中國東方

China Mandarin

Annual Report 2011

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

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

Contents

Corporate Information

Board of Directors

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

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

Company Secretary

Mr. Chan Chun Fat

Solicitors

Fairbairn Catley Low & Kong
23/F Shui On Centre,
6-8 Harbour Road
Hong Kong

Auditors

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

Principal Bankers

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Principal Share Registrar and Transfer Office

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business in Hong Kong

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

Chairman's Statement

Dear Shareholders,

With timely land acquisitions made as future revenue generators, year 2011 is another year of opportunities for China Mandarin Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group").

Thanks to the gain on property disposal for film processing factory in Kwun Tong, Hong Kong and revaluation gain on land and rental property, I, on behalf of the board (the "Board") of directors (the "Director"), am delighted to announce that the Group's net profit recorded a 2% growth to HK$57,764,000 for the year under review.

Cornerstones of the twin-lined business model of the Group – property development and investment in the PRC paralleling with film production and related businesses – have dually generated revenues to the Group.

Property investment and development are expected to be a stable cash generator of the Group. Apart from the promising opportunities in the PRC market, the Group had grasped a chance of selling our property in Kwun Tong of our film processing arm and generated significant profit inflow to last year's performance.

With more involvement in the property sector, the Group appointed myself as new executive director and Chairman to take leadership role in mapping out the development growth plan for the Group with my expertise.

In January 2011, the Group completed the acquisition process of the entire interest of Hunan Jiuhua International City Development Construction Company Limited ("Hunan Jiuhua"), which is involved in an all-round scope of property business including property development, property management and hotel management.

Chairman's Statement

Together with Hunan Jiuhua, the Group has proceeded to the developing its land bank. Named as "Oriental Venice", the development project comprises of a parcel of land with a gross area of approximately 325,989 square metre in Jiuhua Demostrative Zone, Xiangtan, Hunan Province of the PRC. This parcel of land marked the Phase 1 development of "Oriental Venice" comprising of high-end residential units and a five-star hotel. The Group considers that the acquisition of Hunan Jiuhua and the project of "Oriental Venice" have great investment potentials and represent valuable opportunities for the Group to extend its revenue and earnings base.

In midst of macroeconomic adjustments in the country, property market in Hunan is expected to enjoy a stable growth. With the help of booming economy, higher household income has given rise to the purchasing power of the people in the PRC. Demand for high-end residential buildings and shopping arcades remains strong in second-, third– and even fourth-tier cities with prosperous prospects, given rapid development in these areas. Serving such focused markets, the Group will continue to look for investment opportunities in the property market of the PRC, with an ultimate aim to bring along better performance to our shareholders.

Film productions, as our core pillar in our twin-lined business model, provided the Group with satisfactory returns. Although there was no film released during the year under review, the Group had been putting unweaving effort in producing high quality films for the audience.

To capture favor of audience towards Chinese culture and heritage both in the Chinese and international contexts, "The Monkey King", which is a 3D film based on the popular Chinese Story "Journey to the West", is expected to be released in summer 2013. Along with another literary film "Floating City" to go on screen in May this year, the Group is optimistic towards the business performance of film production. With abundant expertise, established production facilities and extensive distribution network, we are very confident to maintain our leading position in the market.

Acknowledgement

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

Management's Discussion and Analysis

Financial Highlights

For the year ended 31 December 2011, the Group's turnover dropped from HK$126,566,000 last year to HK$54,510,000, registering a decrease of 56.9%. Gross profit also decreased to HK$26,933,000 (2010: HK$37,348,000). Property rental in the PRC contributed HK$16,529,000 to the Group (2010: HK$15,193,000). Particularly, gain on property disposal contributed HK$41,328,000 profit to the Group. Among our property investments, there was a valuation gain of HK$26,532,000 on the commercial property in Chengdu, the PRC. Turnover from film production, distribution and licensing, which accounted for 30% of the Group's turnover, recorded an amount of HK$16,279,000 (2010: HK$88,947,000), while turnover from film processing was HK$21,702,000 (2010: HK$22,426,000).

The Group's profit attributable to equity holders amounted to HK$54,798,000 (2010: HK$55,171,000). Basic earnings per share was 1.86 HK cents (restated 2010: 3.32 HK cents). The Board of Directors did not recommend dividend payout for the year ended 31 December 2011 (2010: Nil). As of 31 December 2011, cash on hand was HK$48,133,000 (2010: HK$64,764,000).

During the year, the Group made a capital commitment in respect of a wholly foreign owned subsidiary in the PRC for property development of approximately HK$35,813,000. Other commitment included a HK$1,750,256,000 mainly on property development related expenses.

The Group incurred interest expenses after capitalisation of HK$1,533,000 (2010: HK$89,000) derived from the bank and other borrowings, loans from a shareholder and obligations under finance lease as well as the convertible bonds.

Management's Discussion and Analysis

Business Review

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

Property Development and Investment Business

Property Development

For the year ended 31 December 2011, the property development and hotel business was operated at a loss before tax of HK$3,801,000 (31 December 2010: HK$959,000).

Last year, the Group acquired the entire interest of Hunan Jiuhua International City Development Construction Company Limited ("Hunan Jiuhua"), which owns a parcel of land in Jiuhua district in Xiangtan city. This area, as aforementioned, is used to develop Phase 1 of the "Oriental Venice" project which is to build low-density residential units and, a five-star hotel, both of which are under construction.

The Group remains optimistic towards the project in the overall and anticipates to enjoy stable growth amid macroeconomic adjustments. Xiangtan city was selected as a developmental zone of a two-oriented society,

upholding visions of resource-saving and environmental-friendly under the model of new urbanisation, new industrialisation and agricultural industrialisation. Alongside its position as the National-level Economic and Technological Zone, the unique developmental positioning of "Oriental Venice" has attracted potential buyers where consumer preference towards the district has been observed, amid the modulations in residential sector.

Together with the well-developed infrastructure, including three major highways and Changsha Huanghua Airport within 60 km radius from Xiangtan's downtown, the government is determined to develop Xiangtan city. In late 2010, the construction of an Inter-city railway network between Changsha, Zhuzhou and Xiangtan started and is expected to be in use within 4 years. Upon the opening of the Inter-city railway, transporting to and from these cities will only take half an hour, strengthening the position of Chang-Zhu-Tan City Cluster as an engine of economic development for the Hunan Province. With favourable policy support, excellent geographical location and easy accessibility, the project has demonstrated its huge potential to deliver substantial profits in the coming years.

In view of the cumulative increase in the Hong Kong property price, in January 2011, the Group disposed the entire 3rd Floor and the roof floor (inclusive of the fresh water tank on the roof) of an industrial building known as Cheung Fai Industrial Building at the price of HK$44,093,000. Located at Nos. 131-133 Wai Yip Street, Kowloon, Hong Kong with a total gross floor area of approximately 22,046 square feet, this particular property provided over 578% returns on the investment over the past 22 years (1989: HK$6,500,000). To avoid unnecessary interruption to the Group's business after completion of the deal on 11 March 2011, the Group has leased back the property, which is currently occupied for film processing.

Property Rental

Rental income increased by 8.8% reaching HK$16,529,000 (2010: HK$15,193,000) during the year under review, which was contributed by the commercial property in Chengdu, the PRC.

In February 2012, the tenant operating a department store negotiated for a termination of tenancy agreement and both parties agreed for a compensation of RMB6.5 million which will be booked this year. The Group is looking for new tenant for the vacant floors.

In the first half of the year, the Group signed another 10-year lease with a karaoke, in addition to the long term lease with a salon in 2010.

Film related businesses

Film production

For the year ended 31 December 2011, no film was released.

During the year, the Group continued the production of two new films, namely, a 3D film "The Monkey King", based on a popular Chinese story "Journey to the West", and a literary film "Floating City". Donnie Yen, the main actor in "Ip Man", will take the main actor role in "The Monkey King" joined by Aaron Kwok and Chow Yun Fat. Post-production of "The Monkey King" is undergoing and it is expected to go on screen in the Summer 2013 after several years of preparation.

RED Digital Cinema, which is the top 3D digital equipment provider in Hollywood, has provided the most advanced technological equipment throughout the film making process. It has also regarded "The Monkey King" as one of its three globally recommended films, together with "Pirates of the Caribbean: On Stranger Tides" and "The Amazing Spider-Man", to be highlighted in their annual sales meeting with worldwide production and distribution partners. In view of the flourishing 3D film market, the Group believes that the film, with rich Chinese cultural heritage content, will be appealing to audience worldwide and will hit the box office record again after the colossal success of "Ip Man".

Another literary film "Floating City" with settings in the 50s, directed by Yim Ho and starred by Aaron Kwok and Charlie Young, is also in post-production stage and is expected to be released in May 2012. The Group is confident that both films will be popular among audience and capture huge box office.

Film processing

Amid lower film demand from the market and audiences along with the bombardment of rising digital material cost, film processing business still managed to secure over 60% market share among the three films processing factories in Hong Kong, and generated an stable turnover of approximately HK$21,702,000 comparing to HK$22,426,000 of last year. Operating profit decreased to HK$2,968,000 (restated 2010: HK$5,491,000).

Management's Discussion and Analysis

The Group has been keeping close with the market development of digitalization. The Group is looking into opportunities of relocating the film processing factory. With over 40 years of experiences in film processing business, the Group continues to endeavor excellent services including sound recording, sound mixing and top of visual and subtitle, consolidating its leading film laboratory position in Hong Kong and South East Asia.

Prospects

Long-term property investment in the PRC will remain as an important pillar of our businesses providing steady income. Along with the expected Renminbi appreciation, the currency trend will add a premium onto our profit generated from our PRC property projects.

Rapid urbanisation is witnessed in the PRC not limited to the coastal areas. In view of the government's policy to urbanise second– and third-tier cities, the Group has acquired Hunan Jiuhua and the "Oriental Venice" project would generate huge income stream for the Group with the sales of residential units and the opening of the five-star hotel in Phase 1 development.

As shown in the 2011 statistical findings from the Hunan Provincial Bureau of Statistics, property market in Hunan was stabilised, resulting in milder increases in investments from property developers and buyers of 29.1% and 31.7% respectively. We believe that amidst nationwide macroeconomic policies in the prevention of overheated property market, the specific market in Xiangtian city will still flourish with higher demands as the city has well-developed transportation infrastructure and the Hunan provincial policies are favourable to enterprises looking for relocation from coastal areas with rising costs to inland areas.

In addition, film business of the Group continued to benefited from the evolving market in the PRC. Under the strategic direction of the 12th Five-Year Plan of the PRC, reforms and development in the cultural sector has been robust. In the perspective of hardware, numbers of cinemas and screens have risen for about 40% and 50% respectively, accumulating totals of over 2,800 cinemas and 9,200 screens, according to the State Administration for Radio, Film and Television (SARFT). Along with better hardware support, box office throughout China has also surged in a rate of about 29% from 2010 to 2011, with a total of approximately RMB 13.1 billion in which domestic films accounted for an overwhelming proportion of about 54%.

Eyeing the thriving 3D film market, the Group has high hopes on "The Monkey King" starred by Donnie Yen, Aaron Kwok and Chow Yun Fat. To ensure film quality and strive for most advanced technology, the Group also engaged the production talents of the 3D icon film "Avatar", "Pirates of the

Caribbean" and "Star Wars" to work on "The Monkey King". Receiving recognition from the RED Digital Cinema, it is hoped that "The Monkey King" will not only be well-received by audience in the Greater China but also audiences across the globe.

Furthermore, the literary film "Floating City" is also expected to go on screen in May 2012. As film production is one of the core businesses of the Group contributing a huge proportion of our revenue, the Group will continue to produce more high quality films that cater for the tastes of audience and are close to the market trend.

To our success, and add value to our shareholders, the Group will continue to focus on two major business segments: (i) film production and related businesses; and (ii) property development and investment to increase its market share. The Group will continue to seek greater synergies within its existing business operations by utilizing its expertise in film production and property investment and development. Looking into an ever-changing macro-environment, the management is confident that through continuous operational improvements, the twin-lined businesses will remain profitable bringing optimal values to shareholders.

Dividend

The Directors do not recommend payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

Liquidity and financial resources

At 31 December 2011, the Group's total equity amounted to HK$1,094,971,000 (restated 2010: HK$509,707,000. The gearing ratio based on interest-bearing bank and other borrowings, loans from a shareholder, the obligations under finance lease and convertible bonds over total equity was 0.153 (2010: 0.003).

Net current assets was HK$424,439,000 (2010: HK$59,432,000) and current assets was HK$585,455,000 (2010: HK$82,747,000). Current liabilities were HK$161,016,000 (2010: HK$23,315,000), representing a current ratio based on current assets over current liabilities of 3.64 (2010: 3.55).

At 31 December 2011, the Group had cash and bank balances of HK$48,133,000 (2010: HK$64,764,000).

Borrowing and banking facilities
At 31 December 2011, the Group's outstanding borrowings and convertible bonds were HK$168,097,000 (2010: HK$1,789,000).

Hedging
At 31 December 2011, no financial instruments are used for hedging (2010: Nil).

Charges on group assets
At 31 December 2011, the Group's borrowings are secured by 100% equity interest of a subsidiary of the Group, Profit Source International Limited, with carrying value of HK$99,562,000 (2010: Nil) and leasehold land and buildings, and a property held for sale with net carrying amount of HK$809,000 (2010: HK$3,337,000) and a motor vehicle with a net carrying amount of HK$7,714,000 (2010: Nil).

Material litigation
At 31 December 2011, the Group had not involved in any material litigation or arbitration.

