Far East Holdings International Limited

Stock Code : 0036

Annual Report 2011

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

PLACE OF INCORPORATION
Hong Kong

BOARD OF DIRECTORS
Executive Directors

Deacon Te Ken Chiu, J.P. (Chairman)
Mr. Derek Chiu
Mr. Richard Yen (Managing Director and Chief Executive Officer)
Dr. Ip Ngai Sang

Non-executive Director

Mr. Desmond Chiu

Independent Non-executive Directors

Dr. Lam Lee G.
Mr. Eugene Yun Hang Wang
Mr. Lee Kwan Hung

COMPANY SECRETARY
Ms. Man Tsz Sai Lavender

SOLICITORS
Sit, Fung, Kwong & Shum
King & Wood Mallesons

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

AUTHORISED REPRESENTATIVES
Mr. Derek Chiu
Ms. Man Tsz Sai Lavender

AUDIT COMMITTEE
Dr. Lam Lee G. (Chairman)
Mr. Eugene Yun Hang Wang
Mr. Lee Kwan Hung

REMUNERATION COMMITTEE
Dr. Lam Lee G. (Chairman)
Mr. Derek Chiu
Mr. Eugene Yun Hang Wang

NOMINATION COMMITTEE
Mr. Eugene Yun Hang Wang (Chairman)
Mr. Derek Chiu
Dr. Lam Lee G.

INVESTMENT COMMITTEE
Dr. Lam Lee G. (Chairman)
Mr. Derek Chiu
Mr. Eugene Yun Hang Wang

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

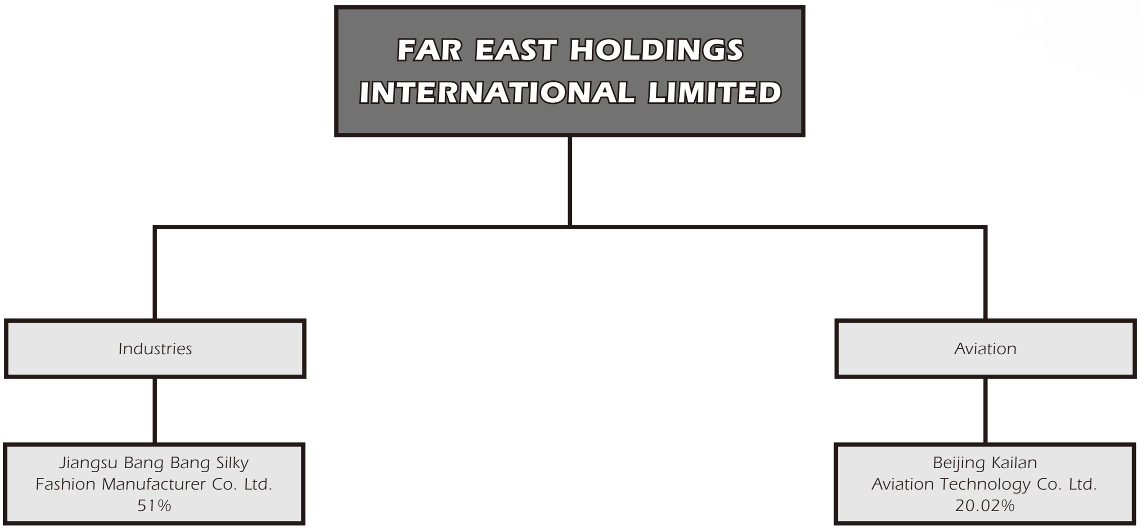
REGISTERED OFFICE
16th Floor, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

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

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

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

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


FAR EAST HOLDINGS INTERNATIONAL LIMITED
Industries
Aviation
Jiangsu Bang Bang Silky Fashion Manufacturer Co. Ltd. 51%
Beijing Kailan Aviation Technology Co. Ltd. 20.02%

CORPORATE RESULTS

For the year ended 31st December, 2011, Far East Holdings International Limited (the "Company", together with its subsidiaries, collectively, the "Group") recorded revenue from operations of approximately HK$21.64 million (2010:HK$20.96 million), representing a rise of 3.25% compared with last year. The Group's profit attributable to owners of the Company approximately HK$2.49 million (2010: HK$152.06 million), representing a decline of approximately 98.36% as compared to last year. The Board considers the decline in profit was mainly attributable to the lack of an extraordinary gain during the year as the Company recognized an one-off gain from deemed disposal of an associate amounted to approximately HK$188 million during the year ended 31st December, 2010. The earnings per share for the year ended 31st December, 2011 was 0.82 HK cents (2010: 50.21 HK cents).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2011, the Group had cash and bank balances and deposits held at financial institutions amounting to HK$73.6 million (2010: HK$37.1 million). Fundamentally, the Group's funding policy is to finance the business operations with internally net generated cash and bank facilities. As at 31st December, 2011, the Group had no bank and other loans (2010: HK$2.95 million). The Group's borrowings in 2010 were denominated in Hong Kong dollar, Renminbi and Japanese Yen. Interest rates were in line with the best lending rates either at prime or based on the Hong Kong Inter-bank Offer Rate. The Group did not have any financial instruments used for hedging purpose.

CURRENT RATIO

The Group's current ratio (current assets to current liabilities) as at 31st December, 2011 rised to 23.6 (2010: 2.51). On the whole, the financial position and liquidity of the Group were healthy.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31st December, 2011, the total number of issued ordinary shares of the Company was 302,837,886 shares.

EXPOSURE ON FOREIGN EXCHANGE FLUCTUATIONS

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

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As at 31st December, 2011, the Group and the Company do not have significant contingent liabilities.

Capital Commitments

At 31st December, 2011, the Group had no significant capital commitments (2010: nil).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The following are material acquisitions and disposals of subsidiaries and associated companies executed in 2011:

1) On 20th May, 2011, the Company, Market Talent Limited ("Market Talent") and Mr. Chu Kar Cheong ("Mr Chu"), the guarantor for the performance by Market Talent under the sale and purchase and subscription agreement dated 20th May, 2011 (the "Agreement"), entered into the Agreement to sell and Market Talent to purchase 100% of HomeBase Media Group Limited and its subsidiaries ("HomeBase Group") and the sale loan of HK$96.4 million at an aggregate consideration of HK$8,000,000 by allotment and issue of Market Talent (the "Disposal"). Mr. Chu is also the ultimate beneficial owner of the entire issued share capital of Market Talent and AMX Asia Limited ("AMX Asia"). In addition, the Company subscribed for Market Talent at a consideration of HK$9,000,000 (the "Subscription").

   After the Disposal and the Subscription, the Company, through Market Talent, indirectly holds 18.1% of the interests in HomeBase Group and AMX Asia, and investment in Market Talent is an available-for-sale investment of the Group.

   HomeBase Group has been suffering from loss from its operation, but AMX Asia has a solid online video platform and customers. The Company believes that this partnership will allow Market Talent to leverage and create synergy in order to improve the overall financial performance.

2) On 26th May, 2011, the Company and Keen Insight Limited entered into the agreement, pursuant to which Keen Insight Limited has conditionally agreed to acquire and the Company has conditionally agreed to dispose of 25,000,000 ordinary shares of HK$0.05 each in Chinasoft International Limited ("Chinasoft") represent 1.97% of the entire issued share capital of Chinasoft at HK$46,500,000, or HK$1.86 per sale share.

   The Company considers that the disposal is an opportunity for the Company to realize its investment in Chinasoft and to reutilize the proceeds towards other appropriate investment opportunities for better return to the shareholders of the Company (the "Shareholders").

3) On 13th December, 2011, Power Profit Far East Limited, a wholly-owned subsidiary of the Company and being one of the selling shareholders of First Credit Holdings Limited ("First Credit"), offered an aggregate of 53,033,479 shares for listing of First Credit on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), representing approximately 6.63% of the issued share capital of First Credit at HK$0.30 per share.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2011 the Group had approximately 230 employees in Hong Kong and the People's Republic of China (the "PRC") (2010: 340 employees). The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Group was adopted a share option scheme on 23rd May, 2005 and discretionary share options would be granted to reward and motivate those well performed employees. There were totaling 1.32 million (2010: 2.3 million) share options outstanding under the share option scheme as at 31st December, 2011.

BUSINESS REVIEW AND PROSPECTS

The Company's principal business continues to focus on potential businesses in the PRC. Year 2011 was a turbulent year for the World economy as well as China. Identifying investment opportunities is becoming more challenging but the Company is committed to the same strategy: grow market share and revenue through strategic alliances with selected partners, mergers and acquisitions.

However, with rising risk factors, the Company will be more cautious in evaluating and capturing business opportunities. At the same time, the Company will expand its scope and look into new areas and creative ways to improve the competitiveness and financial standing of the Company.

Industries

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

For the year ended 31st December, 2011, Jiangsu Bang Bang reported a turnover of approximately HK$21.64 million (2010: HK$20.96 million) representing 3% increase comparing with 2010. It reported a net profit of approximately HK$89,000 (2010: net loss of HK$116,000) representing a slight improvement comparing with 2010.

Jiangsu Bang Bang is faced with some challenges in the market. Recovery efforts from earthquake, tsunami and nuclear crisis in Japan are putting pressure on consumer spending. However, Japanese Government is likely to put a lot of effort and financial support in turning around the economy of Japan. At the same time, Chinese government is implementing measures to encourage local demand, which will also give the market positive support.

Aviation

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

During the year, net profit of Beijing Kailan is estimated to be HK$3.24 million (2010: HK$4.89 million) representing 34% decrease over that of 2010.

Despite slower GDP growth projection, Beijing Kailan expects that demand for aviation maintenance services to remain strong in 2012 provided that oil price remain relatively steady.

Outlook

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

OTHER MATTERS

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

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

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

Richard Yen
Managing Director

Hong Kong 30th March, 2012

EXECUTIVE DIRECTORS

Mr. Deacon Te Ken Chiu, JP (Chairman)

Mr. Chiu, aged 87, is the founder of the Far East Group and has been the Chairman of the Board since 1981. With effect from 8th September 2011, Mr. Chiu has retired as the chairman and was appointed as the honorary chairman of Far East Consortium International Limited (stock code: 35). He is also the chairman of the board of directors of Far East Hotels and Entertainment Limited (stock code: 37). Mr. Chiu has more than 50 years of business experience in property investment and development, operation of entertainment and tourism related business, hotel ownership and management and financing and banking. He was a member of the Chinese People's Political and Consultative Conference from the 6th to 9th, the founder of Yan Chai Hospital and the vice patron of the Community Chest since 1968, the founder and permanent honorary chairman of The New Territories General Chamber of Commerce, and the founder and chairman of Ju Ching Chu Secondary School since 1966. Mr. Chiu is the father of Messrs. Derek Chiu, an Executive Director and Desmond Chiu, a Non-executive Director.

Mr. Derek Chiu, BA

Mr. Chiu, aged 46, joined the Group in 1989 and was re-designated as an Executive Director on 2nd November 2012. He is also the managing director and chief executive of Far East Hotels and Entertainment Limited (stock code: 37). Mr. Chiu has extensive experience in the operation of amusement parks and entertainment business. He is the son of Deacon Te Ken Chiu, J.P., the Chairman of the Company and an Executive Director, and the brother of Mr. Desmond Chiu, a Non-execuive Director.

