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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**Important: If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Macau Investment Holdings Limited, you should at once hand this circular together with the form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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MACAU INVESTMENT  
HOLDINGS LIMITED

## **MACAU INVESTMENT HOLDINGS LIMITED**

**澳門投資控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 2362)

- (1) SUBSCRIPTION FOR NEW SHARES  
(2) PLACING OF NEW SHARES;  
(3) WHITEWASH WAIVER;  
(4) PROPOSED GRANT OF SPECIFIC MANDATE;  
AND  
(5) NOTICE OF EGM**

**Arranger  
in relation to the Jinchuan Subscription**

 **BOCI ASIA LIMITED**

**Placing Agent**

 **新鴻基金融集團  
SUN HUNG KAI FINANCIAL**

**Independent Financial Adviser to the  
Independent Board Committee and the Independent Shareholders**

 **VC CAPITAL LIMITED  
滙盈融資有限公司**

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A letter from the independent board committee of Macau Investment Holdings Limited is set out on page 22 of this circular.

A letter from VC Capital, the independent financial adviser, containing its advice to the independent board committee and the independent shareholders of Macau Investment Holdings Limited is set out on pages 23 to 42 of this circular.

A notice convening the extraordinary general meeting to be held at 2:30 p.m. on Friday, 19 November, 2010 at the Pacific Place Conference Centre, Mont Blanc Room, Level 5, One Pacific Place, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at Room 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting (as the case may be) should you so wish.

\* For identification purpose only

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## DEFINITIONS

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*In this circular, unless otherwise defined, terms used herein shall have the following meaning:*

“Announcement”	the announcement dated 24 August 2010 made by the Company in relation to, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the Whitewash Waiver; and (iv) the request for granting of the Specific Mandate
“Arranger in relation to the Jinchuan Subscription”	BOCI Asia Limited, the arranger in relation to the Jinchuan Subscription who introduces the Subscriber to the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	MACAU INVESTMENT HOLDINGS LIMITED (Stock code: 2362), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules, and “connected” shall be construed accordingly
“Director(s)”	director(s) of the Company from time to time
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, (i) the Subscription Agreement; (ii) the Placing Agreement and the Supplemental Placing Agreement; (iii) the Whitewash Waiver; and (iv) the granting of the Specific Mandate
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee comprising Mr. Zhou Jin Song, Mr. Sun Tong and Mr. Yen Yuen Ho, Tony, all being the independent non-executive Directors and Mr. Guo Rui, being a non-executive Director, formed to consider the terms of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver

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## DEFINITIONS

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“Independent Financial Adviser” or “VC Capital”	VC Capital Limited, a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the Whitewash Waiver
“Independent Third Parties”	third party(ies) independent of the Company and its connected persons as defined under the Listing Rules
“Independent Shareholders”	Shareholders other than (i) the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them and its associates; (ii) persons who are prohibited to vote in respect of the Subscription Agreement under the Listing Rules; and (iii) those who are involved in or interested in the Subscription and Whitewash Waiver
“Latest Practicable Date”	27 October 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information set out in this circular
“Last Trading Day”	13 August 2010, being the last Trading Day immediately prior to the date of the Subscription Agreement and the Placing Agreement
“Jinchuan Group”	Jinchuan Group Limited* (金川集團有限公司), a company incorporated in the PRC and a state-owned enterprise held as to approximately 69.57% by the People’s Government of Gansu Province, as to approximately 16.51% by the China Development Bank, as to approximately 5.94% by Baosteel Group Corporation, as to approximately 5.94% by Taiyuan Iron & Steel (Group) Co., Ltd. and as to approximately 2.04% by Gansu Province Industrial and Transport Investment Limited* (甘肅省工業交通投資公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2010 (or such other date as may be agreed between the Company and the Subscriber)
“PKV”	Sociedade De Investimento Imobiliário Pun Keng Van, S.A., a company established in the Macau Special Administrative Region of the PRC
“Placee(s)”	placee(s) of the Placing
“Placing”	the placing of the Placing Shares as contemplated under the Placing Agreement

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## DEFINITIONS

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“Placing Agent”	Sun Hung Kai Investment Services Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 14 August 2010 entered into between the Company and the Placing Agent
“Placing Closing Date”	the date of completion of the Placing which shall take place on the third (3rd) business day immediately after the conditions referred to in the sub-section headed “Conditions precedent to the Placing Agreement” in this circular have been fulfilled and/or waived or such later date as the Company and the Placing Agent may agree in writing
“Placing Shares”	417,000,000 new Shares to be placed according to the Placing Agreement and the Supplemental Placing Agreement
“Placing Price”	the placing price of HK\$0.28 per Placing Share under the Placing Agreement
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Relevant Period”	the period commencing from 24 February 2010, being the date falling 6 months immediately prior to the date of the Announcement, and ending on the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	person(s) registered in the books of the Company as the holder(s) of Share(s) for the time being
“Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares and the Placing Shares to be granted to the Directors by the Independent Shareholders at the EGM
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Subscriber”	Jinchuan Group (Hongkong) Resources Holdings Limited (金川集團(香港)資源控股有限公司), an investment holding company incorporated in Hong Kong and a wholly owned subsidiary of Jinchuan Group
“Subscription” or “Jinchuan Subscription”	the subscription for the Subscription Shares by the Subscriber as contemplated under the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 14 August 2010 made between the Company and the Subscriber in connection with the Subscription
“Subscription Completion Date”	the day on which the completion of Subscription takes place, which shall be the fifth (5th) business day after the date on which the conditions precedent to the Subscription Agreement are fulfilled and/or waived (as appropriate) or such other date as the parties may agree in writing
“Subscription Shares”	being such number of Shares equal to US\$60,000,000 (being the total consideration under the Subscription Agreement) divided by HK\$0.28 (being the Subscription Price per Share). Based on the exchange rate stated in this circular, 1,667,142,857 Shares will be subscribed by the Subscriber according to the Subscription Agreement
“Subscription Price”	the subscription price of HK\$0.28 per Subscription Share under the Subscription Agreement
“Supplemental Placing Agreement”	the supplemental placing agreement dated 28 October 2010 entered into between the Company and the Placing Agent
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC
“Trading Day”	a day when the Stock Exchange is open for trading
“Whitewash Waiver”	a waiver from the obligation of the Subscriber and its parties acting in concert with it to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by them under Rule 26 of the Takeovers Code as a result of the Subscription
“HK\$” or “HK dollars”	Hong Kong Dollars, the lawful currency of Hong Kong
“%”	per cent.

*The conversion of U.S. dollar into Hong Kong dollar has been made at the rate of USD1 to HK\$7.78.*

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## LETTER FROM THE BOARD

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MACAU INVESTMENT  
HOLDINGS LIMITED

### MACAU INVESTMENT HOLDINGS LIMITED

澳門投資控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 2362)

*Executive Directors:*

Ms. Deng Wen  
Ms. Maria Majoire Lo  
Ms. Cheung Hing Man, Charissa

*Non-executive Director:*

Mr. Guo Rui

*Independent non-executive Directors:*

Mr. Zhou Jin Song  
Mr. Sun Tong  
Mr. Yen Yuen Ho, Tony

*Registered office:*

P.O. Box 309  
Ugland House  
Grand Cayman KY1-1104  
Cayman Islands

*Head office and principal  
place of business in Hong Kong:*

Suite 1203B  
Tower 1  
Admiralty Centre  
18 Harcourt Road  
Hong Kong

29 October 2010

*To the Shareholders*

Dear Sir or Madam,

**(1) SUBSCRIPTION FOR NEW SHARES  
(2) PLACING OF NEW SHARES;  
(3) WHITEWASH WAIVER;  
(4) PROPOSED GRANT OF SPECIFIC MANDATE;  
AND  
(5) NOTICE OF EGM**

#### INTRODUCTION

On 24 August 2010, the Directors announced that the Company entered into the Subscription Agreement on 14 August 2010, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue and allot, on the Subscription Completion Date, such number of Shares equal to US\$60,000,000 (being the total consideration under the Subscription Agreement) divided by HK\$0.28 (being the Subscription Price per Share). Based on the exchange rate stated in this circular, 1,667,142,857 Shares will be subscribed by the Subscriber (or its nominee(s)).

\* For identification purpose only

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## LETTER FROM THE BOARD

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The Company also entered into the Placing Agreement with the Placing Agent on 14 August 2010, pursuant to which the Company has conditionally agreed to place through the Placing Agent on a best effort basis of a maximum of 417,000,000 Placing Shares at a price of HK\$0.28 per Share to the Placees who are Independent Third Parties. On 28 October 2010, the Company and the Placing Agent entered into the Supplemental Placing Agreement pursuant to which the Placing Agent agreed to place, on a fully underwritten basis, 417,000,000 new Shares at the Placing Price. Save for the change from best effort basis to fully underwritten basis, all other terms and conditions of the Placing Agreement remain unchanged.

### THE SUBSCRIPTION AGREEMENT

**Date:** 14 August 2010

**Parties:**

- (a) The Company, as the issuer of the Subscription Shares; and
- (b) Jinchuan Group (Hongkong) Resources Holdings Limited (金川集團 (香港) 資源控股有限公司), as the Subscriber.

### The Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber (or its nominee(s)), and the Subscriber has conditionally agreed to subscribe from the Company, on the Subscription Completion Date, such number of Shares equal to US\$60,000,000 (being the total consideration under the Subscription Agreement) divided by HK\$0.28 (being the Subscription Price per Share). Based on the exchange rate stated in this circular, 1,667,142,857 Shares will be subscribed by the Subscriber (or its nominee(s)).

### The Subscription Shares represent:

- (a) approximately 2.6 times of the existing issued share capital of the Company;
- (b) approximately 72.1% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares; and
- (c) approximately 61.1% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Placing Shares.

### Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Subscription Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the Subscription Shares.



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## LETTER FROM THE BOARD

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### Specific Mandate to issue the Subscription Shares

The Subscription Shares will be issued under a specific mandate proposed to be sought from the Independent Shareholders at the EGM.

### The Subscription Price

The Subscription Price of HK\$0.28 per Share represents:

- (a) a discount of approximately 63.2% to the closing price of HK\$0.76 per Share on the Stock Exchange on the Last Trading Day of the Shares;
- (b) a discount of approximately 57.6% to the average closing price of approximately HK\$0.66 per Share for the last 10 trading days up to and including the Last Trading Day;
- (c) a discount of approximately 50.0% to the average closing price of approximately HK\$0.56 per Share for the last 30 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 31.0% to the average closing price of approximately HK\$0.406 per Share for the last six months prior to and including the Last Trading Day;
- (e) a discount of approximately 22.4% to the average closing price of approximately HK\$0.361 per Share for the last twelve months prior to and including the Last Trading Day;
- (f) a premium of approximately 2.9% to the average closing price of approximately HK\$0.272 per Share for 2009; and
- (g) a discount of approximately 81.3% to the closing price of HK\$1.50 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The net aggregate proceeds from the Subscription, after deduction of relevant expenses (including but not limited to the legal expenses and disbursements), is estimated to be approximately HK\$456 million. The net price per Subscription Share is approximately HK\$0.274 after deduction of relevant expenses of the Subscription.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the share price prevailing at the time of the negotiation and the financial position of the Group. The Directors (including the Independent Board Committee whose opinion is formed after considering the Independent Financial Adviser's advice) consider that the Subscription Agreement is entered into upon normal commercial terms and the terms of the Subscription Agreement (including, without limitation the Subscription Price) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### Conditions Precedent

Completion of the Subscription Agreement is conditional upon the satisfaction of (if applicable, waiver) the following conditions:

- (a) Shareholders (or Independent Shareholders, if applicable) approving at the EGM by way of poll the issuance of the Subscription Shares pursuant to the Subscription Agreement and the transactions contemplated thereunder, including the appointment of directors nominated by the Subscriber, the Subscription and the Whitewash Waiver;
- (b) the Executive granting of the Whitewash Waiver to the Subscriber and parties acting in concert with it, and the Whitewash Waiver remaining valid on the Subscription Completion Date;
- (c) the Listing Committee of the Stock Exchange granting approval for the listing of, and dealing in, the Subscription Shares;
- (d) the Company is not, as a result of the Subscription or any other transactions contemplated under the Subscription Agreement, being deemed by the Stock Exchange as a cash company and/or the Subscription is not being deemed by the Stock Exchange as a reverse takeover transaction, and/or the Company is not being required by the Stock Exchange to suspend trading until fulfillment of the requirements of a new listing application under the Listing Rules;
- (e) the Subscription and/or any other transactions contemplated under the Subscription Agreement are not being deemed by the SFC as a special deal under the Takeovers Code;
- (f) all warranties in the Subscription Agreement being true, accurate and not misleading as at the Subscription Completion Date;
- (g) from the date of the Subscription Agreement until the Subscription Completion Date, the Company and other members of the Group complying with the pre-completion undertakings set out in the Subscription Agreement;
- (h) the Shares continuing to be listed and traded on the Stock Exchange and no requests having been received from the SFC and/or the Stock Exchange that the listing status of the Shares on the Stock Exchange will be revoked or cancelled as a result of the completion of the Subscription Agreement or any terms thereunder or other matters;
- (i) the minimum public float requirements under the Listing Rules not being breached by the Company as result of the Subscription;
- (j) before the last condition (not including this condition) of the Subscription Agreement is fulfilled, satisfied or waived, no person (except a party to the Subscription Agreement) having commenced litigation against any party to the Subscription Agreement or having challenged the legality or validity of the Subscription Agreement or restricting any party to the Subscription Agreement to complete the transactions contemplated thereunder at any relevant authorities;

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## LETTER FROM THE BOARD

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- (k) the Subscriber having completed due diligence on the Company and the results of such due diligence being satisfactory to the Subscriber;
- (l) all relevant authorities and other third parties having granted all necessary consents, approvals, reports and filings (if applicable) in respect of Subscription Agreement and the transactions contemplated thereunder;
- (m) since the date of the Subscription Agreement, (i) there having been no events, conditions, occurrence or development of a state of circumstances or facts which has had or reasonably could be expected to have a material and adverse change or effect on the business, operations, assets or liabilities, financial conditions or prospects of the Group or any of its subsidiaries (as applicable) and; (ii) there having been no change in the applicable laws in each of the jurisdictions in which the Group has business operations which may lead to material and adverse effect;
- (n) the Subscriber having received an legal opinion issued by Cayman Islands counsel on matters of Cayman Islands law in a form reasonably satisfactory to the Subscriber; and
- (o) in order to improve the operating results of the overall business operation of the Group, the Group and/or the relevant members of the Group shall implement improvement measures and arrangements regarding the management and operations of its current business operations to the satisfaction of the Subscriber.