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

Employees and remuneration policies
Staff cost for the year ended 31 December 2011 was HK$15,628,000 (2010: HK$14,079,000), representing an increase of 11%. The Group employed a workforce of 90 staff members (2010: 71 staff members) as at the end of 2011. Among the 90 staff members, 47 staff members were in the film processing department. Salaries of employees were maintained at competitive levels while bonuses were granted on a discretionary basis.

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

Capital structure
Please refer to notes 31 and 32 to the financial statements for details.

Capital expenditures
For the year ended 31 December 2011, the Group's capital expenditure were HK$28,756,000 (2010: HK$5,802,000).

Acquisition and disposal of subsidiaries and associated companies
The Group had entered into an agreement to acquire a wholly-owned subsidiary, Hunan Jiuhua for property development and hotel business at a consideration of HK$700,000,000 and the acquisition was completed on 26 January 2011.

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

Corporate Governance Report

A Corporate Governance Practices

The Company has, throughout the financial year ended 31 December 2011, complied with all the code provisions in the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. This report describes the Company's corporate governance practices and explains its applications.

B Directors' Securities Transactions

The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules was adopted by the Company. Specific enquiry of all Directors of the Company who were in office during the financial year ended 31 December 2011 was made and they have confirmed compliance with the Model Code during the financial year.

C Board of Directors

(I) Composition of the Board, number of Board meetings and Directors' attendance

The Board is comprised of experienced and high competence individuals and a balanced composition of executive and non-executive Directors. 18 Board meetings were held during the financial year ended 31 December 2011. The composition of the Board and attendance of the Directors are set out below:

Directors	**Attendance at Meetings**
Executive Directors:	
Mr. Jin Lei (appointed as executive Director on 8 March 2011)	11/12
Ms. Law Kee, Alice	18/18
Mr. Hui Wai Lee, Willy	18/18
Ms. Lai Pik Chi, Peggy (retired at the annual general meeting of the Company on 16 May 2011)	10/11
Independent non-executive Directors:	
Mr. Tsui Pui Hung	17/18
Mr. Tang Ping Sum	17/18
Mr. Chu To, Jonathan (appointed as non-executive Director on 1 March 2011)	12/13
Mr. Chan Tung Tak, Alain (resigned as non-executive Director on 1 March 2011)	5/5

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

(II) Operation of the Board

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

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

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

D Chairman and Chief Executive Officer

In order to have a clear division between the management of the Board and the day-to-day management of the business operation of the Group, the role of the chairman is separate from that of the chief executive officer. Upon the retirement of Ms. Lai Pik Chi, Peggy as the chairman (the "Chairman") of the Board after the conclusion of annual general meeting on 16 May 2011, Mr. Jin Lei has been appointed as the Chairman. The Chairman, Mr. Jin Lei, focuses on the overall corporate development and strategic direction of the Group and provides leadership for the Board and oversees the efficient functioning of the Board. The chief executive officer, Ms. Law Kee, Alice, is responsible for all day-to-day corporate management matters as well as assisting the Chairman in planning and developing the Group's strategies. Such division of responsibilities helps to reinforce their independence and to ensure a balance of power and authority.

E Non-executive Directors

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

The Company has received the annual confirmations of independence from each of the independent non-executive Director as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

F Remuneration of Directors

A remuneration committee (the "Remuneration Committee") consisting of 3 independent non-executive Directors was set up by the Company on 21 September 2005 in compliance with Appendix 14 to the Listing Rules. Mr. Chan Tung Tak, Alain was the chairman of the Remuneration Committee until his resignation on 1 March 2011. Mr. Chu To, Jonathan has become the chairman of the Remuneration Committee with effect from 1 March 2011.

The Remuneration Committee shall meet at least once a year. 4 meetings were held during the financial year ended 31 December 2011, during which the remuneration policy in remunerating the Directors and senior management of the Group was reviewed. None of the Directors participated in the determination of his/her own remuneration. Attendance of the members of the Remuneration Committee is set out below:

Members	**Attendance at Meeting**
Mr. Chu To, Jonathan (appointed on 1 March 2011)	3/3
Mr. Chan Tung Tak, Alain (resigned on 1 March 2011)	1/1
Mr. Tang Ping Sum	4/4
Mr. Tsui Pui Hung	4/4

According to the terms of reference of the Remuneration Committee, its major roles and functions, inter alias, include making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy as well as reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives. The terms of reference of the Remuneration Committee are disclosed on the website of the Company.

The emolument payable to Directors depends on their respective terms under the service contracts (if any), and as recommended by the Remuneration Committee. Details of the Directors' emolument are set out in note 8 to the financial statements.

G Nomination of Directors

The Company has set up a nomination committee (the "Nomination Committee") on 20 March 2012 in compliance with Appendix 14 to the Listing Rules. The Nomination Committee consists of 3 independent non-executive Directors appointed by the Board and Mr. Tsui Pui Hung is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once a year. No meeting was held during the financial year ended 31 December 2011.

The major duties and functions of the Nomination Committee, inter alias, include reviewing the structure, size and composition of the Board at least annually and make recommendations to the Board on nomination and appointment of Directors and succession planning for Directors. The terms of reference of the Nomination Committee are disclosed on the website of the Company.

H Audit Committee

The Company has set up an audit committee (the "Audit Committee") consisting of 3 independent non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise. Mr. Tang Ping Sum is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditors of the Company. 3 Audit Committee meetings were held during the financial year ended 31 December 2011. Attendance of the Members is set out below:

Members	**Attendance at Meeting**
Mr. Tang Ping Sum	3/3
Mr. Tsui Pui Hung	3/3
Mr. Chan Tung Tak, Alain (resigned on 1 March 2011)	0/0
Mr. Chu To, Jonathan (appointed on 1 March 2011)	3/3

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

I Auditor's Remuneration

The fees in relation to the audit services for the financial year ended 31 December 2011 provided by PricewaterhouseCoopers, the external auditor of the Company, amounted to HK$1,680,000.

J Internal Control

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

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

For the financial year ended 31 December 2011, a review of the effectiveness of the Group's internal control system and procedures covering the relevant controls, including financial, operational and compliance and risk management, was conducted by the Audit Committee and subsequently reported to the Board. Based on the result of the review, the Directors considered that the Group's internal control system and procedures were effective and satisfactory.

K Directors' Responsibilities for the Financial Statements

The Directors understand and acknowledge their responsibility for overseeing the preparation of financial statements for the financial year ended 31 December 2011, which give a true and fair view of the affairs, profitability and cash flow of the Group in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended 31 December 2011:

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

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

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

L Communication with Shareholders

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

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

M Greater Shareholders' Participation

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

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

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

Report of the Directors

The Directors have pleasure in presenting to the shareholders their annual report together with the financial statements for the year ended 31 December 2011.

In order to reflect the Group's determination to invest in the property development business, the Group appointed a new executive Director and chairman, Mr. Jin Lei, who has extensive experience in construction work, property development and operation management, to take the leadership role in mapping out the development plan of the Group.

Principal Activities

The Company is an investment holding company. The Group is principally engaged in property development and rental in the PRC as well as film production and related businesses.

Results

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on pages 27 to 28 of the financial statements.

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

Property, Plant and Equipment, and Investment Property

Details of the movements in the property, plant and equipment, and investment property of the Group during the year are set out in notes 13 and 15 to the financial statements, respectively.

Share Capital and Convertible Bonds

Details of movements in the Company's share capital and convertible bonds during the year are set out in notes 31 and 28 to the financial statements, respectively.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

Report of the Directors

Distributable Reserves of the Company

At 31 December 2011, the reserve of the Company available for distribution to the shareholders amounted to HK$147,158,000. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

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

Directors and Directors' Service Contracts

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

Executive Directors:

Mr. Jin Lei *(Chairman)*	(appointed as executive Director on 8 March 2011 and Chairman of the Board on 16 May 2011 respectively)
Ms. Law Kee, Alice *(Chief Executive Officer)*	
Mr. Hui Wai Lee, Willy	
Ms. Lai Pik Chi, Peggy	(retired at the annual general meeting on 16 May 2011)

Independent non-executive Directors:

Mr. Tsui Pui Hung	
Mr. Tang Ping Sum	
Mr. Chu To, Jonathan	(appointed on 1 March 2011)
Mr. Chan Tung Tak, Alain	(resigned on 1 March 2011)

In accordance with Bye-laws 87(1) and 87(2), Mr. Hui Wai Lee, Willy and Mr. Tsui Pui Hung shall retire from office by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election as executive/independent non-executive Directors (as the case may be).

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

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

Each of the executive Directors has entered into a service contract with the Company for an initial term of one year and all of which shall continue thereafter unless and until terminated by either party by giving to the other party not less than three months' prior written notice.

Executive Director	Date of commencement of service contract
Ms. Law Kee, Alice	16 October 2007
Mr. Hui Wai Lee, Willy	6 April 2009
Mr. Jin Lei	8 March 2011

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

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

As at 31 December 2011, none of the Directors and chief executive of the Company have any interests or short positions in the existing shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which are required pursuant to section 352 of the SFO, to be entered in the register maintained by the Company or which are required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Share Options

The Company's share option scheme (the "Scheme") adopted on 21 August 2001 lapsed on 20 August 2011. No option was granted under the Scheme during 2011 and there was no option outstanding held by any Director, employee of the Group or any eligible persons as defined in the Scheme as at 31 December 2011.

Arrangement to Purchase Shares or Debentures

At no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Substantial Shareholders

As at 31 December 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions
Ordinary shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Mr. Cheng Keung Fai	Beneficial owner	1,233,436,690	35.93%
Mr. Lo Chan Kau	Beneficial owner	796,414,635	23.20%

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company as at 31 December 2011.

Directors' Interest in Contracts and Connected Transactions

i) **Connected Transactions**

During the year ended 31 December 2011, the Group had entered into transactions which constituted connected transactions under the Listing Rules. Details are set out below:

(a) On 18 April 2011 and 20 April 2011, the Group and Mr. Cheng Keung Fai ("Mr. Cheng"), a controlling shareholder of the Company, entered into two separate loan agreements in relation to the granting of loans by Mr. Cheng to the Group in the principal amount of HK$55,000,000 and HK$5,000,000 respectively (together, the "Loans"). The Loans are unsecured and currently carry an interest rate of 1% per annum. The maturity date of the Loans is 30 April 2013. The interest incurred during the year was HK$497,000.

(b) On 24 March 2011, the Group entered into a service agreement with Music Stars Entertainment Company Limited (now known as "Giant Entertainment Company Limited"), which was wholly and beneficially owned by Mr. Cheng Ka Sing ("KS Cheng"), the son of Mr. Cheng who is a controlling shareholder of the Company, in relation to provision of performing services by KS Cheng as actor during the period from 25 March 2011 to 15 May 2011. The service fee paid by the Group to KS Cheng in 2011 was HK$110,000.

ii) Continuing Connected Transactions

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

Mr. Wong ceased to be a connected person under the Listing Rules with effect from 18 August 2009. The Master Agreement expired on 1 January 2012. During the year ended 31 December 2011, no transaction was conducted pursuant to the Master Agreement, and no fees had been incurred by the Group pursuant to the Master Agreement.

The Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Company's auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group as above in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

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

Emolument Policy

The Group remunerates its employees including the Directors, based on their performances, experiences and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme. The determination of emoluments of the Directors had taken into consideration of their expertise and job specifications.

Changes in Directors' Information

In accordance with Rule 13.51B of the Listing Rules, changes of the information of Directors required to be disclosed are set out below:

The monthly remuneration of Ms. Law Kee, Alice, an executive Director and the chief executive officer of the Company, has been adjusted from HK$54,000 to HK$64,000 with effect from 1 April 2011. Such increment was determined with reference to her workload, job complexity and responsibilities with the Group.

Mr. Tang Ping Sum, an independent non-executive Director, ceased to be an independent non-executive director of Sino Resources Group Limited (stock code: 223), a company listed on the Stock Exchange, with effect from 31 December 2010. Since 4 April 2011, Mr. Tang has been an independent non-executive director of China Investment Development Limited (stock code: 204), a company listed on the Stock Exchange.

Pre-emptive Rights

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

Major Customers and Suppliers

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 28.53% and 59.09%, respectively, of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 26.10% and 46.91%, respectively, of the Group's total purchases for the year.

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

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2011.

Events after the Reporting Period

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

Auditor

During the year ended 31 December 2011, Ernst & Young resigned as the Company's auditor and PricewaterhouseCoopers was appointed as the Company's auditor to fill the causal vacancy on 5 August 2011. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor for the ensuring year will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Law Kee, Alice
Director
Hong Kong, 30 March 2012

Biographical Details of Directors

Executive Directors

Mr. JIN Lei, aged 40, is the executive Director and chairman of the Company. Mr. Jin has over 17 years solid experience in construction work, property development and operation management. Mr. Jin was a civil engineer of 山東淄川建築設計院 (Architectural Design Institute of Shandong Zichuan) from 1993 to 1995. From 1995 to 2001, Mr. Jin was the 主任工程師 (engineer supervisor) of 山東黃淮糧油機械集團 (濟寧機械設計院土木建築室) (Shandong Huanghuai Cereals & Oils Machinery Group Company (Civil Construction House of Jining Machinery Design Institute)). In 2002, Mr. Jin was awarded by the municipal government of Jining City, Shandong Province, the PRC as one of the 百名經濟管理人才 (Top 100 Managerial Talents in Economics). Mr. Jin holds a bachelor degree from 華東交通大學建築工程系 (Department of Architectural Engineering, East China Jiaotong University), major in 工業與民用建築 (Industrial and Residential Architecture). Mr. Jin was also awarded a master degree of business administration by 中國人民大學 (Renmin University of China) in 2005.