Mr. Richard Yen, MBA (Managing Director and Chief Executive Officer)

Mr. Yen, aged 43, joined the Group in November 2011. Mr. Yen was also appointed as the Chief Executive Officer/Managing Director. He leads the management team and is responsible for the Group's business development. Mr. Yen has over 20 years of executive management and mergers and acquisitions experience in the region, working in multinational companies in Japan, United States and China. He possesses extensive industry knowledge in advanced technology and consumer products, and devises corporate strategies related to technology and regional business development. Mr. Yen had also served as the executive director and chief operating officer of KH Investment Holdings Limited (formerly known as "Golife Concepts Holdings Ltd.") (stock code: 8172) from 2006 to 2008.

Mr. Yen holds a Bachelor Degree in Aerospace Engineering and a Master Degree in Business Administration in International Management from Boston University.

Dr. Ip Ngai Sang, MBA

Dr. Ip, aged 48, firstly joined the Company in April 2009 as a business development manager who is mainly responsible for communicating and managing the portfolio investments of the Group in information, communication and technology companies. In November 2011, Dr. Ip was appointed as Executive Director. Prior to joining the Company, he held senior positions in various international and local corporations and university. Dr. Ip has worked in Reuters Corporation for more than 16 years, and was the chief architect and technical evangelist leading the development of information broadcasting system upon his departure. He has been awarded as Honorary Doctor of Engineering at Lincoln University, Honorary Fellow at Canadian Chartered Institute of Business Administration and Fellow at Asian College of Knowledge Management. He was elected as "100s Chinese IT Youth Elite 2007" in 2007 and awarded "2011 United Nations Youth IT Promotion Award" in 2011. Dr. Ip is a Chartered Manager, Chartered Engineer and a member of the Hong Kong Institution of Engineers. Currently, he served as a consultant and advisory committee member in various governmental, semi-governmental and non-governmental agencies.

Dr. Ip received both his Bachelor Degree with major in Computer Science and his Master Degree in Executive Master of Business Administration in the Chinese University of Hong Kong.

NON-EXECUTIVE DIRECTOR

Mr. Desmond Chiu, BA

Mr. Chiu, aged 45, joined the Group in 1991. Mr. Chiu was graduated from the University of Cambridge, the United Kingdom. He is the son of Deacon Te Ken Chiu, J.P., the Chairman of the Board and an Executive Director, and brother of Mr. Derek Chiu, an Executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam Lee G.

Dr. Lam, aged 52, has been an Independent Non-executive Director since September 2004. He holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the United Kingdom, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, a LLM in law from the University of Wolverhampton in the United Kingdom, and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 29 years of international experience in general management, strategy consulting, corporate governance, investment banking, and direct investment. He is Chairman of Monte Jade Science and Technology Association of Hong Kong, and serves on the board of several publicly-listed companies in the Asia Pacific region. Having served as a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, Dr. Lam is a member of the Jilin Province Committee (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference, a member of the Hong Kong Institute of Bankers, a member of the Young Presidents' Organization, a member of the Chief Executives Organization, a Fellow of the Hong Kong Institute of Directors and Hong Kong Institute of Arbitrators, a member of the General Committee and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, a Board Member of the Australian Chamber of Commerce in Hong Kong, a founding Board Member and the Honorary Treasurer of the Hong Kong-Vietnam Chamber of Commerce and a visiting professor (in corporate governance and investment banking) at the School of Economics & Management of Tsinghua University in Beijing.

Mr. Eugene Yun Hang Wang, MBA

Mr. Wang, aged 38, joined the Group in December 2007. Mr. Wang is currently an executive director of Sterling Products Limited, a garment and textile manufacturing company. He has over 10 years of experience in audit work, accounting and financial management.

Mr. Wang holds a Bachelor of Science Degree in Business Administration from the University of Southern California in the United States and a Master of Business Administration Degree from The Hong Kong University of Science and Technology in Hong Kong.

Mr. Lee Kwan Hung, LLB

Mr. Lee, aged 46, joined the Group in March 2012. Mr. Lee is currently an independent non-executive director of several listed companies in Hong Kong, namely Asia Cassava Resources Holdings Limited, Embry Holdings Limited, Futong Technology Development Holdings Limited, NetDragon Websoft Inc., New Universe International Group Limited, Newton Resources Limited, Tenfu (Cayman) Holdings Company Limited, Walker Group Holdings Limited and Yuexiu REIT Asset Management Limited. He was a senior manager of the Listing Division of The Stock Exchange of Hong Kong Limited from 1993 to 1994 and was a partner of a leading law firm in Hong Kong from 2001 to 2011.

Mr. Lee received his Bachelor of Laws (Honours) Degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was then admitted as a solicitor in Hong Kong in 1991 and the United Kingdom in 1997.

SENIOR MANAGEMENT

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

Mr. Fan, aged 33, was appointed as the financial controller of the Group after resigned from the office of an Independent Non-executive Director on 1st March 2012. Mr. Fan is a practicing certified public accountant under the name of C. W. Fan & Co.. Prior to that, he was a vice president of Citigroup and a manager of PricewaterhouseCoopers, Hong Kong. Mr. Fan is a member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the council member of The Society of Chinese Accountants & Auditors. He is a member of the Tenth Chinese People's Political Consultative Conference of Zhejiang Province (中國人民政治協商會議第十屆浙江省委員會), a member of the 4th and 5th Chinese People's Political Consultative Conference of Shenzhen (中國人民政治協商會議第四屆及第五屆廣東省深圳市委員會), a standing member of the Tenth Shanghai United Youth Association (第十屆上海市青年聯合會), a member of the Ninth Shanghai United Young Association (第九屆上海市青年聯合會), a vice chairman of the Hong Kong United Youth Association, Member of The Government of HKSAR, the Greater Pearl River Delta Business Council.

Mr. Fan holds a Bachelor Degree in Business Administration (accounting and finance) from the University of Hong Kong and a Bachelor Degree in Law from the University of London.

The directors (the "Directors") of Far East Holdings International Limited (the "Company") present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries, associates and jointly controlled entities are set out in notes 22, 23 and 24 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2011 are set out in the consolidated statement of comprehensive income on page 26 to 27 of the consolidated financial statements.

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

FIXED ASSETS

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 38 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 93 of the consolidated financial statements.

PROPERTIES

Details of the properties held by the Group as at 31st December, 2011 are set out on page 94 of the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

There is reserve available for distribution to the shareholders of the Company (the "Shareholders") as at 31st December, 2011 amounted to approximately HK$176.01 million.

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES

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

DIRECTORS

The Directors who held office during the year and upto the date of this annual report were:

Executive Directors

Deacon Te Ken Chiu J.P. (Chairman)	
Mr. Duncan Chiu (Managing Director and Chief Executive Officer)	(resigned on 2nd November, 2011)
Mr. Dennis Chiu	(resigned on 2nd November, 2011)
Mr. Derek Chiu	(re-designated from Non-executive Director to Executive Director on 2nd November, 2011)
Mr. Richard Yen (Managing Director and Chief Executive Officer)	(appointed on 2nd November, 2011)
Dr. Ip Ngai Sang	(appointed on 2nd November, 2011)

Non-executive Director

Mr. Desmond Chiu

Independent Non-executive Directors

Dr. Lam Lee G.	
Mr. Eugene Yun Hang Wang	
Mr. Andrew Chun Wah Fan	(resigned on 1st March, 2012)
Mr. Lee Kwan Hung	(appointed on 1st March, 2012)

Pursuant to Articles 79 and 80 of the articles of association of the Company (the "Articles"), Deacon Te Ken Chiu, J.P. and Mr. Desmond Chiu shall retire from office and, being eligible, offer themselves for re-election as Directors at the annual general meeting of the Company (the "AGM").

Pursuant to Article 84 of the Articles, Mr. Richard Yen, Dr. Ip Ngai Sang and Mr. Lee Kwan Hung shall hold office only until the AGM. They, being eligible, shall offer themselves for re-election as Directors at the AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company that is not determinable within one year without payment of compensation other than statutory compensation.

DISCLOSURE OF INFORMATION ON DIRECTOR PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

During the year, the updated information on Director discloseable under Rule13.51B(1) of the Listing Rules is as follow:

– Deacon Te Ken Chiu, J.P., the chairman of the Board and an Executive Director, retired as an executive director and chairman of the board of directors of Far East Consortium International Limited (stock code: 35) ("FECIL") on 8th September 2011. On the same date, he was appointed as the honorary chairman of FECIL.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR ANY ASSOCIATED CORPORATIONS

At 31st December, 2011, the interests and short positions of the Directors in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

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

	Number of issued ordinary shares held				Approximate percentage of the issued share capital of the Company
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests**	
Deacon Te Ken Chiu, J.P.	20,848,664	4,175,160 Note	1,869,366	26,893,190	8.88%
Mr. Derek Chiu	88,440	–	–	88,440	0.03%
Mr. Desmond Chiu	4,000	–	–	4,000	0.001%

Note: *These shares are held by Madam Ching Lan Ju Chiu, wife of Deacon Te Ken Chiu, J.P..*

Save as disclosed above, none of the Directors had registered an interest and short position in the shares, underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies at 31st December, 2011.

(b) Share options

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

Particulars of the Company's Share Option Scheme are set out in note 39 to the consolidated financial statements. The following table discloses movements in the Company's share options during the year:

	Number of shares options						
Grantee	Outstanding as at 1/1/2011	Exercised during the year	Cancelled during the year	Outstanding as at 31/12/2011	Exercise price HK$	Date of grant	Exercise period (Both days inclusive)
Employees	660,000	–	–	660,000	0.6091	21/4/2006	23/5/2006-22/5/2016
	1,640,000	–	980,000	660,000	0.6091	21/4/2006	23/5/2007-22/5/2017
	2,300,000	–	980,000	1,320,000			

No share options of the Company were granted and there were 980,000 share options cancelled during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2011, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of certain Directors under the section headed "Directors' interests and short postions in shares and underlying shares or any associated corporations", the following Shareholders had notified the Company of any interest, directly or indirectly, in 5% or more of the issued share capital of the Company:

Long positions

Ordinary shares of HK$0.01 each of the Company

Name of substantial Shareholder	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital of the Company
Mr. Duncan Chiu	Beneficial owner	61,210,932	20.21%
Mr. Daniel Tat Jung Chiu[(1)]	Beneficial owner and interest of controlled corporation	27,720,088	9.15%
Madam Ju Ching Lan[(2)]	Beneficial owner and spouse	26,893,190	8.88%
Gorich Holdings Limited ("Gorich")[(3)]	Beneficial owner	18,480,088	6.10%
Tan Sri Dato' David Chiu[(4)]	Beneficial owner and interest of controlled corporation	16,077,600	5.31%
Max Point Holdings Limited ("Max Point")[(5)]	Beneficial owner	15,528,480	5.13%
Mr. Chan Wai Ki[(5)]	interest of controlled corporation	15,528,480	5.13%

Notes:

(1) Of the 27,720,088 shares, 4,840,000 shares are held by Mr. Daniel Tat Jung Chiu, 4,400,000 shares are held by Cape York Investments Limited, 50% onwed by Mr. Daniel Tat Jung Chiu, and the remaining 18,480,088 shares are held by Gorich.

