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遠東控股國際有限公司

Far East Holdings International Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 36)

FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2009

RESULTS

The board of directors (the “Board”) of Far East Holdings International Limited (the “Company”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2009 together with the comparative figures for the corresponding period in 2008 are set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2009

	NOTES	2009 HK\$'000	2008 HK\$'000
Revenue	2	21,037	22,720
Cost of sales		(19,086)	(24,077)
Gross profit (loss)		1,951	(1,357)
Dividend income from available-for-sale investments		46	337
Dividend income from held-for-trading investments		272	877
Other income		520	1,670
Other gains and losses	3	4,854	(58,890)
Selling and distribution costs		(9,392)	(4,815)
Administrative expenses		(20,931)	(16,247)
Finance costs		(544)	(572)
Share of results of associates		(19,826)	8,951
Share of results of jointly controlled entities		(403)	(453)
loss before tax	4	(43,453)	(70,499)
Income tax (expense) credit	5	(108)	69
Loss for the year		(43,561)	(70,430)
Other comprehensive income			
Exchange differences arising from the translation of foreign operations		34	3,379
Fair value gain (loss) on available-for-sale financial assets		5,622	(15,616)
Share of other comprehensive income of an associate		136	9,611
Reclassification adjustment on impairment of available-for-sale investments		–	4,328
Reclassification adjustment on sales of available-for-sale investments		–	10,774
		5,792	12,476
Total comprehensive expense for the year		(37,769)	(57,954)

	<i>NOTES</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Loss attributable to:			
Owners of the Company		(38,700)	(66,244)
Minority interests		(4,861)	(4,186)
		<u>(43,561)</u>	<u>(70,430)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(32,923)	(55,018)
Minority interests		(4,846)	(2,936)
		<u>(37,769)</u>	<u>(57,954)</u>
		<i>HK cents</i>	<i>HK cents</i>
LOSS PER SHARE			
– Basic and diluted	7	<u>(12.8)</u>	<u>(30.9)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2009

	<i>NOTES</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment properties		14,845	23,695
Property, plant and equipment		24,298	20,955
Prepaid lease payments		23,019	23,675
Goodwill		30,926	27,126
Interests in associates		109,693	125,160
Interests in jointly controlled entities		37,990	36,643
Available-for-sale investments		27,536	21,868
Other non-current assets		5,477	10,644
Amount due from a jointly controlled entity		2,030	–
		275,814	289,766
CURRENT ASSETS			
Prepaid lease payments		596	598
Held-for-trading investments		23,443	32,291
Inventories		3,613	4,256
Trade and other receivables	8	3,896	2,525
Amount due from a minority shareholder		4,588	3,057
Amount due from a related company		9	9
Tax prepaid		–	106
Deposits held at financial institutions		2,324	3,177
Pledged bank deposits		2,501	–
Bank balances and cash		23,201	26,564
		64,171	72,583
CURRENT LIABILITIES			
Trade and other payables	9	15,304	10,430
Amounts due to directors		1,565	1,630
Amount due to minority shareholders		1,207	297
Amounts due to a related company		1,136	1,557
Tax liabilities		107	–
Derivative financial instruments		–	109
Bank and other loans			
– due within one year	10	8,724	5,918
Dividend payable to a minority shareholder		20	175
Obligations under finance leases			
– due within one year		336	410

	<i>NOTES</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
		28,399	20,526
NET CURRENT ASSETS		35,772	52,057
TOTAL ASSETS LESS CURRENT LIABILITIES		311,586	341,823
CAPITAL AND RESERVES			
Share capital		3,028	3,028
Share premium and reserves		273,601	298,924
Equity attributable to owners of the Company		276,629	301,952
Minority interests		18,769	22,293
		295,398	324,245
NON-CURRENT LIABILITIES			
Bank and other loans			
– due after one year	10	15,972	16,794
Obligations under finance leases			
– due after one year		216	552
Deferred tax liabilities		–	232
		16,188	17,578
		311,586	341,823

Notes:

1. Application of New and Revised Hong Kong Financial Reporting Standards

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

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group’s reportable segments (see note 2).

Amendments to HKFRS 7 Financial Instruments: Disclosures

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ⁶
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁵
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁶
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

¹ Effective for annual periods beginning on or after 1st July, 2009

² Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate

³ Effective for annual periods beginning on or after 1st January, 2010

⁴ Effective for annual periods beginning on or after 1st February, 2010

⁵ Effective for annual periods beginning on or after 1st July, 2010

⁶ Effective for annual periods beginning on or after 1st January, 2011

⁷ Effective for annual periods beginning on or after 1st January, 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements of the Group.