Ms. LAW Kee, **Alice**, aged 45, is an executive Director and the chief executive officer of the Company. Ms. Law joined the Group in September 2007 and was appointed as an executive Director in October 2007. Ms. Law holds a Bachelor Degree in Business Administration from University of Management and Technology, USA. She has extensive experience in business development, operation and marketing management. She is a member of The Hong Kong Institute of Directors and a member of The Hong Kong Real Estate Association.

Mr. HUI Wai Lee, Willy, aged 51, is currently a director of Supreme Jewellery Company. Mr. Hui joined the Group as an executive Director in April 2009. He has extensive experience in designing and manufacturing of European-style jewelry.

Independent Non-executive Directors

Mr. TSUI Pui Hung, aged 37, is a practicing solicitor of the High Court of Hong Kong and an independent non-executive director of Unlimited Creativity Holdings Limited (Stock Code: 8079). Mr. Tsui holds the degrees of a Master in Laws from University of London, a Bachelor of Laws (with Honours) from Manchester Metropolitan University, a Bachelor of Science (with Honours) from the Chinese University of Hong Kong, a Postgraduate Certificate in Laws from University of Hong Kong and a Diploma in Translation from the Chinese University of Hong Kong. Mr. Tsui has years of management experience and is familiar with internal control issues and regulatory rules of listed company.

Mr. TANG Ping Sum, aged 55, obtained a bachelor degree of commerce from University of Western Australia in December 1981 and a master degree of applied finance from Macquarie University, Australia in April 1992. He is a certified practicing accountant of Australia and was a fellow member of the Hong Kong Institute of Certified Public Accountants until 2007. Mr. Tang has over 11 years' experiences in the securities industry in Hong Kong.

Mr. Tang joined Hantec Investment Holdings Limited (stock code: 111, now known as Cinda International Holdings Limited), a company listed on the Stock Exchange, in January 1998. He was appointed as its executive director in May 2000 until October 2006. He was then the head of China division of Taifook Securities Group from January 2007 to September 2008, responsible for developing its securities businesses in China. Mr. Tang is currently the responsible officer and executive director of Grand Partners Asset Management Limited ("Grand Partners") and is mainly responsible for monitoring the risk control of Grand Partners.

From March 2003 to December 2006, Mr. Tang was an independent non-executive director of Cosmopolitan International Holdings Limited (stock code: 120), a company listed on the Stock Exchange. He was an independent non-executive director of Sino Resources Group Limited (stock code: 223), a company listed on the Stock Exchange, from 30 April 2009 to 31 December 2010; and a non-executive director of Univision Engineering Limited (AIM code: UVEL), a company listed on the Alternative Investment Market of the London Stock Exchange, from December 2005 to December 2011. He is currently an independent non-executive director of China Investment Development Limited (stock code: 204), a company listed on the Stock Exchange, since 6 April 2011.

Mr. CHU To, Jonathan, aged 47, obtained a bachelor degree of science from University of Toronto, Canada in 1986. He has over 23 years of experience in the finance sector and has extensive experience particularly in private equity (including pre-IPO investments) and fund management. Mr. Chu was the deputy managing director and responsible officer of China Everbright Securities (HK) Limited and China Everbright Forex and Futures (HK) Limited from May 2003 to October 2011. Mr. Chu is currently the responsible officer of Sun Securities Limited and he is mainly responsible for monitoring daily operations. In addition, Mr. Chu is currently the chairman and chief executive officer of Metallix Resources Limited, the company principally engages in mining and processing of lead, zinc and copper ores.

羅兵咸永道

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

We have audited the consolidated financial statements of China Mandarin Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 27 to 101, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine 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 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Revenue	5	**54,510**	126,566
Cost of sales	7	**(27,577)**	(89,218)
Gross profit		**26,933**	37,348
Other income	5	**4,672**	1,310
Gain on disposal of subsidiaries	34	**–**	30,262
Fair value gain on an investment property	15	**26,532**	16,451
Loss on disposal of property, plant and equipment		**–**	(2)
Gain on disposal of a property held for sale	19	**41,328**	–
Administrative expenses	7	**(30,406)**	(22,220)
Operating profit		**69,059**	63,149
Finance income	6	**802**	354
Finance costs	6	**(1,533)**	(89)
Share of results of:			
an associate	17	**(57)**	(85)
Profit before income tax		**68,271**	63,329
Income tax expense	9	**(10,507)**	(6,527)
Profit for the year		**57,764**	56,802

The notes on pages 36 to 101 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Attributable to:			
Equity holders of the Company		**54,798**	55,171
Non-controlling interests		**2,966**	1,631
		57,764	56,802
Earnings per share attributable to equity holders of the Company	12		
Basic			
– For profit for the year		**HK1.86 cents**	HK3.32 cents
Diluted			
– For profit for the year		**HK1.62 cents**	N/A

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

The notes on pages 36 to 101 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000 (restated)
Profit for the year	**57,764**	56,802
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	**41,810**	7,762
Total comprehensive income for the year	**99,574**	64,564
Attributable to:		
Equity holders of the Company	**95,183**	62,086
Non-controlling interests	**4,391**	2,478
	99,574	64,564

The notes on pages 36 to 101 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (restated)	1 January 2010 HK$'000 (restated)
Non-current assets				
Goodwill	33	194,285	–	–
Property, plant and equipment	13	41,444	6,147	5,354
Land use right	14	326,055	–	–
Investment property	15	351,827	310,223	283,801
Investment in an associate	17	66,038	47,095	–
Deposits paid	22	1,786	161,666	1,666
Film rights		101	101	–
Total non-current assets		981,536	525,232	290,821
Current assets				
Film rights		–	–	1
Film production in progress		18,957	5,339	55,767
Properties development in progress	18	428,867	–	–
Property held for sale	19	–	2,500	–
Inventories	20	1,243	2,005	2,237
Trade receivables	21	7,043	7,644	7,320
Other receivables, prepayments and deposits paid	22	81,212	495	1,786
Cash and cash equivalents	23	48,133	64,764	32,892
		585,455	82,747	100,003
Assets of a disposal group classified as held for sale		–	–	686
Total current assets		585,455	82,747	100,689
Current liabilities				
Trade payables	24	8,618	1,604	1,027
Other payables, accruals and deposits received	25	24,740	19,256	70,365
Interest-bearing bank and other borrowings	26	108,721	1,789	1,958
Obligations under a finance lease	27	1,034	–	92
Loans from a shareholder	30	14,640	–	–
Tax payable		3,263	666	1
		161,016	23,315	73,443
Liabilities directly associated with the assets classified as held for sale		–	–	134
Total current liabilities		161,016	23,315	73,577

The notes on pages 36 to 101 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (restated)	1 January 2010 HK$'000 (restated)
Net current assets		**424,439**	59,432	27,112
Total assets less current liabilities		**1,405,975**	584,664	317,933
Non-current liabilities				
Convertible bonds	28	**39,304**	–	–
Deposits received		**1,514**	1,445	1,078
Deferred tax liabilities	29	**265,788**	73,512	65,474
Obligations under a finance lease	27	**4,398**	–	8
Total non-current liabilities		**311,004**	74,957	66,560
Net assets		**1,094,971**	509,707	251,373
Equity				
Equity attributable to equity holders of the Company				
Issued capital	31	**343,318**	209,078	261,348
Reserves	32	**721,226**	274,417	(33,709)
		1,064,544	483,495	227,639
Non-controlling interests		**30,427**	26,212	23,734
Total equity		**1,094,971**	509,707	251,373

The notes on pages 36 to 101 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 30 March 2012 and were signed on its behalf

Law Kee, Alice
Director

Hui Wai Lee, Willy
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to equity holders of the Company										
	Issued capital HK$'000	Share premium HK$'000	Contributed surplus** HK$'000	Asset revaluation reserve HK$'000 (restated)	Equity component of the convertible bonds HK$'000	Exchange reserve HK$'000	Special reserve*** HK$'000	Retained profits/ (Accumulated losses) HK$'000 (restated)	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010 as previously reported	261,348	224,095	–	9,727	–	2,998	17,926	(278,259)	237,835	23,734	261,569
Effect on changes in accounting policies (note 2.1(c))	–	–	–	(9,727)	–	–	–	(469)	(10,196)	–	(10,196)
At 1 January 2010 (restated)	261,348	224,095	–	–	–	2,998	17,926	(278,728)	227,639	23,734	251,373
Exchange differences arising on translation of foreign operations	–	–	–	–	–	6,915	–	–	6,915	847	7,762
Profit for the year (restated)	–	–	–	–	–	–	–	55,171	55,171	1,631	56,802
Total comprehensive income for the year	–	–	–	–	–	6,915	–	55,171	62,086	2,478	64,564
Capital reorganisation (note 31(b))	(235,213)	(224,095)	459,308	–	–	–	–	–	–	–	–
Setting off accumulated losses (note 31(b))	–	–	(340,146)	–	–	–	–	340,146	–	–	–
Issue of shares (note 31(c))	182,943	16,465	–	–	–	–	–	–	199,408	–	199,408
Transaction costs attributable to issue of shares	–	(5,638)	–	–	–	–	–	–	(5,638)	–	(5,638)
At 31 December 2010	209,078	10,827*	119,162*	–	–	9,913*	17,926*	116,589*	483,495	26,212	509,707
At 1 January 2011 as previously reported	209,078	10,827	119,162	14,051	–	9,913	17,926	116,683	497,640	26,212	523,852
Effect on changes in accounting policies (note 2.1(c))	–	–	–	(14,051)	–	–	–	(94)	(14,145)	–	(14,145)
At 1 January 2011 (restated)	209,078	10,827	119,162	–	–	9,913	17,926	116,589	483,495	26,212	509,707
Exchange differences arising on translation of foreign operations	–	–	–	–	–	40,385	–	–	40,385	1,425	41,810
Profit for the year	–	–	–	–	–	–	–	54,798	54,798	2,966	57,764
Total comprehensive income for the year	–	–	–	–	–	40,385	–	54,798	95,183	4,391	99,574
Issue of convertible bonds	–	–	–	–	149,228	–	–	–	149,228	–	149,228
Issue of shares (note 31(e))	134,240	336,386	–	–	(134,164)	–	–	–	336,462	–	336,462
Acquisition of non-controlling interests	–	–	–	–	–	–	–	176	176	(176)	–
At 31 December 2011	343,318	347,213*	119,162*	–	15,064*	50,298*	17,926*	171,563*	1,064,544	30,427	1,094,971

* *These reserve accounts comprise the consolidated reserves of HK$721,226,000 (2010: HK$274,417,000) in the consolidated statement of financial position.*

** *The contributed surplus of the Group was arising from the Company's capital reorganisation on 6 September 2010.*

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

The notes on pages 36 to 101 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Cash flows from operating activities			
Profit before income tax		68,271	63,329
Adjustments for:			
Bank interest income	6	(131)	(146)
Gain on disposal of subsidiaries	34	–	(30,262)
Interest on bank and other borrowings, loans from a shareholder and a finance lease, and commitment fee	6	1,533	89
Depreciation	7, 13	2,985	2,475
Fair value gain on an investment property	15	(26,532)	(16,451)
Loss on disposal of property, plant and equipment		56	2
Gain on disposal of a property held for sale	19	(41,328)	–
Write-back of impairment of trade receivables	7	(813)	(1,858)
Share of results of an associate	17	57	85
		4,098	17,263
(Increase) Decrease in film rights and film production in progress		(13,618)	50,328
Decrease in inventories		762	232
Increase in properties development in progress		(7,324)	–
Decrease in trade receivables		1,414	1,534
Increase (Decrease) in other receivables, prepayments and deposits paid		(79,389)	1,291
Increase in trade payables		7,014	577
Increase (Decrease) in other payables, accruals and deposits received		748	(51,742)
Cash (used in) generated from operations		(86,295)	19,483
Hong Kong profits tax paid		(296)	(75)
PRC profits tax paid		(398)	(231)
Net cash flows (used in) generated from operating activities		(86,989)	19,177

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (restated)
Cash flows from investing activities			
Increase in investment of an associate		(19,000)	(47,180)
Purchases of property, plant and equipment		(24,360)	(5,802)
Proceeds from disposal of a property held for sale, net of direct expenses attributable to the disposal		43,828	–
Proceeds from disposal of property, plant and equipment		200	41
Acquisition of a subsidiary, net of cash acquired	33	1,710	–
Proceeds from disposal of subsidiaries	34	–	31,814
Deposit paid for the acquisition of a subsidiary	22	–	(160,000)
Interest received	6	131	146
Net cash flows generated from (used in) investing activities		2,509	(180,981)
Cash flows from financing activities			
Proceeds from issue of shares	31(c)	–	199,408
Transaction costs attributable to issue of shares		–	(5,638)
Bank loans and other borrowings		51,200	–
Repayment of bank loans and other borrowings		(176)	(169)
Loans from a shareholder		60,000	–
Repayment to a shareholder		(45,360)	–
Interest paid		(1,163)	(89)
Capital element of finance lease rental payments		(168)	(100)
Net cash flows generated from financing activities		64,333	193,412
Net (decrease) increase in cash and cash equivalents		(20,147)	31,608
Cash and cash equivalents at beginning of year		64,764	32,892
Effect of foreign exchange rate changes, net		3,516	264
Cash and cash equivalents at end of year		48,133	64,764
Analysis of balances of cash and cash equivalents			
Cash and cash equivalents as stated in the consolidated statement of financial position	23	48,133	64,764

The notes on pages 36 to 101 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000
Non-current assets			
Investments in subsidiaries	16	6,172	6,172
Current assets			
Prepayment		437	–
Amounts due from subsidiaries	16	891,668	354,990
Cash and cash equivalents	23	11,166	21,519
Total current assets		903,271	376,509
Current liabilities			
Accruals	25	1,133	242
Interest-bearing borrowings	26	1,613	1,789
Loans from a shareholder	30	14,640	–
Total current liabilities		17,386	2,031
Net current assets		885,885	374,478
Total assets less current liabilities		892,057	380,650
Non-current liabilities			
Convertible bonds	28	39,304	–
Total non-current liabilities		39,304	–
Net assets		852,753	380,650
Equity			
Issued capital	31	343,318	209,078
Reserves	32	509,435	171,572
Total equity		852,753	380,650

The notes on pages 36 to 101 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 30 March 2012 and were signed on its behalf

Law Kee, Alice
Director

Hui Wai Lee, Willy
Director

1. Corporate information

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

The Company acts as an investment holding company. The principal activities of Company and its subsidiaries (together "the Group") which consist of film production and related business, film processing and rental of property. In addition, the Group is also involved in property development.