The Subscriber may at its discretion waive compliance of any or all of the above conditions, except for condition (b) and any other conditions where such conditions are mandatory pursuant to the laws and regulations applicable to the Company, the Listing Rules and the Takeovers Code, such as the relevant parts of conditions (a), (b), (c) and (l).

If the above conditions have not been fully fulfilled, satisfied or waived on or before the Long Stop Date, the Subscription Agreement shall be of no further effect and the parties thereto shall forthwith be released from performing or further performing their obligations under the Subscription Agreement, save in respect of any antecedent breach or any accrued right or remedies, which shall not be prejudiced or affected.

If all the conditions have been fulfilled, satisfied or, if applicable, waived on or before the Long Stop Date, completion of the Subscription Agreement shall take place on the Subscription Completion Date. As at the Latest Practicable Date, none of the above conditions has been fulfilled or waived.

BOCI Asia Limited acted as an arranger in relation to the Jinchuan Subscription.

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## LETTER FROM THE BOARD

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### THE PLACING AGREEMENT AND THE SUPPLEMENTAL PLACING AGREEMENT

On 14 August 2010, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has conditionally agreed to place through the Placing Agent on a best effort basis a maximum of 417,000,000 Placing Shares at a price of HK\$0.28 per Placing Share to the Placees. On 28 October 2010, the Company and the Placing Agent entered into the Supplemental Placing Agreement pursuant to which the Placing Agent agreed to place, on a fully underwritten basis, 417,000,000 new Shares at the Placing Price. Save for the change from best effort basis to fully underwritten basis, all other terms and conditions of the Placing Agreement remain unchanged.

Summarised below are the principal terms of the Placing Agreement:

#### **Date**

14 August 2010 (supplemented on 28 October 2010)

#### **Issuer**

The Company

#### **Placing Agent**

Sun Hung Kai Investment Services Limited, a licensed corporation to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), is appointed by the Company as its placing agent to procure the placing of the Placing Shares.

The Placing Agent will charge a placing commission of 0.75% on the gross proceeds raised from the Placing. The Placing Agent is not a connected person of the Company and is independent of and not connected with the Company or any of its subsidiaries or any of their respective associates (as defined under the Listing Rules) and connected persons of the Company.

#### **Placees**

The Placing Agent will place the Placing Shares to not less than six Placees who are Independent Third Parties. No Placee will become a substantial Shareholder (as defined under the Listing Rules) as a result of the Placing.

#### **Number of Placing Shares**

Pursuant to the Placing Agreement, it is expected that 417,000,000 Placing Shares will be allotted and issued to the Placees.

The Placing Shares represent:

- (a) approximately 64.7% of the existing issued share capital of the Company;

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## LETTER FROM THE BOARD

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- (b) approximately 39.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares; and
- (c) approximately 15.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares.

### Placing Price

The Placing Price of HK\$0.28 per Placing Share represents:

- (a) a discount of approximately 63.2% to the closing price of HK\$ 0.76 per Share on the Stock Exchange on the Last Trading Day of the Shares;
- (b) a discount of approximately 57.6 % to the average closing price of approximately HK\$0.66 per share for the last 10 trading days up to and including the Last Trading Day;
- (c) a discount of approximately 50.0% to the average closing price of approximately HK\$0.56 per Share for the last 30 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 31.0% to the average closing price of approximately HK\$0.406 per Share for the last six months prior to and including the Last Trading Day;
- (e) a discount of approximately 22.4% to the average closing price of approximately HK\$0.361 per Share for the last twelve months prior to and including the Last Trading Day;
- (f) a premium of approximately 2.9% to the average closing price of approximately HK\$0.272 per Share for 2009; and
- (g) a discount of approximately 81.3% to the closing price of HK\$1.50 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The net aggregate proceeds from the Placing, after deduction of relevant expenses (including but not limited to placing commission, legal expenses and disbursements), is estimated to be approximately HK\$115 million. The net price per Placing Share is approximately HK\$0.276 after deduction of relevant expenses of the Placing.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the historical trading price of the Shares and the Subscription Price. The Directors consider that the Placing Agreement is entered into upon normal commercial terms and the terms (including, without limitation the Placing Price) are fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

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## LETTER FROM THE BOARD

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### Ranking of the Placing Shares

The Placing Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of issue of the Placing Shares, including the right to receive all future dividends and distributions which may be declared, made or paid by the Company on or after the date of allotment and issue of the Placing Shares.

### Specific Mandate to issue the Placing Shares

The Placing Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the approval of Independent Shareholders at the EGM.

### Conditions of the Placing

Completion of the Placing Agreement is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares; and
- (b) the completion of the transactions contemplated under the Subscription Agreement, including without limitation the issuance and allotment of the Subscription Shares.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

### Completion of the Placing

Completion of the Placing shall take place as soon as reasonably practicable (in any event within two business days) after the fulfillment of all conditions listed in the Placing Agreement, or at such other date and time as may be agreed between the parties. However, as confirmed by the Placing Agent, completion of the Placing Agreement and issue of the Placing Shares will take place at the same time as the issue of the Subscription Shares.

### FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS

According to the announcements of the Company dated 4 February 2010 and 11 February 2010, the Company has raised net proceeds of approximately HK\$24.0 million by placing 97,000,000 new Shares. The Company has utilized all of the aforesaid net proceeds for the acquisition of 2.80% equity interest in PKV.

According to the announcements of the Company dated 28 June 2010 and 9 July 2010, the Company has additionally issued an aggregate of 61,500,000 consideration Shares at HK\$0.28 per Share to Nevin Investments Limited and together with HK\$25.8 million cash financed internally (with the proceeds raised on the placing activities in February 2010 above) acquired for a further approximately 2.8% equity interest in PKV.

## LETTER FROM THE BOARD

### CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 644,330,194 Shares in issue. The shareholding structure of the Company (a) as at the Latest Practicable Date; and (b) after the completion of the Subscription Agreement; and (c) after the completion of both the Subscription Agreement and the Placing Agreement are as follows:

Shareholders of the Company	As at the Latest Practicable Date		Immediately after the issue of the Subscription Shares		Immediately after the issue of the Subscription Shares and the Placing Shares		where the Placing Agent, in fulfilling its underwriting obligation, takes up 11.3% of the Company's Shares upon completion of the Subscription and the Placing	
	Shares	% (approx.)	Shares	% (approx.)	Shares	% (approx.)	Shares	% (approx.)
Wei Jijun (Note 1)	152,548,480	23.7%	152,548,480	6.6%	152,548,480	5.6%	152,548,480	5.6%
Cheng Ho Ming (Note 2)	71,499,000	11.1%	71,499,000	3.1%	71,499,000	2.6%	71,499,000	2.6%
Ahn Heeseung (Note 3)	77,381,361	12.0%	77,381,361	3.4%	77,381,361	2.8%	77,381,361	2.8%
The Subscriber and its concert parties (Note 4)	-	-	1,667,142,857	72.1%	1,667,142,857	61.1%	1,667,142,857	61.1%
The Placing Agent (Note 5)	-	-	-	-	-	-	308,317,454	11.3%
Placees for the Placing Shares	-	-	-	-	417,000,000	15.3%	108,682,546	4.0%
Other public Shareholders	342,901,353	53.2%	342,901,353	14.8%	342,901,353	12.6%	342,901,353	12.6%
<b>Total</b>	<b>644,330,194</b>	<b>100.00%</b>	<b>2,311,473,051</b>	<b>100.0%</b>	<b>2,728,473,051</b>	<b>100.00%</b>	<b>2,728,473,051</b>	<b>100%</b>

*Notes:*

- The Shares are held by Sincere Daily Limited which is wholly owned by Mr. Wei Jijun. Mr. Wei Jijun is not a party acting in concert with and is independent of the Subscriber and its concert parties.
- Ms. Cheng Ho Ming owns 70% of the issued share capital of Ambleside Associates Limited and Peakjoy Global Limited owns the remaining 30% of the issued share capital of Ambleside Associates Limited. Ms. Cheng Ho Ming wholly owns all the beneficial interest in Peakjoy Global Limited. Ms. Cheng Ho Ming is therefore deemed to have an interest in 71,499,000 Shares under the SFO. Ms. Cheng Ho Ming is not a party acting in concert with and is independent of the Subscriber and its concert parties.
- The Shares are held by Nevin Investments Limited which is wholly owned by Mr. Ahn Heeseung. Nevin Investments Limited is not a party acting in concert with and is independent of the Subscriber and its concert parties.
- The Shares are held by the Subscriber which is a company wholly owned by Jinchuan Group.

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## LETTER FROM THE BOARD

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5. Since the Stock Exchange will not grant approval for listing of the Subscription Shares and the Placing Shares in the event that the completion of the Subscription and the Placing would result in insufficient public float as required under Rule 8.08 of the Listing Rules, the Placing Agent, in fulfilling its underwriting obligation, may only possibly take up not more than 11.3% of the Company's shareholding upon completion of the Subscription and the Placing, exceeding which will result in violation of the public float requirement and thus the Subscription and the Placing not being completed. For illustration purpose, the shareholding structure of the Company immediately after the issue of the Subscription Shares and the Placing Shares where the Placing Agent, in fulfilling its underwriting obligation, takes up 11.3% of the Company's Shareholding upon completion of the Subscription and the Placing is shown above.

Other than Madam Cheng Ho Ming who is a director of a subsidiary of the Company and thus a connected person of the Company under the Listing Rules, both Mr. Wei Jijun and Mr. Ahn Heeseung are Independent Third Parties upon completion of the Subscription. Upon completion of the Subscription, the aggregate shareholding interests of Mr. Wei Jijun, Mr. Ahn Heeseung and other public Shareholders is approximately 24.8% of the total issued share capital of the Company. The Company is contemplating to obtain listing approval for the Subscription Shares and the Placing Shares at the same time and to issue the Placing Shares to not less than six Placees who are Independent Third Parties at the same time when the Subscription Shares are issued and thereby resulting in the public float of at least 25% after the Subscription and the Placing as required under Rule 8.08 of the Listing Rules. There are no convertible securities, warrants, options or other subscription rights issued or to be issued to the Subscriber and its concert parties as at the Latest Practicable Date. The Subscriber together with its concert parties has the maximum potential voting rights of 61.1% upon completion of the Subscription and the Placing.

**The Stock Exchange has stated that listing approval will not be granted in the event that the completion of the Subscription and/or the Placing would result in non-compliance with the Listing Rules, including but not limited to Rule 8.08 of the Listing Rules.**

As mentioned above in the summary of the Subscription Agreement, there are conditions precedent in the Subscription Agreement that the public float requirement should not be breached by the Company as a result of the Subscription, and that listing approval for the Subscription Shares should be obtained. Failure to secure such conditions precedent would result in the Subscription not being completed.

If the Placing were completed at the same time as the Subscription, the public float percentage upon completion would be 36.3% instead of 24.8%. Accordingly, the Company proposes to obtain listing approval for the Subscription Shares and the Placing Shares at the same time and to issue the Placing Shares to not less than six Placees who are Independent Third Parties at the same time as it issues the Subscription Shares so that its public float can be maintained at least 25% at all times. As mentioned above in the summary of the Placing Agreement, the conditions precedent of the Placing Agreement are essentially listing approval for the Placing Shares and completion of the transactions under the Subscription Agreement and there are no additional grounds thereunder which could be cited for not completing the Placing. Additionally, pursuant to Placing Agreement as supplemented on 28 October 2010, the Placing is fully underwritten by the Placing Agent, so that even if there should be any shortfall in investor interest, the same number of Placing Shares would still be guaranteed to the Company because the Placing Agent would subscribe for them. As confirmed by the Placing Agent, subject to satisfaction of the two conditions precedent mentioned above, completion of the Placing Agreement and issue of the Placing Shares will take place at the same time as the issue of the Subscription Shares.

The Subscriber and parties acting in concert with it would also not be allowed to take up any of the Placing Shares. As confirmed by the Placing Agent, none of the Placing Shares would be placed by it to the Subscriber or any of its associates. As confirmed by the Subscriber, neither it nor its associates would subscribe for any Placing Shares.



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## LETTER FROM THE BOARD

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### WHITEWASH WAIVER

As at the Latest Practicable Date, the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them do not hold any Shares. Upon completion of the Subscription Agreement, the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them will in aggregate hold approximately 1,667,142,857 Shares, representing approximately 72.1% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscriber and parties acting in concert with it would incur an obligation pursuant to Rule 26 of the Takeovers Code to make a mandatory general offer to the Shareholders to acquire all the Shares other than those held or agreed to be acquired by the Subscriber and parties acting in concert with it. Upon completion of the Subscription Agreement and the Placing Agreement, the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them will in aggregate hold approximately 1,667,142,857 Shares, representing approximately 61.1% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Placing Shares.

The Subscriber has made an application to the Executive for the Whitewash Waiver, the Executive has indicated that the Whitewash Waiver would be granted, subject to, among other things, approval by the Independent Shareholders in respect of the Subscription and the Whitewash Waiver at the EGM by way of poll.