2. Segments Information

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the Managing Director and Chief Executive Officer of the Group) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

Specifically, in prior years, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e. securities investment and trading, property development and investment, industrial – manufacturing and sales of garment and provision of background music and music licensing services). However, information reported to the chief operating decision maker for the purpose of resource allocation and performance assessment is more specifically focused on the category of different industries. The principal categories of these industries are industrial, entertainment, technology, aviation and other operation. The Group's operating segments under HKFRS 8 are therefore as follows:

1. Industrial – manufacturing and sale of garments
2. Entertainment – provision of background music and music licensing and video on demand services by the subsidiaries and the jointly controlled entity
3. Technology – provision of information technology services by the associate
4. Aviation – aviation maintenance services provided by the jointly controlled entity
5. Other operation – property investment

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

Segment revenues and results

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

2009

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

2008

	Industrial HK\$'000	Entertainment HK\$'000	Technology HK\$'000	Aviation HK\$'000	Other operation HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Segment revenue							
External revenue	20,406	1,417	-	-	897	-	22,720
Inter-segment revenue	-	-	-	-	1,080	(1,080)	-
Total	<u>20,406</u>	<u>1,417</u>	<u>-</u>	<u>-</u>	<u>1,977</u>	<u>(1,080)</u>	<u>22,720</u>
Segment result	<u>(1,076)</u>	<u>(25,410)</u>	<u>9,244</u>	<u>(6,458)</u>	<u>(2,009)</u>	<u>-</u>	<u>(25,709)</u>
Other income							1,670
Finance costs							(572)
Unallocated expenses							(9,541)
Impairment loss on available-for-sale investments – listed							(4,328)
Impairment loss on available-for-sale investments – unlisted							(1,486)
Decrease in fair value of held-for-trading investments							(14,898)
Loss on disposal of available-for-sale investments							(10,774)
Increase in fair value of derivatives financial instruments							(109)
Impairment loss on other non-current assets							(977)
Loss on dilution of interests in subsidiaries							(2,105)
Share of result of an associate							(166)
Share of result of a jointly controlled entity							(1,504)
Loss before tax							<u>(70,499)</u>

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. Segment result represents the (loss) profit from each segment information as disclosed below without allocation of central administration costs, selling and distribution costs, directors' emoluments and other income and finance costs, impairment loss/loss on disposal of available-for-sale investments, change in fair value of held-for-trading investments and derivatives financial instruments, impairment loss/gain on disposal of other non-current assets and loss on dilution of interests in subsidiaries, net loss on deemed disposal of another associate, share of results of another associate and jointly controlled entity and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Other segment information

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

2009

	Industrial Entertainment		Technology	Aviation	Other operation	Unallocated amount	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	921	1,627	-	-	1,189	82	3,819
Impairment loss on goodwill	-	3,800	-	-	-	-	3,800
Increase in fair value of investment properties	-	-	-	-	(360)	-	(360)
Discount on acquisition of additional interest of an associate	-	-	(1,842)	-	-	-	(1,842)
Loss on disposal of property, plant and equipment	-	436	-	-	-	-	436
Interest income	(192)	(3)	-	-	-	-	(195)
Net loss on deemed disposal of an associate	-	-	131	-	-	91	222
Share of results of associates	-	-	19,789	-	-	37	19,826
Share of results of jointly controlled entities	-	1,575	-	(1,172)	-	-	403
Write down of inventories	902	-	-	-	-	-	902

2008

	Industrial Entertainment		Technology	Aviation	Other operation	Unallocated amount	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,248	103	-	-	713	230	2,294
Impairment loss on goodwill	-	13,200	-	-	-	-	13,200
Impairment loss on interest in a jointly controlled entity	-	-	-	7,509	-	-	7,509
Loss on disposal of property, plant and equipment	28	-	-	-	-	-	28
Decrease in fair value of investment properties	-	-	-	-	535	-	535
Interest income	(665)	(42)	-	-	-	(516)	(1,223)
Net gain on deemed disposal of an associate	-	-	(127)	-	-	-	(127)
Share of results of associates	-	-	(9,117)	-	-	166	(8,951)
Share of results of jointly controlled entities	-	-	-	(1,051)	-	1,504	453

