the Group, in which they acted as the agents to generate that income.

– The production expenses of nil (2009: HK$1,500,000) and HK$200,000 (2009: HK$400,000) were paid to Mr. Wong for his service as the executive producer provided to the Group in accordance with the service agreements entered into on 20 November 2008 between the Group and Big Bright Investment Limited and on 26 May 2009 between the Group and Pure Project Limited ("Pure Project"), respectively, of which the shareholdings are beneficially owned by Mr. Wong.

– Script writing fee of nil (2009: HK$250,000) and provision of shooting and editing service fee of HK$151,000 (2009: HK$352,000) were paid to Pegasus, a related company in which Mr. Edmond Wong has beneficial interest.

– Rental expenses of HK$25,000 (2009: HK$125,000) for certain premises were paid to Wealth Gate Investment Limited, a related company in which Mr. Sin Kwok Lam ("Mr. Sin"), a former director of the Company, has beneficial interest.

– Interest of HK$18,000 (2009: HK$7,000) was paid to First Credit Limited, a related company in which Mr. Sin has beneficial interest.

– Underwriting commission of HK$4,017,000 (2009: Nil) was paid to Mr. Cheng Keung Fai ("Mr. Cheng"), a substantial shareholder of the Company.

– Accountancy service fee of HK$150,000 (2009: Nil) was received from Talent Films Limited, an associate of the Company.*

38. Related party disclosures (continued)

(i) Related party transactions and connected transactions (continued)

During the last reporting period, the Group had the following material transactions with the related parties:

– Rental expenses of HK$496,000 for certain office premises was paid to Pure Project, a related company in which Mr. Wong, has beneficial interest.

– Management fee of HK$63,000 was paid to Tung Ying for handling the daily operation of the office in Guangzhou.

– Management fee of HK$715,000 was paid to 四川黃河商業有限責任公司, a related company in which Mr. Cheng, has beneficial interest.

– Service fee of HK$80,000 was paid to Mr. Cheng Ka Sing, the son of Mr. Cheng.

– Hotel room rental expenses of HK$170,000 were paid to Sofitel Shanghai Sheshan Huanghe Hotel, in which Mr. Cheng has the ultimately beneficial interest, as accommodation for the production crew of a film.

Except for *, all the above transactions constitute connected transactions defined in the Listing Rules.

(ii) Compensation of key management personnel

The directors are the key management personnel of the Group. Details of their remuneration are disclosed in note 8(a) to the financial statements.

39. Contingent liabilities

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

40. Financial instruments

Categories of financial instruments

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables				
– Trade receivables	**7,644**	7,320	**–**	–
– Other receivables	**58**	545	**–**	–
– Due from subsidiaries	**–**	–	**354,990**	165,286
– Cash and cash equivalents	**64,764**	32,892	**21,519**	20,488
	72,466	40,757	**376,509**	185,774

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Financial liabilities at amortised cost				
– Trade payables	**1,604**	1,027	**–**	–
– Other payables	**12,633**	9,059	**–**	–
– Interest-bearing bank and other borrowings	**1,789**	1,958	**1,789**	1,958
– Obligations under a finance lease	**–**	100	**–**	–
	16,026	12,144	**1,789**	1,958

41. Financial risk management objectives and policies

The Group's principal financial instruments, comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks which are summarised below.

Interest rate risk

The Group's financial instruments are short term in nature. The carrying amounts of these financial instruments reported on the statement of financial position approximate to their fair values, and hence there is no interest rate risk exposure in relation to these instruments.

Foreign currency risk

The Group carries on its sale and purchase transactions mainly in Hong Kong dollars, the United States dollars and RMB. As the foreign currency risk generated from the sales and purchases can be set off with each other, the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of the business. Certain of the Group's operating assets are located in Mainland China and are denominated in RMB and the Group's net profit is reported in Hong Kong dollars, there will be a translation gain as a result of the RMB appreciation, and vice versa.

41. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase (Decrease) in RMB rate %	Increase (Decrease) in profit before tax HK$'000
2010		
If Hong Kong dollar weakens against RMB	5	(129)
If Hong Kong dollar strengthens against RMB	(5)	129
2009		
If Hong Kong dollar weakens against RMB	5	(102)
If Hong Kong dollar strengthens against RMB	(5)	102

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and on an individual basis. Each of the customers has been attached with a trading limit and any excess to the limit must be approved by the general manager of the operation unit. Under the tight control of the credit term and detailed assessment to the creditworthiness of individual customers, the Group's exposure to bad debts is maintained as minimal.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

41. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain a contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirement.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	Within one year or on demand HK$'000	Over one year HK$'000	Total HK$'000
2010			
Trade payables	1,604	–	1,604
Other payables	12,633	–	12,633
Interest-bearing bank and other borrowings*	2,097	–	2,097
	16,334	–	16,334
2009			
Trade payables	1,027	–	1,027
Other payables	9,059	–	9,059
Interest-bearing bank and other borrowings*	2,337	–	2,337
Obligations under a finance lease	92	8	100
	12,515	8	12,523

41. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Company

	On demand HK$'000
2010	
Interest-bearing bank and other borrowings*	2,097
2009	
Interest-bearing bank and other borrowings*	2,337

* Included in interest-bearing bank and other borrowings is a term loan. The loan agreement contains a repayment on-demand clause giving the bank the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that the loan will be called in its entirety within 12 months, and they consider that the loan will be repaid in accordance with the maturity dates as set out in the loan agreement. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loan, the maturity terms at 31 December 2010 are HK$240,000 in 2011, HK$240,000 in 2012, HK$240,000 in 2013, HK$240,000 in 2014 and HK$1,137,000 in 2015 and beyond.

41. Financial risk management objectives and policies (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 2009.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1.

42. Events after the reporting period

(a) On 26 January 2011, all conditions precedent under the agreement were fulfilled and the completion of the Acquisition took place. In accordance with the terms of the agreement, the Company has issued the convertible bonds in the principal amount of HK$515,128,000 to Ya Tai (note 22).

(b) The Group entered into a provisional agreement with Hayson Development Limited, an independent third party, on 11 January 2011 pursuant to which the Group provisionally agreed to dispose of the property held for sale, currently used by the Group for film processing, for a consideration of HK$44,093,000. The transaction was completed in March 2011.

43. Comparative amounts

As further explained in note 2.2 to the financial statements, due to the adoption of the new and revised HKFRSs during the current reporting period, certain comparative amounts have been reclassified and revised to conform with current reporting period's presentation and accounting treatment.

44. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors of the Company on 28 March 2011.

Schedule of Property Held for Sale

Description	Lot no.	Type	Approximate gross floor area (sq. ft.)	Registered owner	Group effective interest (%)
The entire 3rd Floor and the Roof Floor (inclusive of the Fresh Water Tank on the roof) of Cheung Fai Industrial Building, No. 131-133 Wai Yip Street, Kowloon	Kwun Tong Inland Lot No. 417	Industrial	22,046	Mandarin Laboratory (International) Limited	100

Five Year Financial Summary

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial periods is as follows:

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
Results					
Continuing operations					
Revenue	**126,566**	119,488	52,594	68,943	70,041
Profit (Loss) before tax from continuing operations	**62,954**	8,401	(270,620)	(40,185)	772
Income tax (expense) credit	**(6,527)**	(1,236)	41,433	126	889
Profit (Loss) for the year from continuing operations	**56,427**	7,165	(229,187)	(40,059)	1,661
Discontinued operation					
(Loss) Profit for the year from a discontinued operation	**–**	(211)	136	(30)	(10)
Profit (Loss) for the year	**56,427**	6,954	(229,051)	(40,089)	1,651
Attributable to:					
Owners of the Company	**54,796**	6,368	(216,686)	(40,089)	1,651
Non-controlling interests	**1,631**	586	(12,365)	–	–
	56,427	6,954	(229,051)	(40,089)	1,651

