Contents

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

Corporate Information

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)
Mr. 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

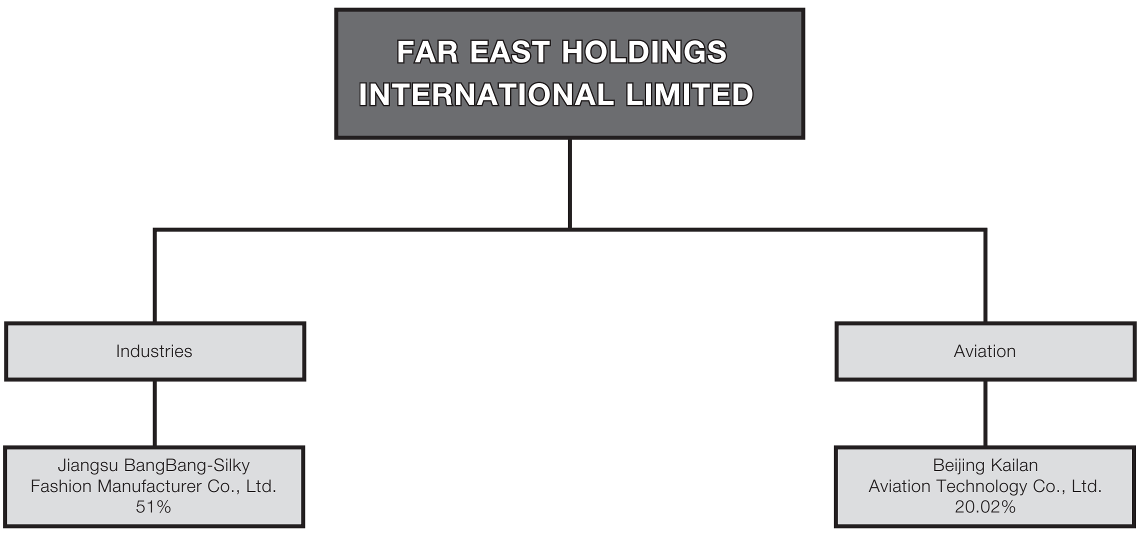
PRINCIPAL OFFICE
Room 2101-2102, 21st Floor
Far East Consortium Building
121 Des Voeux Road Central
Hong Kong
Telephone: 3521 3800
Facsimile: 3521 3821
Email: info@feholdings.com.hk

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 Code: 36
Board Lot Size: 3000

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

Corporate Profile



Management Discussion and Analysis

CORPORATE RESULTS

For the year ended 31st December, 2012, Far East Holdings International Limited (the "Company", together with its subsidiaries, collectively, the "Group") recorded revenue from operations of approximately HK$17.05 million (2011: HK$21.64 million), representing a decrease of 21.21% compared with last year. The Group's loss attributable to owners of the Company was approximately HK$18.98 million (2011: Profit of HK$2.49 million), representing a decline of approximately HK$21.47 million as compared to last year. The Board considers the loss is mainly contributed by HK$14.5 million impairment loss on available-for-sale investments. The loss per share for the year ended 31st December, 2012 was 5.57 HK cents (2011: Earnings per share of 0.73 HK cents).

RESUMPTION OF TRADING

As all the resumption conditions have been fulfilled, the trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") resumed on 17th July, 2012.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2012, the Group had cash and bank balances and deposits held at financial institutions amounting to HK$96.0 million (2011: HK$73.6 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, 2012, the Group had no bank and other loans (2011: nil). The Group did not have any financial instruments used for hedging purpose during the year (2011: nil).

CURRENT RATIO

The Group's current ratio (current assets to current liabilities) as at 31st December, 2012 increased to 33.2 (2011: 23.6). 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, 2012, the total number of issued ordinary shares of the Company was 302,837,886 shares.

An open offer was completed and a total of 151,418,943 offer shares were issued on 31st January, 2013. As a result, the total number of issued ordinary shares of the Company increased to 454,256,829 shares.

EXPOSURE ON FOREIGN EXCHANGE FLUCTUATIONS

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

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent Liabilities

As at 31st December, 2012, the Group and the Company do not have significant contingent liabilities (2011: nil).

Capital Commitments

At 31st December, 2012, the Group had no significant capital commitments (2011: nil).

Management Discussion and Analysis

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 13th July, 2012, the Company entered into a transaction in relation to the disposal of the entire issued share capital of Cathay Motion Picture Studios Limited ("Cathay Motion") and assigned a receivable due from Cathay Motion to the Company to a related party of the Group, Far East Consortium Limited ("FEC"), a wholly-owned subsidiary of Far East Consortium International Limited ("FECIL") (Stock Code: 35) which is listed on the Main Board of the Stock Exchange, at an aggregate cash consideration of HK$8,500,000. The major asset of Cathay Motion is an investment property located in Hong Kong with fair value of HK$8,500,000 as at 30th June, 2012. The disposal resulted in a gain of approximately HK$3,000. The Board considered that the disposal would provide the Company with a positive cashflow and intended to apply the proceeds in connection with the disposal as general working capital of the Company. The transaction completed on 18th July, 2012.

As the family interests of Deacon Te Ken Chiu J.P. ("Deacon Chiu, J.P."), an Executive Director, taken together are directly or indirectly in control of 30% or more of the voting power of FECIL, which in turn owns the entire issued share capital of FEC, which is an associate of Deacon Chiu, J.P. and accordingly a connected person of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The disposal therefore constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

Deacon Chiu, J.P. and Mr. Derek Chiu, both are Executive Directors of the Company, and Mr. Desmond Chiu, a Non-Executive Director of the Company, were considered to be interested in the disposal of Cathay Motion.

Except for the above-mentioned transactions, no other related party transaction as mentioned in the financial statement constitutes a connected transaction or a continuing connected transaction as defined in Chapter 14A of the Listing Rules.

The Company also confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

DIVIDEND

No interim dividend was paid during the year and the Board do not recommend a final dividend (2011: nil).

CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from 19th June, 2013 to 21st June, 2013 (both dates inclusive). In order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 pm on 18th June, 2013.

EMPLOYEES AND REMUNERATION POLICIES

At 31st December, 2012, the Group had approximately 210 employees in Hong Kong and the People's Republic of China (the "PRC") (2011: 230 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 Company 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 (2011: 1.32 million) share options outstanding under the share option scheme as at 31st December, 2012. Following the completion of the open offer on 31st January, 2013, the exercise price and the number of outstanding share options were adjusted to HK$0.5032 and 1.60 million share options respectively pursuant to the terms of the share option scheme.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

The Company continued to face challenges during 2012 for both existing operations as well as expansion efforts. Consumer confidence around the world is still at a low point hence businesses are overly cautious on factory orders to keep a lean inventory. Cost and timing of industries will continue to play a key part in coming years.

Due to economic and political issues in the PRC, risk factors in investments as well as industries are faced with higher risks and higher market volatility. In the PRC business sectors that were once thought lucrative, changing policies, slower growth rate and higher inflationary pressure are changing future outlook. Investment decisions are becoming more price and time sensitive. Hence investments with good returns are more scares and valuable.

Garment Industries

Jiangsu BangBang-Silky Fashion Manufacturer Co., Ltd. ("JBB")

For the year ended 31st December, 2012, JBB reported a turnover of approximately HK$17.05 million (2011: HK$21.64 million), representing approximately 21.21% decrease comparing with 2011. It reported a net loss of approximately HK$2.68 million (2011: net profit of approximately HK$89,000) incurring a loss comparing with 2011.

Factory order for JBB has declined due to an adverse economy in Japan that was further damaged by a massive earthquake in 2011. Efforts in Europe and US are also met with great challenges due to their financial crisis. Coupled with a rising cost structure and increasing price competition around the world, JBB is in the process of finding a structural solution involves strategic changes at all levels, and finding a business structure that will improve the efficiency, cost and time to market.

Aviation Holdings

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

During the year, net profit of Beijing Kailan is estimated to be HK$7.77 million (2011: HK$3.24 million), representing approximately 139.81% increase over that of 2011.

Despite slower GDP growth projection, Beijing Kailan is expected that demand for aviation maintenance services remains stable in 2013. However, increasing price competition and high costs will continue to be the main concerns in the industry.

Outlook

The Company understands the need to strengthen its business portfolio with businesses that can provide better recurring income, but remains cautious in evaluating business opportunities as well as managing continuing operations under the current economic environment. Therefore, the management is making strategic changes to increase the Company's ability to make better and faster investment decisions. This includes actively changing how the management evaluate current businesses and future opportunities, and streamlining operations to increase efficiency.

Richard Yen
Managing Director

Hong Kong, 28th March, 2013

Profile of the Directors and Senior Management

EXECUTIVE DIRECTORS

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

Deacon Chiu, J.P. 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, he has retired as the chairman and the Executive Director and was appointed as the honorary chairman of Far East Consortium International Limited (stock code: 35). Deacon Chiu, J.P. is also the chairman of the board of directors of Far East Hotels and Entertainment Limited (stock code: 37). He 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. Deacon Chiu, J.P. 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.

Deacon Chiu, J.P. is the father of Messrs. Derek Chiu, the Executive Director and Desmond Chiu, the Non-Executive Director.

Mr. Derek Chiu, BA

Mr. Chiu, aged 47, joined the Group in 1989 and was re-designated as the Executive Director in November 2011. He is also appointed as a member of each of the remuneration committee, the nomination committee and the investment committee of the Company. Mr. Chiu is also directors of various subsidiaries and an associated company of the Company. He is 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 Chiu, J.P., the Chairman of the Board and the Executive Director, and the brother of Mr. Desmond Chiu, the Non-Executive Director.

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

Mr. Yen, aged 44, joined the Group in November 2011. He was also appointed as the Chief Executive Officer/ Managing Director and directors of a subsidiary and an associated company of the Company. Mr. Yen 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, the 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 holds a Bachelor Degree in Aerospace Engineering and a Master Degree in Business Administration in International Management from Boston University.

Mr. Yen was the Executive Director and chief operating officer of Golife Concepts Holdings Limited (now known as "China Media and Films Holdings Limited") (stock code: 8172) from 2006 to 2008.