(2) Of the 26,893,190 shares, 22,718,030 shares are held by Deacon Te Ken Chiu, J.P., Madam Ju Ching Lan is the spouse of Deacon Te Ken Chiu, J.P.. The interests of Deacon Te Ken Chiu, J.P. in the Company is stated under the section headed "Directors' interests and short positions in shares and underlying shares or any associated corporations" above.

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

(4) Of the 16,077,600 shares, 3,740,000 shares are held by Tan Sri Dato' David Chiu, 12,337,600 shares are held by Rocket High Investments Limited, a company wholly-owned by Tan Sri Dato' David Chiu.

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

(6) All interests disclosed above represent long positions in the ordinary shares of the Company.

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital at 31st December, 2011.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DONATIONS

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

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales of the Group's five largest and the Group's largest customer accounted for approximately 93% and 44% of total turnover, respectively.

Aggregate purchases of the Group's five largest and the Group's largest supplier accounted for approximately 85% and 35% of total purchases, respectively.

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate governance report" on pages 18 to 23.

AUDIT COMMITTEE

During the year, the Company's audit committee comprises all the Independent Non-executive Directors, namely Dr. Lam Lee G. (chairman of the audit committee), Mr. Eugene Yun Hang Wang, and Mr. Andrew Chun Wah Fan, and a Non-executive Director, Mr. Derek Chiu who has been re-designated as Executive Director and resigned as audit committee member on 2nd November 2011.

Subsequent to the year end date and as at the date of this annual report, Mr. Andrew Chun Wah Fan resigned as Independent Non-executive Director and member of the audit committee after taken up the employment as financial controller of the Group on 1st March 2012. On the same date, Mr. Lee Kwan Hung was appointed as Independent Non-executive Director and member of the audit committee of the Company.

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

SUFFICIENCY OF PUBLIC FLOAT

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

EMOLUMENT POLICY

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in notes 10 and 11 to the consolidated financial statements, respectively.

The emolument policy of the employees of the Group is set up by the Company's remuneration committee on the basis of their merit, qualifications and competence.

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

The Company has adopted the Share Option Scheme as an incentive to the Directors and the eligible participants, details of the Share Option Scheme is set out in note 39 to the consolidated financial statements.

AUDITOR

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

On behalf of the Board

Richard Yen
Managing Director

Hong Kong, 30th March, 2012

COMMITMENT TO CORPORATE GOVERNANCE

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

The Company has applied the principles of the code provisions under the Corporate Governance Code and Corporate Governance Report (previously named as "Code on Corporate Governance Practices") (the "Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2011.

THE BOARD OF DIRECTORS

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

The Board comprises eight Directors, whose biographical details are set out in the "Profile of the Directors and Senior Management" on pages 8 to 10 of this annual report. Four of the Directors are executive, one is non-executive and three are independent non-executive. The four non-executive Directors bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contributes to the effective strategic management of the Group. The executive Directors are not permitted to engage in any other business which is in competition with that of the Group, and are required, with the exception of the Chairman, to devote all of their active business time to the business and affairs of the Group.

Please refer to the Directors' Report on page 12 for the composition of the Board.

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

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

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

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

REGULAR BOARD MEETINGS

19 Board meetings were hold during the year. The attendance of individual Director at the Board meetings were set out in the table below:

	Number of meetings attended/ eligible to attend
Executive Directors	
Deacon Te Ken Chiu J.P. (Chairman)	2/19
Mr. Duncan Chiu (Managing Director and Chief Executive Officer) (resigned on 2nd November, 2011)	17/17
Mr. Dennis Chiu (resigned on 2nd November, 2011)	0/17
Mr. Derek Chiu (re-designated from Non-executive Director to Executive Director on 2nd November, 2011)	18/19
Mr. Richard Yen (Managing Director and Chief Executive Officer) (appointed on 2nd November, 2011)	3/3
Dr. Ip Ngai Sang (appointed on 2nd November, 2011)	3/3
Non-executive Director	
Mr. Desmond Chiu	0/19
Independent Non-executive Directors	
Dr. Lam Lee G.	4/19
Mr. Eugene Yun Hang Wang	7/19
Mr. Andrew Chun Wah Fan (resigned on 1st March, 2012)	17/19
Mr. Lee Kwan Hung (appointed on 1st March, 2012)	0/0

CORPORATE GOVERNANCE

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

The Board has established Audit, Remuneration and Nomination Committees (collectively, the "Committees") in accordance with the Code and a majority of the members of the Committees are Independent Non-executive Directors. An Investment Committee was also formed by the Board in July 2009.

The Company has complied with the Code throughout the year ended 31st December, 2011, with deviations from code provision A.4.1 of the Code in respect of the service term and rotation of Directors.

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

INTERNAL CONTROL

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

COMMUNICATION WITH SHAREHOLDERS

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

AUDITOR'S REMUNERATION

For the year ended 31st December, 2011, the auditor of the Company received approximately HK$1,380,000 for audit service (2010: HK$1,300,000).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a new code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). The Directors confirmed that they had fully complied with the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year ended 31st December, 2011.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

AUDIT COMMITTEE

The Company has established an Audit Committee. The terms of reference of the Audit Committee are consistent with the provisions set out in the relevant section of the Code and are available on the Company's website at www.feholdings.com.hk and the website of the Stock Exchange.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the consolidated financial statements. During the year, the Company's audit committee comprises all the Independent Non-executive Directors, namely Dr. Lam Lee G. (chairman of the audit committee), Mr. Eugene Yun Hang Wang and Mr. Andrew Chun Wah Fan, and a Non-executive Director, Mr. Derek Chiu who has been re-designated as Executive Director and resigned as audit committee member on 2nd November 2011. Subsequent to the year end date and as at the date of this annual report, Mr. Andrew Chun Wah Fan resigned as Independent Non-executive Director and member of the audit committee after taken up the employment as financial controller of the Group on 1st March, 2012. On the same date, Mr. Lee Kwan Hung was appointed as Independent Non-executive Director and member of the audit committee of the Company. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts as an important link between the Board and the Company's auditor in matters within the scope of the Group's audit.

The Group's interim report for the six months ended 30th June, 2011 and the annual report for the year ended 31st December, 2011 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

During the financial year ended 31st December, 2011, three meetings were held during the year by the Audit Committee. The individual attendance record of each member of the Audit Committee was as follows:

	Number of meetings attended/ eligible to attend
Dr. Lam Lee G. (Chairman of Audit Committee)	3/3
Mr. Derek Chiu (resigned on 2nd November, 2011)	1/3
Mr. Eugene Yun Hang Wang	2/3
Mr. Andrew Chun Wah Fan (resigned on 1st March 2012)	3/3
Mr. Lee Kwan Hung (appointed on 1st March 2012)	0/0

REMUNERATION COMMITTEE

A Remuneration Committee was established by the Board with written terms of reference. The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant provisions of the Code, and the same are available on the Company's website at www.feholdings.com.hk and the website of the Stock Exchange. Pursuant to the provisions set out in the Code, during the year, the Remuneration Committee comprises Mr. Duncan Chiu (chairman of the Remuneration Committee and subsequently resigned on 2nd November 2011), Mr. Derek Chiu (appointed as chairman of the Remuneration Committee on 2nd November 2011), Dr. Lam Lee G. and Mr. Eugene Yun Hang Wang. Subsequent to the year end date on 28th March 2012 and as at the date of this annual report, Mr. Derek Chiu ceased to act as the chairman of the Remuneration Committee but remains as the member of the Remuneration Committee. On the same date, Dr. Lam Lee G. was appointed as the chairman of the Remuneration Committee. The Remuneration Committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of Directors and senior management. No Director is involved in deciding his own remuneration.

During the financial year ended 31st December, 2011, one meeting was held by the Remuneration Committee.

	Number of meetings attended/ eligible to attend
Mr. Duncan Chiu (resigned as Chairman of Remuneration Committee on 2nd November, 2011)	0/0
Mr. Derek Chiu (appointed as Chairman of Remuneration Committee on 2nd November, 2011 and redesignated as Remuneration Committee member on 28th March, 2012)	1/1
Dr. Lam Lee G. (redesignated as Chairman of Remuneration Committee on 28th March, 2012)	1/1
Mr. Eugene Yun Hang Wang	1/1

NOMINATION COMMITTEE

A Nomination Committee was established by the Board on 28th March, 2012 with written terms of reference. The terms of reference of the Nomination Committee are consistent with the terms set out in the relevant provisions of the Code, and the same are available on the Company's website at www.feholdings.com.hk and the website of the Stock Exchange. Pursuant to the provisions set out in the Code, the Nomination Committee comprises Mr. Eugene Yun Hang Wang (chairman of the Nomination Committee), Dr. Lam Lee G. and Mr. Derek Chiu. The Nomination Committee is principally responsible for formulating and making recommendation to the Board regarding the Board composition.

During the financial year ended 31st December, 2011, no meeting was held by the Nomination Committee.

INVESTMENT COMMITTEE

During the year and as at the date of this annual report, the Investment Committee consists of Dr. Lam Lee G. (chairman of Investment Committee). Mr. Duncan Chiu (resigned on 2nd November, 2011), Mr. Derek Chiu, Mr. Desmond Chiu (resigned on 2nd November, 2011) and Mr. Eugene Yun Hang Wang.

The Investment Committee is principally responsible for setting up a policy to guide the Company to invest in financial instruments and oversee the management of the Company in the execution of the policy.