The grant of the Whitewash Waiver by the Executive is one of the conditions precedent to the completion of the Subscription Agreement which cannot be waived by the contracting parties. If the Whitewash Waiver is not granted, the Subscription Agreement would lapse and the Subscription will not proceed. **Furthermore, as the Subscriber and its concert parties will hold more than 50% of the voting rights of the Company upon completion of the Subscription Agreement, they may increase their holding without incurring any further obligation to make a general offer under Rule 26 of the Takeovers Code.**

### INFORMATION ON AND INTENTIONS OF THE SUBSCRIBER

Based on the written confirmation of the Subscriber, the Subscriber is an investment holding company incorporated in Hong Kong. Its parent company, Jinchuan Group, founded in 1958, is a state-owned enterprise with its majority interest held by the People's Government of Gansu Province. Jinchuan Group is a large-scale non-ferrous mining conglomerate, specializing in mining, concentrating, metallurgy, chemical engineering and further processing. Boasting one of the world's largest mines of nickel sulfides associated with cobalt sulfides, Jinchuan Group is a leading nickel and cobalt producer in the world, one of the largest producers of copper and the nickel, and cobalt and platinum group of metals in the PRC. The principal businesses of Jinchuan Group are the production of nickel, copper, cobalt, platinum group metals, nonferrous metal plates, chemical products and chemicals of nonferrous metals.

Based on the written confirmation of the Subscriber, according to the PRC audited accounts of the Jinchuan Group, in 2008, Jinchuan Group posted revenue of approximately RMB55.1 billion, profit before tax of approximately RMB6.2 billion and net profit of approximately RMB4.2 billion. In 2009, its revenue was approximately RMB65.7 billion, profit before tax was approximately RMB3.2 billion and net profit was approximately RMB2.1 billion.

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## LETTER FROM THE BOARD

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Consistent with the Company's strategic intention to diversify its business into the mining and mineral resources sector where the Company (after conducting due diligence) considers that such projects would be commercially viable and derive the potential returns, as stated in the Announcement, the Subscriber intends to operate the Company as a flagship for undertaking overseas operations in the exploration and exploitation of mining assets and related trading following completion of the Subscription, for so long as the Company remains a subsidiary of the Subscriber. The Subscriber considers that the proposed use of proceeds (as discussed in further details under the heading "Reasons for the Subscription and the Placing and Use of Proceeds" of this circular), if it could be realised, would help to achieve this intention of the Subscriber.

In addition, until the new business ventures of the Group in the mining and mineral resources sector develop into a mature stage, the Subscriber intends to explore alternatives for the existing business and assets of the Group, including to implement improvement measures and arrangements regarding the management and operations of the Company's existing business and assets. This may involve exploring for appropriate managers and/or management models to manage the existing business and assets and thereby continuing the business, or the disposal of part or all of the existing business and assets at fair considerations. If appropriate improvement measures could be identified and satisfactorily implemented, the Subscriber intends to continue the existing business of the Group and continue to employ the relevant employees of the Group until the new business ventures of the Group develop into a mature stage. However, when the new business ventures of the Group reach a mature and stable stage, and on the basis that the Directors of the Company consider appropriate and would be in the interest of the Shareholders to do so, it is the intention of the Subscriber for the Group to focus on the business in this new sector and therefore would seek opportunities to dispose of the existing business and assets at fair considerations. Any such disposal would be made in compliance with the requirements of the Listing Rules and applicable laws and regulations, as required.

### **REASONS FOR THE SUBSCRIPTION AND THE PLACING AND USE OF PROCEEDS**

The principal business of the Company is investment holding and the principal businesses of the Group are manufacturing and trading of cosmetic and related products, provision of beauty technical and training services and property development and investment.

In order to improve the overall financial performance of the Company, the Directors have continued to review its existing businesses and strive to improve the business operations and financial position of the Company by proactively seeking potential investment opportunities that could diversify its existing business portfolio and broaden its source of income, and enhance value to its Shareholders. To this end, the Directors have been exploring business opportunities in the mining and mineral resources sector and it has been the Company's strategic intention for some time to diversify its business into this sector.

The Directors have considered that:

1. the financial performance of the Hong Kong listed companies in the mining and mineral resources sectors in general and the Jinchuan Group's business operation in mining and mineral resources sector as a whole which generally outperform the returns generated from the existing businesses of the Group;
2. the state-ownership background, industry expertise and experience, as well as the strong market position, of the Jinchuan Group in the mining and mineral resources sector;

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## LETTER FROM THE BOARD

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3. the benefits including strategic value and management expertise in the mining and mineral resources sector that the Subscriber could bring to the Group in the future; and
4. consistent with the strategic intention of the Group, the Subscriber's intention to operate the Company as a flagship for undertaking overseas operations in the exploration and exploitation of mining assets and related trading business following completion of the Subscription, for so long as the Group remains a subsidiary of the Subscriber.

In view of the above, the Directors consider that in order to implement the Company's strategy to diversify its business into the mining and mineral resources sector, it is important to introduce a strategic investor who is able to contribute valuable experience and technical expertise in the mining and mineral resources. With their background and experience, the Company believes that the Subscriber and the Jinchuan Group could help the Group to find and assess opportunities for investment in the mining and mineral resources sector, to undertake feasibility studies of identified opportunities, to assess the quality and potential of identified assets and/or businesses, to find suitable management personnel to manage the future investments in this sector and to establish appropriate remuneration packages for the hiring of the management personnel.

Accordingly, the Directors are of the view that the Company will be able to capture and pursue better business opportunities in the mining and mineral resources sector upon completion of the Subscription and the Placing. The Directors consider that the Subscription and the Placing will provide immediate funding to supplement the available cash of the Company to undertake future investment in the mining and mineral resources sector would, by nature, involve substantial amount of cash to undertake acquisitions of assets/business and/or to invest in capital expenditures. Accordingly, the Directors consider that there is a need for cash to enable the Company to explore and enter into concrete negotiations with counterparties for potential investment opportunities.

The maximum gross proceeds of the Subscription and the Placing are approximately HK\$584 million. The maximum gross aggregate proceeds of the Subscription and Placing is approximately HK\$467 million and approximately HK\$117 million respectively, a substantial part of the entire amount will be used by the Group to seek future possible acquisitions and new business opportunities in the mining and mineral resources sector.

The Directors believe that the funding to be provided by the Subscription and the Placing will assist the Company to implement its strategy to diversify into the mining and mineral sector. As illustrated in the section headed "Information on and intentions of the Subscriber", Jinchuan Group is a non-ferrous metal conglomerate specializing in mining, concentrating, metallurgy, chemical engineering and further processing with nickel, cobalt and copper being its key products. The Company intends to leverage on the expertise and experience of the Jinchuan Group and considers investment, cooperation and/or acquisition opportunities with regard to nickel, cobalt and copper projects with particular focus in North America, South America, Africa, Australia and/or West and Southeast Asia, being regions that are rich in nonferrous metal resources and having favourable mineral investment environment for foreign investors. In the shorter term, based on publicly available information and the current understanding of market trends and developments, the Company is working on exploring opportunities in investing in or acquiring projects for the mining of nickel and cobalt. The Company is currently working on identifying appropriate projects and/or assets and it is making an assessment by reference to the quality of the projects and assets, the likely scale of the operations, and hence the demand on available funding for making the investment or

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## LETTER FROM THE BOARD

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acquisition. In particular, the Company is looking into making an investment in or acquiring a project with the following characteristics:

- Timing for reaching an understanding or agreement with the counterparty(ies) in respect of the investment or acquisition opportunity is within a timeframe of approximately three to six months after completion of the Subscription and the Placing;
- The project covers an overseas mine with potential reserves of more than 500 thousand tonnes of nickel metal or 1 million tonnes of copper metal; and
- Depending on the actual size of the project to be identified, it is intended that the funding for making the investment or acquisition would primarily come from the net proceeds of the Subscription and the Placing.

However, whether the Company is able to identify a project that possesses these characteristics and within the above timeframe would depend on the availability of suitable projects and/or assets with ready seller(s) or party(ies) looking for cooperative partners, the timing required to carry out due diligence on the quality of the mining reserves and related feasibility studies, assessment by the management of the Company as to the ability of the projects to generate commercially viable products and the desired level of returns within a desired timeframe, and compliance with applicable laws, regulation and rules. Upon completion of the Subscription and the Placing, as the Company will have available funding, the Company intends to identify specific targets and parties that it wishes to approach and make formal contacts to solicit interests and commence discussions and negotiations on the potential investment, acquisition or cooperation. The Company will update the Shareholders on any development in undertaking such investment as and when required pursuant to the requirements of the Listing Rules.

As at the Latest Practicable Date, the Company has not engaged in any negotiation for entering into agreement for the acquisition of mining related business, either from the Subscriber or other parties. The Company has also not engaged in any negotiation for entering into arrangement or agreement regarding any future asset/business acquisition or disposal by the Group.

**The aforesaid potential investment plan may or may not be materialized, and such investment, if materialized, may also take a period longer than expected.**

**The Stock Exchange will monitor all future acquisitions, if any, by the Company from the Subscriber or any other parties and may aggregate such transactions and decide whether future acquisitions of mining related business within 24 months would fall within the definition of reverse takeover under Rule 14.06(6) of the Listing Rules and whether Rule 14.54 of the Listing Rules would apply.**

The Directors had first discussed with certain major shareholders and noted their view that a rights issue or open offer may be more uncertain, in particular if the stock market becomes volatile, and securing underwriting arrangement for a rights issue or open offer is therefore comparatively more difficult and time consuming than the Subscription.

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## LETTER FROM THE BOARD

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The Directors also considered that a rights issue or open offer would involve numerous steps including notice period for book closure, issue of prospectus and offer period which would normally take about one month or more time to complete, which is approximately two or more weeks longer than the notice period required for, and the time of, the holding of an extraordinary general meeting of the Company in which ordinary resolutions are proposed, which generally takes around 14 days.

The Company had approached a number of investment banks in Hong Kong to discuss the possibility for a rights issue or an open offer. Those investment banks were selected by the Company based on their reputation, experience in fund raising exercise and/or pre-existing banking relationship with certain Directors. However, none of them could offer acceptable terms for acting as underwriter for a rights issue or an open offer of the Company given its loss making position in the last two financial years and small operating scale.

At the time the Company approached it, the Placing Agent advised, after taking into account i) the Placing will be conditional on completion of the Subscription; ii) the background of the Subscriber and the Jinchuan Group; and iii) the then sufficient price discount to provide a reasonable return to and to compensate risks assumed by investors, that it was confident to complete the Placing at the same time as completion of the Subscription.

The Company had also considered the possibility of debt financing. Given the fact that the Company had negative cash flows for operating activities for the last two consecutive financial years and that the Company has inadequate tangible assets to serve as collateral for debt financing, it was considered not a feasible option to explore further.

The Subscriber has both the financial resources (for the Subscription) and also the industrial knowledge and expertise of the mining and mineral resources sector (which it is the strategy of the Company to diversify into) so it is considered a good match to satisfy both needs of the Company at the same time.

Having taken into account of the above, the Directors have first considered and explored alternative methods to offer shares to existing shareholders but noted that these alternative methods were not feasible. Taking into consideration that the Subscription with the Placing was the feasible method of fund raising the completion of which will be subject to Shareholders' approval and in light of the reasons for the Subscription and the Placing stated above, the Directors consider that the Subscription and the Placing is fair and reasonable and in the interest of the Company's shareholders as a whole.

The Company has started to contact the Subscriber in relation to the Subscription in early July 2010. During the negotiations with the Subscriber, the Subscription Price in discussion was hindered by historical Share trading price from 2009 to 30 June 2010 and the latest fund raising activity of the Company. During the aforesaid period, the Shares were traded within the range of HK\$0.14 to HK\$0.59. As disclosed in the section headed "Fund Raising Activities During The Past Twelve Months" in this circular, the latest issue price for consideration shares announced on 28 June 2010 was the same as the Subscription Price. Therefore, HK\$0.28 was adopted as the Subscription Price.

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## LETTER FROM THE BOARD

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### Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and Placing Shares.

**If the Whitewash Waiver is not obtained or any of the conditions precedent to the completion of the Subscription or to the completion of the Placing is not satisfied or (if applicable) waived, the Subscription and/or the Placing will lapse and will not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or other securities of the Company.**

### EGM

The EGM will be held to consider, and if thought fit, pass the resolutions to approve, among other things, (i) the Subscription Agreement and the transactions contemplated thereunder; (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the Whitewash Waiver; and (iv) the granting of the Specific Mandate. The Subscriber, its ultimate beneficial owner and parties acting in concert with any of them do not hold any Shares or other securities in the Company and accordingly will not vote on any of the resolutions. Only Shareholders who do not have a material interest or who are not involved in or interested in the Subscription, the Placing and Whitewash Waiver will vote on the aforesaid resolutions.

VC Capital, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Subscription and the Whitewash Waiver.

The Independent Board Committee comprising Mr. Zhou Jin Song, Mr. Sun Tong and Mr. Yen Yuen Ho, Tony, all being the independent non-executive Directors and Mr. Guo Rui, being a non-executive Director, formed to consider the terms of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash waiver.

On a poll, votes may be given either personally or by proxy and every Shareholder present in person or by proxy shall have one vote for every fully paid Share of which he is the holder.

A notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's branch share registrar and transfer office in Hong Kong, Hong Kong Registrars Limited at Room 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee and the letter from VC Capital, which has been appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Subscription and the Whitewash Waiver.

The Independent Board Committee, having taken into account the advice of VC Capital, considers that the terms of the Subscription and the transactions contemplated thereunder and the Whitewash Waiver are fair and reasonable and entering into such transactions is in the interests of the Company and its Shareholders as a whole, and recommends that the Independent Shareholders should vote in favour of the relevant resolutions to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board  
**MACAU INVESTMENT HOLDINGS LIMITED**  
**Deng Wen**  
*Chairman*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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MACAU INVESTMENT  
HOLDINGS LIMITED

**MACAU INVESTMENT HOLDINGS LIMITED**

**澳門投資控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 2362)

29 October 2010

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) SUBSCRIPTION FOR NEW SHARES  
(2) PLACING OF NEW SHARES;  
(3) WHITEWASH WAIVER;  
(4) PROPOSED GRANT OF SPECIFIC MANDATE;  
AND  
(5) NOTICE OF EGM**

We have been appointed as the Independent Board Committee to advise you in connection with the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, details of which are set out in the Letter from the Board in the circular to Shareholders dated 29 October 2010 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the Letter from the Board and the letter from VC Capital as set out on pages 5 to 21 and pages 23 to 42 respectively of this circular. Having considered the principal factors and reasons considered by the VC Capital and its advice as set out in its letter of advice, we are of the opinion that the terms of the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver are fair and reasonable in so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend that you vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,  
The Independent Board Committee of

**Mr. Zhou Jin Song, Mr. Sun Tong  
and Mr. Yen Yuen Ho, Tony**  
*Independent non-executive Directors*

**Mr. Guo Rui**  
*Non-executive Director*

\* For identification purpose only



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from VC Capital Limited prepared for incorporation in this circular.*



29 October, 2010

*To the Independent Board Committee and  
the Independent Shareholders of  
Macau Investment Holdings Limited*

Dear Sir or Madam,

### **SUBSCRIPTION FOR NEW SHARES AND WHITEWASH WAIVER**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser, which has been approved by the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders on the terms of the Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board as contained in the circular of the Company dated 29 October 2010 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As stated in the announcement of the Company dated 24 August 2010 (the “**Announcement**”), on 14 August 2010, the Company entered into the Subscription Agreement with the Subscriber, whereby the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue and allot, on the Subscription Completion Date such number of Shares equal to US\$60,000,000 (being the total consideration under the Subscription Agreement) divided by HK\$0.28 (being the Subscription Price per Share). Based on the exchange rate as stated in the Circular, 1,667,142,857 Shares will be subscribed by the Subscriber.