Segment assets and liabilities

As the chief operating decision maker 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 following is an analysis of the Group's revenue from its major products and services:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Garments	14,974	20,406
Provision of background music and music licensing services	5,441	1,417
Property rental income	622	897
	<hr/> 21,037 <hr/>	<hr/> 22,720 <hr/>

Geographical information

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

	Revenue from external customers		Non-current assets	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Hong Kong	6,113	6,244	43,417	56,134
PRC	5,990	2,397	202,831	211,764
Japan	8,934	14,079	–	–
	<hr/> 21,037 <hr/>	<hr/> 22,720 <hr/>	<hr/> 246,248 <hr/>	<hr/> 267,898 <hr/>

3. Other Gains and Losses

	2009	2008
	HK\$'000	HK\$'000
Amount due from an associate written off	–	640
(Decrease) increase in fair value of derivative financial instruments	(109)	109
Discount on acquisition of additional interest in an associate	(1,842)	–
Exchange loss, net	65	2,428
Gain on disposal of non-current assets	(127)	–
Impairment loss on available-for-sale investments – listed	–	4,328
Impairment loss on available-for-sale investments – unlisted	–	1,486
Impairment loss on interest in a jointly controlled entity	–	7,509
Impairment loss on goodwill	3,800	13,200
Impairment loss on other non-current assets	481	977
(Gain) loss on held-for-trading investments	(8,787)	14,898
(Increase) decrease in fair value of investment properties	(360)	535
Loss on dilution of interests in subsidiaries	–	2,105
Loss on disposal of available-for-sale investments	465	10,774
Loss on disposal property, plant and equipment	436	28
Net loss (gain) on deemed disposal of an associate	222	(127)
Write down of inventories	902	–
	(4,854)	58,890

4. Loss before Tax

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax has been arrived at after charging:		
Amortisation of prepaid lease payments	659	656
Auditor's remuneration		
– current year	1,250	1,206
– underprovision in prior year	400	346
Cost of inventories recognised as expense	12,312	18,717
Royalty payment for background music and music licensing services (included in cost of sales)	5,256	5,343
Depreciation	3,819	2,294
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK\$2,427,000 (2008: HK\$1,264,000)	13,951	12,430
Operating lease in respect of rented premise	1,553	258
Share of tax of associates (included in share of results of associates)	2,100	1,341
and after crediting:		
Rental income from investment properties, less outgoings of HK\$13,000 (2008: HK\$16,000)	622	897

5. Income Tax Expense (Credit)

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
The income tax expense (credit) comprises:		
PRC Enterprise Income Tax:		
Current year	281	22
Underprovision in prior years	59	–
	<hr/>	<hr/>
	340	22
Deferred taxation	(232)	(91)
	<hr/>	<hr/>
	108	(69)
	<hr/> <hr/>	<hr/> <hr/>

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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.

6. Dividend

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend recognised as distribution during the year:		
2007 final dividend – HK2 cents per share	<hr/> <hr/>	<hr/> <hr/>
	–	3,028

7. Loss per Share

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(38,700)</u>	<u>(66,244)</u>
	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>302,837,886</u>	<u>214,369,788</u>

The weighted average numbers of ordinary shares for the year ended 31st December, 2008 for the purposes of basic and diluted loss per share have been adjusted for the bonus issue on 10th June, 2008.

No diluted loss per share has been presented for both years as the effect arising from share options would result in a decrease in loss per share.

No adjustment has been made for the potential ordinary shares of associate as the effect in both 2009 and 2008 are anti-dilutive.

8. Trade and Other Receivables

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

	THE GROUP	
	2009	2008
	HK\$'000	HK\$'000
Current:		
0 – 30 days	77	246
Past due:		
31 – 60 days	714	430
61 – 90 days	401	113
Over 90 days	77	126
	<hr/>	<hr/>
Total trade receivables	1,269	915
Other receivables	2,627	1,610
	<hr/>	<hr/>
	3,896	2,525
	<hr/> <hr/>	<hr/> <hr/>

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$1,192,000 (2008: HK\$669,000) which are past due at the reporting date 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 receivable is 86 days (2008: 97 days).