Mr. Ip Ngai Sang, MBA

Mr. Ip, aged 49, 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, he was appointed as Executive Director. Mr. Ip was also a director of a subsidiary of the Company. He received both his Bachelor of Science Degree and Master of Business Administration Degree from the Chinese University of Hong Kong.

Profile of the Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Desmond Chiu, BA

Mr. Chiu, aged 46, joined the Group since 1991. He is also directors of various subsidiaries of the Company. Mr. Chiu is the Executive Director and deputy managing director of Far East Hotels and Entertainment Limited (stock code: 37). Graduated from the University of Cambridge, the United Kingdom, Mr. Chiu is the son of Deacon Chiu, J.P., the Chairman of the Board and the Executive Director, and brother of Mr. Derek Chiu, the Executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lam Lee G.

Dr. Lam, aged 53, has been an Independent Non-Executive Director since September 2004. He is also appointed as the chairman of each of the audit committee, the remuneration committee and the investment committee and a member of the nomination committee of the Company. Dr. Lam has international experience in general management, management consulting, corporate governance, investment banking and fund management across the telecommunications/media/technology (TMT), retail/consumer, infrastructure/real estates and financial services sectors. He is Chairman of Monte Jade Science and Technology Association of Hong Kong, and serves as an independent or Non-Executive Director of several publicly-listed companies and investment funds 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 and as a Member of the Legal Aid Services Council of Hong Kong, 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 (CPPCC), a Member of the New Business Committee of the Financial Services Development Council (FSDC), a Member of the Hong Kong Institute of Bankers, a Member of the World Presidents' Organization (WPO) and the Chief Executives Organization (CEO), a Fellow of the Hong Kong Institute of Directors and the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, a Vice President of the Hong Kong Real Estate Association, a founding Board Member and the Honorary Treasurer of the Hong Kong — Vietnam Chamber of Commerce, a Board Member of the Australian Chamber of Commerce in Hong Kong and Macau, and a visiting professor (in the fields of corporate governance and investment banking) at the School of Economics & Management of Tsinghua University in Beijing.

Dr. Lam was (i) appointed as independent Non-Executive Director, members of the audit committee, the remuneration committee and the nomination committee of the board of China Communication Telecom Services Company Limited (stock code: 8206)("CCTS") with effect from 1st January, 2013 and was subsequently re-designated from independent Non-Executive Director to Non-Executive Director of CCTS with effect from 18th March, 2013; (ii) appointed as independent Non-Executive Director, chairman of the nomination committee and members of the audit committee and the remuneration committee of Wai Chun Mining Industry Group Company Limited (stock code: 660) with effect from 1st January, 2013; (iii) resigned as independent Non-Executive Director and member of the audit committee of TMC Life Sciences Berhad on 27th September, 2012 (listed on Malaysia Stock Exchange) and (iv) re-designated from Non-Executive Director to independent Non-Executive Director of Glorious Sun Enterprises Limited (stock code: 393) with effect from 20th August, 2012. He was also independent Non-Executive Directors of Vietnam Equity Holding and Vietnam Property Holding which were delisted on 15th December, 2012 from Frankfurt Stock Exchange.

Profile of the Directors and Senior Management

Dr. Lam Lee G. (continued)

Dr. Lam holds a Bachelor of Science Degree in Mathematics and Sciences, a Master of Science Degree in Systems Science, and a Master of Business Administration Degree, 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.

Mr. Eugene Yun Hang Wang, MBA

Mr. Wang, aged 39, joined the Group in December 2007. He is also a member of each of the audit committee, the investment committee and the remuneration committee and the chairman of the nomination committee of the Company. He 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. He has over 10 years of experience in audit work, accounting and financial management and is currently a CEO of Sterling Products Limited, a garment and textile manufacturing company.

Mr. Lee Kwan Hung, LLB

Mr. Lee, aged 47, joined the Group in March 2012. He is also a member of the audit committee of the Company. He is a practising solicitor and an independent Non-Executive Director of several listed companies in Hong Kong, namely Asia Cassava Resources Holdings Limited (stock code: 841), China BlueChemical Limited (stock code: 3983), Embry Holdings Limited (stock code: 1388), Futong Technology Development Holdings Limited (stock code: 465), NetDragon Websoft Inc. (stock code: 777), Newton Resources Limited (stock code: 1231), Tenfu (Cayman) Holdings Company Limited (stock code: 6868), Walker Group Holdings Limited (stock code: 1386) and Yuexiu REIT Asset Management Limited (stock code: 405). He was also an independent Non-Executive Director of New Universe International Group Limited (stock code: 8068). Mr. Lee was a senior manager of the Listing Division of the Stock Exchange from 1993 to 1994.

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 34, 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 and Eleventh Chinese People's Political Consultative Conference of Zhejiang Province (中國人民政治協商會議第十屆及第十一屆浙江省委員會), 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 vice chairman of the Hong Kong United Youth Association.

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.

Directors' Report

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, 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and jointly controlled entity are set out in notes 21 and 22 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2012 are set out in the consolidated statement of comprehensive income on page 29 to 30 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 34 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 87 of the consolidated financial statements.

PROPERTIES

Details of the properties held by the Group as at 31st December, 2012 are set out on page 88 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, 2012 amounted to approximately HK$164.42 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Directors' Report

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. Derek Chiu
Mr. Richard Yen (Managing Director and Chief Executive Officer)
Mr. 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 (appointed with effect from 1st March, 2012)
Mr. Andrew Chun Wah Fan (resigned with effect from 1st March, 2012)

Pursuant to Articles 79 and 80 of the articles of association of the Company (the "Articles"), Dr. Lam Lee G. and Mr. Derek Chiu shall retire from office and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company (the "AGM").

DIRECTORS' SERVICE CONTRACTS

Mr. Richard Yen has entered into a service contract with the Company for a fixed term of 2 years and such term of appointment may be terminated by either party giving not less than three-month prior notice in writing. According to the service contract, Mr. Yen is entitled to an annual remuneration of HK$960,000 and a discretionary bonus, which is determined with reference to his duties and responsibilities within the Group, the Group's performance and the then prevailing market conditions.

Mr. Ip Ngai Sang has entered into a service contract with the Company for a fixed term of 2 years and such term of appointment may be terminated by either party giving not less than three-month prior notice in writing. According to the service contract, Mr. Ip is entitled to an annual remuneration of HK$540,000 and a discretionary bonus, which is determined with reference to his duties and responsibilities within the Group, the Group's performance and the then prevailing market conditions.

Mr. Lee Kwan Hung has entered into a service contract with the Company for a term of 3 years commencing on 1st March, 2012. He is subject to retirement and re-election in the annual general meeting of the Company in accordance with the Articles. Mr. Lee is entitled to receive a monthly Director's fee of HK$15,000 subject to further adjustment if additional appointments are made.

Save as disclosed above, none of the Directors has services contract with the Company.

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

Directors' Report

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

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

Dr. Lam Lee G. was (i) appointed as independent Non-Executive Director, members of the audit committee, the remuneration committee and the nomination committee of the board of China Communication Telecom Services Company Limited (stock code: 8206)("CCTS") with effect from 1st January, 2013 and was subsequently re-designated from independent Non-Executive Director to Non-Executive Director of CCTS with effect from 18th March, 2013; (ii) appointed as independent Non-Executive Director, chairman of the nomination committee and members of the audit committee and the remuneration committee of Wai Chun Mining Industry Group Company Limited (stock code: 660) with effect from 1st January, 2013; (iii) resigned as independent Non-Executive Director and member of the audit committee of TMC Life Sciences Berhad on 27th September, 2012 (listed on Malaysia Stock Exchange) and (iv) re-designated from Non-Executive Director to independent Non-Executive Director of Glorious Sun Enterprises Limited (stock code: 393) with effect from 20th August, 2012. He was also independent Non-Executive Directors of Vietnam Equity Holding and Vietnam Property Holding which were delisted on 15th December, 2012 from Frankfurt Stock Exchange.

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

As at 31st December, 2012, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

Long positions

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

	Number of issued ordinary shares held				Approximate percentage
Name of Director	Personal interests	Family interests	Corporate interests	Total number of shares of the Company	of the issued share capital of the Company
Deacon Chiu, J.P.	20,848,664	4,175,160 (1)	1,869,366 (2)	26,893,190	8.88%
Mr. Derek Chiu	88,440	–	–	88,440	0.03%
Mr. Desmond Chiu	4,000	–	–	4,000	0.001%

Notes:

1. These shares were held by Madam Chiu Ju Ching Lan, spouse of Deacon Chiu, J.P.. By virtue of the SFO, Deacon Chiu, J.P. was deemed to be interested in the shares held by Madam Chiu Ju Ching Lan.

2. These shares were held by various companies which were wholly and beneficially owned by Deacon Chiu, J.P.. By virtue of the SFO, Deacon Chiu, J.P. was deemed to be interested in the shares held by the various companies.

Directors' Report

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 as at 31st December, 2012.

