Far East Holdings International Limited

Stock Code : 0036

Annual Report 2010

The English text of this Annual Report shall prevail over the Chinese text.

PLACE OF INCORPORATION
Hong Kong

BOARD OF DIRECTORS
Executive Directors:

Deacon Te Ken Chiu, J.P. (Chairman)
Mr. Duncan Chiu, B.Sc. (Managing Director and Chief Executive Officer)
Mr. Dennis Chiu, B.A.

Non-executive Directors:

Mr. Derek Chiu, B.A.
Mr. Desmond Chiu, B.A.

Independent Non-executive Directors:

Dr. Lee G. Lam
Mr. Eugene Yun Hang Wang, MBA
Mr. Andrew Chun Wah Fan, BBA, CPA, LLB

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT
Mr. Hung Kwong Lui, FCPA, FCCA, CGA, ACA

SOLICITORS
Sit, Fung, Kwong & Shum
King & Wood

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

AUTHORISED REPRESENTATIVES
Mr. Duncan Chiu, B.Sc.
Mr. Hung Kwong Lui, FCPA, FCCA, CGA, ACA

AUDIT COMMITTEE
Dr. Lee G. Lam (Chairman)
Mr. Eugene Yun Hang Wang, MBA
Mr. Derek Chiu, B.A.
Mr. Andrew Chun Wah Fan, BBA, CPA, LLB

REMUNERATION COMMITTEE
Mr. Duncan Chiu, B.Sc. (Chairman)
Dr. Lee G. Lam
Mr. Eugene Yun Hang Wang, MBA

INVESTMENT COMMITTEE
Dr. Lee G. Lam (Chairman)
Mr. Duncan Chiu, B.Sc.
Mr. Derek Chiu, B.A.
Mr. Desmond Chiu, B.A.
Mr. Eugene Yun Hang Wang, MBA

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

REGISTERED OFFICE
16th Floor, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

PRINCIPAL OFFICE
Room 2101-2102, 21st Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong
Telephone: 3521 3800
Facsimile: 3521 3821
Email: info@feholdings.com.hk

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

LISTING INFORMATION
Stock Exchange of Hong Kong ("SEHK"): 36
Board Lot Size: 3000

WEBSITE
http://www.feholdings.com.hk


FAR EAST HOLDINGS INTERNATIONAL LIMITED
Information Technology
Entertainment
Industries
Aviation
Chinasoft International Limited 11.45% (SEHK: 354)
Orbit-Media Limited 19.50%
Beijing Golden Music Resources Management Technology Co. Ltd. 81.51%
Jiangsu Bang Bang Silky Fashion Manufacturer Co. Ltd. 51%
Beijing Kailan Aviation Technology Co. Ltd. 20.02%

CORPORATE RESULTS

For the year ended 31st December, 2010, the Company and its subsidiaries (the "Group") recorded revenue from operations of approximately HK$29.06 million (2009: HK$21.04 million), representing a rise of 38.12% compared with last year.

The Group's profit attributable to owners of the Company approximately HK$152.06 million (2009: loss of HK$38.7 million), a turnaround from last year loss mainly due to significant gain on deemed disposal of an associate approximately HK$188.12 million (2009 Loss: HK$0.22 million). The earning per share for the year ended 31st December, 2010 was 50.2 HK cents (2009: loss per share of 12.8 HK cents), turnaround from loss position as compared over last year.

DIVIDEND

No interim dividend was paid during the year and the Board did not recommend a final dividend.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2010, the Group had cash and bank balances and deposits held at financial institutions amounting to HK$37 million (2009: HK$28 million). Fundamentally, the Group's funding policy was to finance the business operations with internally net generated cash and bank facilities. As at 31st December, 2010, the Group had total borrowings of HK$2.95 million (2009: HK$24.70 million) of which HK$2.95 million (2009: HK$8.72 million) was payable within one year and the remaining was payable after one year and was fully secured. The Group's borrowings were denominated in Hong Kong dollar, Renminbi and Japanese Yen.

Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

GEARING RATIO AND CURRENT RATIO

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 31st December, 2010 decreased to 0.73% (2009: 8.93%). The Group's current ratio (current assets to current liabilities) as at 31st December, 2010 rised to 2.51 (2009: 1.43). On the whole, the financial position and liquidity of the Group were healthy.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31st December 2010, the total number of issued ordinary shares of the Company was 302,837,886 shares.

DISPOSAL OF PROPERTY AND PLEDGE OF ASSETS

On 22nd February 2010, River Joy Limited, a wholly-owned subsidiary of the Company entered into a provisional sale and purchase agreement with Federal Profit Company Limited, an independent third party, pursuant to which River Joy Limited agreed to dispose of the property situated at Flat C on 22nd Floor and car park space No. 26 on Level 5 of Tower 3 Tregunter, No. 14 Tregunter Path, Hong Kong, a residential property with a gross floor area of 3,001 sq. ft. at a consideration of HK$48,000,000. The transaction was completed on 31st May 2010.

At 31st December, 2010, the Group had pledged certain listed investments, bank deposits and certain properties with an aggregate carrying value of approximately HK$266 million (2009: HK$163 million) to banks and financial institutions.

EXPOSURE ON FOREIGN EXCHANGE FLUCTUATIONS

The Group had no significant exposure to foreign fluctuation during the year.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As at 31st December, 2010, the Group and the Company do not have significant contingent liabilities.

As at 31st December, 2009, the Company was contingently liable for guarantee issued to a bank in respect of a mortgage loan granted to a subsidiary. The mortgage loan utilised by the subsidiary amounted to HK$18.9 million. The maximum amount the Company could be required to settle under the arrangement was HK$20,082,000. The mortgage loan has been fully repaid during the year.

In the opinion of the directors, the fair value of the financial guarantee contract was insignificant. Accordingly, no value was recognised in the consolidated financial statements.

Capital Commitments

At 31st December, 2010, the Group had no significant capital commitments (2009: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 2nd July 2010, HomeBase Media Group Limited, a wholly-owned subsidiary of the Company acquired 3,829,224 shares of Golden Music International Limited ("GMIL") (representing 9.64% issued share capital of GMIL) from Maxi Wealth Investments Limited at a consideration of HK$3.6 million.

Gain on Deemed Disposal of an Associate

In prior years, the directors of the Group believed that the Group was able to exert significant influence over Chinasoft as the Group had nominated Mr. Duncan Chiu as a director of Chinasoft who also participated in the financial and operating decisions of Chinasoft. In addition, in 2009, the Group acquired 4,720,000 shares of Chinasoft at a consideration of approximately HK$2,508,000 resulting in discount on acquisition of additional interest of HK$1,842,000. Chinasoft was classified as an associate to the Group.

During the year, Chinasoft has issued a total of 202,978,571 (2009: 4,070,000) new shares to a few new investors and share option holders on exercise of their rights under the share options. Accordingly, the Group's shareholding in Chinasoft has been diluted and decreased to 11.45% (2009: 13.74%), resulting in a gain on deemed disposal of HK$20,620,000 (2009: loss on disposal of HK$131,000).

In addition, Mr. Duncan Chiu resigned as a director of Chinasoft in 2010, the Group has entered into an agreement with Chinasoft on 31st December, 2010 that the Group no longer has any rights or power to nominate any directors to the board of directors of Chinasoft nor power to participate in the financial and operating decisions of Chinasoft, therefore, the Group no longer has significant influence in Chinasoft.

On the loss of significant influence, the Group has retained the remaining 11.45% interest as available-for-sale investments and measures the remaining interest at fair value with reference to quoted market price on 31st December, 2010. This transaction has resulted in the recognition of a gain on deemed disposal of interest in an associate in profit or loss and calculated as follows:

	HK$'000
Fair value of investment retained	271,030
Less: carrying amount of interests on the date of loss of significant influence	(124,649)
Add: reclassification adjustment of retranslation reserve	21,120
Add: gain on dilution from issuance of new shares by Chinasoft	20,620
Gain on deemed disposal	188,121

As a result, the total deemed gain on disposal of an associate resulting from the dilution of interests as a result of the issuance of the new investors and share option holders of Chinasoft and the loss of significant influence in Chinasoft upon resignation of Mr. Duncan Chiu as a director of Chinasoft amounting to HK$188,121,000 has been recognised in profit or loss during the year.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2010, the Group had approximately 340 employees in Hong Kong and PRC (2009: 340 employees). The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Group was adopted a share option scheme on 23rd May, 2005 and discretionary share options would be granted to reward and motivate those well performed employees. There were totaling 2.3 million (2009: 2.3 million) share options outstanding under the share option scheme as at 31st December, 2010.

BUSINESS REVIEW AND PROSPECTS

Entertainment Holdings

Beijing Golden Music Resources Management Technology Co., Ltd. ("GMR")

For the year ended 31 December 2010, GMR achieves a turnover of HK$8.1 million (2009: HK$5.44 million) representing 48.9% increase over last year and incurs a net loss of HK$14.6 million representing a decrease of 19.8% comparing with last year (2009: net loss of HK$18.2 million).

GMR has built the ground service system of Digital Audio Broadcasting by using a great variety of advanced technique that was patented. Moreover, it has developed independently an interactive system of background music service platform, named as V3.0, this system has established a three-dimensional setup of background music service linked between the ground site and the Internet. Its scope of services has covered more than 10 cities in China, which involves hotels, shopping malls, specialty stores, restaurants and entertainment outlets etc.

By means of the advantages of its technologies, copyrights, platforms and services, GMR will continue to strengthen the professionalism of background music service, so as to become the powerful leader of this new industry model in China.

Aviation Holdings

Beijing Kailan Aviation Technology Co., Ltd. ("Beijing Kailan")

During the year, it has recorded a net profit attributable to owners of Beijing Kailan of HK$2.27 million (2009: net profit HK$6.15 million) representing an deterioration of 63% over that of 2009.

Beijing Kailan expects that demand for aviation maintenance services will remain strong in 2011, but this expectation could be adversely affected by the continuing rise of oil price which may reduce global economic activity in air transportation.

Industries

Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited ("Jiangsu Bang Bang")

For the year ended 31st December, 2010, Jiangsu Bang Bang reported a turnover of approximately HK$20.96 million (2009: HK$14.97 million) representing 40% increase comparing with 2009 which was chiefly attributable to the rise in strengthening overseas market demand. It reported a net loss of approximately HK$116,000 (2009: net loss of HK$148,000) representing a slight improvement comparing with 2009.

The continuing efforts of the Chinese government in promoting favourable policies to bolster domestic consumption and foster the recovery of both retail and export markets has turned mainland China into one of the fastest growing and highly promising apparel markets around the globe. Nevertheless, Jiangsu Bang Bang expects that it is not quite promising about the garment export to Japan market due to fierce competition and continuous slowdown of Japan's economy, especially after the recent earthquake, tsunami together with the nuclear plant crisis in Japan.

Outlook

The economic and labour market conditions in Hong Kong and the positive economic policies and measures implemented in Hong Kong and in the PRC are anticipated to improve further with strengthening consumer confidence. However, the Group will seize opportunities for growth in term of market share and revenue through strategic alliances with selected partners, mergers and acquisitions. The Group's ultimate vision is to achieve economies of scale in operation and maximize the return to shareholders of the Company.

OTHER MATTERS

As disclosed in the announcement made by the Company on 6th September 2010, the Company was informed on 3rd September 2010 that one director and two employees of the Company have been charged by the Commercial Crime Bureau of the Hong Kong Police Force in respect of alleged offences including section 157H (2)(a) of the Companies Ordinance, Cap. 32 of the Laws of Hong Kong. Based on the information available to the board of directors of the Company (the "Board"), the said director and employees are now still on bail.

In addition, as disclosed in the announcement made by the Company on 24th January 2011, the Company set out the resumption conditions as imposed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the resumption of trading in the shares of the Company. The Company is seeking advice from the professional advisers to address the aforesaid resumption conditions and will announce any further material developments as and when appropriate.

Based on information available to the Board as at the date of this annual report, the Board believes that the above matter would not have a material adverse impact to the operations and financial position of the Company and its subsidiaries as a whole. Further, the Company will keep the shareholders updated on the aforesaid matter by making further announcement as and when appropriate in accordance with the Rules Governing the Listing of Securities on the Stock Exchange.

Derek Chiu
Director

Hong Kong, 30th March, 2011

EXECUTIVE DIRECTORS

Mr. Deacon Te Ken Chiu, J.P. (Chairman)

Mr. Chiu, aged 85, is the founder of the Far East Group and has been the Chairman of the Company since 1981. He is also the Chairman of Far East Consortium International Limited (stock code: 35) and Far East Hotels and Entertainment Limited (stock code: 37). Mr. Chiu has more than 50 years of business experience in property investment and development; operation of entertainment and tourism related business; hotel ownership and management; financing and banking. He was a member of the Chinese People's Political and Consultative Conference from the 6th to 9th; the founder of the Yan Chai Hospital and the Vice Patron of the Community Chest since 1968; the founder and permanent Honorary Chairman of The New Territories General Chamber of Commerce; the founder and Chairman of the Ju Ching Chu Secondary School since 1966. Mr. Chiu is the father of Messrs. Dennis Chiu, Derek Chiu, Desmond Chiu and Duncan Chiu.