As at the Latest Practicable Date, the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them did not hold any Shares. Upon completion of the Subscription Agreement, the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them will in aggregate hold approximately 1,667,142,857 Shares, representing approximately 72.1% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscriber and parties acting in concert with it would incur an obligation pursuant to Rule 26 of the Takeovers Code to make a mandatory general offer to the Shareholders to acquire all the Shares other than those held or agreed to be acquired by the Subscriber and parties acting in concert with it. The Subscriber has made an application to the Executive for the Whitewash Waiver. The Executive has indicated that the Whitewash Waiver would be granted, subject to, among other things, approval by the Independent Shareholders at the EGM voting by way of poll whereby (i) the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them and its associates; (ii) persons who are prohibited to vote in respect of the Subscription Agreement under the Listing Rules; and (iii) those who are involved in or interested in the Subscription and the Whitewash Waiver shall abstain from voting.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee, comprising Mr. Zhou Jin Song, Mr. Sun Tong, Mr. Yen Yuen Ho, Tony, being all the independent non-executive Directors, and Mr. Guo Rui, being the only non-executive Director, has been formed to advise the Independent Shareholders on the terms of the Subscription Agreement and the Whitewash Waiver.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to whether the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and whether the Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole.

VC Capital Limited (“**VC Capital**”) is not associated with the Company and its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, is considered eligible to give independent advice on the terms of the Subscription Agreement and the Whitewash Waiver. Apart from normal professional fees payable to us in connection with this engagement, no arrangement exists whereby VC Capital will receive any fees or benefits from the Company or its substantial Shareholders or any party acting, or presumed to be acting, in concert with any of them.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the information and facts supplied and the opinions expressed by the executive Directors and the senior management of the Group. We have also assumed that the information and representations contained or referred to in the Circular were true and accurate at the time they were prepared or made and will continue to be so up to the date of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations made to us by the executive Directors and senior management of the Group. We have also been advised by the executive Directors that no material facts have been omitted from the Circular and the information provided to us.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information supplied.

All the executive Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and that there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In considering whether the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and whether the Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole, we have taken into account the following principal factors and reasons:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### I. REASONS FOR THE SUBSCRIPTION

#### 1. Industry overview of the Group's cosmetics and beauty business

The Group is principally engaged in the manufacturing and trading of cosmetic and related products and the provision of beauty technical and training services. The Group is also engaged in property development and investment through its approximately 26.6% interest in LCF Macau Co-Investor L.P. (the “**LCF Partnership**”) (which, in turn, held a 4.61% equity interest in Macau real estate development company which had an interest in a piece of land situated at Baia de Nossa Senhora da Esperanca, Macau as at the Latest Practicable Date), and its approximately 16.49% interest in PKV (which held a piece of bare land located at Baia de Praia Grande (Nam Van Lakes District), Macau for residential development purposes as at the Latest Practicable Date). The cosmetics and beauty business of the Group, which operates in the PRC and Hong Kong, was the only income stream of the Group as at the Latest Practicable Date.

The increasing rate of urbanization and continuous growth of urban household disposable income have improved the living standards in the PRC, leading to a greater demand for consumer and luxury products, including cosmetics and beauty spas. According to the National Bureau of Statistics of China, consumer spending on cosmetics in the PRC, as calculated by the total value of retail sales of cosmetics, had grown at a compound annual growth rate (“**CAGR**”) of 21.2% from approximately RMB33.5 billion in 2005 to approximately RMB59.7 billion in 2008. During the same period, the Hong Kong economy has also been experiencing steady growth. According to the Census and Statistics Department of Hong Kong, consumer spending on medicines and cosmetics in Hong Kong, as measured by the total value of retail sales of medicines and cosmetics, grew moderately at a CAGR of 8.6% from approximately HK\$14.9 billion in 2005 to approximately HK\$20.8 billion in 2009.

After experiencing a growth in consumer spending on cosmetics and related products in the PRC and Hong Kong, the consumer market including the cosmetic industry was hit by the global financial tsunami and became stagnant for about a year from around September 2008. According to the Census and Statistics Department of Hong Kong, the year-on-year growth rate in monthly total retail sales in Hong Kong narrowed from 10.3% to 7.1% from August 2008 to September 2008, and had been on a decreasing trend since then, recording a negative figure of 12.7% in February 2009. The negative position maintained but improved in subsequent months, which reduced to 0.1% in August 2009, and turned around to a positive position of 2.6% in September 2009, reaching 16.1% and 15.3% in December 2009 and June 2010 respectively. The pick-up in the PRC consumer market was quicker. According to the National Bureau of Statistics of China, the year-on-year growth rate in monthly total retail sales in the PRC slowed down from 23.2% to 11.6% from September 2008 to February 2009, but was back to an increasing trend since March 2009 and reached 17.5% in December 2009.

The cosmetics and beauty industry in the PRC and in Hong Kong is highly competitive, characterised by numerous players in the market given the low barrier of entry, thereby making it challenging for any individual cosmetic business to excel in, and sustain growth in, its business even in the midst of a recovery in the overall economy since the second quarter of 2009.

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### 2. Existing operations and financial performance of the Group

The table below summarises the financial information extracted from the annual report of the Company for the two years ended 31 December 2009, and from its interim report for the six months ended 30 June 2010:

	<b>Year ended 31 December 2008</b>	<b>Year ended 31 December 2009</b>	<b>Six months ended 30 June 2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)
Revenue	138,079	151,441	67,784
(Loss)/profit for the year/period from continuing operations	(261,956)	(10,317)	518
(Loss)/profit for the year/period from a discontinued operation	(5,079)	4	–
(Loss)/profit for the year/period	(267,035)	(10,313)	518
Total assets	655,669	642,970	665,175
Total liabilities	74,416	70,926	74,607
Minority interests	(320)	(818)	(818)
Equity attributable to owners of the parent	581,573	572,862	591,386

The Group's continuing operations comprise of its cosmetics and beauty business and its interest in the business of property investment and development through its investment in the LCF Partnership and PKV.

#### *Cosmetics and beauty business*

The Group's revenue was entirely attributable to its cosmetics and beauty business and was mainly derived from CMM International Group Limited and its subsidiaries (together, the "**CMM International Group**"), its cosmetics and beauty business arm. The Group recorded revenue of approximately HK\$151.4 million but a net loss of approximately HK\$10.3 million for the year ended 31 December 2009. For the six months ended 30 June 2010, it managed to record a small profit of approximately HK\$0.5 million with the global economic recovery, coupled by the Group's development of new products and expansion of its branded product lines.

In considering the performance of the Group, which comprises solely of its cosmetics and beauty business in terms of contribution, we have considered its return on equity with the return on equity of the following companies (the "**Comparable Companies**") listed on the Stock Exchange which are selected based on the following criteria: (i) such companies are mainly engaged in the cosmetics and beauty business; and (ii) such companies derive over 50% of its revenue from mainland China and Hong Kong. The list of Comparable Companies is an exhaustive list of companies identified by us based on the aforesaid criteria through our research of publicly available information. We consider the Comparable Companies as

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an appropriate selection on the basis that: (i) the Group's cosmetics and beauty business contributed approximately 90.0% and 95.7% of its revenue for each of the years ended 31 December 2007 and 2008, with the remaining revenue contributed by its operations of financial public relation and advertising services (the "**Discontinued Operations**"), and after the Group disposed of the Discontinued Operations in 2008, the Group's cosmetics and beauty business was its only income contributor for the year ended 31 December 2009; and (ii) the Group also derived over 50% of its revenue of its cosmetics and beauty business from mainland China and Hong Kong for each of the years ended 31 December 2007, 2008 and 2009. We have included all the Comparable Companies which match the aforesaid criteria, irrespective of the individual company's market capitalisation and/or profit level, as our point of consideration is the return on equity of companies in the cosmetics and beauty industry.

**Table 1: The Comparable Companies**

Company and stock code	Business(es)	Market capitalisation (as at the Latest Practicable Date) (HK\$ mln) (Note 1)	Geographical segmentation of revenue as recorded in the latest annual report (%)	Net profit (or gross profit in the case of net loss) as recorded in the latest annual report (HK\$'000)	Equity (HK\$'000)	Return on equity (%) (Note 2)	
BaWang International (Group) Holding Ltd. (1338) (Note 3)	Design, manufacture and market Chinese herbal shampoo and hair-care products under the (Bawang) brand, skin-care products and other products such as toothpaste and shower gels	9,421.3	China Others	95.5 4.5	413,565	2,225,751	18.6
Sa Sa International Holdings Ltd. (178)	Retailing and wholesaling of a wide range of cosmetic brand products	10,165.5	HK and Macau China Others	82.6 1.7 15.7	381,095	1,195,870	31.9
Bonjour Holdings Ltd. (653)	Retailing and wholesaling of beauty and health-care products and the operation of beauty and health salons in Hong Kong and Macau	4,068.6	HK Macau China	93.8 6.1 0.1	160,249	325,212	49.3
Natural Beauty Bio-Tech-nology Ltd. (157)	Manufacture and sale of skin care, beauty and aromatherapeutic products and provision of skin treatments, beauty and spa services and skin care consulting and beauty training	4,284.5	China Taiwan Others	73.5 24.6 1.9	149,636	809,691	18.5

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Company and stock code	Business(es)	Market capitalisation (as at the Latest Practicable Date) (HK\$ mln) (Note 1)	Geographical segmentation of revenue as recorded in the latest annual report (%)	Net profit (or gross profit in the case of net loss) as recorded in the latest annual report (HK\$'000)	Equity (HK\$'000)	Return on equity (%) (Note 2)	
Water Oasis Group Limited (1161)	Distribution of branded skin-care products, and operation of retail outlets, spa centres and internet portal in Hong Kong, Taiwan, Macau and the PRC	954.9	HK and Macau China Taiwan Singapore	42.5 51.9 4.6 1.0	80,991	175,975	46.0
Global Green Tech Group Ltd. (274)	Manufacturing and sale of household products, industrial products, cosmetics and skincare products and bio-technology products with medical applications, provision of investments services	576.2	China HK	66.7 33.3	49,886	3,056,845	1.6
Blu Spa Holdings Limited (now renamed China AU Group Holdings Limited) (8176)	Development, promotion and distribution of a broad range of botanical personal care products and provider of therapy services	255.1	China HK	96.8 3.2	27,113	187,865	14.4
B.A.L. Holdings Ltd. (8079)	Provision of beauty services and clinical services, sales of beauty products, properties and securities investment and investment holding	55.6	HK Macau China	73.5 12.0 14.5	135,429 (Note 4)	133,434	101.5
					<b>Maximum</b>	101.5	
					<b>Minimum</b>	1.6	
					<b>Average (Note 4)</b>	25.8	
					<b>Median (Note 4)</b>	18.6	
The Company (2362)		966.5	China HK	67.2 32.8	95,057	591,386	16.1

*Notes:*

- Market capitalisation is calculated based on the closing price of the respective companies as at the Latest Practicable Date and the number of issued shares of the respective companies as stated in their respective latest monthly returns filed with the Stock Exchange.
- Return on equity is calculated based on the net profit/gross profit extracted from the respective companies' latest annual reports prior to the Latest Practicable Date and the equity extracted from their latest annual/interim reports published prior to the Latest Practicable Date. Net profit/gross profit and equity does not include the portion attributable to minority interest.

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3. Net profit and return on equity of BaWang International (Group) Holding Ltd. are denominated in Renminbi, which have been translated into Hong Kong dollars based on an exchange rate of RMB0.8805 = HK\$1.00 for illustration purpose only.
4. The gross profit of B.A.L. Holdings Ltd. is for 17 months ended 31 March 2010 (the company recorded a net loss during the period). As the gross profit is for a longer period than the usual 12 months as with the other Comparable Companies, B.A.L. Holdings Ltd. is excluded when considering the average and median return on equity.

As illustrated in Table 1 above, the Group's cosmetics and beauty business is lackluster relative to its peers, yielding a lower-than-average return on equity when compared with the Comparable Companies.

### *Property investment and development*

The Group's business in property investment and development is held through its approximately 26.6% interest in the LCF Partnership (which, in turn, held a 4.61% equity interest in Macau real estate development company which had an interest in a piece of land situated at Baia de Nossa Senhora da Esperanca, Macau as at the Latest Practicable Date), and its approximately 16.49% interest in PKV (which held a piece of bare land located at Baia de Praia Grande (Nam Van Lakes District), Macau for residential development purposes as at the Latest Practicable Date). The Company therefore has no control over the operations and decisions of its property investment and development business. Moreover, such business has not been able to make any contribution to the Group's results and is expected to require substantial time and resources in development before it would make any contribution to the Group's revenue. As stated in the Company's interim report for the six months ended 30 June 2010, the Company was endeavouring to enable the commencement of the foundation work of one of the property development projects, but as understood with the Directors, there has been no progress on such front as at the Latest Practicable Date.