(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 35 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 1/1/2012	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Outstanding as at 31/12/2012	Exercise price HK$	Date of grant	Exercisable period (Both days inclusive)
Employees	660,000	–	–	–	660,000	0.6091	21/4/2006	23/5/2006–22/5/2016
	660,000	–	–	–	660,000	0.6091	21/4/2006	23/5/2007–22/5/2017
	1,320,000	–	–	–	1,320,000			

No share options of the Company were granted, exercised, cancelled or lapsed 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

Save as the disposal agreement for the disposal of Cathay Motion set out in the section headed "Material Acquisitions and Disposals of Subsidiaries and Associated Companies", 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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2012, 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 positions 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 shares of the Company held	Approximate percentage of issued share capital of the Company
Mr. Duncan Chiu	Beneficial owner	140,816,398	31.00%
Sun Hung Kai Investment Services Limited ("SHKISL")	Beneficial owner	121,473,477 *(Note 1)*	26.70%
Sun Hung Kai International Limited ("SHKIL")	Beneficial owner	121,473,477 *(Note 1)*	26.70%
Sun Hung Kai Financial Limited ("SHKFL")	Interest of controlled corporation	121,473,477 *(Note 2)*	26.70%
Sun Hung Kai Financial Group Limited ("SHKFGL")	Interest of controlled corporation	121,473,477 *(Note 2)*	26.70%
Sun Hung Kai & Co. Limited ("SHKCL")	Interest of controlled corporation	121,473,477 *(Note 2)*	26.70%
Allied Properties (H.K.) Limited ("APL")	Interest of controlled corporation	121,473,477 *(Note 2)*	26.70%
Allied Group Limited ("AGL")	Interest of controlled corporation	121,473,477 *(Note 2)*	26.70%
Mr. Daniel Tat Jung Chiu *(Note 3)*	Interest of controlled corporation	27,720,088	9.15%
Gorich Holdings Limited ("Gorich") *(Notes 3 & 4)*	Beneficial owner	18,480,088	6.10%
Madam Chiu Ju Ching Lan *(Note 5)*	Beneficial owner and spouse	26,893,190	8.88%
Tan Sri Dato' David Chiu *(Note 6)*	Beneficial owner and interest of controlled corporation	16,077,600	5.31%
Max Point Holdings Limited ("Max Point") *(Note 7)*	Beneficial owner	15,528,480	5.13%
Mr. Chan Wai Ki *(Note 7)*	Interest of controlled corporation	15,528,480	5.13%

Directors' Report

Notes:

(1) This refers to the interest in 121,473,477 shares arising from the underwriting of the open offer of the Company as set out in the announcement of the Company dated 14th December, 2012 in which SHKIL acted as the underwriter and SHKISL acted as the sub-underwriter to the open offer.

(2) This refers to the same interests held by SHKISL and SHKIL, both are the wholly-owned subsidiaries of SHKFL. By virtue of the SFO, SHKFL is deemed to have interests in the shares in which SHKIL and SHKISL were interested.

SHKFL is a wholly-owned subsidiary of SHKFGL, which in turn is a wholly-owned subsidiary of SHKCL. APEL held approximately 55.05% interest in the capital of SHKCL. AP Emerald Limited is a wholly-owned subsidiary of AP Jade Limited which in turn is a wholly-owned subsidiary of APL. AGL held approximately 74.97% interest in the capital of APL. By virtue of the SFO, all these corporations are deemed to have interests in the shares in which SHKISL and SHKIL were interested.

Minty Hongkong Limited ("Minty") is wholly and jointly held by Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang. Minty held approximately 39.67% in the capital of AGL. By virtue of the SFO, all these people and Minty are deemed to be interested in the shares held by AGL.

Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. Lee and Lee Trust held 65% interest in the capital of AGL. By virtue of the SFO, Lee and Lee Trust is deemed to have interests in the shares in which AGL was interested.

(3) Of the 27,720,088 shares, 4,840,000 shares were held by Mr. Daniel Tat Jung Chiu, 4,400,000 shares were held by Cape York Investments Limited, 50% of which was owned by Mr. Daniel Tat Jung Chiu, and the remaining 18,480,088 shares were held by Gorich. By virtue of the SFO, Mr. Daniel Tat Jung Chiu was deemed to be interested in the shares held by Cape York Investments Limited and Gorich.

(4) Gorich was wholly-owned by Mr. Daniel Tat Jung Chiu.

(5) Of the 26,893,190 shares, 22,718,030 shares were held by Deacon Chiu, J.P., spouse of Madam Chiu Ju Ching Lan. By virtue of the SFO, Madam Chiu Ju Ching Lan was deemed to be interested in the shares held by Deacon Chiu, J.P.. The interests of Deacon Chiu, J.P. in the Company was stated under the section headed "Directors' interests and short positions in shares and underlying shares or any associated corporations" above.

(6) Of the 16,077,600 shares, 3,740,000 shares were held by Tan Sri Dato' David Chiu, 12,337,600 shares were held by Rocket High Investments Limited, a company wholly-owned by Tan Sri Dato' David Chiu. By virtue of the SFO, Tan Sri Dato' David Chiu was deemed to be interested in the shares held by Rocket High Investments Limited.

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

* 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 as at 31st December, 2012.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-Executive Directors an annual confirmation in respect of his independence during the year pursuant to rule 3.13 of the Listing Rules and all the independent Non-Executive Directors are still being considered to be independent.

DONATIONS

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

Directors' Report

CONNECTED TRANSACTION

The related party transaction as disclosed in note 38(a) to the financial statements also constituted connected transaction under the Listing Rules and required to disclose in accordance with Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales of the Group's five largest and the Group's largest customer accounted for approximately 97% and 55% of total turnover, respectively.

Aggregate purchases of the Group's five largest and the Group's largest supplier accounted for approximately 61% and 28% 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.

EVENT AFTER THE REPORTING PERIOD

Open Offer

The Company completed an open offer by the end of January 2013 and raised gross proceeds of approximately HK$30.3 million by the issuance of 151,418,943 offer shares at the subscription price of HK$0.2 per offer share on the basis of one offer share for every two existing shares of the Company held on the record date. The fund raised from the open offer would broaden the capacity of the Group in selecting potential industries and targets that offer solid potential when opportunity arises. It will also enlarge the capital base of the Company, which may facilitate long-term development of the Group.

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 26.

AUDIT COMMITTEE

An Audit Committee was established by the Board with written terms of reference which are consistent with the provisions set out in the relevant section of the Revised Code.

The Audit Committee is principally responsible for reviewing with the management of the Company 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. As at the date of this annual report, the Audit Committee comprises three independent Non-Executive Directors, namely, Dr. Lam Lee G. (chairman of the Audit Committee), Mr. Eugene Yun Hang Wang and Mr. Lee Kwan Hung.

The annual results of the Group for the year ended 31st December, 2012 have been reviewed by the Audit Committee which is of the opinion that the preparation of such results are in compliance with the relevant accounting standards, rules and regulations and that adequate disclosures have been made.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2012.

Directors' Report

EMOLUMENT POLICY

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in notes 12 and 13 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 35 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, 28th March, 2013

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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 Code on Corporate Governance Practices (the “Former Code”) was revised and renamed as the Corporate Governance Code (the “Revised Code”) on 1st April, 2012 contained in Appendix 14 to the Listing Rules.

During the year under review, the Company has complied with all the code provisions of the Former Code for the period from 1st January, 2012 to 31st March, 2012 and of the Revised Code for the period from 1st April, 2012 to 31st December, 2012, except for the following:

(a) code provision A.4.1 of the Revised Code stipulates that Non-Executive Directors should be appointed for a specific term, subject to re-election.

None of the existing Non-Executive Director (including all the independent Non-Executive Directors) is appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the Revised Code. However, all Directors are subject to retirement by rotation 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 Revised Code.

(b) code provision E.1.2 of the Revised Code stipulates that the chairman of the Board should attend the annual general meeting.

The chairman of the Board did not attend the Company’s annual general meeting held on 6th June, 2012 due to other business commitment. However, an Executive Director and the chief executive officer of the Company present at the said meeting was elected chairman thereof to ensure an effective communication with the Shareholders thereat.

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. The Company has made specific enquiry of all the Directors and they have confirmed in writing 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, 2012.

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, while the management of the Company is responsible for the daily management and operations of the Group. The Board is directly accountable to the Shareholders and is responsible for preparing the accounts.

Corporate Governance Report

Board Composition

The Board comprises eight Directors, whose biographical details are set out in the "Profile of the Directors and Senior Management" on pages 7 to 9 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 legal, 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.

The composition of the Board was changed during the year. Mr. Andrew Chun Wah Fan, the former independent Non-Executive Director, resigned with effect from 1st March, 2012 but he took up the employment as financial controller of the Group. On the same date, Mr. Lee Kwan Hung was appointed as independent Non-Executive Director of the Company. The existing composition of the Board can be referred to the Directors' Report on page 11.

The independent Non-Executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules. An updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and the Company at www.feholdings.com.hk.

Deacon Te Ken Chiu, J.P., the Chairman of the Board and the Executive Director, is the father of Mr. Derek Chiu, the Executive Director, and Mr. Desmond Chiu, the Non-Executive Director. Apart from that, there is no relationship, including financial, business, family or other material/relevant relationships among the Board members.

Appointment, Re-election and Removal of Directors

In accordance with article 84 of the Articles, a director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election.

In accordance with article 79 of the Articles, at the annual general meeting of the Company, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office.

In accordance with article 86 of the Articles, the Company may by an ordinary resolution remove any director (including a managing or other Executive Director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office, and may by an ordinary resolution appoint another person in his stead.

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against the Directors arising out of corporate activities.

Independence of Independent Non-Executive Directors

The Company has received annual confirmation from all the independent Non-Executive Directors confirming that they had complied with the independence requirements set out in rule 3.13 of the Listing Rules. The Board considers that all of them are independent.

Corporate Governance Report

Board Meetings

The Board meets regularly to review the financial and operating performance of the Company and considers and approves the overall strategies and policies of the Company. An agenda accompanying Board/committee papers are distributed to the Directors/members of the Board committees with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings with Board committees, which record in sufficient details the matters considered by the Board/members of the Board committee and decisions reached, including any concerns raised by the Directors/members of the Board committee or dissenting views expressed, are kept by the company secretary of the Company and open for inspection by Directors. Full Board meetings were held for any material transactions instead of by way of written resolutions and the independent Non-Executive Directors who, and whose associates, have no material interest in the transactions were present at such meetings. All the Directors have separate and independent access to the Company's senior management to fulfill their duties, and to seek independent professional advice in appropriate circumstances upon reasonable request, at the expense of the Company.