9. Trade and Other Payables

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

	THE GROUP	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	2,055	5
31 – 60 days	–	12
61 – 90 days	8	2
Over 90 days	51	39
	<hr/>	<hr/>
Total trade payables	2,114	58
Other payables	13,190	10,372
	<hr/>	<hr/>
	15,304	10,430
	<hr/> <hr/>	<hr/> <hr/>

10. Bank and Other Loans

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured				
Bank loans	18,840	17,599	–	–
Other loans	5,856	5,113	5,856	5,113
	<hr/>	<hr/>	<hr/>	<hr/>
	24,696	22,712	5,856	5,113
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Carrying amount repayable:				
Within one year	8,724	5,918	5,856	5,113
More than one year but not exceeding two years	840	822	–	–
More than two years but not exceeding five years	2,631	2,575	–	–
More than five years	12,501	13,397	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	24,696	22,712	5,856	5,113
Less: Amounts due within one year shown under current liabilities	(8,724)	(5,918)	(5,856)	(5,113)
	<hr/>	<hr/>	<hr/>	<hr/>
	15,972	16,794	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Bank loans, which is denominated in Hong Kong dollars, bear variable interest rate at 3.1% (2008: 3.1%) below Hong Kong Prime Lending Rate per annum. The bank loans are secured by a leasehold land and building in Hong Kong. The effective interest rate of the bank loans is 2.15% for both years.

The other loans, which is denominated in Yen, currencies other than the functional currencies of the relevant group entities, bear floating interest rates at 0.79% (2008: 1.105%) per annum.

11. Pledge of Assets

At 31st December, 2009:

- (a) margin trading facilities in respect of securities transactions to the extent of approximately HK\$13.4 million (2008: HK\$9.9 million), of which HK\$5.9 million (2008: HK\$5.1 million) had been utilised after considering deposits held by financial institutions, is secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK\$25.5 million (2008: HK\$22.5 million) and HK\$20.2 million (2008: HK\$17.9 million), respectively. The listed investments comprise held-for-trading securities and equity shares in an associate held by the Group;
- (b) overdraft and revolving loan facilities to the extent of approximately HK\$17.1 million (2008: HK\$17.1 million), of which Nil had been utilised in both years, are secured by a floating charge over certain investment properties and property, plant and equipment, and other non-current assets of the Group;
- (c) short term loan and margin facilities in respect of securities transactions to the extent of approximately HK\$232.7 million (2008: HK\$232.5 million) of which HK\$Nil (2008: Nil) had been utilised after considering deposits held by financial institutions, is secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK\$100.9 million (2008: HK\$123.1 million) and HK\$17.9 million (2008: HK\$23.2 million), respectively. The listed investments comprise held-for-trading securities and equity shares in an associate held by the Group;
- (d) bank loan facilities to the extent of approximately HK\$18.9 million (2008: HK\$18.9 million), of which HK\$16.8 million (2008: HK\$17.6 million) were drawdown and fully utilised, is secured by the Group's leasehold land and building in Hong Kong with an aggregate carrying value of approximately HK\$26.3 million (2008: HK\$27.4 million); and
- (e) letter of credit facilities to the extent of approximately HK\$5.0 million (2008: HK\$Nil), of which HK\$2.0 million (2008: Nil) has been utilised, is secured by the Group's bank deposit amounted to approximately HK\$2.5 million (2008: Nil).

12. Contingent Liabilities

As at 31st December, 2009, the Company is contingently liable for guarantee issued to a bank in respect of a mortgage loan granted to a subsidiary. The mortgage loan utilised by the subsidiary amounted to HK\$18,900,000 (2008: HK\$17,600,000). The maximum amount that the Company could be required to settle under the arrangement is HK\$20,082,000 (2008: HK\$21,257,000).

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

13. Operating Lease Arrangements

The Group as lessor

Property rental income earned during the year was HK\$622,000 (2008: HK\$897,000). The Group property held for rental purpose has been disposed of by the end of the reporting period.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	–	2,166
In the second to fifth year inclusive	–	569
	<u>–</u>	<u>2,735</u>
	<u>–</u>	<u>2,735</u>

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*

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	576	229
In the second to fifth year inclusive	230	112
	<u>806</u>	<u>341</u>
	<u>806</u>	<u>341</u>

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

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within one year	2,530	1,500
In the second to fifth year inclusive	12,538	–
	<u>15,068</u>	<u>1,500</u>
	<u>15,068</u>	<u>1,500</u>

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.

14. Event After The Reporting Period

Subsequent to 31st December, 2009, the Group has entered into a provisional agreement to dispose of a building together with its prepaid lease payment with the aggregate carrying value of approximately HK\$26,000,000 at the end of the reporting period to an independent third party at a consideration of HK\$48,000,000.