### **3. Industry overview of the nickel, cobalt and copper mining sector**

#### *Nickel*

Nickel is resistant to corrosion and is therefore an important catalyst in various industrial processes, finding its uses in plating, manufacture of coins and household utensils and applications in buildings and infrastructure. Global demand for nickel has been steady and nickel demand in developing countries, in particular Asian countries, has been relatively large and is expected to continue to be so due to their ongoing industrialisation and modernisation of infrastructure. According to the Australian Bureau of Agricultural and Resource Economics–Bureau of Rural Sciences (“**ABARE-BRS**”) of the Australian Government, over the medium term, global nickel consumption is projected to grow steadily, by around 4% a year, to reach 1.53 million tonnes in 2014. Growth in industrial production in many emerging economies is expected to drive significant increases in nickel consumption to 2014. Stronger economic growth during this period is expected to result in increasing construction and consumption activity, driving demand for stainless steel, and therefore, nickel. In addition, increased demand for nickel in new types of batteries is expected to create a new market for nickel. Demand for nickel-metal-hydride batteries is increasing as hybrid cars become more popular and cost-competitive. In addition, a variety of electronics

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applications such as mobile phones use nickel-metal-hydrate batteries because of their superior recharge properties. Increased purchases of both electronic consumer goods and energy efficient motor vehicles, as a result of increases in real incomes, are expected to create a larger market for these batteries.

The steady global demand for nickel could be reflected in its price. According to the nickel price quoted on the London Metals Exchange (the “LME”), a leading non-ferrous metals market which offers a range of futures and options contracts for non-ferrous & minor metals, steel and plastics, the nickel price was USD23,230 per metric tonne as at 26 October 2010, representing a year-on-year growth of approximately 25.0%. From 2001 to 2009, nickel price grew at CAGR of approximately 15.4%.

### *Cobalt*

Cobalt is a hard, lustrous, silver-grey, ferromagnetic metal. Almost half of global cobalt consumption is used to produce ‘superalloys’ which are used mainly in aircraft gas turbine engines. Other major uses include cemented carbides for cutting and wear-resistant applications, corrosion and wear resistant alloys and high speed steels, fabrication of magnets and magnetic recording media, ceramic coatings, pigments, lithium battery electrodes and catalysts for the petroleum and chemical industries. According to Queensland Government Mining Journal (Spring 2008), a quarterly mining journal published by the Department of Employment, Economic Development and Innovation of the Queensland Government, Australia, which provides such information as government initiatives, policy and legislation, major developments and industry trends of the mining sector, global cobalt production and consumption had tripled from 20,000 tonnes per annum in 1995 to nearly 60,000 tonnes per annum in 2007. Increasing environmental awareness also led to the increase in the use of cobalt in rechargeable batteries, which was forecast to continue and driven by increased battery production for hybrid vehicles. Demand in cobalt has also been driven by the construction and industrial boom in the PRC. According to the National Bureau of Statistics of China, total investment in construction in the PRC grew at a CAGR of approximately 23.8% from approximately RMB21,227.5 billion in 2004 to approximately RMB49,844.1 billion in 2008; and gross industrial output value of the PRC grew at a CAGR of approximately 25.9% from approximately RMB20,172.2 billion in 2004 to approximately RMB 50,744.8 billion in 2008.

Cobalt price had increased by approximately 3.3% from its lowest price as quoted on the LME of USD37,475 per metric tonne on 16 July 2010 to USD38,700 per metric tonne as at 26 October 2010, and had reached a high of USD43,300 per metric tonne (representing an increase of approximately 15.5% over the aforesaid lowest cobalt price) on 14 September 2010 since public trading on the LME commenced on 19 May 2010.



*Copper*

Copper has superior electrical conductivity and thus is extensively used in electronics and as electrical wiring. It is also ductile and is resistant to corrosion, therefore finding many applications in construction, from plumbing to shipbuilding. According to ABARE-BRS, global growth in copper consumption is expected to gradually increase over the period to 2013-14 as world economic growth begins to recover towards the end of 2009 and early 2010. Growth in copper consumption over the outlook period is projected to mainly come from the PRC and other developing nations undergoing industrialisation and urbanisation in recent years. In the PRC alone, it is estimated that around half of its copper consumption is used in the power industry, with increased construction activity and expansions to generating capacity expecting to support China's copper consumption over the outlook period.

With the wide application of the minerals as set out above, and the steady growth in global demand for such mineral resources with ongoing industrialisation and urbanisation, as reflected in the increase in price in certain cases, we consider that the mining and mineral resources business of nickel, cobalt and copper presents reasonable potential.

**4. The Company's intention to diversify and the Jinchuan Group**

As stated in the letter from the Board in the Circular, in order to improve the overall financial performance of the Company, the Directors have been reviewing its existing businesses and striving to improve the business operations and financial position of the Group by proactively seeking potential investment opportunities that could diversify its existing business portfolio and broaden its source of income, and enhance value to its Shareholders. To this end, the Directors have been exploring business opportunities in the mining and mineral resources sector and it has been the Company's strategic intention for some time to diversify its business into this sector. On the other hand, it is the Subscriber's intention to operate the Company as a flagship for undertaking overseas operations in the exploration and exploitation of mining assets and related trading. The Subscription represents a marriage of two partners which have the same intention of developing and furthering its business in the mining and mineral resources sector.

The existing Board does not have the expertise in the mining and mineral resources business. On the other hand, according to the website of Ministry of Commerce of the PRC, the Jinchuan Group is a state-owned mining company principally engaged in the production of nickel, copper, cobalt and platinum and the processing of non-ferrous metals. With the Jinchuan Group's state-ownership background, experience and expertise in the mining and mineral resources sector, the Subscriber and the Jinchuan Group could help the Group find and assess opportunities for investment in the mining and mineral resources sector, to undertake feasibility studies of identified opportunities, to assess the quality and potential of identified assets and/or businesses, to find suitable management personnel to manage future investments in the sector and to establish appropriate remuneration package for the hiring of management personnel.

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In addition, whilst the Company would not be able to draw up any concrete plans or enter into any understanding or agreement in relation to its development into the mining and mineral resources sector at this stage, until the entry of the Jinchuan Group and the availability of financial resources upon completion of the Subscription, we consider that the Subscription would bring in the following longer-term intangible benefits to the Group:

- (i) an improvement in the Group's standing with its association with a state-owned enterprise;
- (ii) access to the Jinchuan Group's technical expertise as and when required;
- (iii) the ability to command the attention of potential targets in the mining and mineral resources industry with the backing of the Jinchuan Group, which is also in the same industry; and
- (iv) the ability to command the attention of potential targets with the substantial amount of cash that would have already been raised through the Subscription, which will be available to be invested as soon as the terms are agreed.

Therefore, having considered that:

- (i) the existing businesses of the Group have been lackluster, recording a loss for the last two financial years and only managing to record a slim profit for the six months ended 30 June 2010;
- (ii) the Group's cosmetics and beauty business is yielding a lower-than-average return on equity when compared with its peers;
- (iii) the Company has no control over the operations and decisions of its property investment and development business, which has not been able to make any contribution to the Group's results;
- (iv) even if it had, such business is expected to require substantial time and resources for development before it would make any contribution to the Group's revenue;
- (v) the mining and mineral resources business of nickel, cobalt and copper, being a sector that the Directors have been looking into, presents reasonable potential, considering the wide application of such mineral resources and the steady increase in global demand, as reflected in the price increase in certain cases;
- (vi) the Subscription is part and parcel of a transaction involving the introduction of the Subscriber as a controlling Shareholder, that would enable the Group to leverage on the background, experience and expertise of the Jinchuan Group to diversify into the mining and mineral resources sector, which is in line with the strategy of the Group in the pursuit of future investment opportunities; and

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- (vii) the Subscription also represents a good opportunity for the Group to raise a significant amount of working capital to strengthen its equity base for pursuing future investment opportunities, including for the implementation of the Group's strategy in diversifying into the mining and mineral resources sector,

we consider that the Subscription is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company as a whole.

## II. THE SUBSCRIPTION PRICE

### Subscription Price vs. the Share price trend

We understand that the Subscription Price was arrived at after arm's length negotiation between the Company and the Subscriber with reference to the share price prevailing at the time of the negotiation and the financial position of the Group, taking into account also the historical trading price and fund-raising activities of the Company in the past twelve months prior to the date of the Subscription Agreement. The Subscription Price of HK\$0.28 per Subscription Share represents:

- (a) a discount of approximately 63.2% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 62.2% to the average closing price of approximately HK\$0.74 per Share for the last five trading days up to and including the Last Trading Day;
- (c) a discount of approximately 57.6% to the average closing price of approximately HK\$0.66 per Share for the last ten trading days up to and including the Last Trading Day;
- (d) a discount of approximately 50.0% to the average closing price of approximately HK\$0.56 per Share for the last 30 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 31.0% to the average closing price of approximately HK\$0.406 per Share for the last six months prior to and including the Last Trading Day;
- (f) a discount of approximately 22.4% to the average closing price of approximately HK\$0.361 per Share for the last twelve months prior to and including the Last Trading Day; and
- (g) a premium of approximately 2.9% to the average closing price of approximately HK\$0.272 per Share for 2009.

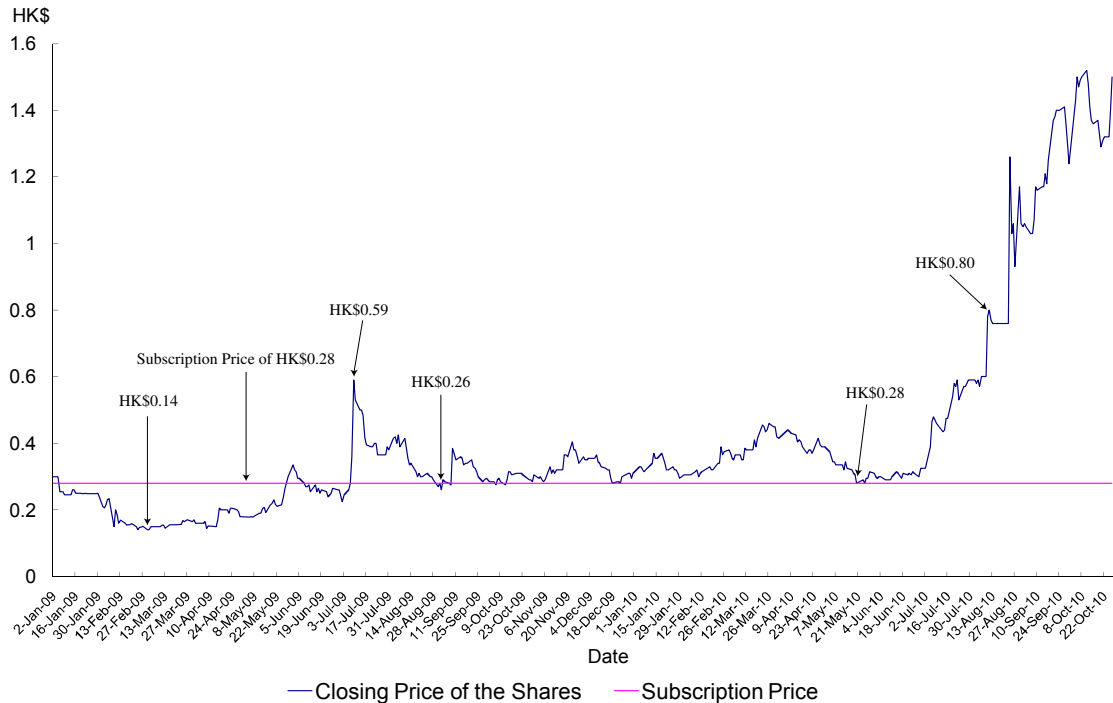
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The Subscription Price also represents a discount of approximately 81.3% to the closing price of HK\$1.50 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

We set out below the historical closing price per Share from 2 January 2009 up to and including the Latest Practicable Date.



During the period from 2 January 2009 to 31 December 2009, the closing price of the Shares ranged from HK\$0.14 per Share to HK\$0.59 per Share and the average closing price was approximately HK\$0.272. During the period of 12 months up to and including the Last Trading Day, the closing price of the Shares ranged from HK\$0.26 per Share to HK\$0.80 per Share and the average closing price was approximately HK\$0.361. During the period of six months up to and including the Last Trading Day, the closing price of the Shares ranged from HK\$0.28 per Share to HK\$0.80 per Share and the average closing price was approximately HK\$0.406. Shares traded at a closing price within the range from HK\$0.14 to HK\$0.59 until 28 June 2010, when the Share price started to go up after the release of the announcement relating to the acquisition of an additional equity interest in PKV which involved the issue of new Shares. Share price increased from HK\$0.30 to HK\$0.60 from 28 June 2010 to 9 August 2010, and surged further by approximately 30% to HK\$0.78 on 10 August 2010.

As illustrated above, the Share price has been trading at a steady range of between HK\$0.14 and HK\$0.59 for over a year prior to 28 June 2010. We have reviewed the announcements of the Company published on the website of the Stock Exchange since 28 June 2010 up to the date of the Subscription Agreement and note that apart from the announcements dated 20 July 2010 and 6 August 2010 relating to the appointment of executive Directors, change of company secretary, chairman and certain personnel of the Company, and the announcement dated 22 July 2010 relating to the granting of options, there was no announcement relating to any price sensitive information

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of the Company, except that the Company was in negotiation regarding a proposed subscription of new shares of the Company by an independent third party, being the Subscription, as disclosed in the announcement dated 10 August 2010. We are therefore of the view that there is no evidence to support the view that the substantial increase in Share price since late June 2010 was backed by any actual improvement in the financial performance or position of the Group.

We also note that in two previous fund-raising exercises of the Company, which occurred in 2010, the Company has issued/placed Shares at a price which is either below or the same as the Subscription Price. In the first fund-raising exercise as announced by the Company on 4 February 2010 and 11 February 2010, the Company placed up to 97,000,000 new Shares at a price of HK\$0.25 per placing Share, to which the Subscription Price represents a premium of approximately 12.0%. In the second fund-raising exercise of the Company as announced on 28 June 2010 and 9 July 2010, the Company issued an aggregate of 61,500,000 consideration Shares at HK\$0.28 per Share for a further 2.8% equity interest in PKV. The Subscription Price is the same as such consideration per Share then.