11 Board meetings and 1 general meeting were held during the year. The attendance record of each Director at the Board meetings and the general meeting is set out in the table below:

	Board meeting attended/ Eligible to attend	General meeting* attended/ Eligible to attend
Executive Directors		
Deacon Te Ken Chiu, J.P. (Chairman)	2/11	0/1
Mr. Derek Chiu	10/11	1/1
Mr. Richard Yen (Managing Director and Chief Executive Officer)	11/11	1/1
Mr. Ip Ngai Sang	10/11	1/1
Non-Executive Director		
Mr. Desmond Chiu	0/11	0/1
Independent Non-Executive Directors		
Dr. Lam Lee G.	8/11	1/1
Mr. Eugene Yun Hang Wang	9/11	1/1
Mr. Lee Kwan Hung (appointed with effect from 1st March, 2012)	8/10	1/1
Mr. Andrew Chun Wah Fan (resigned with effect from 1st March, 2012)	1/1	N/A

* This meeting was 2011 annual general meeting held on 6th June, 2012.

Corporate Governance Report

Continuous Professional Development

According to the records maintained by the Company, the Directors have participated in the following continuous professional development to develop and refresh their knowledge and skills in compliance with the new requirement of the Revised Code on continuous professional development during the period from 1st April, 2012 to 31st December, 2012:

Directors	Attending in-house briefings	Giving talks	Attending training conducted by professional parties	Reading materials relevant to director's duties and responsibilities	Attending seminars
Executive Directors					
Deacon Te Ken Chiu, J.P.	–	–	–	√	–
Mr. Derek Chiu	√	–	–	√	–
Mr. Richard Yen	√	–	–	√	–
Mr. Ip Ngai Sang	–	–	–	√	√
Non-Executive Director					
Mr. Desmond Chiu	–	–	–	√	–
Independent Non-Executive Directors					
Dr. Lam Lee G.	√	√	√	√	–
Mr. Engene Yun Hang Wang	√	–	√	√	–
Mr. Lee Kwan Hung	√	√	√	√	–

CHAIRMAN AND CHIEF EXECUTIVE

The roles of Chairman and the 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 the Group's strategies and policies in conjunction with the Board. The Chief Executive Officer is responsible for managing the Group's strategic initiatives, investor relations, corporate and investor communications, mergers or acquisitions and financing.

Corporate Governance Report

NON-EXECUTIVE DIRECTORS

The existing Non-Executive Directors (including all the independent Non-Executive Directors) are not appointed for a specific term but are subject to retirement and re-election at the annual general meeting of the Company.

During the year, the independent Non-Executive Directors made a positive contribution to the development of the Company's strategies and policies through independent, constructive and informed comments.

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.

During the year, the Board has conducted reviews with the external consultants the effectiveness of the internal control system of the Group.

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.

During the year, the management of the Company provided (i) sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval; and (ii) all the Directors with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under rule 3.08 and Chapter 13 of the Listing Rules.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2012, the auditor of the Company received approximately HK$1,479,000 for audit service (2011: HK$1,380,000) and HK$Nil for non-audit service (2011: HK$Nil).

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparation of the financial statements of the Group for the year ended 31st December, 2012 which give a true and fair view of the state of affairs of the Company and of the Group, and are prepared in accordance with the applicable statutory requirements and accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. The statement of the external auditor of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

Corporate Governance Report

BOARD COMMITTEES

The Board has established the following Board Committees to oversee the particular aspects of the Group's affairs.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established by the Board with written terms of reference which are consistent with the provisions set out in the relevant section of the Revised Code and are available on the websites of the Stock Exchange and the Company at www.feholdings.com.hk.

The Audit Committee is principally responsible for reviewing with the management of the Company the accounting principles and practices adopted by the Group and the auditing, internal controls, and financial reporting matters including the review of the consolidated financial statements, and appointment, re-appointment and removal of external auditor and approving its remuneration and terms of engagement and any questions of resignation or dismissal of that auditor. 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. During the year, the composition of the Audit Committee was changed due to the resignation of Mr. Andrew Chun Wah Fan as member of the Audit Committee with effect from 1st March, 2012 and the appointment of Mr. Lee Kwan Hung to fill the vacancy on the same date. Currently, the 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. Lee Kwan Hung.

During the year, the interim results of the Group for the six months ended 30th June, 2012 and the annual results of the Group for the year ended 31st December, 2012 and the internal control system of the Company have been reviewed by the Audit Committee which is of the opinion that the preparation of such results are in compliance with the relevant accounting standards, rules and regulations and that adequate disclosure have been made.

Corporate Governance Report

Audit Committee (Continued)

During the year ended 31st December, 2012, three meetings were held. The attendance record of each member of the Audit Committee is as follows:

	Audit Committee meeting attended/ Eligible to attend
Dr. Lam Lee G. (Chairman of the Audit Committee)	3/3
Mr. Eugene Yun Hang Wang	3/3
Mr. Lee Kwan Hung (appointed with effect from 1st March, 2012)	3/3

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established by the Board with written terms of reference. The terms of reference of the Remuneration Committee are consistent with the provisions set out in the relevant section of the Revised Code, and the same are available on the websites of the Stock Exchange and the Company at www.feholdings.com.hk.

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 of the Company. No Director is involved in deciding his own remuneration. During the year, the chairman of the Remuneration Committee has been changed from Mr. Derek Chiu, the Executive Director, to Dr. Lam Lee G., the independent Non-Executive Director, in order to comply with rule 3.25 of the Listing Rules that the chairman of the Remuneration Committee should be chaired by an independent Non-Executive Director. Currently, the Remuneration Committee comprises Dr. Lam Lee G. (chairman of the Remuneration Committee), the independent Non-Executive Director, Mr. Derek Chiu, the Executive Director and Mr. Eugene Yun Hang Wang, the independent Non-Executive Director.

During the year, the Company's policy and the structure of the remuneration of all the Directors and senior management of the Company has been reviewed by the Remuneration Committee and recommendation has been made to the Board for approval.

During the year ended 31st December, 2012, two Remuneration Committee meetings were held. The attendance record of each member of the Remuneration Committee is as follows:

	Remuneration Committee meeting attended/ Eligible to attend
Dr. Lam Lee G. (Chairman of the Remuneration Committee)	2/2
Mr. Derek Chiu	2/2
Mr. Eugene Yun Hang Wang	2/2

Corporate Governance Report

Nomination Committee

The nomination committee (the "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 provisions set out in the relevant section of the Revised Code, and the same are available on the website of the Stock Exchange and the Company at www.feholdings.com.hk.

The Nomination Committee is principally responsible for formulating and making recommendation to the Board regarding the Board composition. Since the date of its establishment, the Nomination Committee comprises Mr. Eugene Yun Hang Wang (chairman of the Nomination Committee) and Dr. Lam Lee G., both are the independent Non-Executive Directors and Mr. Derek Chiu, the Executive Director.

During the year, the structure, size and composition of the Board has been reviewed by the Nomination Committee and the independence of the independent Non-Executive Directors has been assessed by the Remuneration Committee.

During the year ended 31st December, 2012, one Nomination Committee meeting was held. The attendance record of each member of the Nomination Committee is as follows:

	Nomination Committee meeting attended/ Eligible to attend
Dr. Lam Lee G. (Chairman of the Nomination Committee)	1/1
Mr. Derek Chiu	1/1
Mr. Eugene Yun Hang Wang	1/1

Investment Committee

The investment committee of the Company (the "Investment Committee") was established by the Board with written terms of reference.

The Investment Committee is principally responsible for reviewing and evaluating any investment projects proposed by the Company and making recommendation to the Board on such investment projects. It also monitors the investments of the Group. During the year, the Investment Committee comprises Dr. Lam Lee G. (chairman of the Investment Committee), the independent Non-Executive Director, Mr. Derek Chiu, the Executive Director, and Mr. Eugene Yun Hang Wang, the independent Non-Executive Director.

During the year, the Investment Committee provided guidance to the Company on the investment in financial instruments and recommendation made to the Board on the investment projects held by the Company.

Corporate Governance Functions

During the year, the Board is responsible for performing the functions set out in the code provision D.3.1 of the Revised Code. The Board has reviewed, with the professional parties engaged, the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management of the Company, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the Revised Code and disclosure in this Corporate Governance Report.

Corporate Governance Report

COMPANY SECRETARY

During the year, the company secretary of the Company is Ms. Man Tsz Sai Lavender, who is a qualified professional staff provided by an external service provider, and her primary corporate contact person at the Company is Mr. Richard Yen, the chief executive officer and the Executive Director.

Ms. Man confirmed that she has received 15 hours professional trainings during the year.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of maintaining a clear, timely and effective communication with the Shareholders and investors. The Board also recognizes that effective communication with its investors is critical in establishing investor confidence and to attract new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.feholdings.com.hk. The Directors and members of various Board committees will attend the annual general meeting of the Company and answer any questions raised. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be published on the websites of the Stock Exchange and the Company at www.feholdings.com.hk.

SHAREHOLDERS' RIGHTS

Procedures for Convening an Extraordinary General Meeting by Shareholders

The procedures for Shareholders to convene an extraordinary general meeting (including making proposals/moving a resolution at the extraordinary general meeting) can be found in article 48 of the Articles, which is available on the websites of the Stock Exchange and the Company at www.feholdings.com.hk.

Procedures for Making Enquiry to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company by post or by fax at (852) 3521 8321 or by email to info@feholdings.com.hk. Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for Putting Forward Proposals at the General Meetings

The procedures for Shareholders to put forward proposals at the general meetings can be found in article 48 of the Articles, which is available on the websites of the Stock Exchange and the Company at www.feholdings.com.hk. The procedures for Shareholders to propose a Person for Election as a Director are available on the website of the Company at www.feholdings.com.hk.

INVESTOR RELATIONS

Changes in the Articles of Association of the Company

During the Year, the Company has not made any changes to the Articles, which is available on the websites of the Stock Exchange and the Company at www.feholdings.com.hk.

Independent Auditor's Report

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 29 to 86, which comprise the consolidated and the Company's statements of financial position as at 31st December, 2012, 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 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.