DIVIDEND

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

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

CORPORATE RESULTS

For the year ended 31st December, 2009, the Company and its subsidiaries (the "Group") recorded revenue from operations of approximately HK\$21.04 million (2008: 22.72 million), representing a decline of 7.39% compared with last year.

The Group's loss attributable to owners of the Company approximately HK\$38.7 million (2008: loss of HK\$66.24 million), an improvement of 41.58% from last year. The loss per share for the year ended 31st December, 2009 was 12.8 HK cents (2008: loss per share of 30.9 HK cents), an improvement of 58.58% over last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2009, the Group had cash and bank balances and deposits held at financial institutions amounting to HK\$28 million (2008: HK\$29.74 million). Fundamentally, the Group's funding policy was to finance the business operations with internally net generated cash and bank facilities. As at 31st December, 2009, the Group had total borrowings of HK\$24.70 million (2008: HK\$22.71 million) of which HK\$8.72 million (2008: HK\$5.92 million) was payable within one year and the remaining was payable after one year and was fully secured. The Group's borrowings were denominated in Hong Kong dollar and Japanese Yen.

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

GEARING RATIO AND CURRENT RATIO

The Group's gearing ratio (total bank and other loans to shareholders' equity) as at 31st December, 2009 increased to 8.93% (2008: 7.52%). The Group's current ratio (current assets to current liabilities) as at 31st December, 2009 declined to 2.26 (2008: 3.54). 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 2009, the total number of issued ordinary shares of the Company was 302,837,886 shares.

DISPOSAL OF PROPERTY AND PLEDGE OF ASSETS

During the year, the Group had disposed an investment property of a cinema (including part of G/F to 3/F), which was situated at Tung Fai Court, 2 Shui Che Kwun Street, Yuen Long, New Territories. The disposal was completed on 29th October, 2009 and the aggregate consideration amounted to HK\$9.21 million.

At 31st December, 2009, the Group had pledged certain listed investments, bank deposits and certain properties with an aggregate carrying value of approximately HK\$163 million (2008: HK\$184.8 million) to banks and financial institutions for margin trading facilities, and other loan facilities to the Group to the extent of approximately HK\$287.1 million (2008: HK\$278.4 million).

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, 2009, the Company is contingently liable for guarantee issued to a bank in respect of a mortgage loan granted to a subsidiary. The mortgage loan utilised by the subsidiary amounted to HK\$18.9 million (2008: HK\$17.6 million). The maximum amount the Company could be required to settle under the arrangement is HK\$20,082,000 (2008: HK\$21,257,000).

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

Capital Commitments

At 31st December, 2009, the Group had no significant capital commitments (2008: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 9th December 2009, a shareholders' agreement entered into among Mr. Lam Wing Kwan Ringo, Mr. Chan Kin Pong, Mr. Luo Jianguang, Smart Castle Limited, Far East Capital Management Company Limited (a wholly-owned subsidiary of the Company) and Orbit-Media Limited pursuant to which, inter alia, Far East Capital Management Company Limited shall (i) subscribe for a total 17,850 shares in the share capital of Orbit-Media Limited at a consideration of HK\$1.75 million and (ii) provide Orbit-Media Limited with a shareholder's loan in the amount of HK\$2.45 million for working capital purpose, on and subject to the terms and conditions mentioned in the Shareholders' Agreement.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2009, the Group had approximately 340 employees in Hong Kong and PRC (2008: 330 employees). The Group offers its employees competitive remuneration packages based on industry's practices and performance of individual employee. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Group was adopted a share option scheme on 23rd May, 2005 and discretionary share options would be granted to reward and motivate those well performed employees. There were totaling 2.3 million (2008: 2.3 million) share options outstanding under the share option scheme as at 31st December, 2009.

BUSINESS REVIEW AND PROSPECTS

Information Technology Holdings

Chinasoft International Limited ("Chinasoft")

It was reported a loss attributable to owners of Chinasoft approximately RMB126.74 million for the year ended 31st December, 2009 (2008: profit of RMB63.34 million) representing a decline of approximately three times from that of last year due to the effect of non cash provisions for bad and doubtful debts, cost of option and exchange gain and loss. All these affect in a way that the net profit in financial statements for prior periods cannot directly reflect the actual profitability of the Chinasoft's business operation. Professional investors may recognise that non-business factors contribute to the loss of Chinasoft's final results and will not post adverse effects on its business operation and cash flow.