	At 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
Assets and Liabilities					
Total assets	**625,742**	404,470	417,880	234,675	111,533
Total liabilities	**(101,890)**	(142,901)	(226,012)	(59,380)	(55,208)
	523,852	261,569	191,868	175,295	56,325
Attributable to:					
Owners of the Company	**497,640**	237,835	169,067	175,295	56,325
Non-controlling interests	**26,212**	23,734	22,801	–	–
	523,852	261,569	191,868	175,295	56,325

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an annual general meeting of China Mandarin Holdings Limited (the "**Company**") will be held at Room 4101, 41/F., The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong on Monday, 16 May 2011 at 3:00 p.m., to transact the following ordinary businesses:

1. to receive and consider the audited consolidated financial statements and the reports of the directors (the "**Directors**") and auditors of the Company for the year ended 31 December 2010;

2. (a) to re-elect Mr. Jin Lei as executive Director;

   (b) to re-elect Mr. Tang Ping Sum as independent non-executive Director;

   (c) to re-elect Mr. Chu To, Jonathan as independent non-executive Director; and

   (d) to authorise the board of Directors to fix the Directors' remuneration;

3. to re-appoint Messrs. Ernst & Young as the auditors of the Company and to authorise the board of Directors to fix their remuneration;

and, as special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

4. "**THAT**:

   (a) subject to paragraph (c) below, pursuant to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with unissued shares of the Company (the "**Shares**") and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of any options granted under the existing share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:

(aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and

(bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders (the "**Shareholders**") of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of resolution no. 5),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(d) for the purposes of this resolution:

"**Relevant Period**" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda (as amended) (the "**Companies Act**") or any other applicable law of Bermuda to be held; and

(iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution;

"**Rights Issue**" means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong)."

5. "**THAT**:

(a) the exercise by the Directors during the Relevant Period (as defined below) of all powers of the Company to purchase the Shares on the Stock Exchange or any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the Companies Act and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

(c) for the purposes of this resolution, "**Relevant Period**" means the period from the date of the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act or any other applicable law of Bermuda to be held; and

(iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by this resolution."

6. "**THAT** the Directors be and are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 4 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution."

By Order of the Board
China Mandarin Holdings Limited
Lai Pik Chi, Peggy
Chairman

Hong Kong, 11 April 2011

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
Room 4101, 41/F
The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

Notes:

1. A member entitled to attend and vote at the annual general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the annual general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Hong Kong branch share registrar of the Company, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the annual general meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the annual general meeting or any adjournment thereof, should he/she/it so wish.

3. In relation to proposed resolutions nos. 4 and 6 above, approval is being sought from the Shareholders for the grant to the directors of the Company of a general mandate to authorise the allotment and issue of shares of the Company under the Listing Rules. The Directors wish to state that they have no immediate plan to issue any new shares of the Company other than Shares which may fall to be issued upon the conversion of the convertible bond(s) of the Company, under the share option scheme of the Company or any scrip dividend scheme which may be approved by the Shareholders.

4. In relation to proposed resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase Shares in circumstances which they deem appropriate for the benefit of the Shareholders. An explanatory statement containing the information necessary to enable the Shareholders to make an informed decision to vote on the proposed resolution as required by the Listing Rules is set out in Appendix I to the Company's circular dated 11 April 2011.

5. As at the date of this notice, the Board comprises seven Directors. The executive Directors are Ms. Lai Pik Chi, Peggy (Chairman), Ms. Law Kee, Alice (Chief Executive Officer), Mr. Hui Wai Lee, Willy and Mr. Jin Lei; and the independent non-executive Directors are Mr. Tsui Pui Hung, Mr. Tang Ping Sum and Mr. Chu To, Jonathan.