Independent Auditor's Report

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, 2012 and of the Group's loss 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
28th March, 2013

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Continuing operations			
Revenue	6	**17,052**	21,635
Cost of sales		**(17,626)**	(19,620)
Gross (loss) profit		**(574)**	2,015
Dividend income from available-for-sale investments		**122**	164
Dividend income from held-for-trading investments		**478**	414
Other income	8	**961**	1,050
Other gains and losses	9	**(4,429)**	7,078
Selling and distribution costs		**(110)**	(97)
Administrative expenses		**(17,846)**	(18,544)
Finance costs	10	**(39)**	(61)
Share of results of a jointly controlled entity		**1,112**	2,162
Loss before tax		**(20,325)**	(5,819)
Income tax expense	11	**–**	(52)
Loss for the year from continuing operations	14	**(20,325)**	(5,871)
Discontinued operations			
Profit for the year from discontinued operations	15	**–**	6,922
(Loss) profit for the year		**(20,325)**	1,051
Other comprehensive (expense) income			
Exchange differences arising from the translation of foreign operations		**170**	917
Fair value (loss) gain on available-for-sale investments		**(38,040)**	24,689
Reclassification adjustment upon disposal of available-for-sale investments		**–**	(5,020)
Share of exchange difference of a jointly controlled entity		**258**	1,469
Release of exchange reserve upon disposal of subsidiaries		**–**	(497)
Other comprehensive (expense) income for the year		**(37,612)**	21,558
Total comprehensive (expense) income for the year		**(57,937)**	22,609

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2012

	NOTE	**2012** **HK$'000**	2011 HK$'000
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		**(18,981)**	(5,702)
– from discontinued operations		**–**	8,191
		(18,981)	2,489
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(1,344)**	(169)
– from discontinued operations		**–**	(1,269)
		(1,344)	(1,438)
		(20,325)	1,051
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(56,676)**	23,454
Non-controlling interests		**(1,261)**	(845)
		(57,937)	22,609
			(Restated)
(Loss) earnings per share			
From continuing and discontinued operations:			
Basic (HK cents)	17	**(5.57)**	0.73
Diluted (HK cents)	17	**(5.57)**	0.73
From continuing operations:			
Basic (HK cents)	17	**(5.57)**	(1.67)
Diluted (HK cents)	17	**(5.57)**	(1.67)

Consolidated Statement of Financial Position

At 31st December, 2012

	NOTES	**2012** **HK$'000**	2011 HK$'000
NON-CURRENT ASSETS			
Investment properties	18	**8,255**	15,760
Property, plant and equipment	19	**7,648**	8,889
Prepaid lease payments	20	**843**	939
Interests in a jointly controlled entity	22	**44,919**	43,549
Available-for-sale investments	23	**212,329**	264,864
		273,994	334,001
CURRENT ASSETS			
Prepaid lease payments	20	**29**	32
Held-for-trading investments	24	**10,542**	30,090
Inventories	25	**2,630**	4,091
Trade and other receivables	26	**3,133**	4,058
Amount due from a non-controlling interest	27	**3,685**	3,175
Amounts due from related parties	28	**9**	9
Tax recoverable		**70**	69
Deposits held at financial institutions	29	**32,742**	18,639
Pledged bank deposits	30	**5**	41
Bank balances and cash	29	**63,257**	54,929
		116,102	115,133
CURRENT LIABILITIES			
Trade and other payables	31	**2,059**	1,399
Amounts due to non-controlling interests	27	**–**	297
Amounts due to related parties	28	**1,151**	2,903
Obligations under finance leases – due within one year	33	**291**	277
		3,501	4,876
NET CURRENT ASSETS		**112,601**	110,257
TOTAL ASSETS LESS CURRENT LIABILITIES		**386,595**	444,258

Consolidated Statement of Financial Position

At 31st December, 2012

	NOTES	**2012** **HK$'000**	2011 HK$'000
CAPITAL AND RESERVES			
Share capital	34	**3,028**	3,028
Share premium and reserves		**366,278**	422,954
Equity attributable to owners of the Company		**369,306**	425,982
Non-controlling interests		**16,906**	17,602
		386,212	443,584
NON-CURRENT LIABILITIES			
Obligations under finance leases – due after one year	33	**383**	674
		386,595	444,258

The consolidated financial statements on pages 29 to 86 were approved and authorised for issue by the board of directors on 28th March, 2013 and are signed on its behalf by:

Richard Yen
DIRECTOR

Derek Chiu
DIRECTOR

Statement of Financial Position

At 31st December, 2012

	NOTES	**2012** **HK$'000**	2011 HK$'000
NON-CURRENT ASSETS			
Investment properties	18	**8,255**	7,260
Property, plant and equipment	19	**183**	283
Investments in subsidiaries	21	**3,437**	3,080
Amounts due from subsidiaries	32	**90,967**	74,390
Available-for-sale investments	23	**206,336**	261,254
		309,178	346,267
CURRENT ASSETS			
Held-for-trading investments	24	**10,162**	29,847
Other receivables		**789**	293
Amounts due from related parties	28	**9**	9
Deposits held at financial institutions	29	**32,742**	18,639
Pledged bank deposits	30	**5**	41
Bank balances and cash	29	**1,253**	13,844
		44,960	62,673
CURRENT LIABILITIES			
Other payables		**1,341**	695
Amounts due to related parties	28	**1,151**	2,903
Amounts due to subsidiaries	32	**25,203**	26,885
		27,695	30,483
NET CURRENT ASSETS		**17,265**	32,190
TOTAL ASSETS LESS CURRENT LIABILITIES		**326,443**	378,457
CAPITAL AND RESERVES			
Share capital	34	**3,028**	3,028
Share premium and reserves	36	**323,415**	375,429
		326,443	378,457

Richard Yen
DIRECTOR

Derek Chiu
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2012

	Attributable to owners of the Company									
	Share capital	Share premium	Exchange reserve	Investment revaluation reserve	Share option reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2011	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	–	–	(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
Loss for the year	–	–	–	–	–	–	(18,981)	(18,981)	(1,344)	(20,325)
Other comprehensive income (expense) for the year										
Exchange differences arising from the translation of foreign operations	–	–	87	–	–	–	–	87	83	170
Fair value loss on available-for-sale investments	–	–	–	(38,040)	–	–	–	(38,040)	–	(38,040)
Share of exchange difference of a jointly controlled entity	–	–	258	–	–	–	–	258	–	258
	–	–	345	(38,040)	–	–	–	(37,695)	83	(37,612)
Total comprehensive income (expense) for the year	–	–	345	(38,040)	–	–	(18,981)	(56,676)	(1,261)	(57,937)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	565	565
At 31st December, 2012	3,028	176,154	10,118	(14,923)	568	–	194,361	369,306	16,906	386,212

Consolidated Statement of Cash Flows

For the year ended 31st December, 2012

	NOTE	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before tax		**(20,325)**	1,103
Adjustments for:			
Amortisation of prepaid lease payments		**103**	101
Unrealised (gain) loss in held-for-trading investments		**(1,153)**	5,964
Impairment loss on available-for-sale investment		**14,500**	–
Depreciation		**1,290**	2,959
Finance costs		**39**	86
Gain on disposal of available-for-sale investments		**–**	(5,020)
Gain on disposal of other non-current assets		**–**	(1,494)
Loss (gain) on disposal of property, plant and equipment		**7**	(1,206)
Loss (gain) on disposal of subsidiaries	38(a) & (b)	**250**	(14,526)
Increase in fair value of investment properties		**(995)**	(5,533)
Interest income from banks and financial institutions		**(589)**	(707)
Scrip dividend received from available-for-sale investments		**(5)**	(1)
Scrip dividend received from held-for-trading investments		**(187)**	(1)
Share of results of a jointly controlled entity		**(1,112)**	(2,162)
Operating cash flows before movements in working capital		**(8,177)**	(20,437)
Decrease in inventories		**1,485**	776
Decrease (increase) in held-for-trading investments		**20,888**	(24,986)
Decrease (increase) in trade and other receivables		**948**	(2,185)
(Increase) decrease in amount due from a non-controlling interest		**(491)**	1,147
Increase (decrease) in trade and other payables		**671**	(2,126)
Cash generated from (used in) operations		**15,324**	(47,811)
People's Republic of China ("PRC") withholding income tax paid		**–**	(21)
PRC Enterprise Income tax paid		**–**	(139)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**15,324**	(47,971)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2012

	NOTE	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Interest received		**589**	707
Acquisition of property, plant and equipment		**(21)**	(594)
Acquisition of available-for-sale investments		**–**	(9,000)
Disposal of subsidiaries	38(a) & (b)	**8,500**	(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		**5**	1,465
Proceeds from disposal of other non-current assets		**–**	7,000
Placement of pledged bank deposits		**(5)**	–
Withdrawal of pledged bank deposits		**41**	2,500
Placement of deposits held at financial institutions		**(43,324)**	(63,907)
Withdrawal of deposits held at financial institutions		**29,221**	50,219
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(4,994)**	71,607
FINANCING ACTIVITIES			
(Repayment of) advance from related parties		**(1,752)**	150
New other loans raised		**–**	2,397
Repayment of obligations under finance leases		**(277)**	(479)
Interest paid on other loans		**–**	(25)
Interest paid on finance leases		**(39)**	(61)
Dividend paid to a non-controlling interest		**–**	(870)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(2,068)**	1,112
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8,262**	24,748
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		**54,929**	29,558
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**66**	623
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER, represented by bank balances and cash		**63,257**	54,929

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

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 corporate information section to the annual report.

The Company is engaged in investment holding and securities trading. The principal activities of its subsidiaries and the jointly controlled entity are set out in notes 21 and 22 respectively.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), 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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

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 entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

As a result of the application of the amendments to the HKAS 12, the Group does not recognise any deferred taxes on changes in fair value of the investment properties located in Hong Kong as the Group is not subject to any income tax on disposal of these investment properties.

In view of the insignificant change in fair value in the Group's investment properties, the application of the amendments to HKAS 12 has no material impact on the Group's financial performance and position for current and prior years.

The application of the other amendments 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 the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

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

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* are 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

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 2012, 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 2012) and HKAS 28 (as revised in 2012).

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. HK (SIC)-Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, 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*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. 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 consolidation.

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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1st January, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

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 a significant impact on amounts reported in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

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

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.

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 where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses 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 a subsidiary are presented separately from the Group's equity therein.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 debit balance.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets 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).

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.

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 financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

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 and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entities (continued)

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.

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. 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 property (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 property is derecognised.