Deloitte.
德勤

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

We have audited the consolidated financial statements of Far East Holdings International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 92, which comprise the consolidated and the Company's statements of financial position as at 31st December, 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30th March, 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2011

	NOTES	2011 HK$'000	2010 HK$'000 (restated)
Continuing operations			
Revenue	6	**21,635**	20,955
Cost of sales		**(19,620)**	(18,742)
Gross profit		**2,015**	2,213
Dividend income from available-for-sale investments		**164**	837
Dividend income from held-for-trading investments		**414**	198
Other income	8	**1,050**	164
Other gains and losses	9	**7,078**	28,793
Selling and distribution costs		**(97)**	(118)
Administrative expenses		**(18,544)**	(14,087)
Finance costs	12	**(61)**	(251)
Share of results of associates		**–**	(5,777)
Share of results of jointly controlled entities		**2,162**	637
Gain on deemed disposal of an associate	23	**–**	188,121
(Loss) profit before tax		**(5,819)**	200,730
Income tax expense	14	**(52)**	(333)
(Loss) profit for the year from continuing operations	13	**(5,871)**	200,397
Discontinued operations			
Profit (loss) for the year from discontinued operations	15	**6,922**	(52,832)
Profit for the year		**1,051**	147,565
Other comprehensive income (expense)			
Exchange differences arising from the translation of foreign operations		**917**	1,187
Fair value gain (loss) on available-for-sale investments		**24,689**	(2,174)
Reclassification adjustment of exchange reserve upon deemed disposal of an associate		**–**	(21,120)
Reclassification adjustment upon disposal of available-for-sale investments		**(5,020)**	–
Share of exchange difference of an associate		**–**	162
Share of exchange difference of a jointly controlled entity		**1,469**	1,467
Release of exchange reserve upon disposal of subsidiaries	42	**(497)**	–
		21,558	(20,478)
Total comprehensive income for the year		**22,609**	127,087

	NOTE	**2011**	2010
		HK$'000	HK$'000
			(restated)
Profit for the year attributable to owners of the Company			
– from continuing operations		**(5,702)**	200,777
– from discontinued operations		**8,191**	(48,717)
		2,489	152,060
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(169)**	(380)
– from discontinued operations		**(1,269)**	(4,115)
		(1,438)	(4,495)
		1,051	147,565
Total comprehensive income attributable to:			
Owners of the Company		**23,454**	131,123
Non-controlling interests		**(845)**	(4,036)
		22,609	127,087
Earning (loss) per share (expressed in HK cents)			
From continuing and discontinued operations:			
Basic	17	**0.82**	50.21
Diluted	17	**0.82**	50.12
From continuing operations:			
Basic	17	**(1.88)**	66.30
Diluted	17	**(1.88)**	66.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2011

	NOTES	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investment properties	18	**15,760**	18,755
Property, plant and equipment	19	**8,889**	18,315
Prepaid lease payments	20	**939**	1,003
Goodwill	21	**–**	–
Interests in associates	23	**–**	–
Interests in jointly controlled entities	24	**43,549**	39,918
Available-for-sale investments	25	**264,864**	298,644
Other non-current assets	26	**–**	5,506
		334,001	382,141
CURRENT ASSETS			
Prepaid lease payments	20	**32**	33
Held-for-trading investments	27	**30,090**	11,067
Inventories	28	**4,091**	4,712
Trade and other receivables	29	**4,058**	5,033
Amount due from a non-controlling interest	30	**3,175**	4,146
Amounts due from related parties	31	**9**	9
Tax recoverable		**69**	–
Deposits held at financial institutions	32	**18,639**	4,951
Pledged bank deposits	33	**41**	2,541
Bank balances and cash	32	**54,929**	29,558
		115,133	62,050
CURRENT LIABILITIES			
Trade and other payables	34	**1,399**	16,870
Amounts due to non-controlling interests	30	**297**	1,242
Amounts due to related parties	31	**2,903**	2,753
Tax liabilities		**–**	39
Other loans	36	**–**	2,952
Dividend payable to a non-controlling interest		**–**	380
Obligations under finance leases			
– due within one year	37	**277**	479
		4,876	24,715
NET CURRENT ASSETS		**110,257**	37,335
TOTAL ASSETS LESS CURRENT LIABILITIES		**444,258**	419,476

	NOTES	2011 HK$'000	2010 HK$'000
CAPITAL AND RESERVES			
Share capital	38	**3,028**	3,028
Share premium and reserves		**422,954**	399,500
Equity attributable to owners of the Company		**425,982**	402,528
Non-controlling interests		**17,602**	15,997
		443,584	418,525
NON-CURRENT LIABILITIES			
Obligations under finance leases			
– due after one year	37	**674**	951
Deferred tax liabilities	41	**–**	–
		674	951
		444,258	419,476

The consolidated financial statements on pages 26 to 92 were approved and authorised for issue by the Board of Directors on 30th March, 2012 and are signed on its behalf by:

Richard Yen
DIRECTOR

Derek Chiu
DIRECTOR

STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2011

	NOTES	**2011** HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investment properties	18	**7,260**	6,555
Property, plant and equipment	19	**283**	352
Investments in subsidiaries	22	**3,080**	5,325
Amounts due from subsidiaries	35	**74,390**	105,168
Available-for-sale investments	25	**261,254**	271,850
Other non-current assets	26	**–**	5,506
		346,267	394,756
CURRENT ASSETS			
Held-for-trading investments	27	**29,847**	10,789
Other receivables		**293**	25
Amounts due from related parties	31	**9**	9
Deposits held at financial institutions	32	**18,639**	4,951
Pledged bank deposits	33	**41**	39
Bank balances and cash	32	**13,844**	107
		62,673	15,920
CURRENT LIABILITIES			
Other payables		**695**	1,496
Amounts due to related parties	31	**2,903**	2,753
Amounts due to subsidiaries	35	**26,885**	25,500
		30,483	29,749
NET CURRENT ASSETS (LIABILITIES)		**32,190**	(13,829)
TOTAL ASSETS LESS CURRENT LIABILITIES		**378,457**	380,927
CAPITAL AND RESERVES			
Share capital	38	**3,028**	3,028
Share premium and reserves	40	**375,429**	377,899
		378,457	380,927

Richard Yen
DIRECTOR

Derek Chiu
DIRECTOR

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total HK$'000
At 1st January, 2010	3,028	176,154	27,240	5,622	568	–	64,017	276,629	18,769	295,398
Profit for the year	–	–	–	–	–	–	152,060	152,060	(4,495)	147,565
Other comprehensive income (expense) for the year										
Exchange differences arising from the translation of foreign operations	–	–	728	–	–	–	–	728	459	1,187
Fair value loss on available-for-sale investments	–	–	–	(2,174)	–	–	–	(2,174)	–	(2,174)
Share of exchange difference of an associate	–	–	162	–	–	–	–	162	–	162
Share of exchange difference of a jointly controlled entity	–	–	1,467	–	–	–	–	1,467	–	1,467
Reclassification adjustment of exchange reserve upon deemed disposal of an associate	–	–	(21,120)	–	–	–	–	(21,120)	–	(21,120)
	–	–	(18,763)	(2,174)	–	–	–	(20,937)	459	(20,478)
Total comprehensive income (expense) for the year	–	–	(18,763)	(2,174)	–	–	152,060	131,123	(4,036)	127,087
Adjustments arising on acquisitions of additional interests in subsidiaries	–	–	–	–	–	(3,325)	–	(3,325)	(275)	(3,600)
Increase in ownership interests in subsidiaries upon capital contribution	–	–	–	–	–	(1,899)	–	(1,899)	1,899	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(360)	(360)
At 31st December, 2010	3,028	176,154	8,477	3,448	568	(5,224)	216,077	402,528	15,997	418,525
Profit for the year	–	–	–	–	–	–	2,489	2,489	(1,438)	1,051
Other comprehensive income (expense) for the year										
Exchange differences arising from the translation of foreign operations	–	–	324	–	–	–	–	324	593	917
Fair value gain on available-for-sale investments	–	–	–	24,689	–	–	–	24,689	–	24,689
Reclassification adjustment upon disposal of available-for-sale investments	–	–	–	(5,020)	–	–	–	(5,020)	–	(5,020)
Share of exchange difference of a jointly controlled entity	–	–	1,469	–	–	–	–	1,469	–	1,469
Release of exchange reserve upon disposal of subsidiaries (note 42)	–	–	(497)	–	–	–	–	(497)	–	(497)
	–	–	1,296	19,669	–	–	–	20,965	593	21,558
Total comprehensive income (expense) for the year	–	–	1,296	19,669	–	–	2,489	23,454	(845)	22,609
Disposal of subsidiaries	–	–	–	–	–	5,224	(5,224)	–	2,934	2,934
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(484)	(484)
At 31st December, 2011	3,028	176,154	9,773	23,117	568	–	213,342	425,982	17,602	443,584

FOR THE YEAR ENDED 31ST DECEMBER, 2011

	NOTE	**2011** **HK$'000**	2010 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**1,103**	147,898
Adjustments for:			
Amortisation of prepaid lease payments		**101**	97
Decrease (increase) in fair value of held-for-trading investments		**5,964**	(3,251)
Depreciation		**2,959**	3,892
Finance costs		**86**	401
Gain on deemed disposal of an associate		**–**	(188,121)
Gain on disposal of an associate		**–**	(3)
Gain on disposal of available-for-sale investments		**(5,020)**	–
Gain on disposal of other non-current assets		**(1,494)**	(1,251)
Gain on disposal of property, plant and equipment		**(1,206)**	(20,708)
Gain on disposal of subsidiaries		**(14,526)**	–
Impairment loss on amount due from a jointly controlled entity		**–**	4,200
Impairment loss on goodwill		**–**	30,926
Increase in fair value of investment properties		**(5,533)**	(3,910)
Interest income from banks and financial institutions		**(707)**	(355)
Scrip dividend received from available-for-sale investments		**(1)**	(1)
Scrip dividend received from held-for-trading investments		**(1)**	–
Share of results of associates		**–**	5,777
Share of results of jointly controlled entities		**(2,162)**	(462)
Write down of inventories		**–**	1,123
Operating cash flows before movements in working capital		**(20,437)**	(23,748)
Decrease (increase) in inventories		**776**	(2,086)
(Increase) decrease in held-for-trading investments		**(24,986)**	15,627
Increase in trade and other receivables		**(2,185)**	(988)
Decrease in amount due from a non-controlling interest		**1,147**	442
(Decrease) increase in trade and other payables		**(2,126)**	1,026
Cash used in operations		**(47,811)**	(9,727)
People's Republic of China ("PRC") withholding income tax paid		**(21)**	–
PRC Enterprise Income tax paid		**(139)**	(404)
NET CASH USED IN OPERATING ACTIVITIES		**(47,971)**	(10,131)

	NOTE	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Interest received		**707**	355
Acquisition of property, plant and equipment		**(594)**	(855)
Acquisition of other non-current assets		**–**	(1,317)
Acquisition of available-for-sale investments	42	**(9,000)**	–
Additional investment in available-for-sale investments		**–**	(2,250)
Proceeds from disposal of an associate		**–**	52
Disposal of subsidiaries	42	**(781)**	–
Proceeds from disposal of available-for-sale investments		**75,470**	–
Proceeds from disposal of an investment property		**8,528**	–
Proceeds from disposal of property, plant and equipment		**1,465**	48,185
Proceeds from disposal of other non-current assets		**7,000**	2,539
Withdrawal (placement) of pledged bank deposits		**2,500**	(40)
Placement of deposits held at financial institutions		**(63,907)**	(37,480)
Withdrawal of deposits held at financial institutions		**50,219**	34,853
Advance to a jointly controlled entity		**–**	(2,170)
NET CASH FROM INVESTING ACTIVITIES		**71,607**	41,872
FINANCING ACTIVITIES			
Acquisitions of additional interests in subsidiaries from non-controlling interests		**–**	(3,600)
Advance from related parties		**150**	52
Advance from non-controlling interests		**–**	35
New other loans raised		**2,397**	2,955
Repayment of other loans		**–**	(24,780)
Repayment of obligations under finance leases		**(479)**	(524)
Interest paid on other loans		**(25)**	(305)
Interest paid on finance leases		**(61)**	(96)
Dividend paid to a non-controlling interest		**(870)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**1,112**	(26,263)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**24,748**	5,478
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		**29,558**	23,201
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**623**	879
CASH AND CASH EQUIVALENTS CARRIED FORWARD, represented by bank balances and cash		**54,929**	29,558

1. GENERAL

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

The Company is engaged in investment holding and securities trading. The principal activities of its subsidiaries, associates and jointly controlled entities are set out in notes 22, 23 and 24 respectively.