These financial statements have been approved for issue by the Board of Directors on 30 March 2012.

2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). They have been prepared under the historical cost convention, except for an investment property, which has been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a high degree of judgement or complexity, and areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

As at 31 December 2011, the Group had outstanding borrowings from a bank and others amounting to approximately HK$124 million which would be due for repayment in the coming twelve months and cash and cash equivalents of approximately HK$48 million. The Group recorded a profit before tax of HK$68 million for the year ended 31 December 2011 and the cash outflow from operating activities for the year was approximately HK$88 million.

The Group meets its day to day working capital requirements, capital expenditure and financial obligations through cash inflow from operating activities and the facilities obtained from banks and others. The directors closely monitor the Group's liquidity position and financial performance and have initiated measures to improve the Group's cash flows. These measures include raising additional capital; extending existing loan facilities; obtaining additional financing from bank and others; and realising certain assets held by the Group through disposal, if considered necessary.

2.1 Basis of preparation *(continued)*

Based on the director's review of the Group's cash flow projection, taking into account the reasonable possible changes in the operational performance and the measures on securing additional funds, the Group is expected to be able to generate sufficient cash flows to cover its operating costs and to meet its financial obligations as and when they fall due in the coming twelve months from the date of these financial statements. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

(a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

- HKAS 24 (Revised), 'Related Party Disclosures', effective for annual period beginning on or after 1 January 2011.
- Amendment to HKAS 32, 'Classification of Rights Issues', effective for annual period beginning on or after 1 February 2010.
- Amendment to HKFRS 1, 'Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter', effective for annual period beginning on or after 1 July 2010.
- Amendment to HK(IFRIC) – Int 14, 'Prepayments of a Minimum Funding Requirement', effective for annual period beginning on or after 1 January 2011.
- HK(IFRIC) – Int 19, 'Extinguishing Financial Liabilities with Equity Instruments', effective for annual period beginning on or after 1 July 2010.
- Third improvements to HKFRS (2010) were issued in May 2010 by the HKICPA. All improvements are effective in the financial year of 2011.

(b) New standards, amendments and interpretations that have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

- Amendment to HKAS 1, 'Presentation of Items of Other Comprehensive Income', effective for annual period beginning on or after 1 July 2012.
- Amendment to HKAS 12 Amendment, 'Deferred Tax: Recovery of Underlying Assets', effective for annual period beginning on or after 1 July 2012.
- HKAS 19 (2011), 'Employee Benefits', effective for annual period beginning on or after 1 January 2013.
- HKAS 27 (2011), 'Separate Financial Statements', effective for annual period beginning on or after 1 January 2013.

2.1 Basis of preparation *(continued)*

(b) New standards, amendments and interpretations that have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted *(continued)*

- HKAS 28 (2011), 'Investments in Associates and Joint Ventures', effective for annual period beginning on or after 1 January 2013.

- Amendment to HKAS 32, 'Offsetting Financial Assets and Financial Liabilities', effective for annual period beginning on or after 1 January 2014.

- Amendment to HKFRS 1, 'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters', effective for annual period beginning on or after 1 July 2011.

- Amendment to HKFRS 7, 'Disclosures – Transfers of Financial Assets', effective for annual period beginning on or after 1 July 2011.

- Amendment to HKFRS 7, 'Disclosures – Offsetting Financial Assets and Financial Liabilities', effective for annual period beginning on or after 1 January 2013.

- HKFRS 9, 'Financial Instruments', effective for annual period beginning on or after 1 January 2015.

- HKFRS 10, 'Consolidated Financial Statements', effective for annual period beginning on or after 1 January 2013.

- HKFRS 11, 'Joint Arrangements', effective for annual period beginning on or after 1 January 2013.

- HKFRS 12, 'Disclosure of Interests in Other Entities', effective for annual period beginning on or after 1 January 2013.

- HKFRS 13, 'Fair Value Measurement', effective for annual period beginning on or after 1 January 2013.

The Group is in the process of making an assessment of the impact of adoption of the above new standards, amendments and interpretations that have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted, but is not yet in a position to state whether these new standards or amendments would have a significant impact on its results of operations and financial position.

2.1 Basis of preparation *(continued)*

(c) Change in accounting policy

The Group has changed its accounting policy for measurement of land and buildings from revaluation model to cost model such that land and buildings are now stated at cost less accumulated depreciation and impairment provision. The directors are of the opinion that the change in the accounting policy is consistent with the new business that the Group is entered into as a hotel developer and manager.

The cost model can better reflect the performance of our business. By adopting the cost model, the Group's financial statements will not be affected by the cyclical volatility of the property market in the PRC and the Group's financial performance can be more comparable on a year-on-year basis.

In addition, the change in the accounting policy is also consistent with industry practice and will benefit to respective stakeholders, including shareholders, potential investors and analysts. By adopting the cost model, the financial ratios of the Group will be more comparable to those of other hotel operators in the market. It will be easier for the stakeholders to analyse and compare the Group's performance with other industry players.

This change in accounting policy has been accounted for retrospectively and the comparative figures for the prior periods have been restated. The effect of change in accounting policy on the consolidated income statement is as follows:

	2011 HK$'000	2010 HK$'000
Increase in gain on disposal of property held for sales	13,100	–
Decrease in depreciation charged	186	375
Total increase in profit for the year	13,286	375
Increase in basic earnings per share (HK cents per share)	0.45	0.02
Increase in diluted earnings per share (HK cents per share)	0.39	N/A

The effect of change in accounting policy on the consolidated statement of financial position is as follows:

	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000	As at 1 January 2010 HK$'000
Decrease in properties, plant and equipment	6,391	4,663	12,960
Decrease in property held for sales	–	13,100	–
Decrease in deferred tax liabilities	1,125	3,618	2,764
Decrease in asset revaluation reserve	5,697	14,051	9,727
Increase in accumulated losses/Decrease in retained profits	431	94	469

2.2 Summary of significant accounting policies

(1) Subsidiaries

Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. The financial information of subsidiaries has been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

2.2 Summary of significant accounting policies *(continued)*

(1) Subsidiaries *(continued)*

Consolidation (continued)

(b) Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries
When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(2) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(3) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2.2 Summary of significant accounting policies *(continued)*

(3) Associates *(continued)*

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of loss of associates' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial information of associates has been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

(4) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified collectively as the board of directors that makes strategic decisions.

(5) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentation currency.

2.2 Summary of significant accounting policies *(continued)*

(5) Foreign currency translation *(continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

All foreign exchange gains and losses are presented in the consolidated income statement within 'finance costs'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated income statement are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operation, and of relevant borrowings, are taken to other comprehensive income. When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

2.2 Summary of significant accounting policies *(continued)*

(6) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(7) Property, plant and equipment and depreciation

Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.2 Summary of significant accounting policies *(continued)*

(7) Property, plant and equipment and depreciation *(continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.2(10)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

(8) Land use rights

The up-front prepayments made for land use rights are expensed in the consolidated income statement on a straight-line basis over the periods of the land use right. When there is impairment, the impairment is expensed in the consolidated income statement.

(9) Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement.

(10) Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(11) Financial assets

(a) Classification

The Group classifies its financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in currents assets, except for the amounts that are settled or expected to be settle more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'other receivables' and 'cash and cash equivalents' in the consolidated statement of financial position.

2.2 Summary of significant accounting policies *(continued)*

(11) Financial assets *(continued)*

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

(12) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(13) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.2 Summary of significant accounting policies *(continued)*

(14) Film rights and film production in progress

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

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

(15) Properties development in progress

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(16) Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

(17) Inventories

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

(18) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.2 Summary of significant accounting policies *(continued)*

(19) Cash and cash equivalents

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

(20) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(21) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(22) Convertible bonds

Convertible bonds are mandatorily redeemable on a specific date. The fair value of the liability component of the convertible bond is determined using a market interest rate for an equivalent non-convertible bond. The liability component is subsequently stated at amortised cost until extinguished on conversion or maturity of the bonds. The residual amount, representing the value of the equity conversion component, is accounted for as a conversion option reserve included in shareholder's equity.

Upon conversion of convertible bonds to ordinary shares, the liability component and equity component of respective convertible bonds are reclassified to share capital and share premium.

The interests on these convertible bonds are recognised in the income statement as interest expense.

(23) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

2.2 Summary of significant accounting policies *(continued)*

(23) Borrowings and borrowing costs *(continued)*

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

(24) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2.2 Summary of significant accounting policies *(continued)*

(24) Current and deferred income tax *(continued)*

(b) Deferred income tax (continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(25) Employee benefits

Retirement benefits schemes

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

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

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

2.2 Summary of significant accounting policies *(continued)*

(26) Revenue recognition

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

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

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

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

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

(e) rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease;

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

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

(27) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for the future operating losses.

(28) Leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the consolidated income statement on a straight-line basis over the lease period.

(29) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's and Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

2.2 Summary of significant accounting policies *(continued)*

(30) Financial guarantee contracts

Financial guarantee contracts under which the Group accepts significant risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event are accounted for in a manner similar to insurance contracts. Provisions are recognised when it is probable that the Group has obligations under such guarantees and an outflow of economic resources will be required to settle the obligations.

3. Significant accounting estimates and assumptions

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in note 2.2(6).

The recoverable amount of an asset or a cash-generating unit has been determined based on its fair value less cost to sell. These calculations require the use of estimates.

The fair value less cost to sell calculations primarily use cash flow projections based on financial budgets, in general covered five years, approved by management and estimated terminal values at the end of the five-year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected operating margin, growth rates and selection of discount rates, to reflect the risks-involved and the earnings multiple that can be realised for the estimated terminal value.

Management prepared the financial budgets reflecting actual performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the result of the impairment reviews.

Estimation of fair value of its investment property

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

3. Significant accounting estimates and assumptions *(continued)*

Impairment of trade receivables

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

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

Impairment of film production in progress

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

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

Net realisable value of properties development in progress

The Group writes down properties development in progress to net realisable value based on assessment of the realisability of properties development in progress which takes into account cost to completion based on management's experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties development in progress to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties development in progress is adjusted in the period in which such estimate is changed.

Income taxes

The Group is subject to income taxes mainly in statutory jurisdictions of Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

3. Significant accounting estimates and assumptions *(continued)*

Impairment of investment in an associate

Management regularly review the recoverability of the Group's investment in an associate, in particular, they consider objective evidence of impairment exists, such as a significant or prolonged decline the fair value of the investment in an associate, significant adverse changes in the market environment and customers' taste to the film production in progress held by the associate. Appropriate impairment for estimated irrecoverable amounts is recognised in the consolidated income statement when there is objective evidence that the asset is impaired.

The recoverable amount of the investment in an associate is the higher of its value in use and fair value less cost to sell. In determining value in use, an entity estimates either: (a) its share of the present value of the estimated future cash flows expected to be generated by the associate and proceeds on disposal, or (b) the present value of estimated future cash flows expected to arise from dividends to be received and proceeds on disposal. Any impairment loss is recognised by writing down the investment in an associate.

4. Segment information

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

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit (loss), which is a measure of adjusted profit before income tax. The profit before income tax is measured consistently with the Group's profit before income tax except that finance income, gain on disposal of subsidiaries, gain on disposal of a property held for sale, loss on disposal of property, plant and equipment, fair value gain on investment property, finance costs, as well as head office and corporate expenses, and certain other income are excluded from such measurement.