Property, plant and equipment

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

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, 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 share option reserve.

When the share options are exercised, the amount previously recognised in 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 the share option reserve will continue to be held in share option 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;
- 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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 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.

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).

Leasing

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

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building (continued)

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 property 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) using exchange rates prevailing at the end of each reporting period. 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 under the heading of exchange reserve.

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 'profit before tax' 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and jointly controlled entity, 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 each 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.

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.

For the purpose of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 or 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 debt instrument, 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 term; or

- it is a part of a portfolio of identified 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 assets 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.

Equity securities held by the Group that are classified as available-for-sale investment and are traded in an active market are measured at fair value at the end of the reporting period. Changes in fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated in the investment revaluation reserve.

When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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

Impairment of financial assets

Financial assets, other than those held-for-trading investments, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt 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.

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 Group are recognised at the proceeds received, net of direct issue costs.

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.

Financial liabilities

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

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 obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its assets with finite useful lives 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.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 income 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 shareholders 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 profits.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

5. FINANCIAL INSTRUMENTS

5a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Held-for-trading investments	**10,542**	30,090	**10,162**	29,847
Loans and receivables (including cash and cash equivalents)	**102,567**	80,383	**125,764**	107,216
Available-for-sale investments	**212,329**	264,864	**206,336**	261,254
Financial liabilities				
Amortised cost	**1,388**	3,729	**26,378**	29,812

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.

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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
Japanese Yen ("JPY")	**20**	920	**20**	920
Renminbi ("RMB")	**9**	9	**9**	9
United States dollars ("US$")	**5,577**	6,000	**–**	1

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

5. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

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

The following table details the Group's and the Company's sensitivity to a 10% (2011: 10%) increase and decrease in relevant foreign currencies against functional currency of respective group entities. 10% (2011: 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% (2011: 10%) change in foreign currency rates. A positive number below indicates a decrease in post-tax loss (2011: an increase in post-tax profit) where the relevant foreign currencies strengthen 10% (2011: 10%) against the functional currencies of relevant group entities. For a 10% (2011: 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Effect on post-tax results:				
JPY against HK$	**2**	77	**2**	77
US$ against RMB	**466**	501	**–**	–

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

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to obligations under finance leases. 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

5. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

(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 on the Stock Exchange and Tokyo Stock Exchange Group, Inc. The Group has concentration of price risk on securities issued by a listed issuer which is involved in the development and provision of information technology solutions as it accounts for 97% of the total equity securities classified as available-for-sale investments held by the Group. 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 reporting date.

If the prices of the respective held-for-trading investments had been 10% (2011: 10%) higher/lower, post-tax loss of the Group and the Company for the year would decrease/increase by HK$880,000 (2011: post-tax profit of the Group would increase/decrease HK$2,513,000) and HK$849,000 (2011: HK$2,492,000) 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% (2011: 10%) higher/lower, the investment revaluation reserve of the Group and the Company would increase/decrease by HK$20,983,000 (2011: HK$24,786,000) and HK$20,384,000 (2011: HK$24,425,000), respectively as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31st December, 2012, 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 is limited because the counterparties are banks with high credit standings.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

5. FINANCIAL INSTRUMENTS (continued)

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

Credit risk (continued)

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 91.1% (2011: 64.0%) and 92.9% (2011: 90.3%) 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, 2012, the Group and the Company has available unutilised short-term bank loan facilities of approximately HK$250,165,000 and HK$250,165,000 (2011: HK$250,165,000 and HK$250,165,000), 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

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$'000	Carrying amount at 31.12.2012 HK$'000
2012							
Non-derivative financial liabilities							
Trade and other payables	–	237	–	–	–	237	237
Amounts due to related parties	–	1,151	–	–	–	1,151	1,151
Obligations under finance leases	4.74	26	53	237	394	710	674
		1,414	53	237	394	2,098	2,062

	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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

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 31.12.2012 HK$'000**
2012			
Non-derivative financial liabilities			
Other payables	**24**	**24**	**24**
Amounts due to related parties	**1,151**	**1,151**	**1,151**
Amounts due to subsidiaries	**25,203**	**25,203**	**25,203**
	26,378	**26,378**	**26,378**

	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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

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; and

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

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

Fair value measurements recognised in the Group and the Company's 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 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.

	THE GROUP		**THE COMPANY**	
	Level 1		**Level 1**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Held-for-trading investments	**10,542**	30,090	**10,162**	29,847
Available-for-sale investments				
– listed equity securities	**209,829**	247,864	**203,836**	244,254
Total	**220,371**	277,954	**213,998**	274,101

6. REVENUE

The Group's revenue for the year from continuing operations represents sale of goods amounting to HK$17,052,000 (2011: HK$21,635,000).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

7. SEGMENT INFORMATION

Information reported to the Managing Director and Chief Executive Officer of the Group, being the chief operating decision maker (the "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 is consistent with 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 prior year, the Group's entertainment segment had been classified as discontinued operations as a result of the disposal transaction as set out in note 15.

Segment revenues and results

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

For the year ended 31st December, 2012
Continuing operations

	Industrial HK$'000	Aviation HK$'000	Other operation HK$'000	Consolidated HK$'000
Segment revenue				
External revenue	17,052	–	–	17,052
Total	17,052	–	–	17,052
Segment result	(3,441)	1,112	445	(1,884)
Other income				961
Finance costs				(39)
Unallocated expenses				(14,122)
Increase in fair value of held-for-trading investments				9,516
Impairment loss on available-for-sale investments				(14,500)
Loss on disposal of property, plant and equipment				(7)
Loss on disposal of subsidiaries				(250)
Loss before tax				(20,325)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

7. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

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)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent 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, impairment loss on available-for-sale investments, gain (loss) on disposal of available-for-sale investments, other non-current assets, and property, plant and equipment and subsidiaries. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

7. SEGMENT INFORMATION (continued)

Other segment information

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

2012

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	**817**	**–**	**370**	**103**	**1,290**
Increase in fair value of investment properties	**–**	**–**	**(995)**	**–**	**(995)**
Share of results of a jointly controlled entity	**–**	**(1,112)**	**–**	**–**	**(1,112)**

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 a jointly controlled entity	–	(2,162)	–	–	(2,162)

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 the sales of garments is amounting to HK$17,052,000 (2011: HK$21,635,000).

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For the year ended 31st December, 2012

7. SEGMENT INFORMATION (continued)

Geographical information

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

	Revenue from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**4,271**	4,449	**9,422**	17,402
Japan	**12,290**	16,662	**–**	–
Other regions in the PRC	**491**	524	**7,324**	8,186
	17,052	21,635	**16,746**	25,588

Information about major customers

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

	2012	2011
	HK$'000	HK$'000
Customer A (from industrial segment)	**4,271**	4,448
Customer B (from industrial segment)	**9,503**	9,460
	13,774	13,908

8. OTHER INCOME

Continuing operations

Included in other income are:

	2012	2011
	HK$'000	HK$'000
Interest income from banks and financial institutions	**589**	707

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

9. OTHER GAINS AND LOSSES

Continuing operations

	2012 HK$'000	2011 HK$'000
Exchange loss, net	**(183)**	(211)
(Loss) gain on disposal of property, plant and equipment	**(7)**	1,206
Net gains (losses) on held-for-trading investments	**9,516**	(5,964)
Increase in fair value of investment properties (note 18)	**995**	5,533
Impairment loss on available-for-sale investments (note 23)	**(14,500)**	–
Gain on disposal of available-for-sale investments (note 23)	**–**	5,020
Loss on disposal of subsidiaries (note 38(a))	**(250)**	–
Gain on disposal of other non-current assets	**–**	1,494
	(4,429)	7,078

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Continuing operations		
Interest on obligations under finance leases	**39**	61

11. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Tax charge from continuing operations comprises:		
PRC Enterprise Income Tax	**–**	31
PRC withholding income tax	**–**	21
	–	52

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.

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For the year ended 31st December, 2012

11. INCOME TAX EXPENSE (continued)

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

	2012 HK$'000	2011 HK$'000
Loss before tax from continuing operations	(20,325)	(5,819)
Tax at the domestic income tax rate of 16.5%	(3,354)	(960)
Tax effect of expenses not deductible for tax purposes	3,553	625
Tax effect of income not taxable for tax purposes	(651)	(2,391)
Tax effect of tax losses not recognised	820	3,205
Tax effect of different tax rates of subsidiaries operating in the PRC	(228)	10
Tax effect of share of results of a jointly controlled entity	(183)	(357)
PRC withholding income tax	–	21
Others	43	(101)
Tax charge for the year	–	52

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the nine (2011: ten) directors including the chief executive officer were as follows:

2012

		Other emoluments		
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits schemes contributions HK$'000	Total emoluments HK$'000
Directors				
Deacon Te Ken Chiu, J.P.	15	–	–	15
Mr. Derek Chiu	360	–	–	360
Mr. Desmond Chiu	15	480	14	509
Dr. Lee G Lam	180	–	–	180
Mr. Eugene Yun Hang Wang	180	–	–	180
Mr. Richard Yen (Chief Executive Officer)	360	664	14	1,038
Mr. Johnny Ip	120	441	14	575
Mr. Lee Kwan Hung (appointed on 1st March, 2012)	150	–	–	150
Mr. Andrew Fan Chun Wah (resigned on 1st March, 2012)	30	–	–	30
	1,410	1,585	42	3,037

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For the year ended 31st December, 2012

12. DIRECTORS' EMOLUMENTS (continued)

2011

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

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.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2011: one) are Executive Directors, none (2011: one) is a former Executive Director and one (2011: one) is a Non-Executive Director whose emoluments are included in note 12 above. The emoluments of the remaining two (2011: two) individuals within the band of HK$Nil to HK$1,000,000 are as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**1,063**	769
Retirement benefits schemes contributions	**28**	24
	1,091	793

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

14. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2012	2011
	HK$'000	HK$'000
Loss for the year from continuing operations has been arrived at after charging:		
Amortisation of prepaid lease payments	**103**	101
Auditor's remuneration		
– current year	**1,236**	1,298
– underprovision in prior year	**243**	82
Cost of inventories recognised as an expense	**17,626**	19,620
Depreciation	**1,290**	1,595
Directors' remuneration and other staff costs, including retirement benefits schemes contributions of approximately HK$2,280,000 (2011: HK$1,550,000)	**14,674**	13,662
Operating lease rental in respect of rented premises	**689**	1,941
Share of tax of a jointly controlled entity (included in share of results of a jointly controlled entity)	**410**	134

Operating lease rental in respect of a director's accommodation amounting to HK$1,275,000 was included under directors' remuneration for the year ended 31st December, 2011.