Mr. Duncan Chiu, B.Sc. (Managing Director and Chief Executive Officer)

Mr. Chiu, aged 36, is the Managing Director and Chief Executive Officer of the Group. Mr. Chiu graduated with a bachelor's degree in business administration from Pepperdine University of California, USA in 1996. He serves as a Non-executive Director of Far East Hotels and Entertainment Limited (stock code: 37). He also serves as Deputy Chairman of The Chamber of Hong Kong Listed Companies, Chairman of Hong Kong Software Industry Association, Vice President of Innovation & Technology Association, Committee Member of All-China Youth Federation, Vice Chairman of Henan Provincial Youth Federation, Member of The Chinese People's Political Consultative Conference, Shanghai Committee and Convenor of Hong Kong Digicreate Alliance. He is the son of Deacon Te Ken Chiu, J.P. and the brother of Messrs. Dennis Chiu, Derek Chiu and Desmond Chiu.

Mr. Dennis Chiu, B.A.

Mr. Chiu, aged 52, was appointed as an Executive Director of the Company in 1981. Mr. Chiu has been actively involved in the business development in the People's Republic of China ("PRC"), Singapore and Malaysia. He is an Executive Director of Far East Consortium International Limited and a Non-executive Director of Far East Hotels and Entertainment Limited. He is also a Non-executive Director of London-listing Fortune Oil Plc. He is the son of Deacon Te Ken Chiu, J.P. and the brother of Messrs. Derek Chiu, Desmond Chiu and Duncan Chiu.

NON-EXECUTIVE DIRECTORS

Mr. Derek Chiu, B.A.

Mr. Chiu, aged 45, was appointed as a Director of the Company in 1989. He is also the Managing Director and Chief Executive of Far East Hotels and Entertainment Limited (stock code: 37). Mr. Chiu has extensive experience in the operation of amusement parks and entertainment business. He is the son of Deacon Te Ken Chiu, J.P. and the brother of Messrs. Dennis Chiu, Desmond Chiu and Duncan Chiu.

Mr. Desmond Chiu, B.A.

Mr. Chiu, aged 44, was first appointed as a Director of the Company in 1991. He was graduated from the University of Cambridge, the United Kingdom. He is the son of Deacon Te Ken Chiu, J.P..

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam Lee G.

Dr. Lam, aged 51, was appointed as a Non-Executive Director of the Company on 30 September, 2004. He holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the U.K., a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, a LLM in law from the University of Wolverhampton in the U.K., and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 28 years of multinational general management, strategy consulting, corporate governance, investment banking, and direct investment experience. He is Chairman of Monte Jade Science and Technology Association of Hong Kong, and serves on board of several publicly-listed companies in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, Dr. Lam is a Member of the Jilin Province Committee of the Chinese People's Political Consultative Committee, a Member of the Hong Kong Institute of Bankers, a Member of the Young Presidents' Organization, a Member of the Chief Executives Organization, a Fellow of the Hong Kong Institute of Directors, a Fellow of the Hong Kong Institute of Arbitrators, a Member of the General Committee and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, a Vice President of the Hong Kong Association for the Advancement of Real Estate and Construction Technology, and a founding Board Member and the Honorary Treasurer of the Hong Kong–Vietnam Chamber of Commerce.

Mr. Eugene Yun Hang Wang, MBA

Mr. Wang, aged 37, has been appointed as an Independent Non-executive Director of the Company on 1 December, 2007. He holds a Bachelor of Science in Business Administration from the University of Southern California in the United States and a Master of Business Administration from The Hong Kong University of Science and Technology in Hong Kong. He has over 10 years of experience in audit work, accounting and financial management and is currently the Chief Executive Officer of Sterling Products Limited, a garment and textile manufacturing company.

Mr. Andrew Chun Wah Fan, BBA., CPA, LLB

Mr. Fan, aged 32, was appointed as an Independent Non-executive Director and member of the audit committee of the Company on 9 October 2009. He holds a bachelor's degree in business administration (accounting and finance) from the University of Hong Kong and a bachelor's degree in law from the University of London. He is a practicing CPA under the name of C. W. Fan & Co. and prior to that, he was a vice president of Citigroup and a manager of PricewaterhouseCoopers, Hong Kong. Mr. Fan is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and Council member of The Society of Chinese Accountants & Auditors, served on the small and medium practitioners leadership panel of HKICPA in 2010. Mr. Fan is a member of the Tenth Chinese People's Political Consultative Conference of Zhejiang Province (中國人民政治協商會議第十屆浙江省委員會), a member of the Fourth and Fifth Chinese People's Political Consultative Conference of Shenzhen (中國人民政治協商會議第四屆及第五屆廣東省深圳市委員會), a standing member of the Tenth Shanghai United Youth Association (第十屆上

海市青年聯合會), a member of the Ninth Shanghai United Young Association (第九屆上海市青年聯合會), a vice secretary of the Hong Kong United Youth Association, an executive director of the Zhejiang Overseas Association (浙江海外聯誼會) and an executive director of the Ningbo Overseas Association (寧波海外聯誼會), Part Time Member of The Government of HKSAR, Central Policy Unit and Member of The Government of HKSAR, the Greater Pearl River Delta Business Council.

SENIOR MANAGEMENT

Mr. Hung Kwong Lui, FCPA, FCCA, CGA, ACA

Mr. Lui, aged 51, is the Qualified Accountant and Company Secretary of the Company and the Financial Controller of the Group. He has over 20 years experience in audit and finance function in various sizeable and multinational companies. He is a Fellow Member of the Hong Kong Institute of Certified Public Accountants as well as Fellow Member of The Association of Chartered Certified Accountants in the United Kingdom. He is also an Associate Member of the Certified General Accountants Association of Canada and the Institute of Chartered Accountants in England and Wales.

The directors of Far East Holdings International Limited (the "Company") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries, associates and jointly controlled entities are set out in notes 23 to 25 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2010 are set out in the consolidated statement of comprehensive income on page 26 of the consolidated financial statements.

No interim dividend was paid during the year and the directors did not recommend the payment of a final dividend.

FIXED ASSETS

Details of movements during the year in fixed assets of the Group and the Company are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 41 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 97 of the consolidated financial statements.

PROPERTIES

Details of the properties held by the Group at 31st December, 2010 are set out on pages 98 of the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

There is reserve available for distribution to shareholders as at 31st December, 2010 amounted to approximately HK$274.40 million.

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

During the year under review, the Company and its subsidiaries have not purchased, sold or redeemed any of the listed securities in the Company.

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were:

Executive Directors

Deacon Te Ken Chiu J.P. (Chairman)
Mr. Duncan Chiu (Managing Director and Chief Executive Officer)
Mr. Dennis Chiu

Non-executive Directors

Tan Sri Dato' David Chiu	*(resigned on 7th September, 2010)*
Mr. Daniel Tat Jung Chiu	*(retired on 7th June, 2010)*
Mr. Derek Chiu	
Mr. Desmond Chiu	
Ms. Margaret Chiu	*(retired on 7th June, 2010)*

Independent Non-executive Directors

Dr. Lee G. Lam
Mr. Eugene Yun Hang Wang
Mr. Andrew Chun Wah Fan

Pursuant to Articles 79 and 80 of the Company's Articles of Association, Mr. Derek Chiu and Mr. Eugene Yun Hang Wang shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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 SENIOR EXECUTIVE'S INTERESTS IN SHARES AND SHARE OPTIONS

At 31st December, 2010, the interests of the Directors and senior executives of the Company and their associates in the shares and share options of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

(1) Long positions

(a) Ordinary shares of HK$0.01 each of the Company

Name of Director	Number of issued ordinary Shares held Personal interests	Family interests	Corporate interests	Total interests	Percentage of the issued share capital of the Company
Deacon Te Ken Chiu, J.P.	20,848,664	4,175,160 [(1)]	1,869,366	26,893,190	8.88%
Mr. Dennis Chiu	7,040,088	–	4,400,000 [(2)]	11,440,088	3.78%
Mr. Derek Chiu	88,440	–	–	88,440	0.03%
Mr. Desmond Chiu	4,000	–	–	4,000	0.001%
Mr. Duncan Chiu	61,210,932	–	–	61,210,932	20.21%

Notes:

(1) These Shares are held by Madam Ching Lan Ju Chiu, wife of Deacon Te Ken Chiu, J.P..

(2) These Shares are held by Cape York Investments Limited ("Cape York"), a company owned by Mr. Dennis Chiu and Mr. Daniel Tat Jung Chiu equally.

Save as disclosed above, none of directors had registered an interest and short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies at 31st December, 2010.

(2) (b) Share options

The Company's share option scheme was adopted pursuant to a resolution passed on 23rd May, 2005 (the "Share Option Scheme") for the purpose of providing incentives and rewards to employees or executive or officers of the Company or any of its subsidiaries (including executive and non-executive directors) and business consultants, agents and legal or financial advisers who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Particulars of the Company's share option scheme are set out in note 42 to the consolidated financial statements. The following table discloses movements in the Company's share options during the year:

	Number of Shares Options					
Grantee	Outstanding as at 1/1/2010	Exercised during the period	Outstanding as at 31/12/2010	Exercise price	Date of grant	Exercisable period
				HK$		(Both days inclusive)
Employees	660,000	–	660,000	0.6091	21/4/2006	23/5/2006-22/5/2016
	1,640,000	–	1,640,000	0.6091	21/4/2006	23/5/2007-22/5/2017
	2,300,000	–	2,300,000			

No share options of the Company were granted and lapsed during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed under the section headed "Directors' and senior executives' interests in shares and share options", at no time during the year was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2010 the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors under the section headed "Directors' and senior executives' interests in shares and share options", the following shareholders had notified the Company of any interest, directly or indirectly, in 5% or more of the issued share capital of the Company:

Long positions

Ordinary shares of HK$0.01 each of the Company

Name of Substantial Shareholder	Number of issued ordinary shares of the Company held	Percentage of issued share capital of the Company
Madam Ju Ching Lan[1]	26,893,190	8.88%
Gorich Holdings Limited ("Gorich")[2]	18,480,088	6.10%
Max Point Holdings Limited ("Max Point")[3]	15,528,480	5.13%
Mr. Chan Wai Ki [3]	15,528,480	5.13%

Notes:

(1) Of the 26,893,190 Shares, 22,718,030 Shares are held by Deacon Te Ken Chiu, J.P., Madam Ju Ching Lan is the spouse of Deacon Te Ken Chiu, J.P. The interests of Deacon Te Ken Chiu, J.P. in the Company is stated under the section headed "Directors' Interests" above.

(2) Gorich is wholly-owned by Mr. Daniel Tat Jung Chiu.

(3) The entire share capital of Max Point is beneficially owned by Mr. Chan Wai Ki.

(4) All interests disclosed above represent long positions in the Shares.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions representing 5% or more of the Company's issued share capital at 31st December, 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and considers the independent non-executive Directors to be independent.

DONATIONS

During the year, the Group made charitable and other donations amounting to approximately HK$18,000.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales of the Group's five largest and the Group's largest customer accounted for approximately 78% and 53% of total turnover, respectively.

Aggregate purchases of the Group's five largest and the Group's largest supplier accounted for approximately 68% and 30% of total purchases, respectively.

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate governance report" on pages 19 to 23.

AUDIT COMMITTEE

The Company's audit committee comprising Independent Non-executive Directors and Non-executive Director.

The principal duties of the audit committee are reviewing the internal controls and the financial reporting requirements of the Group. The audit committee is satisfied with the Company's internal control procedures and the financial reporting disclosures.

SUFFICIENCY OF PUBLIC FLOAT

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

EMOLUMENT POLICY

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 11 and 12 to the consolidated financial statements, respectively.

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible participants, details of the scheme is set out in note 42 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Derek Chiu
Director

Hong Kong, 30th March, 2011

COMMITMENT TO CORPORATE GOVERNANCE

The Company is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance emphasising transparency, independence, accountability, responsibility and fairness. The Board and the Senior Management of the Company ensure that effective self-regulatory practices exist to protect the interests of the shareholders of the Company.

The Company has applied the principles of the Code Provisions under the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31st December, 2010.

THE BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate long-term corporate strategy, to oversee the management of the Group, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board. The Board is directly accountable to the shareholders and is responsible for preparing the accounts.

The Board comprises eight Directors, whose biographical details are set out in the "Profile of the Directors and Senior Management" on pages 9 to 11 of this annual report. Three of the Directors are executive, two are non-executive and three are independent non-executive. The five non-executive Directors bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contributes to the effective strategic management of the Group. The executive Directors are not permitted to engage in any other business which is in competition with that of the Group, and are required, with the exception of the Chairman, to devote all of their active business time to the business and affairs of the Group.

Please refer to the Directors' Report on page 13 for the composition of the Board.

The posts of Chairman and Group Chief Executive Officer are held separately by Deacon Te Ken Chiu, J.P. and Mr. Duncan Chiu respectively and their roles and responsibilities are separate and are set out in writing.

The Chairman is responsible for formulating and setting Group strategies and policies in conjunction with the Board.

The Group Chief Executive Officer is responsible for managing Group strategic initiatives, investor relations, corporate and investor communications, mergers or acquisitions and financing.