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

Segment liabilities exclude obligations under a finance lease and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

4. Segment information *(continued)*

Year ended 31 December 2011

	Property rental HK$'000	Film distribution and licensing HK$'000	Film processing HK$'000	Property and hotel development HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue:						
External revenue	16,529	16,279	21,702	–	–	54,510
Inter-segment revenue	–	–	165	–	(165)	–
Total revenue	16,529	16,279	21,867	–	(165)	54,510
Segment results	11,721	(3,393)	2,968	(3,801)	–	7,495
Other income						210
Unallocated corporate expenses						(6,563)
Finance income						802
Gain on disposal of a property held for sale						41,328
Fair value gain on an investment property						26,532
Finance costs						(1,533)
Profit before income tax						68,271
Income tax expense						(10,507)
Profit for the year						57,764

	Property rental HK$'000	Film distribution and licensing HK$'000	Film processing HK$'000	Property and hotel development HK$'000	Unallocated HK$'000	Total HK$'000
Assets and liabilities						
Segment assets	354,531	88,570	10,557	1,057,049	56,284	1,566,991
Segment liabilities	90,604	8,037	4,573	298,762	70,044	472,020
Other segment information:						
Capital expenditure	2,269	7	47	18,453	7,980	28,756
Write-back of impairment of trade receivables	–	–	(813)	–	–	(813)
Uncollectible trade receivables recovered	–	–	(78)	–	–	(78)
Depreciation	154	1,205	448	477	701	2,985

4. Segment information *(continued)*

Year ended 31 December 2010
(restated)

	Property rental HK$'000	Film distribution and licensing HK$'000	Film processing HK$'000	Property and hotel development HK$'000	Elimination HK$'000	Total HK$'000
Segment revenue:						
External revenue	15,193	88,947	22,426	–	–	126,566
Inter-segment revenue	–	–	2,695	–	(2,695)	–
Total revenue	15,193	88,947	25,121	–	(2,695)	126,566
Segment results	8,397	9,690	5,491	(959)	–	22,619
Other income						32
Unallocated corporate expenses						(6,298)
Finance income						354
Gain on disposal of subsidiaries						30,262
Loss on disposal of property, plant and equipment						(2)
Fair value gain on an investment property						16,451
Finance costs						(89)
Profit before income tax						63,329
Income tax expense						(6,527)
Profit for the year						56,802

	Property rental HK$'000	Film distribution and licensing HK$'000	Film processing HK$'000	Property and hotel development HK$'000	Unallocated HK$'000	Total HK$'000
Assets and liabilities						
Segment assets	312,231	57,022	13,272	160,000	65,454	607,979
Segment liabilities	78,210	12,137	4,262	–	3,663	98,272
Other segment information:						
Capital expenditure	13	2,758	1,651	–	1,380	5,802
Write-back of impairment of trade receivables	–	–	(1,858)	–	–	(1,858)
Uncollectible trade receivables recovered	–	–	(1,134)	–	–	(1,134)
Depreciation	36	1,315	434	–	690	2,475

4. Segment information *(continued)*

(a) Geographical information

2011

	Hong Kong HK$'000	People's Republic of China ("PRC") HK$'000	Others HK$'000	Total HK$'000
Revenue	21,771	23,912	8,827	54,510
Non-current assets	79,250	902,286	–	981,536
Capital expenditure	8,034	20,722	–	28,756

2010

	Hong Kong HK$'000	PRC HK$'000	Others HK$'000	Total HK$'000
Revenue	42,527	52,743	31,296	126,566
Non-current assets (restated)	54,762	470,470	–	525,232
Capital expenditure	5,789	13	–	5,802

(b) Information about major customers

Revenue of HK$7,050,000 (2010: HK$34,145,000) and HK$15,427,000 (2010: HK$13,558,000) were derived from a customer of the film distribution and licensing segment and a tenant of property rental.

5. Revenue and other income

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

An analysis of revenue and other income is as follows:

	2011 HK$'000	2010 HK$'000
Revenue		
Property rental income	16,529	15,193
Film distribution and licensing income	16,279	88,947
Film processing income	21,702	22,426
	54,510	126,566
Other income		
Scrap sales	4,199	882
Others	473	428
	4,672	1,310

6. Finance income and costs

An analysis of finance income and costs is as follows:

	2011 HK$'000	2010 HK$'000
Finance costs:		
Interest on bank and other borrowings wholly repayable within five years	626	71
Interest on loans from a shareholder	497	–
Interest on a finance lease	40	18
Commitment fee for short-term loan	370	–
Interest on other borrowings	7,052	–
Interest on convertible bonds *(note 28)*	10,858	–
	19,443	89
Less: amounts capitalised on qualifying assets	(17,910)	–
Total finance costs	1,533	89
Finance income:		
Interest income on short-term bank deposits	(131)	(146)
Foreign exchange difference, net	(671)	(208)
Total finance income	(802)	(354)
Net finance costs (income)	731	(265)

Borrowing costs of the loans used to finance the property development projects of the Group have been capitalised at a capitalisation rate of 92% during the year (2010: Nil).

7. Expenses by nature

	2011 HK$'000	2010 HK$'000 (restated)
Employee benefit expenses (excluding directors' remuneration – *note 8*):		
Wages and salaries	**13,204**	11,848
Retirement benefit scheme contributions	**573**	500
	13,777	12,348
Auditors' remuneration	**1,680**	1,500
Depreciation	**2,985**	2,475
Cost of inventories recognised as expenses*	**19,450**	78,038
Written off inventories	**939**	–
Minimum lease payments under operating leases	**5,469**	4,308
Direct operating expenses of an investment property	**1,471**	4,392
Write-back of impairment of trade receivables	**(813)**	(1,858)
Uncollectible trade receivables recovered	**(78)**	(1,134)
Professional fees	**2,897**	2,569
Loss on disposal of property, plant and equipment	**56**	–
Others	**10,150**	8,800
Total cost of sales and administrative expenses	**57,983**	111,438

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

8. Directors' remuneration and five highest paid individuals

(a) Directors' remuneration

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

	Group	
	2011 HK$'000	2010 HK$'000
Fees	316	391
Other emoluments:		
Salaries, allowances and benefits in kind	1,731	1,629
Retirement benefit scheme contributions	120	102
	2,167	2,122

2011

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:				
Mr. Jin Lei	–	420	23	443
Ms. Lai Pik Chi, Peggy	–	263	18	281
Ms. Law Kee, Alice	–	866	65	931
Mr. Hui Wai Lee, Willy	–	182	14	196
	–	1,731	120	1,851
Independent non-executive directors:				
Mr. Tsui Pui Hung	120	–	–	120
Mr. Chan Tung Tak, Alain	20	–	–	20
Mr. Tang Ping Sum	96	–	–	96
Mr. Chu To, Jonathan	80	–	–	80
	316	–	–	316
	316	1,731	120	2,167

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

(a) Directors' remuneration *(continued)*

2010

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

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

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

(b) Emoluments of highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2010: two) were directors of the Company, whose emoluments are included in the disclosure set out in note (a) above. The emoluments of the remaining three (2010: three) highest paid individuals are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	**1,933**	1,675
Retirement benefit scheme contributions	**31**	33
	1,964	1,708

The emoluments of the three (2010: three) individuals with the highest emoluments are within the following bands:

	2011 Number of individuals	2010 Number of individuals
Nil – 1,000,000	**2**	3
1,000,001 – 1,500,000	**1**	–

9. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

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

	Group	
	2011 HK$'000	2010 HK$'000 (restated)
Group:		
Current – Hong Kong		
Charge for the year	**826**	232
Overprovision in prior years	**(61)**	–
Current – PRC		
Charge for the year	**2,650**	610
Underprovision in prior years	**–**	129
Deferred *(note 29)*	**7,092**	5,556
Total tax charge for the year	**10,507**	6,527

9. Income tax expense *(continued)*

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

	Group	
	2011	2010
	HK$'000	HK$'000
		(restated)
Profit before income tax	**68,271**	63,329
Tax at the statutory tax rates	**14,273**	12,554
Expenses not deductible for tax	**1,282**	1,193
Income not subject to tax	**(7,098)**	(5,634)
(Overprovision) Underprovision in prior years	**(61)**	129
Tax losses not recognised	**2,101**	272
Tax losses utilised from previous periods	**–**	(1,987)
Profits and losses attributable to an associate	**10**	–
Total tax charge	**10,507**	6,527

10. Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company for the year ended 31 December 2011 includes a loss of HK$13,587,000 (2010: loss of HK$2,489,000) which has been dealt with in the financial statements of the Company (note 32).

11. Dividend

No dividend was paid or proposed during the years ended 31 December 2011 and 2010, nor has any dividend been proposed since the end of the reporting period.

12. Earnings per share attributable to equity holders of the Company

The calculation of basic earnings per share amounts is based on the profit for the year of HK$54,798,000 (restated 2010: HK$55,171,000), attributable to equity holders of the Company, and the weighted average number of ordinary shares of 2,948,831,000 (2010: 1,662,108,000) in issue during the year.

Adjustments has been made to the basic earnings per share amounts presented for the year ended 31 December 2011 in respect of the dilution effect of the convertible bonds outstanding during the year.

12. Earnings per share attributable to equity holders of the Company *(continued)*

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2010 as there were no dilutive potential ordinary shares.

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	2011 **HK$'000**	2010 HK$'000 (restated)
Profit attributable to equity holders of the company	**54,798**	55,171
Weighted average number of ordinary shares in issue (thousands)	**2,948,831**	1,662,108

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

	2011 **HK$'000**	2010 HK$'000 (restated)
Earnings		
Profit attributable to equity holders of the company	**54,798**	55,171
Interest expense on convertible bonds (net of tax)	**–**	–
Profit used to determine diluted earnings per share	**54,798**	55,171
Weighted average number of ordinary shares in issue (thousands)	**2,948,831**	1,662,108
Adjustments for:		
– Assumed conversion of convertible bonds (thousands)	**426,036**	–
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**3,374,867**	1,662,108

13. Property, plant and equipment

	Group						
	Construction in progress HK$'000	Leasehold land and buildings HK$'000 (restated)	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Total HK$'000 (restated)
At 1 January 2009							
Cost or valuation, as previously reported	–	16,900	5,799	3,021	1,738	21,329	48,787
Effect on changes in accounting policies (note 2.1(c))	–	(12,400)	–	–	–	–	(12,400)
Cost, as restated	–	4,500	5,799	3,021	1,738	21,329	36,387
Accumulated depreciation, as previously reported	–	–	(5,431)	(2,595)	(524)	(20,771)	(29,321)
Effect on changes in accounting policies (note 2.1(c))	–	(919)	–	–	–	–	(919)
Accumulated depreciation, as restated	–	(919)	(5,431)	(2,595)	(524)	(20,771)	(30,240)
Net carrying amount, as restated	–	3,581	368	426	1,214	558	6,147
Year ended 31 December 2009							
Opening carrying amount, as previously reported	–	16,900	368	426	1,214	558	19,466
Effect on changes in accounting policies (note 2.1(c))	–	(13,319)	–	–	–	–	(13,319)
Opening carrying amount, as restated	–	3,581	368	426	1,214	558	6,147
Additions	–	–	330	549	–	118	997
Disposals	–	–	–	–	–	(45)	(45)
Disposal of subsidiaries	–	–	(26)	–	(206)	(61)	(293)
Depreciation	–	(122)	(130)	(600)	(370)	(230)	(1,452)
Exchange realignment	–	–	1	–	5	(6)	–
Closing carrying amount, as restated	–	3,459	543	375	643	334	5,354
At 31 December 2009							
Cost or valuation, as previously reported	–	16,900	5,996	3,208	1,500	21,060	48,664
Effect on changes in accounting policies (note 2.1(c))	–	(12,400)	–	–	–	–	(12,400)
Cost, as restated	–	4,500	5,996	3,208	1,500	21,060	36,264
Accumulated depreciation, as previously reported	–	(481)	(5,453)	(2,833)	(857)	(20,726)	(30,350)
Effect on changes in accounting policies (note 2.1(c))	–	(560)	–	–	–	–	(560)
Accumulated depreciation, as restated	–	(1,041)	(5,453)	(2,833)	(857)	(20,726)	(30,910)
Net carrying amount, as restated	–	3,459	543	375	643	334	5,354

13. Property, plant and equipment *(continued)*

	Group						
	Construction in progress HK$'000	Leasehold land and buildings HK$'000 (restated)	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Total HK$'000 (restated)
Year ended 31 December 2010							
Opening net carrying amount, as previously reported	–	16,419	543	375	643	334	18,314
Effect on changes in accounting policies (note 2.1(c))	–	(12,960)	–	–	–	–	(12,960)
Opening net carrying amount, as restated	–	3,459	543	375	643	334	5,354
Additions	–	–	342	2,431	1,380	1,649	5,802
Disposals	–	–	(38)	(3)	–	(2)	(43)
Depreciation	–	(122)	(256)	(888)	(857)	(352)	(2,475)
Transfer to property held for sale (note 19)	–	(2,500)	–	–	–	–	(2,500)
Exchange realignment	–	–	1	–	8	–	9
Closing carrying amount, as restated	–	837	592	1,915	1,174	1,629	6,147
At 31 December 2010							
Cost or valuation, as previously reported	–	5,500	6,298	4,070	2,890	22,702	41,460
Effect on changes in accounting policies (note 2.1(c))	–	(4,400)	–	–	–	–	(4,400)
Cost, as restated	–	1,100	6,298	4,070	2,890	22,702	37,060
Accumulated depreciation, as previously reported	–	–	(5,706)	(2,155)	(1,716)	(21,073)	(30,650)
Effect on changes in accounting policies (note 2.1(c))	–	(263)	–	–	–	–	(263)
Accumulated depreciation, as restated	–	(263)	(5,706)	(2,155)	(1,716)	(21,073)	(30,913)
Net carrying amount, as restated	–	837	592	1,915	1,174	1,629	6,147
Year ended 31 December 2011							
Opening net carrying amount, as previously reported	–	5,500	592	1,915	1,174	1,629	10,810
Effect on changes in accounting policies (note 2.1(c))	–	(4,663)	–	–	–	–	(4,663)
Opening net carrying amount, as restated	–	837	592	1,915	1,174	1,629	6,147
Additions	25,832	–	88	450	10,009	144	36,523
Acquisition of a subsidiary (note 33)	683	–	83	138	965	68	1,937
Disposals	–	–	–	–	(255)	(1)	(256)
Depreciation	–	(28)	(200)	(1,074)	(1,214)	(469)	(2,985)
Exchange realignment	28	–	3	2	42	3	78
Closing carrying amount	26,543	809	566	1,431	10,721	1,374	41,444
At 31 December 2011							
Cost	26,543	1,100	6,482	4,975	12,706	22,933	74,739
Accumulated depreciation	–	(291)	(5,916)	(3,544)	(1,985)	(21,559)	(33,295)
Net carrying amount	26,543	809	566	1,431	10,721	1,374	41,444

13. Property, plant and equipment *(continued)*

Depreciation expense of HK$2,985,000 (2010: HK$2,475,000) has been charged in 'administrative expenses'.