15. PROFIT FOR THE YEAR FROM 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 gave 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 had been passed to the acquirer.

The profit for the prior year from the discontinued operations was analysed as follows:

	2011
	HK$'000
Loss on discontinued operations for the year	(7,604)
Gain on disposal of discontinued operations (note 38(b))	14,526
	6,922

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For the year ended 31st December, 2012

15. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS (continued)

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

	Period ended 30.08.2011 HK$'000
Revenue	8,904
Cost of sales	(5,277)
Other income	116
Other expenses	(11,322)
Finance costs	(25)
Loss for the period	(7,604)

Loss for the year from discontinued operations included the following:

	Period ended 30.08.2011 HK$'000
Depreciation	1,364
Auditor's remuneration	122
Staff costs including retirement benefit scheme contributions of approximately HK$776,000	5,174

During the year ended 31st December, 2011, 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.

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. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	2012 HK$'000	2011 HK$'000
(Loss) earnings for the purposes of basic and diluted earnings per share	**(18,981)**	2,489

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For the year ended 31st December, 2012

17. (LOSS) EARNINGS PER SHARE (continued)

From continuing and discontinued operations (continued)

	2012	2011 (Restated)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**340,692,622**	340,692,622
Effect of dilutive potential ordinary shares in respect of share options outstanding	**–**	–
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**340,692,622**	340,692,622

The computation of diluted loss per share for the current year does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares during the year.

The diluted loss per share for the prior year did not take into account the effect of the share options as it would result in a decrease in the loss per share from continuing operations.

For the years ended 31st December, 2012 and 2011, the weighted average number of ordinary shares has been adjusted for the effect of the Open Offer of shares of the Company that was completed on 31st January, 2013, details of which are described in note 43.

From continuing operations

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

	2012 HK$'000	2011 HK$'000
(Loss) profit for the year attributable to the owners of the Company	**(18,981)**	2,489
Less: Profit for the year from discontinued operations attributable to the owners of the Company	**–**	8,191
Loss for the purposes of calculating basic and diluted loss per share from continuing operations	**(18,981)**	(5,702)

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 computation of diluted loss per share for the current year does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares during the year.

The diluted loss per share for the prior year did not take into account the effect of the share options as it would result in a decrease in the loss per share from continuing and discontinued operations.

From discontinued operations

Basic and diluted earnings per share from discontinued operations for the year ended 31st December, 2011 was HK2.40 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 the prior year did not take into account the effect of the share options as it would result in a decrease in the loss per share from continuing operations.

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For the year ended 31st December, 2012

18. INVESTMENT PROPERTIES

	THE GROUP HK$'000	THE COMPANY HK$'000
FAIR VALUE		
At 1st January, 2011	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
Increase in fair value recognised in profit and loss	995	995
Disposals	(8,500)	–
At 31st December, 2012	8,255	8,255

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

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land in Hong Kong				
Medium-term lease	**8,255**	15,760	**8,255**	7,260

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

The fair values of the Group's investment properties at 31st December, 2012 and 2011 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$8,255,000 (2011: HK$7,260,000), 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 a close member of a director's family as trustee for the Company.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

19. PROPERTY, PLANT AND EQUIPMENT

	Building in PRC held under medium term lease	Leasehold improvements	Lifts, electrical and office equipment	Motor vehicles	Service equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP						
COST						
At 1st January, 2011	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	–	(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
Additions	–	–	21	–	–	21
Disposals	–	(5)	(291)	–	–	(296)
Exchange realignment	76	–	186	3	–	265
At 31st December, 2012	12,955	797	32,204	2,545	–	48,501
DEPRECIATION						
At 1st January, 2011	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	–	(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
Provided for the year	580	125	165	420	–	1,290
Eliminated on disposals	–	(1)	(283)	–	–	(284)
Exchange realignment	44	–	180	1	–	225
At 31st December, 2012	7,845	540	31,145	1,323	–	40,853
CARRYING VALUES						
At 31st December, 2012	5,110	257	1,059	1,222	–	7,648
At 31st December, 2011	5,658	386	1,205	1,640	–	8,889

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For the year ended 31st December, 2012

19. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements HK$'000	Office equipment HK$'000	Total HK$'000
THE COMPANY			
COST			
At 1st January, 2011	650	351	1,001
Additions	–	47	47
At 31st December, 2011	650	398	1,048
Additions	–	3	3
At 31st December, 2012	650	401	1,051
DEPRECIATION			
At 1st January, 2011	333	316	649
Provided for the year	41	75	116
At 31st December, 2011	374	391	765
Provided for the year	96	7	103
At 31st December, 2012	470	398	868
CARRYING VALUES			
At 31st December, 2012	180	3	183
At 31st December, 2011	276	7	283

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

Building in the 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 equipment	33.33%

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For the year ended 31st December, 2012

19. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying value of motor vehicles of the Group includes an amount of HK$908,000 (2011: HK$1,248,000) in respect of assets held under finance leases.

An insignificant portion of the building in the PRC has been leased to a third party under an operating lease, and the remaining portion is occupied by the Group as factory premises.

20. PREPAID LEASE PAYMENTS

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
The prepaid lease payments represent the leasehold land held under medium term leases in the PRC	**872**	971
Analysed for reporting purposes as:		
Current	**29**	32
Non-current	**843**	939
	872	971

21. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**18,611**	16,655
Less: Impairment loss recognised	**(15,174)**	(13,575)
	3,437	3,080

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

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21. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31st December, 2012 and 2011 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 2012	Direct 2011	Indirect 2012	Indirect 2011	Principal activities
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%	**–**	–	Property investment
Far East Holdings (Jiangsu) Limited	Hong Kong	HK$10,000 Ordinary shares	**–**	–	**100%**	100%	Investment holding
Jiangsu BangBang -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

* Sino-foreign equity joint venture

** Disposed during 2012 (details are set out in note 38)

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.

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22. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Unlisted investments in jointly controlled entities, at cost less impairment	**35,592**	35,592
Share of post-acquisition profits and other comprehensive income	**9,327**	7,957
	44,919	43,549

At 31st December, 2012 and 2011, the Group had interests in the following jointly controlled entity:

Name of entity	Forms of entity	Place of establishment/ operation	Proportion of nominal value of registered capital/issued capital held by the Group		Principal activity
			2012	2011	
Beijing Kalian Aviation Technology Co., Ltd. ("Beijing Kalian") (Note 1)	Incorporated	PRC	**20.02%**	20.02%	Provision of aviation maintenance services

Note 1: The Group holds a 20.02% interest in Beijing Kailan. Under the 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 the jointly controlled entity which are accounted for using the equity method is set out below:

	2012	2011
	HK$'000	HK$'000
Current assets	**27,750**	28,434
Non-current assets	**32,864**	33,220
Current liabilities	**(13,990)**	(16,767)
Non-current liabilities	**(1,705)**	(1,338)
Income recognised in profit or loss	**(23,733)**	(21,634)
Expenses recognised in profit or loss	**22,621**	19,472
Other comprehensive income	**258**	1,469

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23. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity securities listed in Hong Kong,				
at fair value at quoted market prices	**209,829**	247,864	**203,836**	244,254
Unlisted equity securities in Hong Kong	**2,500**	17,000	**2,500**	17,000
	212,329	264,864	**206,336**	261,254

At 31 December, 2012, the above unlisted investment with a carrying amount of HK$2,500,000 (2011: HK$17,000,000) represents an investment in unlisted equity securities issued by Market Talent Limited, an entity incorporated in the Cayman Islands which operates in the business of trading of electronic products and the 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.

In 2012, the financial performance of Market Talent Limited is worse than expected. During the year, negotiations have been conducted with another shareholder of Market Talent Limited to purchase the entire equity interest of the unlisted investment held by the Group. The directors have assessed the future cash flows expected to be generated from the sale of its equity interest of Market Talent Limited to that shareholder. Subsequent to 31st December, 2012, a written offer of HK$2,500,000 has been received from that shareholder of Market Talent Limited. In the opinion of the directors, the amount of the offer from that shareholder of the unlisted investment is representative of the recoverable amount of its equity interest. In this regard, the directors considered the fair value of its equity interest to be the recoverable amount and an impairment loss of HK$14,500,000 has been recognised in profit or loss during the year even though the offer has not yet been accepted up to the date these consolidated financial statements were authorised for issuance.

During the year ended 31st December, 2011, the Group disposed of certain listed and unlisted equity securities with carrying amounts of HK$49,900,000 and HK$20,550,000 respectively. A gain on disposal of HK$5,020,000 was recognised in profit or loss.

24. HELD-FOR-TRADING INVESTMENTS

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity securities:				
Hong Kong	**7,243**	27,739	**6,863**	27,496
Overseas	**3,299**	2,351	**3,299**	2,351
	10,542	30,090	**10,162**	29,847

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

25. INVENTORIES

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Raw materials	**774**	1,410
Work in progress	**1,856**	2,681
	2,630	4,091

26. 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 at the end of the reporting period:

	THE GROUP	
	2012	2011
	HK$'000	HK$'000
Past due:		
0 to 30 days	**114**	1,243
31 to 60 days	**648**	120
61 to 90 days	**467**	822
Over 90 days	**807**	859
Total trade receivables	**2,036**	3,044
Other receivables	**1,097**	1,014
	3,133	4,058

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$2,036,000 (2011: HK$3,044,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers 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. The average age of these receivables is 80 days (2011: 62 days).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

27. 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	
	2012	2011
	HK$'000	HK$'000
Current	**859**	552
Past due:		
31 to 60 days	**782**	1,229
61 to 90 days	**258**	135
Over 90 days	**1,786**	1,259
	3,685	3,175

Included in the amount due from the non-controlling interest is a trade balance of HK$2,826,000 (2011: HK$2,623,000) which is past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers 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 of good quality with reference to past payment history.