Pursuant to the requirement of the Listing Rules, the Company has received written confirmation from all three independent non-executive Directors of their independence from the Company and considers them to be independent.

REGULAR BOARD MEETING

The Board met on four times during the year. The attendance of individual Directors at the Board meetings were set out in the table below.

	Number of meetings attended	Attendance rate
Executive Directors		
Deacon Te Ken Chiu J.P. (Chairman)	1/4	25%
Mr. Duncan Chiu (Managing Director and Chief Executive Officer)	4/4	100%
Mr. Dennis Chiu	0/4	0%
Non-executive Directors		
Tan Sri Dato' David Chiu (resigned on 7 September 2010)	0/2	0%
Mr. Daniel Tat Jung Chiu (retired on 7 June 2010)	0/1	0%
Mr. Derek Chiu	4/4	100%
Mr. Desmond Chiu	1/4	25%
Ms. Margaret Chiu (retired on 7 June 2010)	0/1	0%
Independent Non-executive Directors		
Dr. Lee G. Lam	4/4	100%
Mr. Eugene Yun Hang Wang	4/4	100%
Mr. Andrew Chun Wah Fan	4/4	100%

CORPORATE GOVERNANCE

The Board confines itself to making broad policy decisions, such as the Group's overall strategies and policies and business plans, while delegating responsibility for more detailed consideration to the various Board Committees and management. Management is responsible for overseeing the Group's business operations, implementing the strategies laid down by the Board and making day-to-day operating decisions.

The Board has established Audit and Remuneration Committees in accordance with the Code and a majority of the members of Committees are independent non-executive directors.

The Company has complied with Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2010, with deviations from code provision A.4.1 of the Code in respect of the service term and rotation of Directors.

None of the existing Non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors of the Company are subject to the retirement by rotation at each annual general meeting under Articles 79 and 80 of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's Corporate Governance Practices are no less exacting than those in the Code.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations.

COMMUNICATION WITH SHAREHOLDERS

The Board adopts an open and transparent communication policy and encourages full disclosure to the public as a way to enhance corporate governance. The Board aims to provide our shareholders and the public with the necessary information for them to form their own judgement on the Company.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2010, the Auditors of the Company received approximately HK$1,300,000 for audit service (2009: HK$1,250,000).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a new code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Directors confirmed that there were not any non-compliance with the standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31st December, 2010.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure the preparation of the consolidated financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the publication of the consolidated financial statements of the Group is in a timely manner.

The Statement of the Auditors of the Company regarding their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 24 to 25.

AUDIT COMMITTEE

The Company has established an audit committee (the "Committee"). The terms of the Committee are consistent with the provisions set out in the relevant section of the Code and are available on the Company's website at www.feholdings.com.hk.

The Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the consolidated financial statements. The Committee comprises three independent non-executive directors, namely, Dr. Lee G. Lam, Mr. Andrew Chun Wah Fan and Mr. Eugene Yun Hang Wang and one non-executive director, Mr. Derek Chiu. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditors in matters within the scope of the group audit. Two meetings were held during the financial year ended 31st December, 2010.

The Group's interim report for the six months ended 30th June, 2010 and the annual report for the year ended 31st December, 2010 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

During the financial year ended 31st December, 2010, two meetings, were held by the Audit Committee. The individual attendance record of each member of the Audit Committee was as follows:

	Number of meetings rate	Attendance attended
Dr. Lee G. Lam (Chairman)	2/2	100%
Mr. Derek Chiu	2/2	100%
Mr. Eugene Yun Hang Wang	2/2	100%
Mr. Andrew Chun Wah Fan	2/2	100%

REMUNERATION COMMITTEE

The Company had established a Remuneration Committee with written terms of reference pursuant to the provisions set out in the Code. The committee comprised two independent non-executive directors, namely Dr. Lee G. Lam, Mr. Eugene Yun Hang Wang and the Managing Director, Mr. Duncan Chiu of the Company. The Remuneration Committee is principally responsible for formulation and making recommendation to the Board on the Group's policy and structure for all remuneration of directors and senior management.

The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the Code, and the terms of reference of the Remuneration Committee are available from the Company's website www.feholdings.com.hk. No Director is involved in deciding his own remuneration.

During the financial year ended 31st December, 2010, no meeting was held by the Remuneration Committee.

INVESTMENT COMMITTEE

The Investment Committee consists of five Directors, they are namely Dr. Lee G. Lam (Chairman), Mr. Duncan Chiu, Mr. Derek Chiu, Mr. Desmond Chiu and Mr. Eugene Yun Hang Wang.

The main duty of the Investment Committee is to set up a policy to guide the Company to invest in financial instruments and oversee the management of the Company in the execution of the policy. During the year, the Investment Committee did not hold any meeting.

Deloitte.
德勤

TO THE MEMBERS OF FAR EAST HOLDINGS INTERNATIONAL LIMITED
遠東控股國際有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Far East Holdings International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 96, which comprise the consolidated and the Company's statements of financial position as at 31st December, 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st 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 Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30th March, 2011

FOR THE YEAR ENDED 31ST DECEMBER, 2010

	NOTES	2010 HK$'000	2009 HK$'000
Revenue	7	**29,064**	21,037
Cost of sales		**(26,360)**	(19,988)
Gross profit		**2,704**	1,049
Dividend income from available-for-sale investments		**837**	46
Dividend income from held-for-trading investments		**198**	272
Other income	9	**462**	520
Other gains and losses	10	**(6,336)**	5,978
Selling and distribution costs		**(11,795)**	(9,392)
Administrative expenses		**(20,577)**	(20,931)
Finance costs	13	**(401)**	(544)
Share of results of associates		**(5,777)**	(19,826)
Share of results of jointly controlled entities		**462**	(403)
Gain (loss) on deemed disposal of an associate	24	**188,121**	(222)
Profit (loss) before tax	14	**147,898**	(43,453)
Income tax expense	15	**(333)**	(108)
Profit (loss) for the year		**147,565**	(43,561)
Other comprehensive (expense) income			
Exchange differences arising from the translation of foreign operations		**1,187**	34
Fair value (loss) gain on available-for-sale investments		**(2,174)**	5,622
Reclassification adjustment of exchange reserve upon deemed disposal of an associate		**(21,120)**	–
Share of exchange difference of an associate		**162**	136
Share of exchange difference of a jointly controlled entity		**1,467**	–
		(20,478)	5,792
Total comprehensive income (expense) for the year		**127,087**	(37,769)
Profit (loss) for the year attributable to:			
Owners of the Company		**152,060**	(38,700)
Non-controlling interests		**(4,495)**	(4,861)
		147,565	(43,561)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**131,123**	(32,923)
Non-controlling interests		**(4,036)**	(4,846)
		127,087	(37,769)
		HK cents	HK cents
EARNING(LOSS) PER SHARE			
– basic	17	**50.2**	(12.8)
– diluted	17	**50.1**	(12.8)

AT 31ST DECEMBER, 2010

	NOTES	**31/12/2010 HK$'000**	31/12/2009 HK$'000 (restated)	1/1/2009 HK$'000 (restated)
NON-CURRENT ASSETS				
Investment properties	18	**18,755**	14,845	23,695
Property, plant and equipment	19	**18,315**	46,819	44,039
Prepaid lease payments	20	**1,003**	1,061	1,154
Goodwill	21	**–**	30,926	27,126
Interests in associates	24	**–**	109,693	125,160
Interests in jointly controlled entities	25	**39,918**	37,990	36,643
Available-for-sale investments	26	**298,644**	27,536	21,868
Other non-current assets	27	**5,506**	5,477	10,644
Amount due from a jointly controlled entity	28	**–**	2,030	–
		382,141	276,377	290,329
CURRENT ASSETS				
Prepaid lease payments	20	**33**	33	35
Held-for-trading investments	29	**11,067**	23,443	32,291
Inventories	30	**4,712**	3,613	4,256
Trade and other receivables	31	**5,033**	3,896	2,525
Amount due from a non-controlling interest	32	**4,146**	4,588	3,057
Amount due from a related company	33	**9**	9	9
Tax prepaid		**–**	–	106
Deposits held at financial institutions	34	**4,951**	2,324	3,177
Pledged bank deposits	35	**2,541**	2,501	–
Bank balances and cash	34	**29,558**	23,201	26,564
		62,050	63,608	72,020
CURRENT LIABILITIES				
Trade and other payables	36	**16,870**	15,304	10,430
Amounts due to directors	37	**1,617**	1,565	1,630
Amounts due to non-controlling interests	32	**1,242**	1,207	297
Amount due to a related company	33	**1,136**	1,136	1,557
Tax liabilities		**39**	107	–
Derivative financial instruments		**–**	–	109
Bank and other loans	39	**2,952**	24,696	22,712
Dividend payable to a non-controlling interest		**380**	20	175
Obligations under finance leases				
– due within one year	40	**479**	336	410
		24,715	44,371	37,320
NET CURRENT ASSETS		**37,335**	19,237	34,700
TOTAL ASSETS LESS CURRENT LIABILITIES		**419,476**	295,614	325,029

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2010

	NOTES	**31/12/2010 HK$'000**	31/12/2009 HK$'000 (restated)	1/1/2009 HK$'000 (restated)
CAPITAL AND RESERVES				
Share capital	41	**3,028**	3,028	3,028
Share premium and reserves		**399,500**	273,601	298,924
Equity attributable to owners of the Company		**402,528**	276,629	301,952
Non-controlling interests		**15,997**	18,769	22,293
		418,525	295,398	324,245
NON-CURRENT LIABILITIES				
Obligations under finance leases – due after one year	40	**951**	216	552
Deferred tax liabilities	44	**–**	–	232
		951	216	784
		419,476	295,614	325,029

The consolidated financial statements on pages 26 to 96 were approved and authorised for issue by the Board of Directors on 30th March, 2011 and are signed on its behalf by:

Duncan Chiu
DIRECTOR

Derek Chiu
DIRECTOR

	NOTES	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Investment properties	18	**6,555**	5,645
Property, plant and equipment	19	**352**	447
Investments in subsidiaries	23	**5,325**	5,053
Interests in associates	24	**–**	18,865
Amounts due from subsidiaries	38	**105,168**	142,958
Available-for-sale investments	26	**271,850**	1,130
Other non-current assets	27	**5,506**	5,477
		394,756	179,575
CURRENT ASSETS			
Held-for-trading investments	29	**10,789**	23,123
Other receivables		**25**	578
Amount due from a related company	33	**9**	9
Deposits held at financial institutions	34	**4,951**	2,324
Pledged bank deposits	35	**39**	37
Bank balances and cash	34	**107**	911
		15,920	26,982
CURRENT LIABILITIES			
Other payables		**1,496**	4,497
Amounts due to directors	37	**1,617**	1,565
Amount due to a related company	33	**1,136**	1,136
Amounts due to subsidiaries	38	**25,500**	18,433
Other loans	39	**–**	5,856
		29,749	31,487
NET CURRENT LIABILITIES		**(13,829)**	(4,505)
TOTAL ASSETS LESS CURRENT LIABILITIES		**380,927**	175,070
CAPITAL AND RESERVES			
Share capital	41	**3,028**	3,028
Share premium and reserves	43	**377,899**	172,042
		380,927	175,070

Duncan Chiu
DIRECTOR

Derek Chiu
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2010

	Attributable to owners of the Company									
	Share capital	Share premium	Exchange reserve	Investment revaluation reserve	Share option reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2009	3,028	168,554	27,085	–	568	–	102,717	301,952	22,293	324,245
Loss for the year	–	–	–	–	–	–	(38,700)	(38,700)	(4,861)	(43,561)
Other comprehensive income for the year										
Exchange differences arising from the translation of foreign operations	–	–	19	–	–	–	–	19	15	34
Fair value gain on available-for-sale investments	–	–	–	5,622	–	–	–	5,622	–	5,622
Share of exchange difference of an associate	–	–	136	–	–	–	–	136	–	136
	–	–	155	5,622	–	–	–	5,777	15	5,792
Total comprehensive income (expense) for the year	–	–	155	5,622	–	–	(38,700)	(32,923)	(4,846)	(37,769)
Adjustment in respect of contingent consideration for acquisition of subsidiaries (Note 45)	–	7,600	–	–	–	–	–	7,600	–	7,600
Capital contributions from non-controlling interests	–	–	–	–	–	–	–	–	1,428	1,428
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(106)	(106)
At 31st December, 2009	3,028	176,154	27,240	5,622	568	–	64,017	276,629	18,769	295,398
Profit for the year	–	–	–	–	–	–	152,060	152,060	(4,495)	147,565
Other comprehensive income (expense) for the year										
Exchange differences arising from the translation of foreign operations	–	–	728	–	–	–	–	728	459	1,187
Fair value loss on available-for-sale investments	–	–	–	(2,174)	–	–	–	(2,174)	–	(2,174)
Share of exchange difference of an associate	–	–	162	–	–	–	–	162	–	162
Share of exchange difference of a jointly controlled entity	–	–	1,467	–	–	–	–	1,467	–	1,467
Reclassification adjustment of exchange reserve upon deemed disposal of an associate	–	–	(21,120)	–	–	–	–	(21,120)	–	(21,120)
	–	–	(18,763)	(2,174)	–	–	–	(20,937)	459	(20,478)
Total comprehensive income (expense) for the year	–	–	(18,763)	(2,174)	–	–	152,060	131,123	(4,036)	127,087
Adjustments arisings on acquisition of additional interests in subsidiaries	–	–	–	–	–	(3,325)	–	(3,325)	(275)	(3,600)
Increase in ownership interests in subsidiaries upon capital contribution	–	–	–	–	–	(1,899)	–	(1,899)	1,899	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(360)	(360)
At 31st December, 2010	3,028	176,154	8,477	3,448	568	(5,224)	216,077	402,528	15,997	418,525