During the year, the Group's entertainment segment has been classified as discontinued operations as a result of the disposal as set out in note 42. Accordingly, the comparative in the consolidated income statement and certain explanatory notes have been restated.

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

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

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[5]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1st July, 2011
2 Effective for annual periods beginning on or after 1st January, 2013
3 Effective for annual periods beginning on or after 1st January, 2015
4 Effective for annual periods beginning on or after 1st July, 2012
5 Effective for annual periods beginning on or after 1st January, 2012
6 Effective for annual periods beginning on or after 1st January, 2014

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

HKFRS 9 Financial Instruments (continued)

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's classification and measurement of available-for-sale investments but not on the Group's other financial assets and financial liabilities. Regarding the Group's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) – Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1st January, 2013.

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. The application of these five standards is not expected to have significant impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope. HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be applied in the Group's consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1st January, 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs).

Goodwill

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

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

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

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

Investments in subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in associates

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates (continued)

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

Interests in jointly controlled entities

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in jointly controlled entities (continued)

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

Investment properties

Investment properties are properties held for capital appreciation and land held for undetermined future use.

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

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

Property, plant and equipment

Property, plant and equipment including land and buildings held for administrative purpose are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Paintings and other display items

Paintings and other display items are stated in the consolidated and Company's statement of financial position at cost less any identified impairment loss.

Inventories

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Service income are recognised when services are provided.

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

Leasing

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

The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

Leasehold land and building

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

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement benefit costs

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

Borrowing costs

All borrowing costs for non-qualifying assets are recognised in profit or loss in the period in which they are incurred.

Financial instruments

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

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

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

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

Financial assets held for trading

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets (continued)

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

Impairment of financial assets

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

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

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

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

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligation are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on assets other than goodwill

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

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

4. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

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

5. FINANCIAL INSTRUMENTS

5a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Held-for-trading investments	**30,090**	11,067	**29,847**	10,789
Loans and receivables				
(including cash and cash equivalents)	**80,383**	45,203	**107,216**	110,299
Available-for-sale investments	**264,864**	298,644	**261,254**	271,850
Financial liabilities				
Amortised cost	**3,729**	17,750	**29,812**	28,278

5b. Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk *(continued)*

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

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
Hong Kong dollars ("HKD")	**–**	1,365	**–**	–
Japanese Yen ("JPY")	**920**	842	**920**	842
Renminbi ("RMB")	**9**	9	**9**	9
United States dollars ("USD")	**6,000**	5,880	**1**	1

Sensitivity analysis

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

The following table details the Group's and the Company's sensitivity to a 10% (2010: 10%) increase and decrease in relevant foreign currencies against functional currency of respective group entities. 10% (2010: 10%) represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2010: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the relevant foreign currencies strengthen 10% (2010: 10%) against the functional currencies of relevant group entities. For a 10% (2010: 10%) weakening of the relevant foreign currencies against the functional currencies of relevant group entities, there would be an equal and opposite impact on the post-tax results.

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Effect on post-tax results:				
JPY against HKD	**77**	70	**77**	70
USD against RMB	**501**	491	**–**	–
HKD against RMB	**–**	114	**–**	–

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

5. FINANCIAL INSTRUMENTS *(continued)*

5b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

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

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

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

(iii) Price risk

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

Sensitivity analysis

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

If the prices of the respective held-for-trading investments had been 10% (2010: 10%) higher/lower, post-tax profit of the Group and the Company for the year would increase/decrease by HK$2,513,000 (2010: HK$924,000) and HK$2,492,000 (2010: HK$901,000) respectively, as a result of the changes in fair value of held-for-trading investments.

If the price of the respective available-for-sale listed equity investments had been 10% (2010: 10%) higher/lower, the investment revaluation reserve of the Group and the Company would increase/decrease by HK$24,786,000 (2010: HK$27,809,000) and HK$24,425,000 (2010: HK$27,185,000), respectively as a result of the changes in fair value of available-for-sale investments.

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

Credit risk

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

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

The credit risk on bank balances and deposits is limited because the counterparties are banks with high credit standings.

The credit risk on deposit is limited because the counterparties are financial institutions with strong financial background.

The Group has concentration of credit risk as 64.0% (2010: 41.6%) and 90.3% (2010: 92.8%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the industrial operating segment.

Liquidity risk

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

The Group and the Company rely on bank loans as a source of funding. As at 31st December, 2011, the Group and the Company had available unutilised short-term bank loan facilities of approximately HK$250,165,000 and HK$250,165,000 (2010: HK$253,119,000 and HK$250,619,000), respectively.

The following table details the Group's and the Company's remaining contractual maturity for their non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

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

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

THE GROUP

	Weighted average interest rate	Repayable on demand and less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
2011							
Non-derivative financial liabilities							
Trade and other payables	–	529	–	–	–	529	529
Amounts due to non-controlling interests	–	297	–	–	–	297	297
Amounts due to related parties	–	2,903	–	–	–	2,903	2,903
Obligations under finance leases	4.74%	26	53	237	710	1,026	951
		3,755	53	237	710	4,755	4,680

	Weighted average interest rate	Repayable on demand and less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
2010							
Non-derivative financial liabilities							
Trade and other payables	–	10,423	–	–	–	10,423	10,423
Amounts due to non-controlling interests	–	1,242	–	–	–	1,242	1,242
Amounts due to related parties	–	2,753	–	–	–	2,753	2,753
Other loans	8.00%	2,952	–	–	–	2,952	2,952
Dividend payable to a non-controlling interest	–	380	–	–	–	380	380
Obligations under finance leases	5.91%	58	117	366	1,024	1,565	1,430
		17,808	117	366	1,024	19,315	19,180

5. FINANCIAL INSTRUMENTS (continued)

5b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

THE COMPANY

	Repayable on demand and less than 1 month HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
2011			
Non-derivative financial liabilities			
Other payables	**24**	**24**	**24**
Amounts due to related parties	**2,903**	**2,903**	**2,903**
Amounts due to subsidiaries	**26,885**	**26,885**	**26,885**
	29,812	**29,812**	**29,812**

	Repayable on demand and less than 1 month HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
2010			
Non-derivative financial liabilities			
Other payables	25	25	25
Amounts due to related parties	2,753	2,753	2,753
Amounts due to subsidiaries	25,500	25,500	25,500
	28,278	28,278	28,278

5. FINANCIAL INSTRUMENTS *(continued)*

5c. Fair value

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

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

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

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

Fair value measurements recognised in the statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. FINANCIAL INSTRUMENTS *(continued)*

5c. Fair value *(continued)*

	THE GROUP		THE COMPANY	
	Level 1		Level 1	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Held-for-trading investments	**30,090**	11,067	**29,847**	10,789
Available-for-sale investments				
– listed equity securities	**247,864**	278,094	**244,254**	271,850
Total	**277,954**	289,161	**274,101**	282,639

6. REVENUE

The Group's revenue for the year from continuing operations represents sale of goods amounting to HK$21,635,000 (2010: HK$20,955,000).

7. SEGMENT INFORMATION

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

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

1. Industrial – manufacturing and sale of garments
2. Aviation – provision of aviation maintenance services by a jointly controlled entity
3. Other operation – property investment

During the year, the Group's entertainment segment has been classified as discontinued operations as a result of the disposal transaction as set out in note 42. Accordingly, the comparative information has been represented to conform with the current year's presentation.

In addition, as a result of the loss of significant influence of the listed associate at 31st December, 2010, the CODM did not consider Technology segment as operating segment in current year for the purpose of resource allocation and assessment of segment performance.

7. SEGMENT INFORMATION *(continued)*

Segment revenues and results

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

For the year ended 31st December, 2011

Continuing operations

	Industrial HK$'000	Aviation HK$'000	Other operation HK$'000	Consolidated HK$'000
Segment revenue				
External revenue	21,635	–	–	21,635
Total	21,635	–	–	21,635
Segment result	(1,001)	2,162	4,538	5,699
Other income				1,050
Finance costs				(61)
Unallocated expenses				(14,263)
Decrease in fair value of held-for-trading investments				(5,964)
Gain on disposal of available-for-sale investments				5,020
Gain on disposal of property, plant and equipment				1,206
Gain on disposal of other non-current assets				1,494
Loss before tax				(5,819)

7. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31st December, 2010

Continuing operations

	Industrial HK$'000	Technology HK$'000	Aviation HK$'000	Other operation HK$'000	Elimination HK$'000	Consolidated HK$'000
Segment revenue						
External revenue	20,955	–	–	–	–	20,955
Inter-segment revenue	–	–	–	600	(600)	–
Total	20,955	–	–	600	(600)	20,955
Segment result	(48)	182,344	637	2,643	–	185,576
Other income						164
Finance costs						(251)
Unallocated expenses						(9,972)
Increase in fair value of held-for-trading investments						3,251
Gain on disposal of property, plant and equipment						20,708
Gain on disposal of an associate						3
Gain on disposal of other non-current assets						1,251
Profit before tax						200,730

Inter-segment revenue are charged at mutually agreed terms.

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

7. SEGMENT INFORMATION *(continued)*

Other segment information

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

2011

Continuing operations

	Industrial HK$'000	Aviation HK$'000	Other operation HK$'000	Unallocated amount HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	**821**	**–**	**658**	**116**	**1,595**
Increase in fair value of investment properties	**–**	**–**	**(5,533)**	**–**	**(5,533)**
Share of results of jointly controlled entities	**–**	**(2,162)**	**–**	**–**	**(2,162)**

2010

Continuing operations

	Industrial HK$'000	Technology HK$'000	Aviation HK$'000	Other operation HK$'000	Unallocated amount HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	745	–	–	1,176	116	2,037
Gain on deemed disposal of an associate	–	(188,121)	–	–	–	(188,121)
Increase in fair value of investment properties	–	–	–	(3,910)	–	(3,910)
Share of results of associates	–	5,777	–	–	–	5,777
Share of results of jointly controlled entities	–	–	(637)	–	–	(637)
Write down of inventories	1,123	–	–	–	–	1,123

Segment assets and liabilities

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

Revenue from major products

The Group's revenue from continuing operations is sales of garments amounting to HK$21,635,000 (2010: HK$20,955,000).