Construction in progress as at 31 December 2011 mainly comprised hotel units being constructed in the PRC.

During the year, the Group has capitalised borrowing costs amounting to HK$7,979,000 (2010: Nil) on qualifying assets within property, plant and equipment.

At 31 December 2011, a motor vehicle was held under a finance lease as follows:

	2011 **HK$'000**	2010 HK$'000
Cost	**7,980**	–
Accumulated depreciation	**(266)**	–
Net carrying amount	**7,714**	–

The net carrying amount of the Group's interests in leasehold land classified as finance lease and buildings are analysed as follows:

	2011 **HK$'000**	2010 HK$'000
In Hong Kong, held on leases of:		
Between 10 to 50 years	**809**	837

At 31 December 2011, the Group's leasehold land and buildings with a net carrying amount of HK$809,000 (2010: HK$837,000) were pledged to secure banking facilities granted to the Group *(note 37)*.

14. Land use right

The Group's interests in land use right represented prepaid operating lease payments and their net carrying amount are analysed as follows:

	Group 2011 HK$'000
In the PRC, held on leases of:	
Between 10 to 50 years	**326,055**

	2011 HK$'000
At 1 January	**–**
Acquisition of a subsidiary *(note 33)*	**320,913**
Amortisation of land use right	**(7,767)**
Exchange realignment	**12,909**
At 31 December	**326,055**

Amortisation of land use right for the year ended 31 December 2011 amounted to HK$7,767,000 had been capitalised as the construction in progress under "property, plant and equipment" as at 31 December 2011.

15. Investment property

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**310,223**	283,801
Fair value gain adjustment	**26,532**	16,451
Exchange realignment	**15,072**	9,971
At 31 December	**351,827**	310,223

(a) Amounts recognised in the consolidated income statement for investment property

	2011	2010
	HK$'000	HK$'000
Rental income	**16,529**	15,193
Direct operating expenses from investment property that generated rental income	**(1,471)**	(4,392)
	15,058	10,801

(b) Valuation basis

The Group's investment property is situated in No. 19, Yongling Road, Jinniu District, Chengdu City, Sichuan Province, the PRC.

The Group's investment property was revalued on 31 December 2011 by RHL Appraisal Limited, independent professional qualified valuer, at HK$351,827,000 on an open market and existing use basis. The investment property is leased to third parties under operating leases, further summary details of which are included in note 35(a) to the financial statements.

(c) The net carrying amount of the Group's investment property is analysed as follows:

	2011	2010
	HK$'000	HK$'000
In the PRC, held on leases of:		
Between 10 to 50 years	**351,827**	310,223

16. Investments in subsidiaries

	Company 2011 HK$'000	Company 2010 HK$'000
Unlisted shares, at cost	**6,172**	6,172

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries of the Company at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation/ operations and kind of legal entity	Nominal value of issued and fully paid share capital/registered capital	Percentage of equity attributed to the Company 2011	Percentage of equity attributed to the Company 2010	Principal activities
Adore Capital Limited	British Virgin Islands ("BVI")/ Hong Kong, limited liability company	US$1	**100**	100	Investment holding
Brilliant Field Corporation Limited	Hong Kong, limited liability company	HK$1	**100**	100	Investment holding
Mandarin Films Limited	Hong Kong, limited liability company	HK$1	**100**	100	Production and distribution of films and provision of management services
Grimston Limited ("Grimston")	BVI/Hong Kong, limited liability company	US$10,000	**100**	100	Investment holding
Handful Cotton (Piecegoods) Company Limited	Marshall, limited liability company	US$1	**100**	100	Investment holding

16. Investments in subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations and kind of legal entity	Nominal value of issued and fully paid share capital/registered capital	Percentage of equity attributed to the Company 2011	2010	Principal activities
Mandarin Films Distribution Company Limited	Hong Kong, limited liability company	HK$20 ordinary shares and HK$10,000,000 non-voting deferred shares *(note)*	100	100	Distribution of films produced or purchased by the Group
Mandarin Laboratory Limited	Hong Kong, limited liability company	HK$10,000	100	100	Investment holding
Mandarin Laboratory (International) Limited	Hong Kong, limited liability company	HK$1,000,000	100	100	Film processing and storage of films
Mandarin Films Library Limited	Hong Kong, limited liability company	HK$1	100	100	Films licensing
Silverland Enterprises Limited	BVI/Hong Kong, limited liability company	US$1	100	100	Investment holding
Sino Step Inc.	BVI/Hong Kong, limited liability company	US$1	100	100	Investment holding
Walsbo Limited	Hong Kong, limited liability company	HK$2 ordinary shares and HK$9,800 non-voting deferred shares *(note)*	100	100	Investment holding
Profit Source International Limited ("Profit Source")	Hong Kong, limited liability company	HK$1	100	100	Investment holding
Chengdu Zhongfa Real Estate Development Co. Ltd. ("Chengdu Zhongfa") ^	PRC, limited liability company	Renminbi "RMB" 176,000,000	90.057	90	Property holding

16. Investments in subsidiaries *(continued)*

Name of subsidiary	Place of incorporation/ operations and kind of legal entity	Nominal value of issued and fully paid share capital/registered capital	Percentage of equity attributed to the Company 2011	2010	Principal activities
Prosper China Limited	BVI/Hong Kong, limited liability company	US$100	100	100	Investment holding
北京東方新青年文化發展有限公司^^	PRC, limited liability company	HK$10,000,000	100	100	Distribution of films produced by the Group
湖南九華國際新城開發建設有限公司^^^ (Hunan Jinhua International City Development Construction Company Limited) ("Hunan Jinhua")	PRC, limited liability company	RMB170,887,216	100	–	Property and hotel development

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

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

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

^^^ *Hunan Jinhua is registered as a wholly-foreign-owned enterprise under the PRC law.*

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

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

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

17. Investment in an associate

	Group	
	2011	2010
	HK$'000	HK$'000
Share of net deficit	**(139)**	(82)
Loans to an associate	**66,177**	47,177
	66,038	47,095

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

Particulars of the associate are as follows:

Name of entity	Particulars of issued shares held	Place of incorporation/ operation and kind of legal entity	Percentage of nominal value of issued share capital held indirectly by the Company		Principal activities
			2011	2010	
Talent Films Limited	10,000 ordinary shares of HK$1 each	Hong Kong, limited liability company	**35**	35	Production and distribution of film

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

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

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

	2011	2010
	HK$'000	HK$'000
Assets	**65,477**	45,006
Liabilities	**(65,616)**	(45,088)
Revenue and other income	**–**	–
Loss for the year	**(57)**	(85)

18. Properties development in progress

	2011 HK$'000
At 1 January	–
Acquisition of a subsidiary *(note 33)*	399,983
Additions	12,794
Exchange realignment	16,090
At 31 December	428,867
Properties development in progress comprise:	
Land use rights	415,431
Construction costs and capitalised expenditures	3,505
Finance costs capitalised	9,931
	428,867
Amounts are expected to be completed:	
Within the normal operating cycle included under current assets	428,867
Beyond normal operating cycle included under non-current assets	–
	428,867

The amount of properties development in progress expected to be recovered after more than one year was HK$428,867,000 (2010: Nil).

Land use rights:	
In the PRC, held on leases of:	
Over 50 years	415,431

19. Property held for sale

The Group signed a sole agent agreement with an agent to sell a property to an independent third party at a consideration of HK$44,093,000 with a disposal gain of HK$41,328,000. The transaction was completed in 2011.

At 31 December 2010, the Group's property held for sale with a carrying amount of HK$2,500,000 was pledged to secure bank facilities granted to the Group *(note 37)*.

20. Inventories

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**1,227**	1,980
Work in progress	**16**	25
	1,243	2,005

21. Trade receivables

	Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**7,968**	9,382
Impairment	**(925)**	(1,738)
	7,043	7,644

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

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

	2011	2010
	HK$'000	HK$'000
0 – 90 days	**4,076**	5,460
91 – 180 days	**1,554**	617
181 – 365 days	**685**	831
Over 1 year	**728**	736
	7,043	7,644

21. Trade receivables *(continued)*

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

	2011 HK$'000	2010 HK$'000
121 – 180 days	1,182	191
More than 180 days	1,413	1,567
	2,595	1,758

The trade receivables that were past due but not impaired relate to customers that have good track records with the Group. Management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

	2011 HK$'000	2010 HK$'000
At 1 January	1,738	3,596
Impairment reversed due to amount recovered	(813)	(1,858)
At 31 December	925	1,738

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

At 31 December 2011, trade receivables of HK$925,000 (2010: HK$1,738,000) were individually determined to be impaired. The individually impaired trade receivables relate to receivables which are expected not to be recoverable or only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

21. Trade receivables *(continued)*

The carrying amounts of the trade receivables are denominated in the following currencies:

	2011 HK$'000	2010 HK$'000
Hong Kong dollar	**6,709**	5,887
Renminbi	**265**	1,757
United States dollar	**69**	–
At 31 December	**7,043**	7,644

22. Other receivables, prepayments and deposits paid

		Group	
	Note	2011 HK$'000	2010 HK$'000
Other receivables		**210**	58
Prepayments		**594**	164
Deposit for acquisition of a subsidiary	(i)	**–**	160,000
Deposit for land	(ii)	**67,661**	–
Deposit for construction costs		**12,351**	–
Others		**2,182**	1,939
Carrying amount at 31 December		**82,998**	162,161
Current portion		**(81,212)**	(495)
Non-current portion		**1,786**	161,666

(i) The balance represented an initial refundable deposit paid to an independent third party for acquiring 100% equity interest in Hunan Jiuhua.

(ii) The balance represented a deposit paid to acquire a piece of land in Hunan for property development purposes.

None of the other receivables is either past due or impaired. The other receivables included in the above balances had no recent history of default.

23. Cash and cash equivalents

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**38,580**	44,764	**2,475**	1,519
Short-term bank deposits	**9,553**	20,000	**8,691**	20,000
	48,133	64,764	**11,166**	21,519

At 31 December 2011, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$19,931,000 (2010: HK$10,798,000). RMB is not freely convertible into the other currencies, however, under Mainland China's Foreign Exchange Control Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

The effective interest rate on short-term bank deposits is 0.94% (2010: 0.07%) per annum where the deposits have maturities of 7 days (2010: 7 days).

The carrying amount of the cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**26,633**	40,941	**7,366**	21,512
Renminbi	**19,931**	10,798	**3,793**	–
United States dollar	**1,532**	11,874	**7**	7
Others	**37**	1,151	**–**	–
	48,133	64,764	**11,166**	21,519

24. Trade payables

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

	Group	
	2011	2010
	HK$'000	HK$'000
0 – 90 days	**8,618**	1,604

25. Other payables, accruals and deposits received

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**8,034**	12,633	**–**	–
Accruals	**6,590**	5,648	**1,133**	242
Accrued interest expense	**9,058**	–	**–**	–
Deposits in advance	**1,058**	975	**–**	–
	24,740	19,256	**1,133**	242

26. Interest-bearing bank and other borrowings

	Effective contractual interest rate	Maturity	Group		Company	
	%		**2011**	2010	**2011**	2010
			HK$'000	HK$'000	**HK$'000**	HK$'000
Current						
Bank loan – secured (note i)	3.75	On demand	**1,613**	1,789	**1,613**	1,789
Other borrowings – secured (note ii)	15	September 2012	**45,600**	–	**–**	–
Other borrowings – unsecured	15	April 2012	**61,508**	–	**–**	–
			108,721	1,789	**1,613**	1,789

26. Interest-bearing bank and other borrowings *(continued)*

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year	**1,613**	1,789	**1,613**	1,789

(i) At 31 December 2011, the Group's and the Company's bank borrowings were secured by the Group's leasehold land and buildings with a net carrying amount of HK$809,000.

At 31 December 2010, the Group's and the Company's bank borrowings were secured by the Group's leasehold land and buildings with a net carrying amount of HK$837,000 and a property held for sale with a net carrying amount of HK$2,500,000 respectively.

(ii) The Group's other borrowings are secured by a corporate guarantee granted by the Company and the Group's 100% equity interest in Profit Source. Profit Source is the immediate holding company of Chengdu Zhongfa which holds the investment property of the Group.

The carrying amounts of the Group's and the Company's interest-bearing bank and other borrowings are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**47,213**	1,789	**1,613**	1,789
Renminbi	**61,508**	–	**–**	–
	108,721	1,789	**1,613**	1,789

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

27. Obligations under a finance lease

During the year, the Group leased its motor vehicle for its business use. The lease was classified as a finance lease and had a remaining lease term of five years. Interest rate underlying all obligations under the finance lease was fixed at contract rate of 4.28%. No arrangement had been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Amounts payable:				
Within one year	**1,246**	–	**1,034**	–
Between 1 and 2 years	**1,246**	–	**1,079**	–
Between 2 and 5 years	**3,530**	–	**3,319**	–
Total minimum finance lease payments	**6,022**	–	**5,432**	–
Future finance charges	**(590)**	–		
Total net finance lease payables	**5,432**	–		
Portion classified as current liabilities	**(1,034)**	–		
Non-current portion	**4,398**	–		

28. Convertible bonds

On 26 January 2011, the Company issued the convertible bonds carrying a coupon interest rate of 0.5% per annum up to an aggregate principal amount of HK$515,128,000. The bonds are convertible at the option of the bondholders into fully paid ordinary shares with a par value of HK$0.10 each at any time from the date of the issue of the bonds up to and including 26 January 2016 at an initial conversion price of HK$0.345. The Company may redeem at 100% of the principal amount in cash by giving the bondholders 10 working days' prior written notice. Any convertible bonds not converted will be redeemed on 26 January 2016 at 100% of their principal amount.

The convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	HK$'000
Nominal value of the convertible bonds issued during the year (note 33)	515,128
Equity component	(149,228)
Liability component at the date of issuance	365,900
Conversion of convertible bonds during the year	(336,462)
Interest expense (note 6)	10,858
Interest payable	(992)
Carrying amount as at 31 December 2011	39,304

Interest expense on the liability component of the convertible bonds is calculated using the effective interest method, applying the effective interest rate of 7.698% per annum to the liability component.

The liability component of the convertible bonds as at 31 December 2011 amounted to HK$31,069,000. The fair value is calculated using the market price of the convertible bonds on the reporting date (or the nearest day of trading).

29. Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group	
	2011 **HK$'000**	2010 HK$'000 (restated)
Deferred income tax assets	**68**	–
Deferred income tax liabilities	**(265,856)**	(73,512)
	(265,788)	(73,512)

The net movements of the deferred income tax account are as follows:

	Group	
	2011 **HK$'000**	2010 HK$'000
At 1 January	**(77,130)**	(68,238)
Effect on changes in accounting policies *(note 2.1(c))*	**3,618**	2,764
	(73,512)	(65,474)
Deferred income tax charged to income statement *(note 9)*	**(7,092)**	(5,556)
Acquisition of a subsidiary *(note 33)*	**(174,577)**	–
Exchange realignment	**(10,607)**	(2,482)
At 31 December	**(265,788)**	(73,512)

At 31 December 2011, the Group had unused tax losses in Hong Kong of approximately HK$22,148,000 (2010: HK$14,454,000) available indefinitely for offsetting against future profits of the companies in which the losses arose; and unused tax losses in the PRC of HK$3,324,000 available for offsetting against future profits of the PRC subsidiary which will be expired in 5 years. No deferred tax asset in respect of such losses has been recognised due to the unpredictability of future profit streams.

Deferred income tax liabilities of HK$4,621,000 (2010: HK$2,969,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled HK$92,417,000 at 31 December 2011 (2010: HK$59,384,000).

29. Deferred tax *(continued)*

The movements in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred tax liabilities

	Group				
	Revaluation of land use right HK$'000	Revaluation of investment property HK$'000	Accelerated tax depreciation HK$'000 (restated)	Revaluation of properties HK$'000 (restated)	Total HK$'000
At 1 January 2009 as previously reported	–	63,581	479	2,764	66,824
Effect on changes in accounting policies (note 2.1(c))	–	–	–	(2,764)	(2,764)
As 1 January 2009 (restated)	–	63,581	479	–	64,060
Deferred tax charged (credited) to the consolidated income statement during the year	–	1,459	(79)	–	1,380
Exchange realignment	–	37	–	–	37
At 31 December 2009 and 1 January 2010	–	65,077	400	–	65,477
At 1 January 2010 as previously reported	–	65,077	400	2,764	68,241
Effect on changes in accounting policies (note 2.1(c))	–	–	–	(2,764)	(2,764)
At 1 January 2010 (restated)	–	65,077	400	–	65,477
Deferred tax charged (credited) to the consolidated income statement during the year	–	5,772	(219)	–	5,553
Exchange realignment	–	2,482	–	–	2,482
At 31 December 2010 and 1 January 2011	–	73,331	181	–	73,512
At 1 January 2011 as previously reported	–	73,331	181	3,618	77,130
Effect on changes in accounting policies (note 2.1(c))	–	–	–	(3,618)	(3,618)
At 1 January 2011 (restated)	–	73,331	181	–	73,512
Deferred tax charged (credited) to the consolidated income statement during the year	–	7,341	(181)	–	7,160
Acquisition of a subsidiary (note 33)	174,577	–	–	–	174,577
Exchange realignment	7,023	3,584	–	–	10,607
At 31 December 2011	181,600	84,256	–	–	265,856

29. Deferred tax *(continued)*

Deferred tax assets

	Group	
	Losses available for offsetting against future taxable profits	
	2011	2010
	HK$'000	HK$'000
At 1 January	**–**	3
Deferred tax credited (charged) to the income statement during the year	**68**	(3)
At 31 December	**68**	–

30. Loans from a shareholder

At 31 December 2011, the Group had loan balances of HK$14,640,000 (2010: Nil) from Mr. Cheng Keung Fai ("Mr. Cheng"), a substantial shareholder of the Company, which were unsecured, bearing interest at 1% per annum and were repayable on or before April 2012, but contain a repayment on demand clause.

31. Share capital

	Note	**2011**	2010
		HK$'000	HK$'000
Authorised:			
10,000,000,000 (2010: 10,000,000,000) ordinary shares of HK$0.10 (2010: HK$0.10) each	(a)	**1,000,000**	1,000,000
Issued and fully paid:			
3,433,184,000 (2010: 2,090,784,000) ordinary shares of HK$0.10 (2010: HK$0.10) each		**343,318**	209,078

31. Share capital *(continued)*

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

		No. of shares	Amount HK$'000
At 1 January 2010		2,613,480,000	261,348
Capital reorganisation	(b)	–	(235,213)
Issue of shares	(c)	18,294,360,000	182,943
Share consolidation	(d)	(18,817,056,000)	–
At 31 December 2010 and 1 January 2011		2,090,784,000	209,078
Issue of shares	(e)	1,342,400,000	134,240
At 31 December 2011		3,433,184,000	343,318

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

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

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

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

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

(e) During the year, convertible bonds with principal amount of HK$463,128,000 were converted into 1,342,400,000 ordinary shares at HK$0.345 each per share.

32. Reserves

(a) Group

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

(b) Company

	Notes	Share premium HK$'000	Contributed surplus HK$'000	Equity component of the convertible bonds HK$'000	Accumu-lated losses HK$'000	Total HK$'000
At 1 January 2010		224,095	44,072	–	(340,146)	(71,979)
Loss for the year	10	–	–	–	(2,489)	(2,489)
Total comprehensive loss for the year		–	–	–	(2,489)	(2,489)
Capital reorganisation	31(b)	(224,095)	459,308	–	–	235,213
Setting off accumulated losses	31(b)	–	(340,146)	–	340,146	–
Issue of shares	31(c)	16,465	–	–	–	16,465
Transaction costs attributable to issue of shares		(5,638)	–	–	–	(5,638)
At 31 December 2010		10,827	163,234	–	(2,489)	171,572
Loss for the year	10	–	–	–	(13,587)	(13,587)
Total comprehensive loss for the year		–	–	–	(13,587)	(13,587)
Issue of convertible bonds		–	–	149,228	–	149,228
Issue of shares	31(e)	336,386	–	(134,164)	–	202,222
At 31 December 2011		347,213	163,234	15,064	(16,076)	509,435

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

33. Business combinations

On 26 January 2011, the Group acquired 100% equity interest in Hunan Jiuhua. Hunan Jinhua's principal activities are property development, property management and hotel management. The acquisition is aimed at diversifying the existing business of the Group.

The purchase consideration for the acquisition amounted to HK$700,000,000 which was satisfied by:

(i) HK$160,000,000 in cash paid on 16 November 2010;

(ii) waiver of a loan due from a former shareholder of Hunan Jiuhua of RMB21,276,000 (equivalent to approximately HK$24,872,000);

(iii) issue of the convertible bonds of HK$515,128,000.

The goodwill arose from a number of factors. Most significant amongst these is synergies expected to arise after the acquisition of Hunan Jiuhua on the equity interests of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

33. Business combinations *(continued)*

The fair values of the identifiable assets and liabilities of Hunan Jiuhua as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition HK$'000
Net assets acquired:		
Properties, plant and equipment	13	1,937
Land use right	14	320,913
Properties development in progress	18	399,983
Other assets		1,313
Amount due from a shareholder		25,161
Bank balances and cash		1,710
Other loans and liabilities		(63,212)
Deferred taxation	29	(174,577)
		513,228
Goodwill		186,772
		700,000
Satisfied by:		
Cash		160,000
Convertible bonds	28	515,128
Waiver of an amount due from a former shareholder of Hunan Jinhua		24,872
		700,000

33. Business combinations *(continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition is as follows:

	HK$'000
Cash consideration paid during the year	–
Cash and bank balance acquired	1,710
Net inflow of cash and cash equivalents in respect of the acquisition	1,710

Acquisition-related costs of HK$450,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2011.

The acquired business contributed a consolidated loss of HK$3,324,000 to the Group for the period from 27 January 2011 to 31 December 2011. If the acquisition had occurred on 1 January 2011, no consolidated revenue would be contributed but the consolidated loss for the year would have been approximately HK$4,000,000.

The movements of goodwill during the year are as follows:

	2011 HK$'000
At 1 January	–
Acquisition of a subsidiary	186,772
Exchange realignment	7,513
At 31 December	194,285

Impairment test for goodwill

The goodwill is primarily attributable to the property and hotel development business of the Group. Management has completed its annual impairment test for goodwill by comparing the recoverable amount of the property and hotel development business to their carrying amount as at the reporting date. The recoverable amount is determined based on value in use. These assessments use pre-tax cash flow projections based on financial budgets approved by management.

Management determined budgeted gross margins for the property development and sales business based on the current performance of the property market nearby and their expectations for the market development. Management determined budgeted gross margins for the hotel management business based on their experience in the hotel industry in the PRC and their expectations for the development in the area that the hotel locates. Future cash flows are discounted at the standard rate of 5%.

33. Business combinations *(continued)*

Impairment test for goodwill *(continued)*

The directors are of the view that there was no evidence of impairment of goodwill as at 31 December 2011 arising from the review.

The Group has performed a sensitivity analysis on key assumptions used for the annual impairment test for goodwill. A reasonably possible change in key assumptions used in the impairment test for goodwill would not cause the carrying amount to exceed its respective recoverable amount.

34. Disposal of subsidiaries

(a) Disposal of subsidiaries

On 3 March 2010, Grimston and Pegasus Motion Pictures Limited ("Pegasus"), a company which was owned by Mr. Edmond Wong, the son of Mr. Wong Pak Ming ("Mr. Wong") and a former director of the Company, entered into a sale and purchase agreement (the "Sale and Purchase Agreement"). Pursuant to the Sale and Purchase Agreement, Grimston shall dispose of and Pegasus shall acquire the entire 100% issued and fully-paid ordinary shares of Elite Films Limited, Motion Picture Limited and Pioneer Films Limited (collectively known as the "Disposal Group") at a cash consideration of HK$29,000,000 together with the balance of payment from the sales of film rights which were signed before the date of disposal and were remained to be performed in whole or in part, with a tax indemnity of HK$1,000,000 and a waiver of the inter-companies balances with Grimston. Details in respect of the disposal of subsidiaries during the reporting period were as follows:

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

34. Disposal of subsidiaries *(continued)*

(a) Disposal of subsidiaries *(continued)*

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

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

35. Operating lease commitments

(a) As lessor

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

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

	Group	
	2011 HK$'000	2010 HK$'000
Within one year	**19,413**	16,687
Between two to five years	**81,469**	68,066
Over five years	**48,659**	57,854
	149,541	142,607

(b) As lessee

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

35. Operating lease commitments *(continued)*

(b) As lessee *(continued)*

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

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**5,412**	4,491
Between two to five years	**996**	4,963
	6,408	9,454

36. Other commitments

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

	Group	
	2011	2010
	HK$'000	HK$'000
Contracted but not provided for:		
Production of a film	**986**	18,130
Loans to an associate	**5,923**	24,923
Property development	**150,466**	–
Motor vehicle	**696**	–
	158,071	43,053
Authorised but not contracted for:		
Property development	**1,592,185**	–
	1,750,256	43,053

The Company did not have any significant commitments at the end of the reporting period (2010: Nil).

(b) At 31 December 2011, the Group had a capital commitment in respect of an investment in a wholly foreign-owned subsidiary in the PRC amounting to HK$35,813,000 (2010: Nil).

37. Banking facilities and pledge of assets

At 31 December 2011, the Group's banking facilities were secured by the Group's leasehold land and buildings with a net carrying amount of HK$809,000.

At 31 December 2010, the Group's banking facilities were secured by the Group's leasehold land and buildings and a property held for sale with net carrying amounts of HK$837,000 and HK$2,500,000 respectively.

38. Related party disclosures

(i) Related party transactions and connected transactions

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

– No agency fees were charged by 廣州東影影視出品有限公司 ("Tung Ying") (2010: HK$115,000) and Prime Moon International Limited ("Prime Moon") (2010: HK$5,000), in which a brother and a sister of Mr. Wong, a former director of the Company, have beneficial interests, respectively, for the distribution income generated by Tung Ying and Prime Moon on behalf of the Group, in which they acted as the agents to generate that income.

– No production expenses (2010: HK$200,000) were paid to Mr. Wong for his service as the executive producer provided to the Group in accordance with the service agreements entered into on 20 November 2008 between the Group and Big Bright Investment Limited and on 26 May 2009 between the Group and Pure Project Limited, respectively, of which the shareholdings are beneficially owned by Mr. Wong.

– No provision of shooting and editing service fee (2010: HK$151,000) were paid to Pegasus, a related company in which Mr. Edmond Wong, a former director of the Company, has beneficial interest.