	2010	2009
	HK$'000	HK$'000
		(restated)
OPERATING ACTIVITIES		
Profit (loss) before tax	**147,898**	(43,453)
Adjustments for:		
Amortisation of prepaid lease payments	**97**	96
Decrease in fair value of derivative financial instruments	**–**	(109)
Depreciation	**3,892**	4,382
Discount on acquisition of additional interest in an associate	**–**	(1,842)
Finance costs	**401**	544
(Gain) loss on disposal of property, plant and equipment	**(20,708)**	436
Gain on disposal of an associate	**(3)**	–
Gain on disposal of other non-current assets	**(1,251)**	(127)
(Gain) loss on deemed disposal of an associate	**(188,121)**	222
Impairment loss on amount due from a jointly controlled entity	**4,200**	–
Impairment loss on goodwill	**30,926**	3,800
Impairment loss on other non-current assets	**–**	481
Increase in fair value of held-for-trading investments	**(3,251)**	(8,787)
Increase in fair value of investment properties	**(3,910)**	(360)
Interest income from banks and financial institutions	**(355)**	(195)
Loss on disposal of available-for-sale investments	**–**	465
Scrip dividend received from available-for-sale investments	**(1)**	(46)
Share of results of associates	**5,777**	19,826
Share of results of jointly controlled entities	**(462)**	403
Write down of inventories	**1,123**	902
Operating cash flows before movements in working capital	**(23,748)**	(23,362)
Increase in inventories	**(2,086)**	(255)
Decrease in held-for-trading investments	**15,627**	17,635
Increase in trade and other receivables	**(988)**	(1,366)
Decrease (increase) in amount due from a non-controlling interest	**442**	(1,532)
Increase in trade and other payables	**1,026**	5,053
Cash used in operations	**(9,727)**	(3,827)
People's Republic of China ("PRC") Enterprise Income tax paid	**(404)**	(127)
NET CASH USED IN OPERATING ACTIVITIES	**(10,131)**	(3,954)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2010

	2010 HK$'000	2009 HK$'000 (restated)
INVESTING ACTIVITIES		
Interest received	**355**	195
Acquisition of property, plant and equipment	**(855)**	(3,406)
Acquisition of other non-current assets	**(1,317)**	(125)
Acquisitions of additional interests in associates	**–**	(2,603)
Acquisition of a jointly controlled entity	**–**	(1,750)
Additional investment in available-for-sale investments	**(2,250)**	(465)
Proceeds from disposal of an associate	**52**	–
Proceeds from disposal of investment property	**–**	9,210
Proceeds from disposal of property, plant and equipment	**48,185**	335
Proceeds from disposal of non-current assets	**2,539**	420
Increase in pledged bank deposits	**(40)**	(2,501)
(Increase) decrease in deposits held at financial institutions	**(2,627)**	853
Advance to a jointly controlled entity	**(2,170)**	(2,030)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**41,872**	(1,867)
FINANCING ACTIVITIES		
Acquisitions of additional interests in subsidiaries from non-controlling interests	**(3,600)**	–
Capital contribution from non-controlling interests	**–**	1,428
Repayment to a related company	**–**	(421)
Advance from (repayment to) directors	**52**	(65)
Advance from non-controlling interests	**35**	910
New bank and other loans raised	**2,955**	11,561
Repayment of bank and other loans	**(24,780)**	(9,756)
Repayment of obligations under finance leases	**(524)**	(410)
Interest paid on bank and other loans	**(305)**	(446)
Interest paid on finance leases	**(96)**	(98)
Dividend paid to a non-controlling interest	**–**	(261)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(26,263)**	2,442
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,478**	(3,379)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**23,201**	26,564
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**879**	16
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash	**29,558**	23,201

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate information" in the annual report.

The Company is engaged in investment holding and securities trading. The principal activities of its subsidiaries, associates and jointly controlled entities are set out in notes 23, 24 and 25, respectively.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKAS 28 as part of Improvements to HKFRSs issued in 2010
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements *(continued)*

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1st January, 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the Group's acquisitions of additional interests in both Golden Music International Limited ("Golden Music International") and Beijing Golden Music Resources Management Technology Co. Ltd. ("Beijing Golden Music") in the current year. The change in policy has resulted in the amount of HK$3,325,000, being the difference of the consideration paid of HK$3,600,000 and adjustments to non-controlling interests of HK$275,000, recognised directly in equity, instead of in goodwill. The cash considerations paid in the current year of HK$3,600,000 has been included in cash flows used in financing activities.

The application of the revised Standard has also affected the accounting for the Group's change of ownership interests in the same subsidiaries in the current year. The change in policy has resulted in the adjustments to non-controlling interests of HK$1,899,000 arising from the capital contribution to the subsidiaries by the Company.

HKAS 28 (as revised in 2008) Investments in Associates

The principle adopted under HKAS 27(as revised in 2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to HKAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss. In addition, as part of *Improvements to HKFRSs* issued in 2010, HKAS 28 (as revised in 2008) has been amended to clarify that the consequential amendments to HKAS 28 in relation to transactions where the investor loses significant influence over an associate should be applied prospectively. The Group has applied the amendments to HKAS 28 (as revised in 2008) as part of *Improvements to HKFRSs* issued in 2010 in advance of their effective dates (annual periods beginning on or after 1st July, 2010).

The application of HKAS 28 (as revised in 2008) has changed the Group's accounting treatment on disposal of an associate that resulted from the Group losing significant influence over that associate.

In prior years, the carrying amount of the interest in the associate as at the date the Group lost significant influence would have been regarded as deemed cost upon initial recognition of the available-for-sale investment under HKAS 39 *Financial Instruments: Recognition and Measurement* at the date the investment is reclassified from associate to available-for-sale investment and the movement in fair value would have been recognised in other comprehensive income.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 28 (as revised in 2008) Investments in Associates *(continued)*

Under the revised Standard, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

This change in policy has affected the accounting for the deemed disposal of the Group's and Company's interest in Chinasoft International Limited ("Chinasoft") in the current year. The interest in Chinasoft recognised in the consolidated and the Company's statements of financial position has been measured at fair value of HK$271,030,000 on initial recognition as an available-for-sale investment upon the deemed disposal. The difference of HK$146,381,000 between the Group's carrying amount of the interest retained in Chinasoft and its fair value at the date of deemed disposal together with the release of translation reserve of HK$21,120,000 has been recognised in profit or loss instead of other comprehensive income in the current year. The Group's profit for the current year has therefore been increased by HK$167,501,000, while the Group's other comprehensive income has been decreased by the same amount. As a result, there is no impact to the equity attributable to owners of the Company under the revised Standard.

Amendments to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January, 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant and equipment retrospectively. This resulted in prepaid lease payments with the carrying amounts of HK$22,521,000 and HK$23,084,000 as at 31st December, 2009 and 1st January, 2009 respectively being reclassified to property, plant and equipment.

As at 31st December, 2010, no leasehold land that qualifies for finance lease classification has been included in property, plant and equipment as a result of the disposal transaction during the year. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$15,972,000 and HK$16,794,000 have been reclassified from non-current liabilities to current liabilities as at 31st December, 2009 and 1st January, 2009 respectively. At 31st December, 2010, there are no bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) being classified as current liabilities, since the related bank loans have already been fully repaid during the year.

The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 6b for details).

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the result for the current year by line item is as follows:

	Year ended 31/12/2010 HK$'000
Increase in gain on deemed disposal of an associate *(notes 24)*	**167,501**

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Summary of the effects of the above changes in accounting policies *(continued)*

The effects of the above changes in accounting policies on the financial positions of the Group as at 1st January, 2009 and 31st December, 2009 are as follows:

	As at 1/1/2009 (Originally stated)	Adjustments	As at 1/1/2009 (restated)	As at 31/12/2009 (Originally stated)	Adjustments	As at 31/12/2009 (restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	20,955	23,084	44,039	24,298	22,521	46,819
Prepaid lease payments – current	598	(563)	35	596	(563)	33
Prepaid lease payments – non-current	23,675	(22,521)	1,154	23,019	(21,958)	1,061
Bank and other loans – current	(5,918)	(16,794)	(22,712)	(8,724)	(15,972)	(24,696)
Bank and other loans – non-current	(16,794)	16,794	–	(15,972)	15,972	–

Impact on earning (loss) per share

The effects of the above changes in accounting policies on the Group's basic and diluted earning (loss) per share for the current and prior year are as follows:

	Impact on basic earning (loss) per share		Impact on diluted earning (loss) per share	
	Year ended 31/12/2010	Year ended 31/12/2009	**Year ended 31/12/2010**	Year ended 31/12/2009
	HK cents	HK cents	**HK cents**	HK cents
Figures before adjustments	**(4.9)**	(12.8)	**(4.9)**	(12.8)
Adjustments arising from changes in the Group's accounting policies in relation to:				
– Gain on deemed disposal of an associate	**55.1**	–	**55.0**	–
Figures after adjustments	**50.2**	(12.8)	**50.1**	(12.8)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for Amendments to HKAS 28[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (as revised in 2009)	Related Party Disclosures[5]
HKAS 32 (Amendments)	Classification of Rights Issues[6]
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

1 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st July, 2011.
3 Effective for annual periods beginning on or after 1st January, 2013.
4 Effective for annual periods beginning on or after 1st January, 2012.
5 Effective for annual periods beginning on or after 1st January, 2011.
6 Effective for annual periods beginning on or after 1st February, 2010.
7 Effective for annual periods beginning on or after 1st July, 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

***New and revised Standards and Interpretations issued but not yet effective** (continued)*

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of the new Standard may have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities, including the classification and measurement of the Group's available-for-sale investments. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKSA 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 will not have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model.

The directors of the Company anticipate that the application of the other new and revised Standards and Interpretation will have no material impact on the results and the consolidated financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st January, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1st January, 2010

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

Changes in the Group's ownership interests in existing subsidiaries prior to 1st January, 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests, according to the effective change in net asset value shared by non-controlling interest was recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

A cash-generating unit ("CGU") to which goodwill has been allocated is tested for impairment annually, or are frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or jointly control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1st January, 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates (continued)

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Investments in associates are included in the Company's statement of financial position at cost less any identified impairment loss.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost as adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entities recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in jointly controlled entities *(continued)*

When a group entity transacts with its jointly controlled entity, profits or losses are resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation and land held for undetermined future use.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the period in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment including land and buildings held for administrative purpose are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Paintings and other display items

Paintings and other display items are stated at cost less any identified impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees after 7th November, 2002 and vested on or after 1st January, 2005

The fair value of services received determined by reference to the fair value of the share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to the share option reserve.

At the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for merchandises sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Specifically, revenue from sale of goods is recognised when goods are delivered and title has passed.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefit will flow to the Group and the amount of revenue can be measured reliably).

Service income are recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the profit and loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating leases payment are recognised as an expense on a straight-line basis over the lease term of the relevant lease. Except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except, for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

From 1st January, 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which these deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to defined contribution retirement benefits plans are charged as an expense when employees have rendered services entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets held for trading, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets held for trading

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from a jointly controlled entity/a non-controlling interest/a related company/subsidiaries, deposits held at financial institutions, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial asset below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets held for trading or loans and receivables.

Available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial asset below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets (continued)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial asset below).

Impairment of financial assets

Financial assets, other than those held for trading, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fee paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities (including trade and other payables, amounts due to directors/non-controlling interests/a related company/subsidiaries, bank and other loans and dividend payable to a non-controlling interest) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivative is initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment loss on assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are 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 goodwill within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The recoverable amount of the CGU is the higher of its fair value less costs to sell and its value in use. Where the actual future cash flows are less than expected, a material impairment loss may arise. Based on the cash flow forecast prepared by the management, impairment loss of HK$30,926,000 (2009: HK$3,800,000) is recognised in the profit or loss for the year ended 31st December, 2010. As at 31st December, 2010, the carrying amount of goodwill is HK$Nil (2009: HK$30,926,000), net of accumulated impairment losses recognised of HK$47,926,000 (2009: HK$17,000,000). Details of the recoverable amount calculation are disclosed in note 22.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes the bank and other loans, less cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debts.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Held-for-trading investments	**11,067**	23,443	**10,789**	23,123
Loans and receivables (including cash and cash equivalents)	**45,203**	38,549	**183,910**	146,818
Available-for-sale investments	**298,644**	27,536	**271,850**	1,130
Financial liabilities				
Amortised cost	**17,750**	33,736	**28,278**	27,015

6b. Financial risk management objectives and policies

Details of the Group's and Company's financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
Hong Kong dollars ("HKD")	**1,365**	–	**–**	–
Japanese Yen ("JPY")	**842**	7	**842**	7
Renminbi ("RMB")	**9**	9	**9**	9
United States dollars ("USD")	**5,880**	5,946	**1**	1
	8,096	5,962	**852**	17
Liabilities				
JPY	**–**	5,856	**–**	5,856

6. *FINANCIAL INSTRUMENTS* (continued)

6b. *Financial risk management objectives and policies* (continued)

Market risk (continued)

(i) Currency risk *(continued)*

Sensitivity analysis

The Group mainly exposes to fluctuation against foreign currencies at JPY, RMB and USD, whereas the Company mainly exposes to flutuation against JPY.