7. SEGMENT INFORMATION *(continued)*

Geographical information

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

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**4,449**	8,775	**17,402**	20,829
Japan	**16,662**	10,996	**–**	–
Macau	**–**	–	**–**	5,800
Other regions in the PRC	**524**	1,184	**8,186**	16,950
	21,635	20,955	**25,588**	43,579

Information about major customers

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

	2011	2010
	HK$'000	HK$'000
Customer A (from industrial segment)	**4,448**	5,169
Customer B (from industrial segment)	**9,460**	11,152
	13,908	16,321

8. OTHER INCOME

Continuing operations

Included in other income are:

	2011	2010
	HK$'000	HK$'000
Interest income from banks and financial institutions	**707**	160

9. OTHER GAINS AND LOSSES

	2011 HK$'000	2010 HK$'000
Continuing operations		
Exchange loss, net	**(211)**	(330)
Gain on disposal of an associate	**–**	3
Gain on disposal of other non-current assets	**1,494**	1,251
Gain on disposal of property, plant and equipment	**1,206**	20,708
(Decrease) increase in fair value of held-for-trading investments	**(5,964)**	3,251
Increase in fair value of investment properties (note 18)	**5,533**	3,910
Gain on disposal of available-for-sale investments	**5,020**	–
	7,078	28,793

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the ten (2010: eleven) directors was as follows:

2011

		Other emoluments		
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits schemes contributions HK$'000	Total emoluments HK$'000
Deacon Te Ken Chiu, J.P.	15	–	–	15
Mr. Derek Chiu	72	–	–	72
Mr. Desmond Chiu	15	465	12	492
Dr. Lam Lee G.	165	–	–	165
Mr. Eugene Yun Hang Wang	165	–	–	165
Mr. Richard Yen (appointed on 2nd November, 2011)	59	107	–	166
Dr. Ip Ngai Sang (appointed on 2nd November, 2011)	20	436	12	468
Mr. Duncan Chiu (resigned on 2nd November, 2011)	13	1,913	12	1,938
Mr. Dennis Chiu (resigned on 2nd November, 2011)	13	–	–	13
Mr. Andrew Chun Wah Fan (resigned on 1st March, 2012)	165	–	–	165
	702	2,921	36	3,659

10. DIRECTORS' EMOLUMENTS (continued)

2010

		Other emoluments		
	Fees	Salaries and other benefits	Retirement benefits schemes contributions	Total emoluments
	HK$'000	HK$'000	HK$'000	HK$'000
Deacon Te Ken Chiu, J.P.	15	–	–	15
Mr. Duncan Chiu	15	1,512	12	1,539
Mr. Dennis Chiu	15	–	–	15
Mr. Derek Chiu	15	–	–	15
Mr. Desmond Chiu	15	477	12	504
Dr. Lam Lee G.	120	–	–	120
Mr. Eugene Yun Hang Wang	120	–	–	120
Mr. Andrew Chun Wah Fan	120	–	–	120
Ms. Margaret Chiu (resigned on 7th June, 2010)	7	–	–	7
Tan Sri Dato' David Chiu (resigned on 7th September, 2010)	10	–	–	10
Mr. Daniel Tat Jung Chiu (resigned on 7th September, 2010)	7	–	–	7
	459	1,989	24	2,472

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

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2010: one) is executive director, one is the former executive director and one (2010: one) is non-executive director whose emoluments are included in note 10 above. The emoluments of the remaining two (2010: three) individuals within the band of HK$Nil to HK$1,000,000 are as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**769**	1,098
Retirement benefits schemes contributions	**24**	36
	793	1,134

12. FINANCE COSTS

	2011	2010
	HK$'000	HK$'000
Continuing operations		
Interests on:		
Bank loans wholly repayable within five years	**–**	151
Other loans wholly repayable within five years	**–**	4
Obligations under finance leases	**61**	96
	61	251

13. (LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2011	2010
	HK$'000	HK$'000
(Loss) profit for the year from continuing operations has been arrived at after charging:		
Amortisation of prepaid lease payments	**101**	97
Auditor's remuneration		
– current year	**1,298**	1,480
– underprovision in prior year	**82**	30
Cost of inventories recognised as expense including write down of inventories of Nil (2010: HK$1,123,000)	**19,620**	18,742
Depreciation	**1,595**	2,037
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK$1,550,000 (2010: HK$2,002,000)	**13,662**	11,083
Operating lease rental in respect of rented premise	**1,941**	561
Share of tax of associates (included in share of results of associates)	**–**	2,110
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**134**	332

Operating lease rental in respect of a director's accommodation amounting to HK$1,275,000 (2010: HK$882,000) is also included under directors' remuneration.

14. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
The income tax expense from continuing operations comprises:		
PRC Enterprise Income Tax:		
Current year	31	345
Overprovision in prior years	–	(12)
	31	333
PRC withholding income tax	21	–
	52	333

Hong Kong profits tax has not been provided for as the Group has no assessable profit for the year.

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

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

	2011 HK$'000	2010 HK$'000
(Loss) profit before tax from continuing operations	(5,819)	200,730
Tax at the domestic income tax rate of 16.5%	(960)	33,120
Tax effect of expenses not deductible for tax purpose	625	249
Tax effect of income not taxable for tax purpose	(2,391)	(35,601)
Tax effect of tax losses not recognised	3,205	1,692
Tax effect of different tax rates of subsidiaries operating in the PRC	10	117
Tax effect of share of results of associates	–	953
Tax effect of share of results of jointly controlled entities	(357)	(105)
PRC withholding income tax	21	–
Overprovision in respect of prior years	–	(12)
Others	(101)	(80)
Income tax expense for the year	52	333

15. DISCONTINUED OPERATIONS

On 20th May, 2011, the Group entered into the sale and purchase and subscription agreement in relation to the disposal of its entire equity interest in certain subsidiaries, which carried out all of the Group's entertainment operations. The transaction has given rise to the entertainment operation being classified as discontinued operations for the Group. The disposal was completed on 30th August, 2011, on which date control of the subsidiaries has been passed to the acquirer.

The profit (loss) for the year from the discontinued operations is analysed as follows:

	2011 HK$'000	2010 HK$'000
Loss on discontinued operations for the year	(7,604)	(52,832)
Gain on disposal of discontinued operations (note 42)	14,526	–
	6,922	(52,832)

The results of the entertainment operations for the period from 1st January, 2011 to 30th August, 2011, which have been included in the consolidated statement of comprehensive income, were as follows:

	Period ended 30.08.2011 HK$'000	Year ended 31.12.2010 HK$'000
Revenue	8,904	8,109
Cost of sales	(5,277)	(7,618)
Other income	116	297
Other expenses	(11,322)	(53,295)
Finance costs	(25)	(150)
Share of results of jointly controlled entities	–	(175)
Loss for the period/year	(7,604)	(52,832)

15. DISCONTINUED OPERATIONS (continued)

Loss for the year from discontinued operations include the following:

	Period ended 30.08.2011 HK$'000	Year ended 31.12.2010 HK$'000
Depreciation	1,364	1,855
Auditor's remuneration	122	18
Impairment loss on amount due from a jointly controlled entity	–	4,200
Impairment loss on goodwill	–	30,926
Staff costs including retirement benefit scheme contributions of approximately HK$776,000 (2010: HK$1,390,000)	5,174	7,650
Interest income	–	195

During the year, the discontinued operations contributed HK$6,560,000 to the Group's operating cash outflows, HK$2,477,000 in respect of cash inflows of investing activities and HK$2,397,000 in respect of cash inflows of financing activities up to the effective date of disposal.

The carrying amounts of the assets and liabilities of the subsidiaries comprising the discontinued operations at the date of disposal are disclosed in note 42.

16. DIVIDEND

No dividend was declared, paid or proposed, nor has any dividend been proposed since the end of the reporting period for both years presented.

17. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earning per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2011	2010
	HK$'000	HK$'000
Earnings for the purposes of basic and diluted earnings per share	**2,489**	152,060

	2011	2010
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**302,837,886**	302,837,886
Effect of dilutive potential ordinary shares in respect of share options outstanding	**–**	551,822
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**302,837,886**	303,389,708

The diluted loss per share for current year has not assumed the effect of share options as it would result in decrease in loss per share from continuing operations.

From continuing operations

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

	2011	2010
	HK$'000	HK$'000
Profit for the year attributable to the owners of the Company	**2,489**	152,060
Less: Profit (loss) for the year from discontinued operations attributable to the owners of the Company	**8,191**	(48,717)
(Loss) earning for the purposes of calculating basic and diluted (loss) earning per share from continuing operations	**(5,702)**	200,777

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share from continuing and discontinued operations.

The diluted loss per share for current year has not assumed the effect of share options as it would result in decrease in loss per share from continuing operations.

17. EARNINGS (LOSS) PER SHARE (continued)

From discontinued operations

Basic and diluted earnings per share from discontinued operations for the year ended 31st December, 2011 is HK 2.70 cents per share, based on the profit for the year from discontinued operations of HK$8,191,000 and the denominators detailed above for both basic and diluted earnings per share from continuing operations.

The diluted earnings per share for current year has not assumed the effect of share options as it would result in decrease in loss per share from continuing operations.

Basic and diluted loss per share from discontinued operations for the year ended 31st December, 2010 is HK 16.09 cents per share, based on the loss for the year from discontinued operations of HK$48,717,000 and the denominators detailed above for both basic and diluted loss per share from continuing operations.

The diluted loss per share for prior year has not assumed the effect of share options as it would result in decrease in loss per share from discontinued operations.

18. INVESTMENT PROPERTIES

	THE GROUP HK$'000	THE COMPANY HK$'000
FAIR VALUE		
At 1st January, 2010	14,845	5,645
Increase in fair value recognised in profit and loss	3,910	910
At 31st December, 2010	18,755	6,555
Increase in fair value recognised in profit and loss	5,533	705
Disposals	(8,528)	–
At 31st December, 2011	15,760	7,260

18. INVESTMENT PROPERTIES *(continued)*

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

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land in Hong Kong				
Medium-term lease	**15,760**	12,955	**7,260**	6,555
Land and buildings in Macau				
Medium-term lease	**–**	5,800	**–**	–
	15,760	18,755	**7,260**	6,555

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

The fair value of the Group's investment properties at 31st December, 2011 and 2010 have been arrived at on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties.

The investment properties of the Group and the Company include an amount of HK$7,260,000 (2010: HK$6,555,000), the title of which has not been transferred to the Group and the Company and are still registered in the name of the vendor companies which are controlled by certain directors as trustee for the Company.