We understand from the Directors that the Company had started to contact the Subscriber in relation to the Subscription in early July 2010. During the negotiations with the Subscriber, the Subscription Price in discussion was hindered by historical Share price from 2009 to 30 June 2010 and the latest fund-raising activities of the Company. Having considered this and the fact that: (i) the Share price has been trading at a steady range of between HK\$0.14 and HK\$0.59 from 1 January 2009 to 28 June 2010; and (ii) as discussed above, we are unable to find any evidence to support the view that the substantial increase in Share price since late June 2010 was backed by any actual improvement in the financial performance or position of the Group, we consider it appropriate not only to compare the Subscription Price with recent average closing prices of the Shares, but also to consider the discount of the Subscription Price with the 6-month average closing price and the 12-month average closing price up to the Last Trading Day and the average closing price per Share for 2009.

Given that:

- (i) the Subscription Price represents a deep discount to the market price only if we compare it against the average Share price for very recent periods, such as 30-trading-day or shorter periods;
- (ii) there is no actual improvement in the financial performance or position of the Group to support the recent substantial increase in the Share price;
- (iii) the Subscription Price only represents a discount of 22.4% to the average closing price of approximately HK\$0.361 per Share for the last twelve months prior to and including the Last Trading Day, and a premium of approximately 2.9% to the average closing price of approximately HK\$0.272 per Share for 2009; and
- (iv) the Subscription Price is the same as or is at a premium to the placing/issue price per Share in two fund-raising activities of the Company conducted in 2010,

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we are of the view that, taking the Subscription as a whole, the Subscription Price is acceptable.

We have also considered whether it is appropriate to compare the Subscription Price with the net asset value per Share. We note that the Group basically generates revenue from the manufacturing and trading of cosmetic and related products, and the provision of beauty technical and tutoring services, whilst net asset value is more commonly used in the valuation of companies in businesses of a more capital intensive nature, such as real estate companies or financial institutions. We also note that the Share price has been trading consistently well below its net asset value (of approximately HK\$1.20 as at 31 December 2008 and approximately HK\$1.18 as at 31 December 2009), which reflects that the market has not been attaching much importance to the net asset value in the valuation of the Group. As such, we consider that comparison of the Subscription Price with the net asset value per Share will not be appropriate.

### III. OTHER FUND-RAISING ALTERNATIVES

The Directors have considered alternative means of fund-raising, such as equity financing by way of a rights issue or an open offer, or debt financing by way of bank borrowings.

#### 1. Bank financing

The Directors believe that bank borrowings will attract a higher finance cost to the Group as the interest rate of bank financing (if and to the extent available) will not be attractive. In particular, taking into account the losses recorded for the two years ended 31 December 2009, the Directors believe that it would be difficult for the Group to obtain external financings on favorable terms. The Group, currently having no experience and expertise in the mining and mineral resources sector, would also find it difficult to obtain additional funding by bank borrowings if the Group wishes to diversify its business in this sector for future development.

#### 2. Rights issue or open offer

We understand that the Directors had initially discussed with certain major Shareholders regarding their views on fund-raising by way of a rights issue or an open offer, and noted their views that a rights issue or open offer may be more uncertain, in particular if the stock market becomes volatile, and securing underwriting arrangement for a rights issue or open offer could be comparatively more difficult and time consuming than the Subscription. Notwithstanding the above, as confirmed with the Directors, they have, subsequent to such discussion, used their best endeavors and exhausted all means to approach potential investment banks in Hong Kong to discuss the possibility of them acting as underwriters for a rights issue or an open offer. Three investment banks were approached by the Company based on their reputation, experience in fund-raising exercise and/or pre-existing banking relationship with certain Directors. However, none of them could offer acceptable terms for acting as underwriter for a rights issue or an open offer of the Company given its loss making position in the last two financial years and small operating scale.

The Directors do not consider that it is feasible to contact all investment banks in Hong Kong given the size of the financial services industry in Hong Kong as well as the business relationships of the Directors and the Company's management with investment banks in Hong Kong. Moreover,

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it would be difficult to maintain the confidentiality about the Group's fund-raising plans if it enters into discussions with a large number of investment banks on any potential rights issue or open offer. Nevertheless, the Directors consider that the feedback from the three investment banks that the Company has approached and selected on the underwriting of a proposed rights issue or open offer of the Company could represent a general view of the industry on the feasibility of such fund-raising activity by the Company, given their reputation and fund-raising experience.

It is acknowledged that fund-raising by way of a rights issue or an open offer would have afforded fairer treatment to existing Shareholders by offering new Shares on a pro rata basis, thereby avoiding a material dilution to the interests of the existing Shareholders in the Company. Nevertheless, the Subscription is part and parcel of a transaction involving the introduction of the Jinchuan Group and the prospects of a new business into the Group, without which it would have been difficult for the Group to raise net proceeds of a similarly significant amount as that from the Subscription, as illustrated in the exhaustion of all means by the Directors in securing underwriting arrangements for a rights issue or an open offer as mentioned above. Even had the Directors been able to secure underwriting arrangements for a rights issue or an open offer, the process of negotiating such arrangement could be time consuming and Shareholders' response to a rights issue or open offer may be uncertain, in particular if the stock market becomes volatile. Moreover, when compared to a placing, a rights issue or an open offer involves more procedures including allowance of notice period for book closure, issue of a prospectus and allowance of an offer period, which would normally take about one month or more to complete. This is approximately two or more weeks longer than the notice period required for, and the time of, the holding of an extraordinary general meeting of the Company in which ordinary resolutions for considering and, if thought fit, approving the Subscription are proposed, which generally takes around 14 days.

In view of the fact that:

- (i) the Subscription, which allows for the raising of a significant amount of working capital, and the introduction of the Jinchuan Group come hand-in-hand, which would not have been made possible had it been a fund-raising by way of a rights issue or an open offer on a standalone basis;
- (ii) the Directors had not been able to secure underwriting interests for a rights issue or an open offer on the basis of its existing businesses alone; and
- (iii) even if the Directors had been able to secure such underwriting arrangements, the additional time required for the Company to seek underwriters who could offer acceptable terms, and the time and procedures involved in a rights issue or an open offer, would have exposed the Company to greater market risks and increase the uncertainty in fund-raising,

we consider that the Subscription enables the Group to have better control over market and completion risks, is more cost-effective and time-efficient and is the most beneficial fund-raising method for the Company given the circumstances.

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### IV. FINANCIAL EFFECTS

#### 1. Earnings

As stated in the annual report, the Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$9.8 million for the year ended 31 December 2009. Save for the expenses relating to the Subscription, we are of the view that the Subscription is not expected to have any immediate material impact on the earnings of the Group.

#### 2. Working capital

As stated in the letter from the Board in the Circular, the net aggregate proceeds from the Subscription would be about HK\$456 million. As such, immediately after the Subscription, the cash level of the Group will be increased and hence, it is expected to have a positive effect on the working capital of the Group.

#### 3. Net asset value

As stated in the interim report of the Company for the six months ended 30 June 2010, the Group recorded net assets of approximately HK\$590.6 million as at 30 June 2010. The Company is expected to raise net aggregate proceeds of approximately HK\$456 million from the Subscription and its net assets value is expected to increase accordingly.

On the basis of 582,830,194 Shares in issue as at 30 June 2010, the net asset value per Share as at 30 June 2010 was approximately HK\$1.0 per Share. Assuming no new Shares other than the Subscription Shares will be issued before the completion of the Subscription but taking into account the 61,500,000 consideration Shares issued in July 2010, we note that there will be a substantial decrease in the net asset value per Share upon completion of the Subscription, with the issue of the Subscription Shares at a discount to the net asset value per Share. Nevertheless, in light of the need of new capital to be raised from the Subscription for seeking potential investment opportunities, we consider the decrease in the net asset value per Share justifiable.

#### 4. Gearing

Based on the information in the latest published interim report of the Company for the six months ended 30 June 2010, the gearing ratio of the Group (calculated as total borrowings of approximately HK\$22.6 million to the shareholders' fund of approximately HK\$590.6 million) was approximately 3.8% as at 30 June 2010. Upon completion of the Subscription, the gearing ratio of the Group is expected to improve substantially as a result of the increase in working capital of approximately HK\$456 million.

In view of the positive effect of the Subscription on the working capital, the net assets and the gearing of the Group, we consider that the Subscription is in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the above analyses are for illustrative purposes only and do not purport to represent the financial position of the Group upon completion of the Subscription.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### V. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Based on the exchange rate as stated in the Circular, a total of 1,667,142,857 Shares will be issued under the Subscription. The following table illustrates the effect of the Subscription on the Company's shareholding structure:

Shareholders of the Company	As at the Latest Practicable Date		Immediately after the issue of the Subscription Shares	
	Shares	% (approx.)	Shares	% (approx.)
Wei Jijun ( <i>Note 1</i> )	152,548,480	23.7%	152,548,480	6.6%
Cheng Ho Ming ( <i>Note 2</i> )	71,499,000	11.1%	71,499,000	3.1%
Ahn Heeseung ( <i>Note 3</i> )	77,381,361	12.0%	77,381,361	3.4%
The Subscriber and its concert parties ( <i>Note 4</i> )	–	–	1,667,142,857	72.1%
Other public Shareholders ( <i>Note 5</i> )	342,901,353	53.2%	342,901,353	14.8%
<b>Total</b>	<b>644,330,194</b>	<b>100.00%</b>	<b>2,311,473,051</b>	<b>100.0%</b>

*Notes:*

- The Shares are held by Sincere Daily Limited which is wholly owned by Mr. Wei Jijun. As stated in the letter from the Board in the Circular, Mr. Wei Jijun is not a party acting in concert with and is independent of the Subscriber and its concert parties.
- Ms. Cheng Ho Ming owns 70% of the issued share capital of Ambleside Associates Limited and Peakjoy Global Limited owns the remaining 30% of the issued share capital of Ambleside Associates Limited. Ms. Cheng Ho Ming wholly owns all the beneficial interest in Peakjoy Global Limited. Ms. Cheng Ho Ming is therefore deemed to have an interest in 71,499,000 Shares under the SFO. As stated in the letter from the Board in the Circular, Ms. Cheng Ho Ming is not a party acting in concert with and is independent of the Subscriber and its concert parties.
- The Shares are held by Nevin Investments Limited which is wholly owned by Mr. Ahn Heeseung. As stated in the letter from the Board in the Circular, Nevin Investments Limited is not a party acting in concert with and is independent of the Subscriber and its concert parties.
- The Shares are held by the Subscriber which is a company wholly owned by the Jinchuan Group.
- As stated in the Letter from the Board in the Circular, the Company is contemplating the issue of the Placing Shares to not less than six Placees who are Independent Third Parties at the same time when the Subscription Shares are issued and thereby resulting in the public float of at least 25% after the Subscription and the Placing as required under Rule 8.08 of the Listing Rules. It is a condition precedent of the Subscription Agreement that the public float requirement should not be breached by the Company as result of the Subscription, and that listing approval for the Subscription Shares should be obtained. Failure to secure such condition precedent would result in the Subscription not being completed.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As illustrated in the table above, the interest of the other public Shareholders will be diluted from approximately 53.2% to approximately 14.8% upon completion of the Subscription Agreement. Nevertheless, having considered that:

- (i) the Subscription is part and parcel of a transaction involving the introduction of the Subscriber into the Group that would enable the Group to leverage on the background, experience and expertise of the Subscriber and the Jinchuan Group and have the necessary financial resources to diversify into the mining and mineral resources sector, which is in line with the strategy of the Group in the pursuit of future investment opportunities;
- (ii) any alternative fund-raising means would not involve the introduction of the Subscriber and the Jinchuan Group into the Group, and hence the ensuing prospect of the Group venturing into the mining and mineral resources business;
- (iii) it would have been difficult for the Group to raise net proceeds of a similarly significant amount as that from the Subscription, whether by means of a rights issue or an open offer, on a standalone basis, as discussed in the section headed “Other fund-raising alternatives” above; and
- (iv) the overall positive impact on the Group’s liquidity and gearing position and its net assets base,

we consider such dilution is justifiable and the Subscription is in the interests of the Company and the Shareholders as a whole.

### WHITEWASH WAIVER

As at the Latest Practicable Date, the Subscriber, its ultimate beneficial owner and parties acting in concert with any of them did not hold any Shares. Upon completion of the Subscription Agreement, the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them will in aggregate hold approximately 1,667,142,857 Shares, representing approximately 72.1% of the issued share capital of the Company as enlarged by the Subscription Shares. The Subscriber and parties acting in concert with it would incur an obligation pursuant to Rule 26 of the Takeovers Code to make a mandatory general offer to the Shareholders to acquire all the Shares other than those held or agreed to be acquired by the Subscriber and parties acting in concert with it. The Subscriber has made an application to the Executive for the Whitewash Waiver. The Executive has indicated that the Whitewash Waiver would be granted, subject to, among other things, approval by the Independent Shareholders at the EGM voting by way of poll whereby (i) the Subscriber, its ultimate beneficial owners and parties acting in concert with any of them and its associates; (ii) persons who are prohibited to vote in respect of the Subscription Agreement under the Listing Rules; and (iii) those who are involved in or interested in the Subscription and the Whitewash Waiver shall abstain from voting.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Shareholders should be aware of the fact that the Subscription is conditional upon, amongst others, the granting of the Whitewash Waiver by the Executive and the passing of the relevant resolution by the Independent Shareholders at the EGM, and such condition cannot be waived. As such, the approval of the Whitewash Waiver by the Independent Shareholders is a pre-requisite for the Subscription to proceed and for the Company and its Shareholders to enjoy the benefits (albeit intangible) of the Subscription and the prospects of the Group in its participation in the mining and mineral resources sector, as stipulated above. Accordingly, we consider that it would be in the interests of the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Whitewash Waiver.