As the directors of the Company consider that the currency risk arising from RMB denominated monetary assets is insignificant, no foreign currency sensitivity analysis is presented.

The following table details the Group's and the Company's sensitivity to a 10% (2009:10%) increase and decrease in relevant foreign currencies against functional currency of respective group entities. 10% (2009: 10%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2009: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2009: a decrease in post-tax loss) where the relevant foreign currencies strengthen 10% (2009: 10%) against the functional currencies of relevant group entities. For a 10% (2009: 10%) weakening of the relevant foreign currencies against the functional currencies of relevant group entities, there would be an equal and opposite impact on the post-tax results.

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Effect on post-tax results:				
JPY against HKD	**70**	(488)	**70**	(488)
USD against RMB	**491**	496	**–**	–
HKD against RMB	**114**	–	**–**	–

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to obligations under finance leases and other loans. The Group and the Company are also exposed to cash flow interest rate risk in relation to bank deposits, deposits held at financial institutions and variable-rate bank and other loans.

The Group and the Company currently do not have an interest rate hedging policy to hedge against their exposures. However, the management closely monitors interest rate exposures and will consider entering into interest rate swap transactions to hedge significant interest rate risk should the risk arise.

The directors of the Company consider that the overall cash flow interest rate risk is not significant as interest rates are currently at low level and no significant changes are expected for the foreseeable future, accordingly, no sensitivity analysis is prepared.

(iii) Price risk

The Group and the Company are exposed to equity price risk through their held-for-trading investments and available-for-sale investments. The Group's and the Company's equity price risk are mainly concentrated on equity instruments quoted in the Stock Exchange and Tokyo Stock Exchange Group, Inc. The management manages the exposure to price risk by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective held-for-trading investments had been 10% (2009: 10%) higher/lower, post-tax profit of the Group and the Company for the year would increase/decrease by HK$924,000 and HK$901,000 (2009: post-tax loss of the Group and the Company for the year would decrease/increase by HK$1,957,000 and HK$1,931,000), respectively, as a result of the changes in fair value of held-for-trading investments.

If the price of the respective available-for-sale listed equity investments had been 10% (2009: 10%) higher/lower, the investment revaluation reserve of the Group and the Company would increase/decrease by HK$27,809,000 (2009: HK$924,000) and HK$27,185,000 (2009: HK$113,000), respectively as a result of the changes in fair value of available-for-sale investments.

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties are arising from the carrying amount of the respective recognised financial assets as stated in the consolidated and the Company's statements of financial position.

In order to minimize the credit risk, the management of the Group and the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk are significantly reduced.

The credit risk on bank balances and deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 41.6% (2009: 80.6%) and 92.8% (2009: 91.7%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the industrial operating segment.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents and working capital deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows and working capital. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The Group and the Company rely on bank loans as a source of funding. As at 31st December, 2010, the Group and the Company had available unutilised short-term bank loan facilities of approximately HK$253,119,000 and HK$250,619,000 (2009: HK$252,666,000 and HK$249,711,000), respectively.

The following table details the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

Liquidity tables

THE GROUP

	Weighted average interest rate	Repayable on demand and less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2010 HK$'000
2010							
Non-derivative financial liabilities							
Trade and other payables	–	10,423	–	–	–	10,423	10,423
Amounts due to directors	–	1,617	–	–	–	1,617	1,617
Amounts due to non-controlling interests	–	1,242	–	–	–	1,242	1,242
Amount due to a related company	–	1,136	–	–	–	1,136	1,136
Other loans	8.00%	2,952	–	–	–	2,952	2,952
Dividend payable to a non-controlling interest	–	380	–	–	–	380	380
Obligations under finance leases	5.91%	58	117	366	1,024	1,565	1,430
		17,808	117	366	1,024	19,315	19,180

	Weighted average interest rate	Repayable on demand and less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2009 HK$'000
2009							
Non-derivative financial liabilities							
Trade and other payables	–	5,112	–	–	–	5,112	5,112
Amounts due to directors	–	1,565	–	–	–	1,565	1,565
Amounts due to non-controlling interests	–	1,207	–	–	–	1,207	1,207
Amount due to a related company	–	1,136	–	–	–	1,136	1,136
Bank and other loans	2.10%	24,696	–	–	–	24,696	24,696
Dividend payable to non-controlling interests	–	20	–	–	–	20	20
Obligations under finance leases	12.48%	32	64	289	225	610	552
		33,768	64	289	225	34,346	34,288

6. FINANCIAL INSTRUMENTS (continued)

6b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

THE COMPANY

	Repayable on demand and less than 1 month HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2010 HK$'000
2010			
Non-derivative financial liabilities			
Other payables	**25**	**25**	**25**
Amounts due to directors	**1,617**	**1,617**	**1,617**
Amount due to a related company	**1,136**	**1,136**	**1,136**
Amounts due to subsidiaries	**25,500**	**25,500**	**25,500**
	28,278	**28,278**	**28,278**

	Weighted average interest rate	Repayable on demand and less than 1 month HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2009 HK$'000
2009				
Non-derivative financial liabilities				
Other payables	–	25	25	25
Amounts due to directors	–	1,565	1,565	1,565
Amount due to a related company	–	1,136	1,136	1,136
Amounts due to subsidiaries	–	18,433	18,433	18,433
Other loans	0.79%	5,860	5,860	5,856
Financial guarantee contract	–	20,082	20,082	–
		47,101	47,101	27,015

At 31st December, 2009, the amount included above for financial guarantee contract was the maximum amount the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at 31st December, 2009, the Company considers that it was not likely that the amount would be payable under the arrangement.

Bank loans with a repayment on demand clause are included in the "repayable on demand or less than 1 month" time band in the above maturity analysis.

As at 31st December, 2009, the aggregate undiscounted principal and interest of these bank loans amounted to HK$28,088,000. In current year, the Group has early repaid the bank loans.

The amounts included above for variable rate bank and other loans are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (continued)

6c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

(i) the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;

(ii) the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

(iii) the fair value of derivative financial instruments is based on the valuation provided by the counterparty financial institution.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their respective fair values.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

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

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	THE GROUP Level I		THE COMPANY Level I	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets held-for-trading	**11,067**	23,443	**10,789**	23,123
Available-for-sale investments – listed equity securities	**278,094**	9,236	**271,850**	1,130
Total	**289,161**	32,679	**282,639**	24,253

7. REVENUE

An analysis of the Group's revenue is as follow:

	2010 HK$'000	2009 HK$'000
Sales of goods	**20,955**	14,974
Provision of background music and music licensing services	**8,109**	5,441
Property rental income	**–**	622
	29,064	21,037

8. SEGMENT INFORMATION

Information reported to the Managing Directors and Chief Executive Officer of the Group, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance. The Group is organised into the following segments which focus on the category of different industries.

Specifically, the Group's operating segments under HKFRS 8 are as follows:

1. Industrial – manufacturing and sale of garments
2. Entertainment – provision of background music and music licensing and video on demand services by the subsidiaries and an associate (2009: a jointly controlled entity)
3. Technology – provision of information technology services through investments in an associate or investee company
4. Aviation – provision of aviation maintenance services provided by a jointly controlled entity
5. Other operation – property investment

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results

The following is the analysis of the Group's revenue and results by operating segment:

For the year ended 31st December, 2010

	Industrial HK$'000	Entertainment HK$'000	Technology HK$'000	Aviation HK$'000	Other operation HK$'000	Elimination HK$'000	Consolidated HK$'000
Segment revenue							
External revenue	20,955	8,109	–	–	–	–	29,064
Inter-segment revenue	–	–	–	–	600	(600)	–
Total	20,955	8,109	–	–	600	(600)	29,064
Segment result	(48)	(52,979)	182,344	637	2,643	–	132,597
Other income							462
Finance costs							(401)
Unallocated expenses							(9,973)
Increase in fair value of held-for-trading investments							3,251
Gain on disposal of property, plant and equipment							20,708
Gain on disposal of an associate							3
Gain on disposal of other non-current assets							1,251
Profit before tax							147,898

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results (continued)

For the year ended 31st December, 2009

	Industrial HK$'000	Entertainment HK$'000	Technology HK$'000	Aviation HK$'000	Other operation HK$'000	Elimination HK$'000	Consolidated HK$'000
Segment revenue							
External revenue	14,974	5,441	–	–	622	–	21,037
Inter-segment revenue	–	–	–	–	1,440	(1,440)	–
Total	14,974	5,441	–	–	2,062	(1,440)	21,037
Segment result	(108)	(19,809)	(18,078)	1,172	(1,537)	–	(38,360)
Other income							520
Finance costs							(544)
Unallocated expenses							(12,891)
Decrease in fair value of derivative financial instruments							109
Impairment loss on other non-current assets							(481)
Increase in fair value of held-for-trading investments							8,787
Loss on disposal of available-for-sale investments							(465)
Loss on deemed disposal of an associate							(91)
Share of result of an associate							(37)
Loss before tax							(43,453)

Inter-segment revenue are charged at mutually agreed terms.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the (loss) profit from each segment including items disclosed in other segment information below, net of selling and distribution costs and administrative expenses directly attributable to each segment without allocation of other income, corporate expenses, finance costs, loss on disposal of available-for-sale investments, changes in fair value of held-for-trading investments and derivative financial instruments, impairment loss/gain on disposal of other non-current assets, loss on deemed disposal/gain on disposal of an associate, share of results of an associate and gain on disposal of property, plant and equipment. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION *(continued)*

Other segment information

The following other segment information is included in the measure of segment profit or loss:

2010

	Industrial HK$'000	Entertainment HK$'000	Technology HK$'000	Aviation HK$'000	Other operation HK$'000	Unallocated amount HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	745	1,855	–	–	1,176	116	3,892
Gain on deemed disposal of an associate	–	–	(188,121)	–	–	–	(188,121)
Impairment loss on goodwill	–	30,926	–	–	–	–	30,926
Impairment loss on amount due from a jointly controlled entity	–	4,200	–	–	–	–	4,200
Increase in fair value of investment properties	–	–	–	–	(3,910)	–	(3,910)
Interest income	(154)	(194)	–	–	(7)	–	(355)
Share of results of associates	–	–	5,777	–	–	–	5,777
Share of results of jointly controlled entities	–	175	–	(637)	–	–	(462)
Write down of inventories	1,123	–	–	–	–	–	1,123

2009

	Industrial HK$'000	Entertainment HK$'000	Technology HK$'000	Aviation HK$'000	Other operation HK$'000	Unallocated amount HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment (restated)	921	1,627	–	–	1,189	645	4,382
Discount on acquisition of additional interest of an associate	–	–	(1,842)	–	–	–	(1,842)
Impairment loss on goodwill	–	3,800	–	–	–	–	3,800
Interest income	(192)	(3)	–	–	–	–	(195)
Increase in fair value of investment properties	–	–	–	–	(360)	–	(360)
Loss on disposal of property, plant and equipment	–	436	–	–	–	–	436
Loss on deemed disposal of an associate	–	–	131	–	–	91	222
Share of results of associates	–	–	19,789	–	–	37	19,826
Share of results of jointly controlled entities	–	1,575	–	(1,172)	–	–	403
Write down of inventories	902	–	–	–	–	–	902

Segment assets and liabilities

As the CODM reviews the Group's assets and liabilities for the Group as a whole on a consolidated basis, no assets or liabilities are allocated to the operating segments. Therefore, no analysis of segment assets and liabilities is presented.

8. SEGMENT INFORMATION (continued)

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2010 HK$'000	2009 HK$'000
Sale of garments	**20,955**	14,974
Provision of background music and music licensing services	**8,109**	5,441
Property rental income	**–**	622
	29,064	21,037

Geographical information

The Group's revenue from external customers analysed by geographical location of customers and information about its non-current assets (excluding interests in associates and jointly controlled entities, available-for-sale investments and financial instruments), by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000 (restated)
Hong Kong	**8,775**	6,113	**20,829**	43,756
Japan	**10,996**	8,934	**–**	–
Macau	**–**	–	**5,800**	5,500
Other regions in the PRC	**9,293**	5,990	**16,950**	49,872
	29,064	21,037	**43,579**	99,128

Information about major customers

Revenues from two customers of the corresponding years individually contributing over 10% of total revenue of the Group are as follows:

	2010 HK$'000	2009 HK$'000
Customer A (from industrial segment)	**5,169**	4,995
Customer B (from industrial segment)	**11,152**	9,097
	16,321	14,092

9. OTHER INCOME

Included in other income are:

	2010 HK$'000	2009 HK$'000
Interest income from banks and financial institutions	**355**	195

10. OTHER GAINS AND LOSSES

	2010 HK$'000	2009 HK$'000
Decrease in fair value of derivative financial instruments	–	109
Discount on acquisition of additional interest in an associate (Note)	–	1,842
Exchange loss, net	(333)	(65)
Gain on disposal of an associate	3	–
Gain on disposal of other non-current assets	1,251	127
Gain (loss) on disposal of property, plant and equipment	20,708	(436)
Increase in fair value of on held-for-trading investments	3,251	8,787
Increase in fair value of investment properties (Note 18)	3,910	360
Impairment loss on amount due from a jointly controlled entity (Note 28)	(4,200)	–
Impairment loss on goodwill (Note 21)	(30,926)	(3,800)
Impairment loss on other non-current assets	–	(481)
Loss on disposal of available-for-sale investments	–	(465)
	(6,336)	5,978

Note: In 2009, the Group acquired 4,720,000 shares of an associate, Chinasoft, at a consideration of approximately HK$2,508,000 resulting in discount on acquisition of additional interest of HK$1,842,000.