– No rental expenses (2010: HK$25,000) for certain premises were paid to Wealth Gate Investment Limited, a related company in which Mr. Sin Kwok Lam ("Mr. Sin"), a former non-executive director of the Company, has beneficial interest.

– No interest (2010: HK$18,000) was paid to First Credit Limited, a related company in which Mr. Sin has beneficial interest.

– No underwriting commission (2010: HK$4,017,000) was paid to Mr. Cheng Keung Fai ("Mr. Cheng"), a substantial shareholder of the Company.

– Interest of HK$497,000 (2010: Nil) was paid to Mr. Cheng for the loans from a shareholder.

– Service fee of HK$110,000 (2010: Nil) was paid to Mr. Cheng Ka Sing, the son of Mr. Cheng.

– Accountancy service fee of HK$120,000 (2010: HK$150,000) was received from Talent Films Limited, an associate of the Company.

38. Related party disclosures *(continued)*

(ii) Compensation of key management personnel

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

39. Contingent liabilities

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

40. Financial instruments

Categories of financial instruments

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Trade receivables	**7,043**	7,644	**–**	–
Other receivables	**210**	58	**–**	–
Amounts due from subsidiaries	**–**	–	**891,668**	354,990
Cash and cash equivalents	**48,133**	64,764	**11,166**	21,519
	55,386	72,466	**902,834**	376,509

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial liabilities				
Trade payables	**8,618**	1,604	**–**	–
Other payables	**8,034**	12,633	**–**	–
Interest-bearing bank and other borrowings	**108,721**	1,789	**1,613**	1,789
Obligations under a finance lease	**5,432**	–	**–**	–
Loans from a shareholder	**14,640**	–	**14,640**	–
Convertible bonds	**39,304**	–	**39,304**	–
	184,749	16,026	**55,557**	1,789

41. Financial risk management objectives and policies

The Group's principal financial instruments, comprise cash and cash equivalents, interest-bearing bank and other borrowings, obligations under a finance lease and loans from a shareholder. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

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

Interest rate risk

At 31 December 2011, the Group had other borrowings of HK$107,108,000 and the loans from a shareholder of HK$14,640,000 which were interest bearing with fixed interest rates.

At 31 December 2011, the Group had short-term bank deposits of HK$9,553,000 (2010: HK$20,000,000) and bank borrowings of HK$1,613,000 (2010: HK$1,789,000), which were interest bearing with a floating interest rate.

At 31 December 2011, if interest rates on the short-term bank deposits had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$95,530 (2010: HK$200,000) higher/lower respectively, mainly as a result of higher/lower interest income on floating rate borrowings.

At 31 December 2011, if interest rate on the bank borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$16,130 (2010: HK$17,890) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

Foreign currency risk

The Group carries on its sale and purchase transactions mainly in Hong Kong dollars, United States dollars and RMB. As the foreign currency risk generated from the sales and purchases can be set off with each other, the foreign currency risk is minimal for the Group. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of the business.

41. Financial risk management objectives and policies *(continued)*

Credit risk

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

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

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

Liquidity risk

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

The Group meets its day to day working capital requirements, capital expenditure and financial obligations through cash inflow from operating activities and the facilities obtained from banks and others.

The directors closely monitor the Group's liquidity position and financial performance and have initiated measures to improve the Group's cash flows. These measures include raising additional capital; extending existing loan facilities; obtaining additional financing from bank and others; and realising certain assets held by the Group through disposal, if considered necessary. The Group is expected to be able to generate sufficient cash flows to cover its operating costs and meet its financial obligations as and when they fall due in the coming twelve months from the date of these financial statements.

41. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

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

	Group		
	Within one year or on demand HK$'000	Between two to five years HK$'000	Total HK$'000
2011			
Trade payables	**8,618**	**–**	**8,618**
Other payables	**8,034**	**–**	**8,034**
Interest-bearing bank and other borrowings*	**116,749**	**–**	**116,749**
Obligations under a finance lease	**1,246**	**4,776**	**6,022**
Loans from a shareholder*	**14,684**	**–**	**14,684**
Convertible bonds	**260**	**52,799**	**53,059**
	149,591	**57,575**	**207,166**
2010			
Trade payables	1,604	–	1,604
Other payables	12,633	–	12,633
Interest-bearing bank and other borrowings*	2,097	–	2,097
	16,334	–	16,334

41. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

	Company Within one year or on demand HK$'000	Between two to five years HK$'000	Total HK$'000
2011			
Loans from a shareholder*	**14,684**	**–**	**14,684**
Interest-bearing bank borrowings*	**1,857**	**–**	**1,857**
Convertible bonds	**260**	**52,799**	**53,059**
	16,801	**52,799**	**69,600**
2010			
Interest-bearing bank borrowings*	2,097	–	2,097

* Included in interest-bearing bank and other borrowings and loans from a shareholder are term loans. The loan agreements contain a repayment on-demand clause giving the lenders the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amounts are classified as "on demand".

Notwithstanding the above clause, the directors do not believe that the loans will be called in its entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the lack of events of default; and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans, the maturity terms at 31 December 2011 are HK$14,924,000 in 2012, HK$240,000 in 2013, HK$240,000 in 2014, HK$240,000 in 2015 and HK$897,000 in 2015 and beyond.

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 2010.

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

41. Financial risk management objectives and policies *(continued)*

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade and other receivables and trade and other payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

42. Events after the reporting period

(a) On 11 January 2012, the Company's indirect wholly-owned subsidiary, Profit Source, entered into an agreement with 東莞市易豐實業發展有限公司 (Dongguan Yi Feng Enterprise Limited) to purchase the remaining 9.943% equity interest in Chengdu Zhongfa, a subsidiary of the Group, at a consideration of HK$30,000,000.

(b) On 2 February 2012, the Company proposed an open offer based on one offer share for each adjusted share. Subject to the capital reorganisation becoming effective, the Company proposes to raise approximately HK$185 million, before expenses, by issuing 343,318,399 offer shares to the qualifying shareholders by way of the open offer at the subscription price of HK$0.538 per offer share on the basis of one offer share for each adjusted share held on the record date and payable in full on acceptance.

(c) On 1 March 2012, the Company entered into an agreement with Mr. Cheng to extend the repayment period of loans due to Mr. Cheng to 30 April 2013 and remove the clause of repayment on demand.

(d) On 1 March 2012, Hunan Jiuhua, a wholly-owned subsidiary entered into an agreement with the lender to extend the repayment period of the unsecured loan to 15 April 2013.

Five Year Financial Summary

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

	Year ended 31 December				
	2011 HK$'000	2010 HK$'000 (restated)	2009 HK$'000 (restated)	2008 HK$'000 (restated)	2007 HK$'000 (restated)
Results					
Continuing operations revenue	**54,510**	126,566	119,488	52,594	68,943
Profit (Loss) before tax from continuing operations	**68,271**	63,329	8,760	(270,571)	(40,136)
Income tax (expense) credit	**(10,507)**	(6,527)	(1,236)	41,433	126
Profit (Loss) for the year from continuing operations	**57,764**	56,802	7,524	(229,138)	(40,010)
Discontinued operation					
(Loss) Profit for the year from a discontinued operation	**–**	–	(211)	136	(30)
Profit (Loss) for the year	**57,764**	56,802	7,313	(229,002)	(40,040)
Attributable to:					
Equity holders of the Company	**54,798**	55,171	6,727	(216,637)	(40,040)
Non-controlling interests	**2,966**	1,631	586	(12,365)	–
	57,764	56,802	7,313	(229,002)	(40,040)

	At 31 December				
	2011 HK$'000	2010 HK$'000 (restated)	2009 HK$'000 (restated)	2008 HK$'000 (restated)	2007 HK$'000 (restated)
Assets and liabilities					
Total assets	**1,566,991**	607,979	391,510	404,562	219,480
Total liabilities	**(472,020)**	(98,272)	(140,137)	(223,248)	(56,514)
	1,094,971	509,707	251,373	181,314	162,966
Attributable to:					
Equity holders of the Company	**1,064,544**	483,495	227,639	158,513	162,966
Non-controlling interests	**30,427**	26,212	23,734	22,801	–
	1,094,971	509,707	251,373	181,314	162,966

Notice of AGM

NOTICE IS HEREBY GIVEN that an annual general meeting of China Mandarin Holdings Limited (the "**Company**") will be held at Room 4101, 41/F, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong on Wednesday, 30 May 2012 at 3:00 p.m., to transact the following businesses:

1. to receive and consider the audited consolidated financial statements and the reports of the directors (the "**Directors**") and auditors of the Company for the year ended 31 December 2011;

2. (a) to re-elect Mr. Hui Wai Lee, Willy as executive Director;

   (b) to re-elect Mr. Tsui Pui Hung as independent non-executive Director; and

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

3. to re-appoint Messrs. PricewaterhouseCoopers as the auditors of the Company and to authorise the board of Directors to fix their remuneration.

   As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions (with or without modification) :

ORDINARY RESOLUTION

4. "**THAT**:

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

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

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

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

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

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

(d) for the purposes of this resolution:

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

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

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

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

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

5. "**THAT**:

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

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

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

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

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

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

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

To consider and, if thought fit, pass the following resolutions as special resolution (with or without modification):

SPECIAL RESOLUTION

7. "**THAT** the following bye-laws of the Company ("**Bye-laws**") be and are hereby amended in the manner as described below :

(1) By deleting references to the name "Mandarin Entertainment (Holdings) Limited" wherever it appears in the Bye-laws and substituting therefor the name "China Mandarin Holdings Limited";

(2) Bye-law 1

(i) By inserting the following new definition of "substantial shareholder" immediately after the definition of "Statues" in Bye-law 1:

""substantial shareholder"	shall mean a person who is entitled to exercise, or to control the exercise of, 10% or more (or such other percentage as may be prescribed by the rules of the Designated Stock Exchange from time to time) of the voting power at any general meeting of the Company."

(3) Bye-law 3

By deleting the existing Bye-law 3(3) in its entirety and substituting therefor the following:

"(3) Subject to compliance with the rules and regulations of the Designated Stock Exchange and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company."

(4) Bye-law 6

By inserting the words ", save for the use of share premium as expressly permitted by the Act," immediately after the words "issued share capital" in the second line of Bye-law 6.

(5) Bye-law 44

By deleting the existing Bye-law 44 in its entirety and substituting therefor the following:

"44. The Register and branch register of Members, as the case may be, shall be open to inspection between 10 a.m. and 12 noon on every business day by members of the public without charge at the Office or such other place at which the Register is kept in accordance with the Act. The Register including any overseas or local or other branch register of Members may, after notice has been given by advertisement in an appointed newspaper and where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares."

(6) Bye-law 46

By inserting the following words immediately after the words "all or any of his shares or" in the first line of existing Bye-law 46:

"in any manner permitted by and in accordance with the rules of the Designated Stock Exchange or"

(7) Bye-law 51

By deleting the existing Bye-law 51 in its entirety and substituting therefor the following:

"51. The registration of transfers of shares or of any class of shares may, after notice has been given by advertisement in any newspapers in accordance with the requirements of any Designated Stock Exchange or by any means in such manner as may be accepted by the Designated Stock Exchange to that effect be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Board may determine."

(8) Bye-law 66

By deleting the existing Bye-law 66 in its entirety and substituting therefor the following:

"66. (1) Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Bye-laws, at any general meeting on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every Member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a Member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. For purposes of this Bye-law, procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular that may be issued by the Company to its Members; and (ii) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all Members a reasonable opportunity to express their views.

(2) Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded:

(d) by at least three Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(e) by a Member or Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or

(f) by a Member or Members present in person or in the case of a Member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by the Member."

(9) Bye-law 67

By inserting the following sentence at the beginning of the existing Bye-law 67:

"Where a resolution is voted on by a show of hands, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution."

(10) Bye-law 103

(i) By inserting the word "or" at the end of existing Bye-law 103(1)(iv);

(ii) By deleting the existing Bye-law 103(1)(v) in its entirety;

(iii) By re-numbering the existing Bye-law 103(1)(vi) as Bye-law 103(1)(v); and

(iv) By deleting the existing Bye-laws 103(2) and 103(3) in their entirety and re-numbering the existing Bye-law 103(4) as Bye-law 103(2).

(11) Bye-law 122

By inserting the following sentence at the end of Bye-law 122:

"Notwithstanding the foregoing, a resolution in writing shall not be passed in lieu of a meeting of the Board for the purposes of considering any matter or business in which a substantial shareholder of the Company or a Director has a conflict of interest and the Board has determined that such conflict of interest to be material."

(12) Bye-law 138

By deleting the words "the aggregate of its liabilities and its issued share capital and share premium accounts" at the end of Bye-law 138 and substituting therefor the words "its liabilities".

8. "**THAT** the bye-laws of the Company in the form of the document marked "X" and produced to this meeting and for the purpose of identification signed by the chairman of this meeting, which consolidates all of the proposed amendments referred to in Resolution 7 above and all previous amendments made pursuant to resolutions passed by the Shareholders at general meetings be approved and adopted as the new bye-laws of the Company in substitution for and to the exclusion of the existing bye-laws of the Company with immediate effect."

By Order of the Board
China Mandarin Holdings Limited
Jin Lei
Chairman

Hong Kong, 24 April 2012

Notice of AGM

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

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

Notes:

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

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

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

4. In relation to proposed resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase Shares in circumstances which they deem appropriate for the benefit of the Shareholders. An explanatory statement containing the information necessary to enable the Shareholders to make an informed decision to vote on the proposed resolution as required by the Listing Rules is set out in Appendix I to the Company's circular dated 24 April 2012.

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