28. AMOUNTS DUE FROM/TO RELATED PARTIES

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

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

The related parties are companies in which a director of the Company has beneficial interest and certain directors of the Company are close family members of the directors with beneficial interest in the related companies and directors of the Company.

29. 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% (2011: 0.001% to 3.5%) per annum. The deposits held at financial institutions are in relation to securities trading accounts which the Group maintains with these institutions.

30. PLEDGED BANK DEPOSITS

Bank balances are pledged to a bank for granting general banking facilities.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

31. 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	
	2012	2011
	HK$'000	HK$'000
0 to 30 days	**173**	116
Over 90 days	**40**	42
Total trade payables	**213**	158
Other payables and accruals	**1,846**	1,241
	2,059	1,399

32. 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$1,956,000 (2011: HK$1,599,000), based on an original effective interest rate of 2.15% (2011: 2.15%) per annum and was included in investments in subsidiaries.

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

33. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Amounts payable under finance leases:				
Within one year	**316**	316	**291**	277
In more than one year but not more than two years	**316**	316	**305**	291
In more than two years but not more than five years	**78**	394	**78**	383
	710	1,026	**674**	951
Less: Future finance charges	**(36)**	(75)	**–**	–
Present value of lease obligations	**674**	951	**674**	951
Less: Amount due within one year shown under current liabilities			**(291)**	(277)
Amount due after one year			**383**	674

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

33. OBLIGATIONS UNDER FINANCE LEASES (continued)

Obligations under finance leases are secured by motor vehicles. The lease term is five years (2011: five years). The interest rate is 4.74% (2011: 4.74%) per annum. No arrangements have been entered into for contingent rental payments.

34. SHARE CAPITAL OF THE COMPANY

	Number of shares		Share capital	
	2012	2011	**2012**	2011
			HK$'000	HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	**70,000,000,000**	70,000,000,000	**700,000**	700,000
Issued and fully paid:				
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	**302,837,886**	302,837,886	**3,028**	3,028

35. 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 both reporting periods. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent Non-Executive Directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

35. 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, lapsed or exercised in 2012 and 2011.

Details of the share options outstanding at 31st December, 2012 and 2011 as follows:

Capacity of grantee	Grant date	Adjusted exercise price	Exercisable period (both days inclusive)	Number of share options at 1.1.2011 and 31.12.2011 and 31.12.2012
		HK$		
Employees	21.4.2006	0.6091	23rd May, 2006 to 22nd May, 2016	660,000
	21.4.2006	0.6091	23rd May, 2007 to 22nd May, 2017	660,000
				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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

36. SHARE PREMIUM AND RESERVES

	Share premium HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY					
At 1st January, 2011	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
Loss for the year	–	–	–	(11,591)	(11,591)
Fair value loss on available-for-sale investments	–	–	(40,423)	–	(40,423)
At 31st December, 2012	176,154	568	(17,729)	164,422	323,415

37. 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, 2011	(36)	165	(129)	–
Charge (credit) to profit or loss	92	–	(92)	–
At 31st December, 2011	56	165	(221)	–
Charge (credit) to profit or loss	(29)	–	29	–
At 31st December, 2012	27	165	(192)	–

At the end of the reporting period, the Group has unused tax losses of approximately HK$169,565,000 (2011: HK$165,476,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$1,164,000 (2011: HK$1,339,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$168,401,000 (2011: HK$164,137,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

At the end of the reporting period, the Company has unused tax losses of approximately HK$140,190,000 (2011: HK$139,316,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

38. DISPOSAL OF SUBSIDIARIES

(a) On 13th July, 2012, the Company and Far East Consortium Limited (the "Purchaser"), being a related party of the Company in which a director of the Company has beneficial interest and certain directors of the Company are close family members of the directors with beneficial interest in the Purchaser, entered into a sale and purchase agreement to dispose its entire equity interest of, and assign a receivable due from, a subsidiary of the Company, Cathay Motion Picture Studios Limited ("Cathay Motion"), at an aggregate cash consideration of HK$8,500,000. The disposal was completed on 18th July, 2012.

On 12th October, 2012, another subsidiary of the Company, Epoch Sino Investments Limited has transferred 51% equity interest of its subsidiary, Panlong Investments (Holdings) Company Limited at HK$1 cash consideration to an individual, unrelated to the Group. The disposal was completed on 12th October, 2012.

The net assets of the subsidiaries at the dates of disposal were as follows:

	HK$'000
Consideration received:	
Cash received	8,500
Analysis of assets and liabilities over which control was lost:	
Investment properties	8,500
Amount due to non-controlling interest	(297)
Trade and other payables	(19)
Net assets disposed of	8,184
Loss on disposal of subsidiaries:	
Consideration received	8,500
Net assets disposed of	(8,184)
Non-controlling interests	(566)
Loss on disposal of subsidiaries	(250)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

38. DISPOSAL OF SUBSIDIARIES (continued)

(b) As set out in note 15, the Group entered into a 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 allotted 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 Limited and the prevailing price-to-earnings multiple of market comparables in the industry.

In addition, the Group agreed to subscribe for 117 new ordinary shares of Market Talent Limited at a cash consideration of HK$9,000,000. Both Market Talent Limited and its legal and beneficial owner are unrelated to the Group. Market Talent Limited 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 held 18.1% equity interest in Market Talent Limited which was classified as available-for-sale investments. The net liabilities of the subsidiaries at the date of disposal were as follows:

	HK$'000
Consideration received:	
Consideration shares	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 the disposed subsidiaries on the Group's results and cash flows in the prior period are disclosed in note 15.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

39. PLEDGE OF ASSETS

At 31st December, 2012:

(a) margin trading facilities in respect of securities transactions of approximately HK$5.7 million (2011: HK$6.4 million), of which none has been utilised at the end of the reporting periods, are secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK$16.1 million (2011: HK$24.9 million) and HK$16.1 million (2011: HK$24.9 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 of approximately HK$17.1 million (2011: 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$5,000 (2011: HK$41,000); and

(c) short term loan and margin facilities in respect of securities transactions of approximately HK$233.1 million (2011: HK$233.1 million) of which none has been utilised at the end of the reporting periods, are secured by the listed investments and deposit held at financial institutions of the Group and the Company of approximately HK$213 million (2011: HK$241.8 million) and HK$213 million (2011: HK$241.8 million), respectively. The listed investments comprise held-for-trading securities and available-for-sale investment held by the Group and the Company.

40. 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:

	2012	2011
	HK$'000	HK$'000
Leased premises		
Within one year	**183**	932
In the second to fifth year inclusive	**8**	192
	191	1,124

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

40. OPERATING LEASES (continued)

The Group as lessor

Rental income earned from leasehold land and buildings during the year was HK$137,000 (2011: Nil). The property held has a committed tenant for five years.

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

	2012	2011
	HK$'000	HK$'000
Within one year	**153**	–
In the second to fifth year inclusive	**497**	–
	650	–

41. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the higher of 5% or HK$1,250 effective from June 2012 and HK$1,000 for the period from January 2012 to May 2012 (2011: higher of 5% or HK$1,000) of the relevant payroll costs, for each of the employees every month, to the MPF Scheme, which contribution is matched by employees.

	2012	2011
	HK$'000	HK$'000
Amount contributed and charged to profit or loss	**179**	157

In accordance with the relevant PRC rules and regulations, the Company's subsidiary in the PRC is required to establish a defined contribution plan managed by the relevant local government bureau in the PRC and to make contributions calculated according to the rate set by the municipal government for its eligible employees.

	2012	2011
	HK$'000	HK$'000
Amount contributed and charged to profit or loss	**2,101**	2,169

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

42. RELATED PARTY TRANSACTIONS

Other than the disposal of Cathay Motion as disclosed in note 38(a) in these consolidated financial statements, the Group has the following related party transactions during the year:

Compensation of key management personnel

The remuneration of directors and the members of key management during the year was as follows:

	2012	2011
	HK$'000	HK$'000
Short-term benefits	**3,143**	4,392
Post-employment benefits	**69**	60
	3,212	4,452

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

43. EVENT AFTER THE REPORTING PERIOD

Pursuant to an ordinary resolution passed at a board meeting of the Company on 14th December, 2012, an issue of shares by the Company at a price of HK$0.20 per share on the basis of one share for every two shares then held by the qualifying shareholders on the record date and payable in full on the acceptance (the "Open Offer") was approved. The Open Offer was completed and a total of 151,418,943 new shares were issued on 31st January, 2013, resulting in gross proceeds of approximately HK$30,284,000 to the Company. The proceeds from the Open Offer were used to strengthen the Group's financial positions.

Five Years Financial Summary

At 31st December, 2012

	For the year ended 31st December,				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	22,720	21,037	29,064	30,539	**17,052**
(Loss) profit before tax	(70,499)	(43,453)	147,898	1,103	**(20,325)**
Income tax credit (expense)	69	(108)	(333)	(52)	**–**
(Loss) profit for the year	(70,430)	(43,561)	147,565	1,051	**(20,325)**
(Loss) profit for the year attributable to:					
Owners of the Company	(66,244)	(38,700)	152,060	2,489	**(18,981)**
Non-controlling interests	(4,186)	(4,861)	(4,495)	(1,438)	**(1,344)**
	(70,430)	(43,561)	147,565	1,051	**(20,325)**

	As at 31st December,				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	362,349	339,985	444,191	449,134	**390,096**
Total liabilities	(38,104)	(44,587)	(25,666)	(5,550)	**(3,884)**
	324,245	295,398	418,525	443,584	**386,212**
Non-controlling interests	(22,293)	(18,769)	(15,997)	(17,602)	**(16,906)**
Equity attributable to owners of the Company	301,952	276,629	402,528	425,982	**369,306**

Particulars of Properties Held By the Group

At 31st December, 2012

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