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eleven (2009: twelve) directors was as follows:

2010

		Other emoluments		
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits schemes contributions HK$'000	Total emoluments HK$'000
Deacon Te Ken Chiu, *J.P.*	15	–	–	15
Mr. Duncan Chiu	15	1,512	12	1,539
Mr. Dennis Chiu	15	–	–	15
Tan Sri Dato' David Chiu	10	–	–	10
Mr. Daniel Tat Jung Chiu	7	–	–	7
Mr. Derek Chiu	15	–	–	15
Mr. Desmond Chiu	15	477	12	504
Ms. Margaret Chiu	7	–	–	7
Dr. Lee G Lam	120	–	–	120
Mr. Eugene Yun Hang Wang	120	–	–	120
Mr. Andrew Chun Wah Fan	120	–	–	120
	459	1,989	24	2,472

In addition to the above, the rateable value of the property provided to Mr. Duncan Chiu as director's quarter during the year is HK$342,000 (2009: HK$912,000).

11. DIRECTORS' EMOLUMENTS (continued)

2009

		Other emoluments		
	Fees	Salaries and other benefits	Retirement benefits schemes contributions	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000
Deacon Te Ken Chiu, *J.P.*	15	–	–	15
Mr. Duncan Chiu	15	540	12	567
Mr. Dennis Chiu	15	–	–	15
Tan Sri Dato' David Chiu	15	–	–	15
Mr. Daniel Tat Jung Chiu	15	–	–	15
Mr. Derek Chiu	15	–	–	15
Mr. Desmond Chiu	15	414	12	441
Ms. Margaret Chiu	15	–	–	15
Dr. Lee G Lam	120	–	–	120
Mr. Hing Wah Yim (Deceased on 14th July, 2009)	43	–	–	43
Mr. Eugene Yun Hang Wang	120	–	–	120
Mr. Andrew Chun Wah Fan	27	–	–	27
	430	954	24	1,408

There was no arrangement under which a director waived or agreed to waive any remuneration and no payment of inducement fees and compensation for loss of office as director during the current year and previous year.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2009: one) is executive director and one (2009: one) is non-executive director whose emoluments are included in note 11 above. The emoluments of the remaining three (2009: three) individuals within the band of Nil to HK$1,000,000 are as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other benefits	**1,098**	899
Retirement benefits schemes contributions	**36**	36
	1,134	935

13. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interests on:		
Bank loans		
– wholly repayable within five years	**267**	125
– not wholly repayable within five years	**–**	276
Other loans wholly repayable within five years	**38**	45
Obligations under finance leases	**96**	98
	401	544

14. PROFIT (LOSS) BEFORE TAX

	2010 HK$'000	2009 HK$'000
Profit (loss) before tax has been arrived at after charging:		
Amortisation of prepaid lease payments	**97**	96
Auditor's remuneration		
– current year	**1,498**	1,250
– underprovision in prior year	**30**	400
Cost of inventories recognised as expense including write down of inventories of HK$1,123,000 (2009: HK$902,000)	**9,582**	13,214
Depreciation	**3,892**	4,382
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK$3,392,000 (2009: HK$2,427,000)	**18,733**	13,951
Operating lease rental in respect of rented premise	**1,636**	1,553
Royalty payment for background music and music licensing services (included in cost of sales)	**5,929**	5,256
Share of tax of associates (included in share of results of associates)	**2,110**	2,100
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**332**	–
and after crediting:		
Rental income from investment properties, less outgoings of Nil (2009: HK$13,000)	**–**	622

During the year, the management changed the presentation of write down of inventories from other gains and losses to cost of sales. Accordingly, write down of inventories for 2009 have been reclassified from other gains and losses to cost of sales to ensure consistency in presentation.

Operating lease rental in respect of a director's accommodation amounting to HK$882,000 (2009: Nil) is included under directors' remuneration.

15. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000
The income tax expense comprises:		
PRC Enterprise Income Tax:		
Current year	345	281
(Over)underprovision in prior years	(12)	59
	333	340
Deferred taxation (Note 44)	–	(232)
	333	108

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's subsidiaries in the PRC is 25% from 1st January, 2008 onwards.

The income tax expense for the year can be reconciled to the profit (loss) before tax per the consolidated statement of comprehensive income as follows:

	2010 HK$'000	2009 HK$'000
Profit (loss) before tax	147,898	(43,453)
Tax at the domestic income tax rate of 16.5%	24,403	(7,170)
Tax effect of expenses not deductible for tax purpose	8,382	2,573
Tax effect of income not taxable for tax purpose	(36,316)	(1,716)
Tax effect of tax losses not recognised	2,964	3,032
Tax effect of different tax rates of subsidiaries operating in the PRC	118	6
Tax effect of share of results of associates	953	3,271
Tax effect of share of results of jointly controlled entities	(76)	66
(Over)underprovision in respect of prior years	(12)	59
Others	(83)	(13)
Income tax expense for the year	333	108

16. DIVIDEND

No dividend was paid or proposed during 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

17. EARNING (LOSS) PER SHARE

The calculation of the basic and diluted earning (loss) per share attributable to the owners of the Company is based on the following data:

	2010	2009
	HK$'000	HK$'000
Earning (loss)		
Earnings (loss) for the purposes of basic and diluted earning (loss) per share	**152,060**	(38,700)

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earning (loss) per share	**302,837,886**	302,837,886
Effect of dilutive potential ordinary shares of share options	**551,822**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**303,389,708**	302,837,886

The effect arising from share options was anti-dilutive in 2009, while the effect arising from the potential ordinary share of associate were anti-dilutive for both years presented.

18. INVESTMENT PROPERTIES

	THE GROUP HK$'000	THE COMPANY HK$'000
FAIR VALUE		
At 1st January, 2009	23,695	5,645
Increase in fair value recognised in profit and loss	360	–
Disposals	(9,210)	–
At 31st December, 2009	14,845	5,645
Increase in fair value recognised in profit and loss	3,910	910
At 31st December, 2010	18,755	6,555

The carrying value of investment properties shown above are situated on:

	THE GROUP		THE COMPANY	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Land in Hong Kong				
Medium-term lease	12,955	9,345	6,555	5,645
Land and buildings in Macau				
Medium-term lease	5,800	5,500	–	–
	18,755	14,845	6,555	5,645

All of the Group's and the Company's investment properties including both land and building elements are situated in Hong Kong and Macau held under medium-term leases.

The fair value of the Group's investment properties at 31st December, 2010 and 2009 have been arrived at on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties.

The investment properties of the Group and the Company include an amount of HK$6,555,000 (2009: HK$5,645,000), the title of which has not been transferred to the Group and the Company and are still registered in the name of the vendor companies which are controlled by certain directors as trustee for the Company.

19. PROPERTY, PLANT AND EQUIPMENT

	Land and building in Hong Kong held under medium term lease HK$'000	Building in PRC held under medium term lease HK$'000	Leasehold improvements HK$'000	Lifts, electrical and office equipment HK$'000	Motor vehicles HK$'000	Service equipments HK$'000	Total HK$'000
THE GROUP							
COST							
At 1st January, 2009 (originally stated)	4,039	11,973	1,993	31,307	2,877	4,674	56,863
Effect of change in accounting policy	24,210	–	–	–	–	–	24,210
At 1st January, 2009 (restated)	28,249	11,973	1,993	31,307	2,877	4,674	81,073
Additions	–	–	393	310	–	7,221	7,924
Disposals	–	–	–	(20)	–	(756)	(776)
Exchange realignment	–	7	–	19	–	3	29
At 31st December, 2009	28,249	11,980	2,386	31,616	2,877	11,142	88,250
Additions	–	–	283	252	1,702	20	2,257
Disposals	(28,249)	–	(1,736)	(991)	(577)	(300)	(31,853)
Exchange realignment	–	454	4	1,149	18	414	2,039
At 31st December, 2010	–	12,434	937	32,026	4,020	11,276	60,693
DEPRECIATION							
At 1st January, 2009 (originally stated)	188	5,100	674	28,613	1,303	30	35,908
Effect of change in accounting policy	1,126	–	–	–	–	–	1,126
At 1st January, 2009 (restated)	1,314	5,100	674	28,613	1,303	30	37,034
Provided for the year	657	538	393	611	665	1,518	4,382
Eliminated on disposals	–	–	–	(5)	–	–	(5)
Exchange realignment	–	3	–	17	–	–	20
At 31st December, 2009	1,971	5,641	1,067	29,236	1,968	1,548	41,431
Provided for the year	274	543	225	475	688	1,687	3,892
Eliminated on disposals	(2,245)	–	(920)	(634)	(577)	–	(4,376)
Exchange realignment	–	229	–	1,081	16	105	1,431
At 31st December, 2010	–	6,413	372	30,158	2,095	3,340	42,378
CARRYING VALUES							
At 31st December, 2010	–	6,021	565	1,868	1,925	7,936	18,315
At 31st December, 2009 (restated)	26,278	6,339	1,319	2,380	909	9,594	46,819
At 1st January, 2009 (restated)	26,935	6,873	1,319	2,694	1,574	4,644	44,039

19. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements HK$'000	Office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
THE COMPANY				
COST				
At 1st January, 2009	272	245	577	1,094
Additions	378	85	–	463
At 31st December, 2009	650	330	577	1,557
Additions	–	21	–	21
Disposals	(272)	–	(577)	(849)
At 31st December, 2010	378	351	–	729
DEPRECIATION				
At 1st January, 2009	244	207	577	1,028
Provided for the year	48	34	–	82
At 31st December, 2009	292	241	577	1,110
Provided for the year	41	75	–	116
Eliminated on disposals	(272)	–	(577)	(849)
At 31st December, 2010	61	316	–	377
CARRYING VALUES				
At 31st December, 2010	317	35	–	352
At 31st December, 2009	358	89	–	447

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land in Hong Kong	over the lease term
Building in Hong Kong and PRC	over the shorter of the lease term of land and estimated useful life of 50 years
Leasehold improvements	10%
Lifts, electrical and office equipment	10% – 20%
Motor vehicles	20% – 30%
Service equipments	33.33%

The carrying value of motor vehicles of the Group includes an amount of HK$1,435,000 (2009: HK$861,000) in respect of assets held under finance leases.

20. PREPAID LEASE PAYMENTS

	THE GROUP		
	31/12/2010	31/12/2009	1/1/2009
	HK$'000	HK$'000	HK$'000
		(restated)	(restated)
The prepaid lease payments comprise the following leasehold land held under medium term leases:			
Land in the PRC	**1,036**	1,094	1,189
Analysed for reporting purposes as:			
Current	**33**	33	35
Non-current	**1,003**	1,061	1,154
	1,036	1,094	1,189

21. GOODWILL

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
COST		
At 1st January,	**47,926**	40,326
Adjustment in respect of contingent consideration (Note 45)	**–**	7,600
At 31st December,	**47,926**	47,926
IMPAIRMENT		
At 1st January,	**(17,000)**	(13,200)
Impairment loss recognised in profit or loss	**(30,926)**	(3,800)
At 31st December,	**(47,926)**	(17,000)
CARRYING VALUES		
At 31st December,	**–**	30,926

During the year ended 31st December, 2010, an impairment loss of HK$30,926,000 (2009: HK$3,800,000) has been recognised in profit and loss.

22. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill has been allocated to individual CGU relating to the subsidiary in Entertainment segment.

The basis of the recoverable amount of the CGU and their major underlying assumptions are summarised below:

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 10% (2009: 10%). Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted services revenue, such estimation is based on the unit's past performance and management's expectation for the market development.

In current year, the management has significantly adjusted downward the estimated growth rate of services revenue to 20% (2009: at reducing rate ranging from 210% to 19% after taking into account of the potential market share) in their cash flow projections with reference to the actual operating results over the past periods. The revision is to provide an appropriate estimation on market demands and reflect the adverse change in business and regulatory environment of licensed music industry during the year.

23. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**18,900**	18,628
Less: Impairment loss recognised	**(13,575)**	(13,575)
	5,325	5,053

The impairment loss is estimated by the directors based on the expected future cash flows generated from the Company's investment in these subsidiaries.

23. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of ownership interest held by the Company Direct 2010	Direct 2009	Indirect 2010	Indirect 2009	Principal activities
Beijing Golden Music	PRC*	RMB36,000,000 paid up capital/ RMB36,000,000 registered capital	**–**	–	**82%**	67%	Provision of background music and music licensing services
Brentford Investments Inc.	Republic of Liberia/ Hong Kong	US$200 Ordinary shares	**100%**	100%	**–**	–	Securities investment
Cathay Motion Picture Studios Limited	Hong Kong	HK$3,000,000 Ordinary shares	**100%**	100%	**–**	–	Property investment
Far East Capital Management Company Limited	Hong Kong	HK$1 Ordinary share	**–**	100%	**100%**	–	Investment holding
Far East Holdings (Jiangsu) Limited	Hong Kong	HK$10,000 Ordinary shares	**–**	–	**100%**	100%	Investment holding
Golden Music International	Hong Kong	HK$39,714,461 Ordinary share	**–**	–	**85%**	70%	Investment holding
GMI Media Limited	Hong Kong	HK$1 Ordinary share	**–**	–	**100%**	–	Investment holding
HomeBase Media Group Limited (formerly known as Golden Star Investment Limited)	Hong Kong	HK$1 Ordinary share	**100%**	100%	**–**	–	Investment holding
Jiangsu Bang Bang Silky Fashion Manufacturer Co., Ltd.	PRC*	US$3,940,000 Paid up registered capital	**–**	–	**51%**	51%	Manufacturing and sales of garment products
Jubilee Star Limited	Hong Kong	HK$1 Ordinary share	**–**	–	**100%**	100%	Investment holding

23. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of ownership interest held by the Company Direct 2010	2009	Indirect 2010	2009	Principal activities
Marvel Star Group Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**100%**	100%	**–**	–	Investment holding
Power Profit Far East Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	**–**	–	Investment holding
River Joy Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	**–**	–	Property investment
Skydynamic Holding Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**100%**	100%	**–**	–	Property investment
盛創新文化傳媒（北京）有限公司	PRC*	RMB2,100,000 paid up capital/ RMB2,100,000 registered capital	**–**	–	**85%**	–	Provision of cross-platform entertainment marketing

* Sino-foreign equity joint venture

Note:

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, results in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

24. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost of investment in associates				
Listed in Hong Kong	**–**	18,865	**–**	18,865
Unlisted in Hong Kong	**–**	342	**–**	–
Share of post-acquisition reserves, net of dividends received	**–**	90,486	**–**	–
	–	109,693	**–**	18,865
Market value of the listed associate	**–**	126,481	**–**	126,481

Particulars of associates of the Group at 31st December, 2010 and 2009 are as follows:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued ordinary share capital held by the Group 2010	2009	Principal activity
Chinasoft*	Cayman Islands/ PRC	**–**	13.74%	Provision of information technology services
Vigor Capital Limited#	Hong Kong	**–**	20.24%	Inactive
Orbit – Media Limited (Note 25)	Hong Kong	**19.50%**	20.75%	Provision of video on demand technology licensing services

* Listed in the Main Board of the Stock Exchange and deemed disposed in 2010.

\# Disposed in 2010.

Chinasoft

In prior years, the directors of the Company were of the opinion that the Group was able to exert significant influence over Chinasoft as the Group has nominated Mr. Duncan Chiu as a director of Chinasoft who also participated in the financial and operating decisions of Chinasoft. Accordingly, Chinasoft was classified as an associate of the Group as at 31st December, 2009.

During the year, Chinasoft issued a total of 202,978,571 (2009: 4,070,000) new shares to a few new investors and share option holders on exercise of their rights under the share options. Accordingly, the Group's shareholding in Chinasoft has been diluted and decreased to 11.45% (2009: 13.74%).

24. INTERESTS IN ASSOCIATES *(continued)*

Chinasoft *(continued)*

In addition, Mr. Duncan Chiu resigned as a director of Chinasoft on 31st December, 2010, at which time the Group has also entered into an agreement with Chinasoft that the Group no longer has any rights or power to nominate any directors to the board of directors of Chinasoft nor power to participate in the financial and operating decisions of Chinasoft. Accordingly, the Group no longer has significant influence over Chinasoft since 31st December, 2010.

On the loss of significant influence, the Group has retained the remaining 11.45% interests, which are classified as available-for-sale investments and measured at fair value with reference to quoted market price on 31st December, 2010. This transaction has resulted in the recognition of a gain on deemed disposal of an associate in profit or loss and calculated as follows:

	HK$'000
Fair value of investment retained	271,030
Less: carrying amount of interests in associate on the date loss of significant influence	(124,649)
Add: reclassification adjustment of exchange reserve	21,120
Add: gain on dilution from issuance of new shares by Chinasoft	20,620
Gain on deemed disposal	188,121

The summarised financial information in respect of the Group's associates is set out below:

	2010	2009
	HK$'000	HK$'000
Total assets	**28,695**	1,612,850
Total liabilities	**(33,142)**	(786,648)
Net (liabilities) assets	**(4,447)**	826,202
Group's share of net assets of associates	**–**	109,693
Revenue*	**1,840,384**	1,256,207
Loss for the year*	**(34,178)**	(144,322)
Other comprehensive income (expense) for the year*	**1,376**	(629)
Group's share of loss and other comprehensive expense of associates for the year	**(5,615)**	(19,690)

* Include revenue, result and other comprehensive income (expense) of Chinasoft up to date of deemed disposal.

24. INTERESTS IN ASSOCIATES (continued)

Chinasoft (continued)

The associate's loss for the year ended 31st December, 2009 included an impairment loss on goodwill and loss arising from changes in fair value of redeemable convertible preferred shares amounting to approximately HK$91,800,000 and HK$54,300,000 respectively.

The Group has discontinued recognition of its share of loss of the associate. The amount of unrecognised share of the associate, extracted from the relevant management accounts of the associate is as follows:

	2010
	HK$'000
Unrecognised share of loss of associates for the year	**899**
Accumulated unrecognised share of loss of associates	**899**

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Unlisted investments in jointly controlled entities, at cost less impairment	**35,592**	38,846
Share of post-acquisition reserves	**4,326**	(856)
	39,918	37,990

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

At 31st December, 2010 and 2009, the Group had interests in the following jointly controlled entities:

Name of entity	Forms of entity	Place of establishment/ operation	Proportion of nominal value of registered capital/ held by the Group 2010	2009	Principal activity
Beijing Kailan Aviation Technology Co., Ltd. ("Beijing Kailan") (Note 1)	Incorporated	PRC	**20.02%**	20.02%	Provision of aviation maintenance services
Orbit-Media Limited (Note 2)	Incorporated	Hong Kong	–	20.75%	Provision of video on demand technology licensing services

Note 1: The Group acquired 20.02% interest in Beijing Kailan. Under a joint venture agreement, all operating and financial decisions have to be jointly approved by the Group and the joint venture partner.

Note 2: In December, 2009, the Group acquired 20.75% interest in Orbit-Media Limited. Under the shareholder agreement, all operating and financial decisions have to be jointly approved by the Group and the joint venture partners.

As a result of the issuance of new shares by Orbit-Media Limited to a new investor, the Group's shareholding in Orbit-Media Limited in July 2010 has been decreased to 19.50%.

At the same time, the Group entered into a supplemental shareholder agreement with the existing joint venture partners and a new investor. Under the supplemental shareholder agreement, the Group can nominate one director out of five directors of the Board. The Group no longer has joint control over the financial and operating decisions of Orbit-Media Limited, resulting in a change of status from a jointly controlled entity to an associate.

The Group has retained 19.50% interest as interest in an associate. The fair value has been determined at Nil at the date of loss of joint control which was estimated by the directors based on the expected future cash flows to be derived from the investment in Orbit-Media Limited.

25. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

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

	2010	2009
	HK$'000	HK$'000
Current assets	**32,463**	28,699
Non-current assets	**28,525**	30,521
Current liabilities	**(19,793)**	(14,324)
Non-current liabilities	**(1,277)**	(6,906)
Income	**(21,267)**	(17,431)
Expenses	**20,805**	17,028
Other comprehensive income	**1,467**	–

26. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity securities listed in Hong Kong, at fair value	**278,094**	9,236	**271,850**	1,130
Unlisted equity securities in Hong Kong	**20,550**	18,300	**–**	–
	298,644	27,536	**271,850**	1,130

The above unlisted investment represents investment in unlisted equity securities issued by an unlisted entities incorporated in the Hong Kong which operate in the money lending industry. The investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

On the date of deemed disposal of the interest in an associate explained in note 24, such investment is measured at fair value on initial recognition as an available-for-sale investment of the Company and the Group.

27. OTHER NON-CURRENT ASSETS

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Paintings and other display items, at cost	**6,586**	6,888	**6,586**	6,888
Less: Impairment loss recognised	**(1,080)**	(1,411)	**(1,080)**	(1,411)
	5,506	5,477	**5,506**	5,477

The impairment loss has been estimated by the directors based on market evidence of recent transaction prices on similar paintings.

28. AMOUNT DUE FROM A JOINTLY CONTROLLED ENTITY

The amount due from a jointly controlled entity is unsecured, interest-free for a period of eighteen months from the date of advance and charging at 4% per annum thereafter, and repayable in December 2011.

During the year, an impairment loss of HK$4,200,000 has been recognised in profit or loss as the Group considers that the default risk is high after considering the past business performance and the expected future cash flows to be derived from the investment.

29. HELD-FOR-TRADING INVESTMENTS

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity securities:				
Hong Kong	**8,108**	6,864	**7,830**	6,544
Overseas	**2,959**	16,579	**2,959**	16,579
	11,067	23,443	**10,789**	23,123

The fair values of held-for-trading investments have been determined by reference to the quoted market bid prices available on the relevant exchanges.

30. INVENTORIES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Raw materials	**1,128**	1,180
Work in progress	**3,584**	1,570
Finished goods	**–**	863
	4,712	3,613

31. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group allows an average credit period of 30 days to its trade customers. Rental receivables from tenants are payable on receipt of invoices. The following is an aged analysis of trade receivables:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Current	**975**	77
Past due:		
0 to 30 days	**582**	714
31 to 60 days	**566**	401
61 to 90 days	**619**	77
Over 90 days	**690**	–
Total trade receivables	**3,432**	1,269
Other receivables	**1,601**	2,627
	5,033	3,896

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$2,457,000 (2009: HK$1,192,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered that the default risk is low after assessing the past payment history of the debtors and settlement after the end of the reporting period. The Group does not hold any collateral over these balances. Trade receivables which are neither overdue nor impaired are in good quality with reference to past payment history. The average age of these receivables is 65 days (2009: 64 days).

32. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

The amounts are unsecured, interest-free and repayable on demand.

The amount due from a non-controlling interest is trade in nature and the Group has a policy of allowing a credit period of 30 days to the non-controlling interest. The aged analysis of the receivable is as follows:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Current	**1,388**	913
Past due:		
31 to 60 days	**284**	193
61 to 90 days	**625**	795
Over 90 days	**1,849**	2,687
	4,146	4,588

Included in the amount due from the non-controlling interest is a trade balance of HK$2,758,000 (2009: HK$3,675,000) which is past due at the reporting period for which the Group has not provided for impairment loss as the Group considered that the default risk is low after assessing the past payment history of the non-controlling interest and settlement after the end of the reporting period. The Group does not hold any collateral over this balance. No allowance for doubtful debts are provided and any uncollectible debts are written off directly. The amount due from the non-controlling interest which is neither overdue nor impaired is in good quality with reference to past payment history.

33. AMOUNTS DUE FROM/TO RELATED COMPANIES

The amount due from a related company is unsecured, interest-free and has no fixed repayment terms. The maximum amount outstanding is HK$9,000 for both years. The management expects to realise the amount in the next twelve months from the end of the reporting period.

The amounts due to a related company is unsecured, interest-free and repayable on demand.

The related companies are companies in which certain directors of the Company have control.

34. DEPOSITS HELD AT FINANCIAL INSTITUTIONS/BANK BALANCES AND CASH

Bank balances and deposits held at financial institutions carry interest at market rates which range from 0.001% to 0.03% (2009: 0.001% to 1.550%) per annum.

35. PLEDGED BANK DEPOSITS

Bank balances are pledged to a bank for granting general banking facilities and short term bank loan to a subsidiary of the Company.

36. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
0 to 30 days	**5,211**	2,055
31 to 60 days	**14**	–
61 to 90 days	**11**	8
Over 90 days	**40**	51
Total trade payables	**5,276**	2,114
Other payables	**11,594**	13,190
	16,870	15,304

37. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand.

38. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from subsidiaries are unsecured and interest bearing at 2.15% (2009: 2.15%) per annum. The Company has agreed that the amounts will not be demanded for repayment within the next twelve months. Accordingly, the amounts are shown as non-current.