19. PROPERTY, PLANT AND EQUIPMENT

	Land and building in Hong Kong held under medium term lease	Building in PRC held under medium term lease	Leasehold improvements	Lifts, electrical and office equipment	Motor vehicles	Service equipments	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP							
COST							
At 1st January, 2010	28,249	11,980	2,386	31,616	2,877	11,142	88,250
Additions	–	–	283	252	1,702	20	2,257
Disposals	(28,249)	–	(1,736)	(991)	(577)	(300)	(31,853)
Exchange realignment	–	454	4	1,149	18	414	2,039
At 31st December, 2010	–	12,434	937	32,026	4,020	11,276	60,693
Additions	–	–	–	141	433	20	594
Disposals	–	–	–	(76)	(1,931)	(208)	(2,215)
Disposal of subsidiaries (note 42)	–	–	(140)	(931)	–	(11,496)	(12,567)
Exchange realignment	–	445	5	1,128	20	408	2,006
At 31st December, 2011	–	12,879	802	32,288	2,542	–	48,511
Depreciation							
At 1st January, 2010	1,971	5,641	1,067	29,236	1,968	1,548	41,431
Provided for the year	274	543	225	475	688	1,687	3,892
Eliminated on disposals	(2,245)	–	(920)	(634)	(577)	–	(4,376)
Exchange realignment	–	229	–	1,081	16	105	1,431
At 31st December, 2010	–	6,413	372	30,158	2,095	3,340	42,378
Provided for the year	–	568	100	381	686	1,224	2,959
Eliminated on disposals	–	–	–	(65)	(1,891)	–	(1,956)
Eliminated on disposal of subsidiaries (note 42)	–	–	(58)	(457)	–	(4,708)	(5,223)
Exchange realignment	–	240	2	1,066	12	144	1,464
At 31st December, 2011	–	7,221	416	31,083	902	–	39,622
CARRYING VALUES							
At 31st December, 2011	–	5,658	386	1,205	1,640	–	8,889
At 31st December, 2010	–	6,021	565	1,868	1,925	7,936	18,315

19. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold improvements HK$'000	Office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
THE COMPANY				
COST				
At 1st January, 2010	650	330	577	1,557
Additions	–	21	–	21
Disposals	–	–	(577)	(577)
At 31st December, 2010	650	351	–	1,001
Additions	–	47	–	47
At 31st December, 2011	650	398	–	1,048
DEPRECIATION				
At 1st January, 2010	292	241	577	1,110
Provided for the year	41	75	–	116
Eliminated on disposals	–	–	(577)	(577)
At 31st December, 2010	333	316	–	649
Provided for the year	41	75	–	116
At 31st December, 2011	374	391	–	765
CARRYING VALUES				
At 31st December, 2011	276	7	–	283
At 31st December, 2010	317	35	–	352

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

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

The carrying value of motor vehicles of the Group includes an amount of HK$1,248,000 (2010: HK$1,876,000) in respect of assets held under finance leases.

20. PREPAID LEASE PAYMENTS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
The prepaid lease payments comprise the following leasehold land held under medium term leases:		
Land in the PRC	**971**	1,036
Analysed for reporting purposes as:		
Current	**32**	33
Non-current	**939**	1,003
	971	1,036

21. GOODWILL

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
COST		
At 1st January	**47,926**	47,926
Eliminated on disposal of subsidiaries	**(47,926)**	–
At 31st December	**–**	47,926
IMPAIRMENT		
At 1st January	**(47,926)**	(17,000)
Eliminated on disposal of subsidiaries	**47,926**	–
Impairment loss recognised in profit or loss	**–**	(30,926)
At 31st December	**–**	(47,926)
CARRYING VALUES		
At 31st December	**–**	–

In prior year, an impairment loss of HK$30,926,000 had been recognised in profit and loss. On disposal of subsidiaries as detailed in note 42, the amount of goodwill and the respective impairment loss had been derecognised.

22. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**16,655**	18,900
Less: Impairment loss recognised	**(13,575)**	(13,575)
	3,080	5,325

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

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

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of ownership interest held by the Company: Direct 2011	Direct 2010	Indirect 2011	Indirect 2010	Principal activities
Beijing Golden Music Resources Management Technology Co., Ltd.**	PRC*	RMB36,000,000 paid up registered capital	**–**	–	**–**	82%	Provision of background music and music licensing services
Brentford Investments Inc.	Republic of Liberia/ Hong Kong	US$200 Ordinary shares	**100%**	100%	**–**	–	Securities investment
Cathay Motion Picture Studios Limited	Hong Kong	HK$3,000,000 Ordinary shares	**100%**	100%	**–**	–	Property investment
Far East Capital Management Company Limited**	Hong Kong	HK$1 Ordinary share	**–**	–	**–**	100%	Investment holding
Far East Holdings (Jiangsu) Limited	Hong Kong	HK$10,000 Ordinary shares	**–**	–	**100%**	100%	Investment holding
Golden Music International Limited**	Hong Kong	HK$39,714,461 Ordinary share	**–**	–	**–**	85%	Investment holding
GMI Media Limited**	Hong Kong	HK$1 Ordinary share	**–**	–	**–**	85%	Investment holding

22. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Paid up issued share capital/ registered capital	Proportion of ownership interest held by the Company Direct 2011	Direct 2010	Indirect 2011	Indirect 2010	Principal activities
HomeBase Media Group Limited**	Hong Kong	HK$1 Ordinary share	–	100%	–	–	Investment holding
Jiangsu Bang Bang Silky Fashion Manufacturer Co., Ltd.	PRC*	US$3,940,000 Paid up registered capital	–	–	**51%**	51%	Manufacturing and sales of garment products
Jubilee Star Limited	Hong Kong	HK$1 Ordinary share	–	–	**100%**	100%	Investment holding
Marvel Star Group Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**100%**	100%	–	–	Investment holding
Power Profit Far East Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	–	–	Investment holding
River Joy Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	–	–	Property investment
Skydynamic Holdings Limited	British Virgin Islands/ Hong Kong	US$1 Ordinary share	**100%**	100%	–	–	Property investment
盛創新文化傳媒(北京)有限公司**	PRC*	RMB2,100,000 paid up registered capital	–	–	–	85%	Provision of cross-platform entertainment marketing

* Sino-foreign equity joint venture
** Disposed during 2011

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

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

23. INTERESTS IN ASSOCIATES

Particulars of associates of the Group at 31st December, 2011 and 2010 are as follows:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued ordinary share capital held by the Group 2011	2010	Principal activity
Chinasoft International Limited ("Chinasoft")*	Cayman Islands/ PRC	–	–	Provision of information technology services
Orbit-Media Limited#	Hong Kong	–	19.50%	Provision of video on demand technology licensing services

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

\# Associate of the subsidiaries disposed in August 2011 as detailed in note 42.

Chinasoft

On the loss of significant influence of Chinasoft on 31st December 2010, the Group had retained the remaining 11.45% interests, which were classified as available-for-sale investments since then. This transaction had resulted in the recognition of a gain on deemed disposal of an associate in profit or loss during the year ended 31st December, 2010 and calculated as follows:

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

23. INTERESTS IN ASSOCIATES *(continued)*

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

	2011	2010
	HK$'000	HK$'000
Total assets	–	28,695
Total liabilities	–	(33,142)
Net liabilities	–	(4,447)
Revenue*	**1,284**	1,840,384
Loss for the year*	**(7,291)**	(34,178)
Other comprehensive income for the year *	–	1,376
Group's share of loss and other comprehensive income of associates for the year	–	(5,615)

* Comparative figures in 2010 included revenue, result and other comprehensive income of Chinasoft up to the date of deemed disposal.

The Group has discontinued recognition of its share of loss of the remaining associate up to the effective date of disposal in current year. At the end of the reporting period, the amount of unrecognised share of the associate, extracted from the relevant management accounts of the associate is as follows:

	2011	2010
	HK$'000	HK$'000
Unrecognised share of loss of associate for the period	–	899
Accumulated unrecognised share of loss of associate	–	899

24. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Unlisted investments in jointly controlled entities, at cost less impairment	**35,592**	35,592
Share of post-acquisition reserves	**7,957**	4,326
	43,549	39,918

24. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

At 31st December, 2011 and 2010, the Group had interests in the following jointly controlled entities:

Name of entity	Forms of entity	Place of establishment/ operation	Proportion of nominal value of registered capital/ issued capital held by the Group 2011	2010	Principal activity
Beijing Kailan Aviation Technology Co., Ltd. ("Beijing Kailan") (Note 1)	Incorporated	PRC	**20.02%**	20.02%	Provision of aviation maintenance services

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

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

	2011 HK$'000	2010 HK$'000
Current assets	**28,434**	32,463
Non-current assets	**33,220**	28,525
Current liabilities	**(16,767)**	(19,793)
Non-current liabilities	**(1,338)**	(1,277)
Income	**(21,634)**	(21,267)
Expenses	**19,472**	20,805
Other comprehensive income	**1,469**	1,467

25. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity securities listed in Hong Kong, at fair value based on quoted market prices	**247,864**	278,094	**244,254**	271,850
Unlisted equity securities in Hong Kong	**17,000**	20,550	**17,000**	–
	264,864	298,644	**261,254**	271,850

At 31st December, 2011, the above unlisted investment with carrying amount of HK$17,000,000 represents investment in unlisted equity securities issued by Market Talent Limited, an entity incorporated in Cayman Islands which operates in the business of trading of electronic products and provision of on-demand video services and solutions. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably. Details of the subscription of unlisted equity securities have been set out in note 42.

In the current year, the Group disposed of certain listed and unlisted equity securities with carrying amounts of HK$49,900,000 and HK$20,550,000 respectively. Gain on disposal of HK$5,020,000 has been recognised in profit or loss during the year.

26. OTHER NON-CURRENT ASSETS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Paintings and other display items, at cost	**–**	6,586	**–**	6,586
Less: Impairment loss recognised	**–**	(1,080)	**–**	(1,080)
	–	5,506	**–**	5,506

27. HELD-FOR-TRADING INVESTMENTS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity securities:				
Hong Kong	**27,739**	8,108	**27,496**	7,830
Overseas	**2,351**	2,959	**2,351**	2,959
	30,090	11,067	**29,847**	10,789

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

28. INVENTORIES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Raw materials	**1,410**	1,128
Work in progress	**2,681**	3,584
	4,091	4,712

29. TRADE AND OTHER RECEIVABLES

For sales of goods, the Group allows an average credit period of 30 days to its trade customers. The following is an aged analysis of trade receivables:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Current	**–**	975
Past due:		
0 to 30 days	**1,243**	582
31 to 60 days	**120**	566
61 to 90 days	**822**	619
Over 90 days	**859**	690
Total trade receivables	**3,044**	3,432
Other receivables	**1,014**	1,601
	4,058	5,033

29. TRADE AND OTHER RECEIVABLES (continued)

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$3,044,000 (2010: HK$2,457,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered that the default risk is low after assessing the past payment history of the debtors and settlement after the end of the reporting period. The Group does not hold any collateral over these balances. Trade receivables which are neither overdue nor impaired are in good quality with reference to past payment history. The average age of these receivables is 62 days (2010: 65 days).

30. AMOUNTS DUE FROM/TO NON-CONTROLLING INTERESTS

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

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Current	**552**	1,388
Past due:		
31 to 60 days	**1,229**	284
61 to 90 days	**135**	625
Over 90 days	**1,259**	1,849
	3,175	4,146

Included in the amount due from the non-controlling interest is a trade balance of HK$2,623,000 (2010: HK$2,758,000) which is past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered that the default risk is low after assessing the past payment history of the non-controlling interests and settlement after the end of the reporting period. The Group does not hold any collateral over this balance. No allowance for doubtful debts are provided and any uncollectible debts are written off directly. The amount due from the non-controlling interests which is neither overdue nor impaired is in good quality with reference to past payment history.

31. AMOUNTS DUE FROM/TO RELATED PARTIES

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

The amount due to related parties are unsecured, interest-free and repayable on demand.

The related parties are companies in which certain directors of the Company have control or individuals who are close members of certain director's family and directors of the Company.

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

Bank balances and deposits held at financial institutions carry interest at market rates which range from 0.001% to 3.5% (2010: 0.001% to 2.5%) per annum. The deposits are held at financial institutions in relation to securities trading accounts which the Group maintains with these institutions.