Chinasoft will snatch its potential merger and acquisition opportunities, and deploy the listing advantage to materialize a favorable comprehensive setting and continue to strive for its market shares in China and position itself a world-class leading enterprise in providing comprehensive software and information technology service.

Entertainment Holdings

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

GMR supplies hotels, shopping centers, exclusive shops, restaurants, entertainments, beauty salons, etc. with high quality background music at a low price with copyright and plays a leading role in the background music service market and is also the initiator of the industry standards. GMR is the only supplier of integrated solutions of music programming, distant hosting service for clients, and new media solutions for the music industry in China. Cooperated with copyright administrations all over China, various industry associations, system integrators and content providers, GMR has served thousands of customers in more than ten provinces. For the year ended 31 December 2009, GMR achieves a turnover of HK\$5.44 million (2008: HK\$1.42 million) representing 2.83 times increase over last year and incurs a net loss of HK\$18.2 million representing a decrease of 21.55% comparing with last year (2008: net loss of HK\$23.2 million).

GMR will continue to maintain the advantages of its proprietary technology, copyright database, online control platform and services to make its professional background music services unique and valuable to our clients so as to enlarge industry area and market share, in order to become the leader of background music service supplier in China.

Aviation Holdings

Beijing Kailan Aviation Technology Co., Ltd. (“Beijing Kailan”)

During the year, Beijing Kailan has recorded a net profit of HK\$6.15 million (2008: net profit HK\$5.2 million) representing an improvement of 18.27% over that of 2008. Notwithstanding there was an improvement in profit in 2009, the demand for aero-related business was reduced in response to the global economic downturn.

With the gradual recovery of the international market, the continual rise of the domestic market in China and the opening of World Expo 2010 Shanghai in May, Beijing Aviation anticipates that its aero-related business will pick up progressively in 2010.

Industries

Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited (“Jiangsu Bang Bang”)

For the year ended 31st December, 2009, Jiangsu Bang Bang reported a turnover of approximately HK\$14.97 million (2008: HK\$20.41 million) representing 26.65% decrease comparing with 2008 which was mainly due to the decline in weakening overseas market demand. It recorded a net loss of approximately HK\$148,000 (2008: net loss of HK\$342,000) was recorded representing an improvement of 56.73% comparing with 2008.

In response to the challenging market environment in 2010 for the textile industry, Jiangsu Bang Bang will reinforce internal management, strengthen cost control, enhance product quality and operating efficiency so as to improve its business in the coming year.

Outlook

The directors will persist to exploit potential investment opportunities in greater China in order to enhance the competitive advantage of the Group and generate better returns to the shareholders. The directors are confident that the Group’s business will recover gradually.

EVENT AFTER THE REPORTING PERIOD

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

PURCHASE, SALE AND REDEMPTION OF LISTING SECURITIES

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Following a specific enquiry, each of the directors confirmed that he/she complied with the Model Code for transactions in the Company's securities throughout the year.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2009, with deviation from code provision A.4.1 of the Code in respect of the service term and rotation of Directors.

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

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

The Company has established an Audit Committee. The terms 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.

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 financial statements. The Audit Committee comprises three independent non-executive directors, namely, Dr. Lee G. Lam, Mr. Eugene Yun Hang Wang and Mr. Andrew Chun Wah Fan and one non-executive director, Mr. Derek Chiu.

INVESTMENT COMMITTEE

For better control of risk management of the Company, on 13th July 2009 Investment Committee of the Company was formed. Dr. Lee G. Lam was appointed as chairman of Investment Committee. Mr. Duncan Chiu, Mr. Derek Chiu and Mr. Desmond Chiu were appointed as members of Investment Committee.

By order of the Board

Duncan Chiu

Managing Director and Chief Executive Officer

Hong Kong, 26th April, 2010

As at the date of this announcement, the Board of the Company comprises eleven directors of which three are executive directors, namely Deacon Te Ken Chiu, J.P., Mr. Duncan Chiu and Mr. Dennis Chiu; five are non-executive directors, namely Tan Sri Dato' David Chiu, Mr. Daniel Tat Jung Chiu, Mr. Derek Chiu, Mr. Desmond Chiu, Ms. Margaret Chiu; and three are independent non-executive directors, namely Dr. Lee G. Lam, Mr. Eugene Yun Hang Wang and Mr. Andrew Chun Wah Fan.