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

39. BANK AND OTHER LOANS

	THE GROUP			THE COMPANY	
	31/12/2010	31/12/2009	1/1/2009	**31/12/2010**	31/12/2009
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)	(restated)		
Bank loans	**–**	18,840	17,599	**–**	–
Other loans	**2,952**	5,856	5,113	**–**	5,856
	2,952	24,696	22,712	**–**	5,856
Analysed as:					
Secured	**–**	24,696	22,712	**–**	5,856
Unsecured	**2,952**	–	–	**–**	–
	2,952	24,696	22,712	**–**	5,856
Carrying amount repayable (Note):					
Within one year	**2,952**	8,724	5,918	**–**	5,856
More than one year but not exceeding two years	**–**	840	822	**–**	–
More than two years but not exceeding five years	**–**	2,631	2,575	**–**	–
More than five years	**–**	12,501	13,397	**–**	–
	2,952	24,696	22,712	**–**	5,856
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**–**	(15,972)	(16,794)	**–**	–
Less: Amounts due within one year shown under current liabilities	**(2,952)**	(8,724)	(5,918)	**–**	(5,856)
	–	–	–	**–**	–

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

At 31st December, 2010, the other loans are denominated in the functional currency of the relevant group entity, bear fixed interest rate at 8% per annum.

At 31st December, 2009, the other loans with floating interest rates at 0.79% per annum were denominated in JPY, currency other than the functional currency of the relevant group entity.

At 31st December, 2009, bank loans, which was denominated in HKD, was at variable interest rate at 3.1% below Hong Kong Prime Lending Rate per annum. The bank loans were secured by a leasehold land and building in Hong Kong which was fully repaid during the year. The effective interest rate of the bank loans was 2.15% per annum.

40. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Amounts payable under finance leases:				
Within one year	**541**	386	**479**	336
In more than one year but not more than two years	**315**	225	**277**	216
In more than five years	**709**	–	**674**	–
	1,565	611	**1,430**	552
Less: Future finance charges	**(135)**	(59)	**–**	–
Present value of lease obligations	**1,430**	552	**1,430**	552
Less: Amount due within one year shown under current liabilities			**(479)**	(336)
Amount due after one year			**951**	216

Obligations under finance leases are secured by motor vehicles. The terms of the lease range from three years to five years (2009: two years to three years). Interest rates are ranging from 4.74% to 12.48% per annum (2009: 12.48% per annum). No arrangements have been entered into for contingent rental payment.

41. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2010	2009	**2010**	2009
			HK$'000	HK$'000
Ordinary shares of HK$0.01 each:				
Authorised	**70,000,000,000**	70,000,000,000	**700,000**	700,000
Issued and fully paid	**302,837,886**	302,837,886	**3,028**	3,028

42. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 23rd May, 2005 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 20th July, 2015. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The number of shares to be issued in respect of which options had been granted and remained outstanding under the Scheme is 2,300,000 shares at the end of both reporting periods. 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 in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1.00 per option. Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

On 21st April, 2006, 5,100,000 share options were granted at an initial exercise price of HK$1.34, 50% of 5,100,000 share options were immediately vested upon grant with exercisable period from 23rd May, 2006 to 22nd May, 2016 and the remaining 50% of 5,100,000 share options were vested one year from date of grant with exercisable period from 23rd May, 2007 to 22nd May, 2017 respectively. Pursuant to the bonus issue in 2006, the exercise price and number of share options granted were adjusted accordingly from HK$1.34 to HK$1.2182 and from 5,100,000 to 5,610,000 respectively. Furthermore, pursuant to the bonus issue in 2008, the exercise price and the remaining number of the share options granted were further adjusted from HK$1.2182 to HK$0.6091 and from 1,150,000 to 2,300,000, respectively.

No share option was granted during the year.

42. SHARE OPTION SCHEME *(continued)*

Details of the share options outstanding at 31st December, 2010 and 2009 as follows:

Capacity of grantee	Grant date	Adjusted exercise price HK$	Exercisable period (both days inclusive)	Number of Share Options at 1/1/2009, 31/12/2009 and 31/12/2010
Employees	21/4/2006	0.6091	23rd May, 2006 to 22nd May, 2016	660,000
	21/4/2006	0.6091	23rd May, 2007 to 22nd May, 2017	1,640,000
				2,300,000

The estimated fair values of the options granted on 21st April, 2006 vested in 2006 and 2007 are HK$0.4964 and HK$0.5613 respectively. The market price of the shares at the date of grant was HK$1.34. These fair values were calculated using the Black-Scholes pricing model.

43. SHARE PREMIUM AND RESERVES

	Share premium HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	(Accumulated losses) retained profits HK$'000	Total HK$'000
THE COMPANY					
At 1st January, 2009	168,554	568	–	12,490	181,612
Loss for the year	–	–	–	(17,871)	(17,871)
Fair value gain on available-for-sale investments	–	–	701	–	701
Adjustment in respect of contingent consideration for acquisition of subsidiaries (Note 45)	7,600	–	–	–	7,600
At 31st December, 2009	176,154	568	701	(5,381)	172,042
Profit for the year	–	–	–	206,168	206,168
Fair value loss on available-for-sale investments	–	–	(311)	–	(311)
At 31st December, 2010	176,154	568	390	200,787	377,899

44. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1st January, 2009	(31)	739	(476)	232
(Credit) charge to profit or loss	(133)	(574)	475	(232)
At 31st December, 2009	(164)	165	(1)	–
Charge (credit) to profit or loss	128	–	(128)	–
At 31st December, 2010	(36)	165	(129)	–

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset.

At the end of the reporting period, the Group has unused tax losses of approximately HK$177,290,000 (2009: HK$158,554,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$781,000 (2009: HK$7,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$176,509,000 (2009: HK$158,547,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At the end of the reporting period, the Company has unused tax losses of approximately HK$121,462,000 (2009: HK$113,330,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

45. ACQUISITION OF SUBSIDIARIES

In February 2008, the Group acquired 100% equity interest in Golden Music International and its non-wholly owned subsidiary, Beijing Golden Music, which principally engaged in the provision of background music and music licensing services.

Pursuant to the sales and purchase agreement, the purchase consideration was subject to adjustments based on the conditions under the warranties given by the vendor. During the year ended 31st December, 2009, the conditions under the warranties were satisfied and accordingly, the Company delivered the contingent share consideration to the vendor, resulting in the purchase consideration being adjusted upwards by approximately HK$7,600,000 with the corresponding increase in goodwill on acquisition of the subsidiaries. The amount attributable to the contingent share consideration was determined based on the contingently issuable shares which were valued at their fair value at the date the shares were delivered to the vendor.

46. MAJOR NON-CASH TRANSACTION

During the year, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of HK$1,402,000 (2009: Nil).

47. PLEDGE OF ASSETS

At 31st December, 2010:

(a) margin trading facilities in respect of securities transactions to the extent of approximately HK$6.5 million (2009: HK$13.4 million), of which HK$Nil (2009: HK$5.9 million) has been utilised, is secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK$23.8 million (2009: HK$25.3 million) and HK$23.8 million (2009: HK$20.2 million), respectively. The listed investments comprise held-for-trading securities and available-for-sale investments held by the Group;

(b) overdraft and revolving loan facilities to the extent of approximately HK$17.1 million (2009: HK$17.1 million), of which HK$Nil has been utilised at the end of the reporting periods, are secured by the deposit held at financial institutions of the Company of approximately HK$39,000 (2009: HK$37,000);

(c) short term loan and margin facilities in respect of securities transactions to the extent of approximately HK$233.5 million (2009: HK$232.7 million) of which HK$Nil has been utilised at the end of the reporting periods, is secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK$239.5 million (2009: HK$97.5 million) and HK$239.5 million (2009: HK$17.9 million), respectively. The listed investments comprise held-for-trading securities and available-for-sale investment held by the Group;

(d) In 2009, bank loan facilities of approximately HK$18.9 million, of which approximately HK$16.8 million were drawndown and fully utilised, was secured by the Group's leasehold land and building in Hong Kong with an aggregate carrying value of approximately HK$26.3 million. The bank loan facilities has been terminated upon the disposal of the respective leasehold land and building in current year; and

(e) letter of credit facilities to the extent of approximately HK$2.5 million (2009: HK$5.0 million), of which HK$Nil (2009: approximately HK$2.0 million) has been utilised, is secured by the Group's bank deposit amounted to approximately HK$2.5 million (2009: HK$2.5 million).

48. CONTINGENT LIABILITIES

At 31st December, 2010, the Group and the Company do not have contingent liabilities.

At 31st December, 2009, the Company is contingently liable for guarantee issued to a bank in respect of a mortgage loan granted to a subsidiary. The mortgage loan utilised by the subsidiary amounted to HK$18,900,000. The maximum amount the Company could be required to settle under the arrangement HK$20,082,000. The mortgage loan has been repaid during the year.

In the opinion of the directors, the fair value of the financial guarantee contract was insignificant. Accordingly, no value was recognised in the consolidated financial statements.

49. OPERATING LEASES

The Group and the Company as lessee

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under a non-cancellable operating lease which falls due as follows:

(i) Leased premises

	2010	2009
	HK$'000	HK$'000
Within one year	**1,999**	576
In the second to fifth year inclusive	**990**	230
	2,989	806

In 2009, operating lease payments represent rentals payable by the Group to a company controlled by certain directors of the Company for the use of its office premise. Leases are negotiated for a term of two years.

(ii) Royalty payment for background music and music licensing services

	2010	2009
	HK$'000	HK$'000
Within one year	**2,902**	2,530
In the second to fifth year inclusive	**9,770**	12,538
	12,672	15,068

Royalty payment was negotiated for a term of fifteen years and could be terminated after five years from the date of commencement of the licensing services.

50. RETIREMENT BENEFITS SCHEMES

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes the higher of 5% (2009: 5%) of relevant payroll costs or HK$1,000 to the scheme monthly, which contribution is matched by employees.

	2010	2009
	HK$'000	HK$'000
Amount contributed and charged to profit or loss	**141**	137

Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contribution schemes.

	2010	2009
	HK$'000	HK$'000
Amount contributed and charged to profit or loss	**3,251**	2,290

51. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

Related party	**Nature of transactions**	**2010**	2009
		HK$'000	HK$'000
A non-controlling interest of a subsidiary	Sales of goods	**11,152**	9,097
	Purchases of materials	**668**	517
Related companies	Rental expenses	**–**	201
	Disposal of a painting	**–**	420

The Company performed certain administrative services for its subsidiaries for which a management fee of Nil (2009: HK$1,224,000) was charged to the subsidiaries.

Certain directors of the Company have control in the related company.

Terms and balances with related parties are set out in the consolidated statement of financial position and notes 28, 32, 33, 37 and 38.

51. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

The remunerations of directors and the members of key management in respect of the years are as follows:

	2010	2009
	HK$'000	HK$'000
Short-term employment benefits	**3,546**	2,283
Post-employment benefits	**60**	60
	3,606	2,343

The remuneration of directors and key executives is determined by the Board of Directors having regard to the performance of individuals and market trends.

	For the year ended 31st December,				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	53,485	28,868	22,720	21,037	**29,064**
Profit (loss) before tax	16,563	96,252	(70,499)	(43,453)	**147,898**
Income tax (expense) credit	(372)	592	69	(108)	**(333)**
Profit (loss) for the year	16,191	96,844	(70,430)	(43,561)	**147,565**
Profit (loss) for the year attributable to:					
Owners of the Company	15,962	97,388	(66,244)	(38,700)	**152,060**
Non-controlling interests	229	(544)	(4,186)	(4,861)	**(4,495)**
	16,191	96,844	(70,430)	(43,561)	**147,565**

	As at 31st December,				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Total assets	231,294	386,392	362,349	339,985	**444,191**
Total liabilities	(25,741)	(41,186)	(38,104)	(44,587)	**(25,666)**
	205,553	345,206	324,245	295,398	**418,525**
Non-controlling interests	(16,477)	(17,108)	(22,293)	(18,769)	**(15,997)**
Equity attributable to owners of the Company	189,076	328,098	301,952	276,629	**402,528**

A. INVESTMENT PROPERTIES

Location	Group's interests	Approximate site area (sq.ft.)	Existing use	Term of lease
1. Unit A, B, C, D, E, F, G and H 3rd Floor, Sun Star Castle, Beco da Roma No. 6, Rua de S. Domingos No. 13 – 19A and Patio de S Domingos, No. 17 – 19 Macau	100%	3,783	Commercial	Medium

B. LANDS HELD FOR UNDETERMINED FUTURE USE

Location	Group's interests	Approximate site area (sq.ft.)	Existing use	Term of lease
1. Half share in Lots 5, 9, 10, 12,14, 15, 17, 18, 19, 20, 33 and 72 in DD 447, Tsuen Wan, New Territories Hong Kong	100%	40,075	Agriculture	Medium
2. Lots 46, 47, 48, 49, 107, 108, 109 and 110 in DD279, Tuen Mun New Territories Hong Kong	100%	36,155	Agriculture	Medium
3. Lots 421 and 718 in DD 395, Tin Fu Tsai, Tuen Mun, New Territories Hong Kong	100%	22,216	Agriculture	Medium
4. Lots 968, 969, 970, 971, 972, 973, 975, 976, 977, 978 R.P., 980 R.P. and 981 R.P. in DD 82, Ta Kwu Ling, Fanling, New Territories Hong Kong	100%	53,070	Agriculture	Medium
5. The Remaining Portion of Lot No. 445 in DD 360 Chuen Lung, Tsuen Wan, New Territories Hong Kong	100%	710	Agriculture	Medium
6. 13.075% Interest in Lot No. 389 Chuen Lung, Tsuen Wan, New Territories Hong Kong	100%	19,000	Commercial	Medium