33. PLEDGED BANK DEPOSITS

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

34. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
0 to 30 days	**116**	5,211
31 to 60 days	**–**	14
61 to 90 days	**–**	11
Over 90 days	**42**	40
Total trade payables	**158**	5,276
Other payables and accruals	**1,241**	11,594
	1,399	16,870

35. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from subsidiaries are unsecured and interest-free. The Company has agreed that the amounts will not be demanded for repayment within the next twelve months. Accordingly, the amounts are shown as non-current. Fair value adjustment amounting to HK$1,599,000 (2010: HK$3,844,000), based on original effective interest rate at 2.15% (2010: 2.15%) per annum, was included in investments in subsidiaries.

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

36. OTHER LOANS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Other loans	**–**	2,952
Analysed as:		
Unsecured	**–**	2,952
Carrying amount repayable (Note):		
Within one year	**–**	2,952
Less: Amounts due within one year shown under current liabilities	**–**	(2,952)
	–	–

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

At 31st December, 2010, the other loans were denominated in the functional currency of the relevant group entity, and bore fixed interest rate at 8% per annum. The loan was discharged upon the disposal of the subsidiaries.

37. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Amounts payable under finance leases:				
Within one year	**316**	541	**277**	479
In more than one year but not more than two years	**316**	315	**291**	277
In more than five years	**394**	709	**383**	674
	1,026	1,565	**951**	1,430
Less: Future finance charges	**(75)**	(135)	**–**	–
Present value of lease obligations	**951**	1,430	**951**	1,430
Less: Amount due within one year shown under current liabilities			**(277)**	(479)
Amount due after one year			**674**	951

37. OBLIGATIONS UNDER FINANCE LEASES (continued)

Obligations under finance leases are secured by motor vehicles. The lease terms is five years (2010: three years to five years). Interest rate is 4.74% per annum (2010: 4.74% to 12.48% per annum). No arrangements have been entered into for contingent rental payment.

38. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2011	2010	**2011**	2010
			HK$'000	HK$'000
Ordinary shares of HK$0.01 each:				
Authorised	**70,000,000,000**	70,000,000,000	**700,000**	700,000
Issued and fully paid	**302,837,886**	302,837,886	**3,028**	3,028

39. SHARE OPTION SCHEME

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

The number of shares to be issued in respect of which options had been granted and remained outstanding under the Scheme is 1,320,000 shares at the end of the reporting period (2010: 2,300,000). The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

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

39. SHARE OPTION SCHEME *(continued)*

On 21st April, 2006, 5,100,000 share options were granted at an initial exercise price of HK$1.34, 50% of 5,100,000 share options were immediately vested upon grant with exercisable period from 23rd May, 2006 to 22nd May, 2016 and the remaining 50% of 5,100,000 share options were vested one year from date of grant with exercisable period from 23rd May, 2007 to 22nd May, 2017 respectively. Pursuant to the bonus issue in 2007, the exercise price and number of share options granted were adjusted accordingly from HK$1.34 to HK$1.2182 and from 5,100,000 to 5,610,000 respectively. Furthermore, pursuant to the bonus issue in 2009, the exercise price and the remaining number of the share options granted were further adjusted from HK$1.2182 to HK$0.6091 and from 1,150,000 to 2,300,000, respectively.

No share option was granted or exercised in 2011.

Details of the share options outstanding at 31st December, 2011 and 2010 as follows:

Capacity of grantee	Grant date	Adjusted exercise price *HK$*	Exercisable period (both days inclusive)	Number of share options at 1.1.2010 and 31.12.2010	Cancelled during the year	Number of share options at 31.12.2011
Employees	21.4.2006	0.6091	23rd May, 2006 to 22nd May, 2016	660,000	–	660,000
	21.4.2006	0.6091	23rd May, 2007 to 22nd May, 2017	1,640,000	(980,000)	660,000
				2,300,000	(980,000)	1,320,000

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

40. SHARE PREMIUM AND RESERVES

	Share premium HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	(Accumulated losses) retained profits HK$'000	Total HK$'000
THE COMPANY					
At 1st January, 2010	176,154	568	701	(5,381)	172,042
Profit for the year	–	–	–	206,168	206,168
Fair value loss on available-for-sale investments	–	–	(311)	–	(311)
At 31st December, 2010	176,154	568	390	200,787	377,899
Loss for the year	–	–	–	(24,774)	(24,774)
Fair value gain on available-for-sale investments	–	–	20,481	–	20,481
Reclassification adjustment upon disposal of available-for-sale investments	–	–	1,823	–	1,823
At 31st December, 2011	176,154	568	22,694	176,013	375,429

41. DEFERRED TAXATION

The following are the major deferred tax movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1st January, 2010	(164)	165	(1)	–
Charge (credit) to profit or loss	128	–	(128)	–
At 31st December, 2010	(36)	165	(129)	–
Charge (credit) to profit or loss	92	–	(92)	–
At 31st December, 2011	56	165	(221)	–

At the end of the reporting period, the Group has unused tax losses of approximately HK$165,476,000 (2010: HK$177,290,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$1,339,000 (2010: HK$781,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$164,137,000 (2010: HK$176,509,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely. Decrease in remaining tax losses was partly due to the disposal of subsidiaries with unrecognised tax loss amounting to HK$ 31,796,000.

At the end of the reporting period, the Company has unused tax losses of approximately HK$139,316,000 (2010: HK$121,462,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

42. DISPOSAL OF SUBSIDIARIES

As set out in note 15, the Group entered into the sale and purchase and subscription agreement in relation to the disposal of its entire equity interest in certain subsidiaries, which carried out all of the Group's entertainment operations, at an aggregate consideration of HK$8,000,000 which were satisfied by 104 new ordinary shares of the acquirer, Market Talent Limited ("Market Talent") alloted and issued to the Group. The fair value of the consideration of HK$8,000,000 was determined with reference to the profit of Market Talent and the prevailing price-to-earnings multiple of market comparable in the industry.

In addition, the Group agreed to subscribe for 117 new ordinary shares of Market Talent at a cash consideration of HK$9,000,000. Both Market Talent and its legal and beneficial owner are unrelated to the Group. Market Talent is engaged in trading of electronic products and provision of on-demand video services and solutions. The disposal and subscription transaction was completed on 30th August 2011. Immediately after the disposal and subscription transaction, the Group holds 18.1% equity interest in Market Talent which has been classified as available-for-sale investments. The net liabilities of certain subsidiaries at the date of disposal were as follows:

	HK$'000
Consideration received:	
Consideration share	8,000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	7,344
Trade and other receivables	3,340
Bank balances and cash	781
Other loans	(5,500)
Trade and other payables	(13,949)
Amount due to non-controlling interests	(979)
Net liabilities disposed of	(8,963)
Gain on disposal of subsidiaries:	
Consideration received	8,000
Net liabilities disposed of	8,963
Non-controlling interests	(2,934)
Cumulative exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	497
Gain on disposal of subsidiaries	14,526
Cash outflow arising on disposal:	
Bank balances and cash disposed of	781

The impact of disposed subsidiaries on the Group's results and cash flows in the current and prior period is disclosed in note 15.

43. MAJOR NON-CASH TRANSACTION

Consideration received for the disposal of subsidiaries that occurred during the year comprised shares. Further details of the disposal are set out in note 42.

44. PLEDGE OF ASSETS

At 31st December, 2011:

(a) margin trading facilities in respect of securities transactions to the extent of approximately HK$6.4 million (2010: HK$6.5 million), of which none has been utilised at the end of the reporting periods is secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK$24.9 million (2010: HK$23.8 million) and HK$24.9 million (2010: HK$23.8 million), respectively. The listed investments comprise held-for-trading securities and available-for-sale investments held by the Group and the Company;

(b) overdraft and revolving loan facilities to the extent of approximately HK$17.1 million (2010: HK$17.1 million), of which none has been utilised at the end of the reporting periods, are secured by the deposit held at financial institutions of the Company of approximately HK$41,000 (2010: HK$39,000); and

(c) short term loan and margin facilities in respect of securities transactions to the extent of approximately HK$233.1 million (2010: HK$233.5 million) of which none has been utilised at the end of the reporting periods, is secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK$241.8 million (2010: HK$239.5 million) and HK$241.8 million (2010: HK$239.5 million), respectively. The listed investments comprise held-for-trading securities and available-for-sale investment held by the Group.

45. OPERATING LEASES

The Group and the Company as lessee

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

(i) Leased premises

	2011 HK$'000	2010 HK$'000
Within one year	**932**	1,999
In the second to fifth year inclusive	**192**	990
	1,124	2,989

Operating lease payments represent rentals payable by the Group for the use of its office premise. Leases are negotiated for a term of two years.

45. OPERATING LEASES *(continued)*

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

	2011	2010
	HK$'000	HK$'000
Within one year	**–**	2,902
In the second to fifth year inclusive	**–**	9,770
	–	12,672

Royalty payment was negotiated for a term of fifteen years and could be terminated after five years from the date of commencement of the licensing services. Upon the disposal of subsidiaries during the year as detailed in note 42, the Group had no commitments under operating leases of royalty payment for background music and music licensing services.

46. RETIREMENT BENEFITS SCHEMES

The Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes the higher of 5% (2010: 5%) of relevant payroll costs or HK$1,000 to the scheme monthly, which contribution is matched by employees.

	2011	2010
	HK$'000	HK$'000
Amount contributed and charged to profit or loss	**157**	141

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

	2011	2010
	HK$'000	HK$'000
Amount contributed and charged to profit or loss	**2,169**	3,251

47. RELATED PARTY TRANSACTIONS

Other than those disclosed elsewhere in these consolidated financial statements, the Group has the following related party transactions during the year:

Compensation of key management personnel

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

	2011	2010
	HK$'000	HK$'000
Short-term employment benefits	**4,392**	3,546
Post-employment benefits	**60**	60
	4,452	3,606

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

	For the year ended 31st December,				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	28,868	22,720	21,037	29,064	**30,539**
Profit (loss) before tax	96,252	(70,499)	(43,453)	147,898	**1,103**
Income tax credit (expense)	592	69	(108)	(333)	**(52)**
Profit (loss) for the year	96,844	(70,430)	(43,561)	147,565	**1,051**
Profit (loss) for the year attributable to:					
Owners of the Company	97,388	(66,244)	(38,700)	152,060	**2,489**
Non-controlling interests	(544)	(4,186)	(4,861)	(4,495)	**(1,438)**
	96,844	(70,430)	(43,561)	147,565	**1,051**

	As at 31st December,				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Total assets	386,392	362,349	339,985	444,191	**449,134**
Total liabilities	(41,186)	(38,104)	(44,587)	(25,666)	**(5,550)**
	345,206	324,245	295,398	418,525	**443,584**
Non-controlling interests	(17,108)	(22,293)	(18,769)	(15,997)	**(17,602)**
Equity attributable to owners of the Company	328,098	301,952	276,629	402,528	**425,982**

LANDS HELD FOR UNDETERMINED FUTURE USE

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