**Shareholders should note, nevertheless, that as the Subscriber and parties acting in concert with it will hold more than 50% of the voting rights of the Company upon completion of the Subscription, they may increase their holding in the future without incurring any further obligation to make a general offer under Rule 26 of the Takeovers Code.**

**Shareholders should also note that the Subscription is subject to the fulfillment of a number of conditions precedent, and may or may not proceed. Shareholders are reminded to exercise caution when dealing in the Shares.**

### RECOMMENDATION

It is noted that:

- (i) the Subscription involves the issue of new Shares to the Subscriber at a steep discount to the prevailing market price;
- (ii) the Subscription does not involve the offer of new Shares to existing Shareholders on a pro rata basis and would involve a material dilution to interests of existing Shareholders; and
- (iii) the Group has yet to formulate concrete plans as regards its development into the mining and mineral resources business upon the introduction of the Jinchuan Group into the Group after completion of the Subscription, and hence the concrete benefits of the Group's diversification into the mining and mineral resources sector cannot be ascertained at this stage.

Nevertheless, having considered that:

- (i) the existing businesses of the Group have been undistinguished, recording a loss for the last two financial years and a slim profit for the six months ended 30 June 2010, with a low return on equity of approximately 16.1%;
- (ii) the Group's involvement in the Macau property projects only takes the form of investment over which the Group has no control, and it is expected that such projects would require further substantial time and resources for development before they would make any contribution to the Group's revenue;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iii) the Subscription is part and parcel of a transaction involving the introduction of the Jinchuan Group into the Group and helps raise a significant amount of working capital, which would enable the Group to leverage on the background, experience and expertise of the Subscriber and the state-owned Jinchuan Group and have the necessary financial resources to diversify into the mining and mineral resources sector;
- (iv) the drawing up of any concrete plans as regards its development into the mining and mineral resources business by the Group is not possible at this stage and could only be done with the backing of the Jinchuan Group as a controlling Shareholder and the availability of financial resources upon completion of the Subscription, and yet it is anticipated that the Subscription could bring in other longer-term intangible benefits to the Group, such as an improvement in the Group's standing with its association with the state-owned Jinchuan Group, access to the Jinchuan Group's technical expertise as and when required, the ability to command the attention of potential targets in the mining and mineral resources industry with the backing of the Jinchuan Group and the substantial amount of cash that would have already been raised through the Subscription for investment;
- (v) without the Subscription, the Group would only be able to continue with its existing lackluster businesses and would have lost the opportunity to diversify into the mining and mineral resources sector, which presents reasonable potential, with the support and backing of the state-owned Jinchuan Group;
- (vi) the Subscription Price represents a steep discount only to the average market price for very recent periods (such as 30-trading-day or shorter periods), which has surged upwards without the backing of any actual improvement in the performance or position of the Group;
- (vii) on a standalone basis, it would have been difficult for the Group to raise net proceeds of a similarly significant amount as that which is expected to be raised from the issue of the Subscription Shares to the Subscriber, as demonstrated by the exhaustion of all means by the Directors in their earlier attempts in securing underwriter(s) for a rights issue or an open offer; and
- (viii) the Subscription has an overall positive impact on the Group's liquidity, gearing position and net assets base,

we consider that the terms of the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and that the Subscription and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Subscription Agreement and the Whitewash Waiver.

Yours faithfully,

For and on behalf of

**VC Capital Limited**

**Philip Chau**

*Managing Director*

**Felicia Hui**

*Director*

## 1. SUMMARY OF FINANCIAL INFORMATION

The following is the summary of the financial information of the Group for the three financial years ended 31 December 2009 and for the six months ended 30 June 2010.

The financial information of the Group for the three financial years ended 31 December 2009 was extracted from the Group's 2007/2008 and 2008/2009 annual report respectively. The financial information of the Group for the six months ended 30 June 2010 was extracted from the Group's 2009/2010 interim report.

The Financial statements for the year ended 31 December 2007 were audited by Ernst & Young, who resigned on 15 January 2009 for cost control purpose, and East Asia Sentinel Limited was then appointed to audit the Financial statements for the year ended 31 December 2008 and 2009.

No Qualified opinion was being given in the auditors' report in respect of the three financial years ended 31 December 2007, 2008 and 2009.

### RESULTS

	For the year ended 31 December			For the
	2007	2008	2009	6 months
	(audited)	(audited)	(audited)	ended
	HK\$'000	HK\$'000	HK\$'000	30 June
				2010
				(unaudited)
				HK\$'000
Revenue	<u>103,304</u>	<u>138,079</u>	<u>151,441</u>	<u>67,784</u>
Gain on early redemption of convertible bonds	–	119,522	–	–
Costs associated with equity-settled share options	(11,941)	(4,401)	–	–
Impairment of items of property, plant and equipment	(25,004)	–	–	–
Loss recognised on the remeasurement to fair value of prepaid land lease payments	(9,607)	–	–	–
Decrease in fair value of investment properties	(8,195)	–	–	–
Impairment of goodwill	(46,636)	(55,910)	–	–
Impairment of intangible assets	–	(39,999)	–	–
Impairment of associate	–	–	(2,283)	–
Loss on disposal of subsidiaries	–	(155,582)	–	–
Convertible bonds interest costs	(26,258)	(70,490)	–	–
Other finance costs	(962)	(1,051)	(1,128)	–
Share of loss of an associate	–	(17)	–	–
Profit/(loss) before taxation	<u>(163,915)</u>	<u>(259,374)</u>	<u>(9,462)</u>	<u>593</u>
Taxation	<u>(2,743)</u>	<u>(2,582)</u>	<u>(855)</u>	<u>(75)</u>
Profit/(loss) for the year/period	<u>(167,035)</u>	<u>(267,035)</u>	<u>(10,313)</u>	<u>518</u>
Attributable to:				
Equity holders of the Company	(167,019)	(266,666)	(9,815)	518
Minority Interest	(16)	(369)	(498)	–
	<u>(167,035)</u>	<u>(267,035)</u>	<u>(10,313)</u>	<u>518</u>
Dividends	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Dividends per share	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings/(loss) per share				
Basic and diluted	<u>HK\$(0.46)</u>	<u>HK\$(0.55)</u>	<u>HK\$(0.21)</u>	<u>HK\$0.09</u>

## ASSETS AND LIABILITIES AND MINORITY INTEREST

	As at 31 December			As at
	2007	2008	2009	30 June
	(audited)	(audited)	(audited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	2,492,299	655,669	642,970	665,175
Total liabilities	(1,264,045)	(74,416)	(70,926)	(74,607)
Minority interest	(67,347)	320	818	818
Net asset value	<u>1,160,907</u>	<u>581,573</u>	<u>572,862</u>	<u>591,386</u>

## 2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2009

Set out below are the audited consolidated financial statements of the Group for the year ended 31 December 2009 together with the comparative figures for the year ended 31 December 2008 and accompanying notes as extracted from the Group's annual report 2008/2009.

### Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	6	151,441	138,079
Cost of sales		(56,384)	(48,964)
Gross profit		95,057	89,115
Other income	6	8,090	5,646
Gain on early redemption of convertible bonds		–	119,522
Selling and distribution costs		(66,295)	(67,726)
Administrative expenses		(38,425)	(76,933)
Other operating expenses		(4,478)	(1,548)
Costs associated with equity-settled share options	36	–	(4,401)
Impairment of goodwill	17	–	(55,910)
Impairment of intangible assets	18	–	(39,999)
Impairment of associate	22	(2,283)	–
Loss on disposal of subsidiaries	39	–	(155,582)
Convertible bonds interest costs	31	–	(70,490)
Other finance costs	7	(1,128)	(1,051)
Share of loss of an associate		–	(17)
<b>LOSS BEFORE TAXATION</b>	8	(9,462)	(259,374)
Taxation	10	(855)	(2,582)
<b>LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>		(10,317)	(261,956)
<b>DISCONTINUED OPERATION</b>			
Gain/(Loss) for the year from a discontinued operation	12	4	(5,079)
<b>LOSS FOR THE YEAR</b>		(10,313)	(267,035)
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in fair value of available-for-sale financial assets		420	(1,439)
Exchange realignment		(687)	2,345
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(10,580)</u>	<u>(266,129)</u>

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Loss attributable to:			
Equity shareholders of the Company	11	(9,815)	(266,666)
Minority interests		(498)	(369)
		<u>(10,313)</u>	<u>(267,035)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	13		
Basic:			
For loss for the year		<u>HK\$0.21</u>	<u>HK\$0.55</u>
For loss from continuing operations		<u>HK\$0.21</u>	<u>HK\$0.54</u>
Diluted:			
For loss for the year		<u>N/A</u>	<u>N/A</u>
For loss from continuing operations		<u>N/A</u>	<u>N/A</u>



**Consolidated Statement of Financial Position***31 December 2009*

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	43,759	42,877
Prepaid land lease payments	15	5,446	6,182
Intangible assets	18	90,706	90,706
Available-for-sale financial assets	20	112,672	112,252
Interests in an associate	22	–	2,283
Long term deposits	24	1,291	1,130
		<hr/>	<hr/>
		253,874	255,430
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories	23	35,174	31,555
Trade receivables	24	12,197	12,649
Prepayments, deposits and other receivables	24	49,794	53,724
Available-for-sale financial assets	20	218,669	218,669
Equity investments at fair value through profit or loss	21	13,019	6,161
Amounts due from related parties	25	2,742	1,692
Pledged deposits	26	–	7,683
Cash and cash equivalents	26	57,501	65,287
		<hr/>	<hr/>
		389,096	397,420
Assets of a disposal group classified as held for sale	27	–	2,819
		<hr/>	<hr/>
		389,096	400,239
		<hr/>	<hr/>

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	28	12,796	9,244
Other payables and accruals	28	32,172	38,340
Interest-bearing bank borrowings	29	18,801	18,853
Amounts due to related parties	25	2,954	384
Tax payable		115	535
Finance lease payables	32	331	331
Amount due to minority shareholders of subsidiaries	33	600	600
		<u>67,769</u>	<u>68,287</u>
Liabilities directly associated with the assets classified as held for sale	27	–	2,723
		<u>67,769</u>	<u>71,010</u>
<b>NET CURRENT ASSETS</b>		<u>321,327</u>	<u>329,229</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>575,201</u>	<u>584,659</u>
<b>NON-CURRENT LIABILITIES</b>			
Provision for long service payments	30	507	425
Finance lease payables	32	828	1,159
Deferred tax liabilities	34	1,822	1,822
		<u>3,157</u>	<u>3,406</u>
<b>NET ASSETS</b>		<u><u>572,044</u></u>	<u><u>581,253</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	35	4,858	242,915
Reserves	37(a)	568,004	338,658
		<u>572,862</u>	<u>581,573</u>
Equity attributable to owners of the parent		572,862	581,573
Minority interests		(818)	(320)
<b>TOTAL EQUITY</b>		<u><u>572,044</u></u>	<u><u>581,253</u></u>

## Consolidated Statement of Changes in Equity

Year ended 31 December 2009

		Attributable to owners of the parent												
		Equity component				Available-for-sale financial assets			Exchange					
		Share capital	Share premium account	of convertible bonds	Warrant reserve	Share option reserve	revaluation reserve	Reserve funds	Contributed surplus	fluctuation reserve	Accumulated losses	Total	Minority interests	Total equity
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(note 35)	(note 35)	(note 31)			(note 37(a))	(note 37(a))						
	At 1 January 2008	242,915	586,516	404,298	45,640	13,177	1,815	7,321	73	11,973	(152,821)	1,160,907	67,347	1,228,254
<b>Comprehensive income</b>														
	Loss for the year	-	-	-	-	-	-	-	-	-	(266,666)	(266,666)	(369)	(267,035)
<b>Other comprehensive income</b>														
	Changes in fair value of available-for-sale financial assets	-	-	-	-	-	(1,439)	-	-	-	-	(1,439)	-	(1,439)
	Exchange realignment	-	-	-	-	-	-	-	-	2,345	-	2,345	-	2,345
	<b>Total comprehensive income</b>	-	-	-	-	-	(1,439)	-	-	2,345	(266,666)	(265,760)	(369)	(266,129)
<b>Transactions with owners</b>														
	Disposal of subsidiaries	39	-	-	-	-	-	-	-	-	-	-	(67,298)	(67,298)
	Equity-settled share option arrangements	36	-	-	-	4,401	-	-	-	-	-	4,401	-	4,401
	Transfer of share option reserve upon cancellation of unexercised options	36	-	-	-	(1,506)	-	-	-	-	1,506	-	-	-
	Redemption of the 2005 Convertible Bonds	31	-	-	(8,957)	-	-	-	-	-	8,957	-	-	-
	Early redemption of the 2007 Convertible Bonds	31	-	-	(395,341)	-	-	-	-	-	77,366	(317,975)	-	(317,975)
	<b>Total transactions with owners</b>	-	-	(404,298)	-	2,895	-	-	-	-	87,829	(313,574)	(67,298)	(380,872)
	At 31 December 2008	242,915	586,516*	-	45,640*	16,072*	376*	7,321*	73*	14,318*	(331,658)*	581,573	(320)	581,253

# APPENDIX I

# FINANCIAL INFORMATION OF THE GROUP

Attributable to owners of the parent													
Notes	Equity component of				Available-for-sale financial assets			Exchange			Minority interests	Total equity	
	Share capital	Share premium account	convertible bonds	Warrant reserve	Share option reserve	Share revaluation reserve	Reserve funds	Contributed surplus	fluctuation reserve	Accumulated losses			Total
	HK\$'000 (note 35)	HK\$'000 (note 35)	HK\$'000 (note 31)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note 37(a))	HK\$'000 (note 37(a))	HK\$'000	HK\$'000			HK\$'000
At 1 January 2009	242,915	586,516*	-	45,640*	16,072*	376*	7,321*	73*	14,318*	(331,658)*	581,573	(320)	581,253
<b>Comprehensive income</b>													
Loss for the year	-	-	-	-	-	-	-	-	-	(9,815)	(9,815)	(498)	(10,313)
Other comprehensive income													
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	420	-	-	-	-	420	-	420
Exchange realignment	-	-	-	-	-	-	-	-	684	-	684	-	684
<b>Total comprehensive income</b>	-	-	-	-	-	420	-	-	684	(9,815)	(8,711)	(498)	(9,209)
<b>Transactions with owners</b>													
Transfer of share option reserve upon cancellation of unexercised options	36	-	-	-	(16,072)	-	-	-	-	16,072	-	-	-
Transfer of Warrant reserve upon cancellation of Warrant	-	-	-	(45,640)	-	-	-	-	-	45,640	-	-	-
Transfer of Capital to setoff accumulated losses upon capital reduction	(238,057)	-	-	-	-	-	-	-	-	238,057	-	-	-
<b>Total transactions with owners</b>	(238,057)	-	-	(45,640)	(16,072)	-	-	-	-	299,769	-	-	-
At 31 December 2009	4,858	586,516*	-	-	-	796*	7,321*	73*	15,002*	(41,704)*	572,862	(818)	572,044

\* These reserve accounts comprise the consolidated reserves of HK\$568,004,000 (2008: HK\$338,658,000) in the consolidated statement of financial position.

**Consolidated Statement of Cash Flows***Year ended 31 December 2009*

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation:			
Loss from continuing operations		(9,462)	(259,374)
Profit/(loss) from a discontinued operation	27	4	(5,079)
Adjustments for:			
Convertible bonds interest costs		–	70,490
Other finance costs		1,128	1,051
Interest income from equity investment			
at fair value through profit or loss		(46)	–
Fair value gain on equity investment			
at fair value through profit or loss	21	(3,397)	–
Bank interest income		(51)	(1,139)
Gain on early redemption of convertible bonds		–	(119,522)
Loss on disposal of a subsidiary		–	155,582
Provision/(Write-back of provision) for			
long service payments	30	82	(231)
Share of loss of an associate		–	17
Impairment loss of an associate	22	2,283	–
Depreciation	14	8,733	8,461
Write-off for inventories		347	1,255
Provision for inventories		–	2,113
Reversal of provision for inventories	23	(2,134)	2,113
Loss on disposal and write-off of items of property, plant and equipment		15	1,149
Amortisation of intangible assets		–	4,400
Net gain on disposal of fixed assets		(4)	–
Recognition of prepaid land lease payments	15	736	695
Impairment of goodwill		–	55,910
Impairment of items of property, plant and equipment		–	2,626
Impairment of intangible assets		–	39,999
Provision for impairment of trade receivables		–	245
Provision for/Write-off of other receivables		3,022	360
Cost associated with equity-settled share options		–	4,401
		<hr/>	<hr/>
		1,256	(36,591)

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Operating loss before changes in working capital			
Increase in inventories		(1,832)	(9,289)
Decrease/(Increase) in trade receivables		452	(1,469)
Decrease in prepayments, deposits and other receivables		908	13,279
Increase in long term deposit		(161)	–
Increase in restricted bank balances		–	(936)
Increase/(Decrease) in trade payables		3,552	(1,049)
(Decrease)/Increase in other payables and accruals		(6,168)	1,826
Decrease/(Increase) in balances with related parties		1,494	(1,254)
Increase in balance with minority interests		–	600
		<hr/>	<hr/>
Cash used in operations		(499)	(34,883)
Interest paid		(1,042)	(997)
Interest element of finance lease rental payments		(86)	(54)
Overseas taxes paid		(847)	(4,479)
		<hr/>	<hr/>
Net cash used in operating activities		(2,474)	(40,413)
		<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Bank interest received		51	1,139
Interest income from equity investment at fair value through profit or loss		46	–
Purchases of items of property, plant and equipment	14	(9,590)	(8,992)
Proceeds from disposals of items of items of properties, plant and equipment		–	171
Purchases of equity investments at fair value through profit or loss		(3,461)	(6,161)
Interests in an associate		–	(2,300)
Acquisition of subsidiaries	38	–	(2,681)
Disposal of subsidiaries	39	100	(3,288)
Cash attributable to subsidiaries disposed of		(361)	–
Decrease/(Increase) in pledged deposits		7,683	(134)
		<hr/>	<hr/>
Net cash used in investing activities		(5,532)	(22,246)
		<hr/>	<hr/>

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increases in bank loans		16,482	16,500
Repayment of bank loans		(16,482)	(10,542)
Repayment of the 2005 Convertible Bonds	31	–	(51,000)
Capital element of finance lease rental payments		(331)	(579)
		<hr/>	<hr/>
Net cash used in financing activities		(331)	(45,621)
		<hr/>	<hr/>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		(8,337)	(108,280)
Cash and cash equivalents at beginning of year		63,279	170,735
Effect of foreign exchange rate changes, net		239	824
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
		55,181	63,279
		<hr/> <hr/>	<hr/> <hr/>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	26	57,501	58,753
Non-pledged time deposits with original maturity of less than three months when acquired	26	–	6,534
Bank overdrafts	29	(2,320)	(2,369)
Cash and bank balances attributable to assets of a disposal group classified as held for sale	27	–	361
		<hr/>	<hr/>
		55,181	63,279
		<hr/> <hr/>	<hr/> <hr/>

**Statement of Financial Position**

31 December 2009

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	9	12
Interests in subsidiaries	19	554,047	561,322
Available-for-sale financial assets	20	1,261	842
		<u>555,317</u>	<u>562,176</u>
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables	24	8,528	8,685
Interests in subsidiaries classified as held for sale	19(b)	–	3,350
Equity investments at fair value through profit or loss	21	–	6,161
Cash and cash equivalents	26	30,487	39,312
		<u>39,015</u>	<u>57,508</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	28	545	1,354
<b>NET CURRENT ASSETS</b>			
		<u>38,470</u>	<u>56,154</u>
<b>NET ASSETS</b>			
		<u>593,787</u>	<u>618,330</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	35	4,858	242,915
Reserves	37(b)	588,929	375,415
<b>TOTAL EQUITY</b>			
		<u>593,787</u>	<u>618,330</u>



**Notes to Financial Statements***31 December 2009***1. CORPORATE INFORMATION**

Macau Investment Holdings Limited is a limited liability company incorporated in the Cayman Island as an exempted limited liability company under the Companies Law of the Cayman Island, and its shares listed on The Stock Exchange of Hong Kong Limited (the “SEHK”). The registered office of the Company is located at P.O. Box 309, Uglan House, Grand Cayman KY1-1104, Cayman Islands. The principal place of business of the Company is located at 1203B, Tower 1, Admiralty Centre, 18 Harcourt Road, HK.

During the year, the principal business of the Company is investment holding and the principal businesses of the Group are property development and investment, manufacture and trading of cosmetic and related products, and provision of beauty technical and training services. The principal activities and details of the subsidiaries are set out in note 19 to the consolidated financial statements.

**2. BASIS OF PREPARATION**

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on the SEHK. They have been prepared under the historical cost convention, except for investment properties and certain equity investments, which have been measured at fair value. The disposal group held for sale is stated at the lower of its carrying amounts and fair values less costs to sell as further explained in note 3(h).

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand, unless otherwise stated.

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

**(a) Amendments and interpretations to existing standards effective as of 1 January 2009 and relevant to the Group**

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s consolidated financial statements:

HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008

- HKFRS 7 ‘Financial Instruments – Disclosures’ (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.
- HKFRS 8, ‘Operating segments’ – effective 1 January 2009. The standard requires segment disclosure to be based on the way that the Group’s chief operating decision makers regard and manage the Group, with the amounts reported for each reportable segment being the measures reported to the Group’s chief operating decision makers for the purposes of assessing segment performance and making decisions about operating matters. During the year ended 31 December 2009, the Group adopted HKFRS 8 which has no effect on the disclosures of the consolidated financial statements as the presentation of segment information in prior years, which was based on a disaggregation of the Group’s financial statements into segments, has been prepared in a manner that was consistent with internal reporting provided to the Group’s most senior executive management.
- HKAS 1 (revised), ‘Presentation of financial statements’ – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.
- HKAS 27 (amendments) “Consolidated and separate financial statements” – effective 1 January 2009 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company’s profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.
- The “Improvements to HKFRSs (2008)” – effective 1 January 2009 comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. The impact of these amendments is not considered to be material to the Group and have not resulted in changes to the Group’s accounting policies.

**(b) Standards, amendments and interpretations to existing standards that are not effective**

The following new standards, amendments and interpretations to existing standards (collectively, the “Amendments”) have been published that are mandatory for accounting periods beginning on or after 1 January 2010. Some of the Amendments are relevant and applicable to the Group. However, they have not been early adopted in these consolidated financial statements. The Group has commenced, but not yet completed, an assessment of the impact of the applicable Amendments on its results of operations and financial positions. The directors are of the view that the impact on the consolidated financial statements would not be significant other than the requirement to make certain additional disclosure.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and an associate made up to 31 December.

##### (i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses (note 19). The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. Minority interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Disposals to minority interests result in gains and losses for the Group and are recorded in the statement of comprehensive income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(ii) *Associates*

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in an associate are accounted for in the consolidated financial statements by the equity method of accounting and are initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment (note 22). 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 is recognised in the statement of comprehensive income.

The Group's share of an associate's post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of the post-acquisition movements in reserves is recognised in the reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the statement of comprehensive income and also any related accumulated foreign currency translation reserve.

In the Company's statement of financial position, the investments in associated companies are stated at cost less provision for impairment losses (note 22). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

**(b) Goodwill**

Goodwill arising on the acquisition of subsidiaries and an associate represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In case of an associate, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

**(c) Intangible assets (other than goodwill)**

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting period end.

*Brand name*

Brand name with an indefinite useful life is tested for impairment annually at the cash-generating unit level and is not amortised. The useful life of brand name is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

*Operating rights*

Purchased operating rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 8 years.

**(d) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided regularly to the Group's chief operating decision-makers for the purpose of allocating resources to, and assessing performance of, the Group's various lines of business and geographical locations.

**(e) Foreign currencies***(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

*(iii) Group entities*

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

- assets and liabilities for each reporting period presented are translated at the closing rate at the date of that reporting period;
- income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

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

**(f) Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. When an item of property, plant and equipment is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "A disposal group held for sale".

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates used are as follows:

Buildings	20 years or the prepaid land lease term, if shorter
Leasehold improvements	20%
Plant and machinery	10%
Furniture and fixtures	20%
Motor vehicles	10%
Office equipment	20%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within other income and gains in the consolidated statement of comprehensive income.

When revalued assets are sold, the amounts included in other reserves are transferred to retained profits.

**(g) Properties under development**

Properties under development are stated at cost less any accumulated impairment losses, and are not depreciated. Cost comprises prepaid land lease payments, building costs and any other direct costs attributable to the development of the properties. Borrowing costs, professional fees, and other related expenses incurred during the construction or development phase of the property are capitalised as part of the costs of that property. Properties under development is reclassified to the appropriate asset categories when completed and ready for use.

**(h) Disposal group held for sale**

Disposal group is classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Disposal group (other than investment properties and financial assets) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

**(i) Impairment of investments in subsidiaries, associate and non-financial assets**

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

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

**(j) Financial instruments**

The Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price, plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of financial liability. Transaction costs on financial assets and financial liabilities designated at fair value through profit or loss are expensed immediately.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments. A regular way purchase or sale of financial assets and financial liabilities designated at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets is recognised using trade date accounting. Other financial assets and financial liabilities are recognised using settlement date accounting. From these dates, any gains and losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the statement of comprehensive income.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the statement of comprehensive income.

*(i) Loans and receivables*

Loans and receivables including cash and bank balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. The effective interest amortisation is included in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income under other operating expenses.

*(ii) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives financial assets in listed and unlisted equity securities that are either designated as available-for-sale or are not classified in any of the other categories. At each financial report period end subsequent to initial recognition, available-for-sale financial assets are measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial assets valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of comprehensive income with other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the statement of comprehensive income in administrative expenses and removed from the available-for-sale financial assets valuation reserve.



Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

(iii) *Equity investments at fair value through profit or loss*

Equity investments at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. Equity investments at fair value through profit or loss are initially recognised at fair value, and transaction costs are charged in the statement of comprehensive income. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the statement of comprehensive income within other comprehensive income in the period in which they arise. Dividend income from equity investments at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

(iv) *Other financial liabilities*

Financial liabilities including trade and other payables, amounts due to related parties and a minority shareholder of a subsidiary are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

**(k) Impairment of financial assets**

The Group assesses at each reporting period end whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(i) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the statement of comprehensive income. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(ii) *Available-for-sales financial assets*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of comprehensive income.

(iii) *Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

**(l) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. The cost of finish goods and work in progress comprises direct raw materials, direct labour, sub-contracting charges and, where applicable, an appropriate proportion of production overheads. Net realisable value is based on estimated selling prices in the ordinary course of business, less applicable variable selling expenses and any estimated costs necessary to make the sale.

**(m) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within interest-bearing bank borrowings in current liabilities on the statement of financial position.

**(n) Borrowings**

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

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

**(o) Provisions**

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

**(p) Income tax**

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting period end in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

**(q) Employee benefits****(i) Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting period end.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**(ii) Bonus plans**

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iii) *Pension obligations*

The Group operates a defined contribution retirement scheme under a mandatory provident fund scheme (“MPF scheme”) in Hong Kong for its employees in Hong Kong, the assets of which are held in separate trustee-administered funds. The Group’s contributions to the MPF scheme are based on a fixed percentage of the employees’ relevant income per month.

In accordance with the regulations of the People’s Republic of China (the “PRC”), the Group is required to pay social security contributions for its PRC staff based on certain percentage of their salaries to the social security plan organised by related governmental bodies (the “PRC plan”).

The Group has no further payment obligations once the contributions have been paid to the retirement schemes and the PRC plan. The Group’s contributions to these retirement schemes and the PRC plan are recognised as employee benefit expense in the consolidated statement of comprehensive income when they are due.

(iv) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(r) **Revenue recognition**

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

- (i) sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods;
- (ii) Provision for beauty technical and training services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transactions assessed on the basis of the actual service provided as a proportion of the total services to be provided;
- (iii) rental income, on a time proportion basis over the lease terms; and
- (iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial assets.

(s) **Leases**

(i) *Operating leases (As a lessee)*

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

(ii) *Prepaid lease payments*

Prepaid lease payments are stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The costs of prepaid lease payments are amortised on a straight-line basis over the shorter of the relevant lease/land use right or the operation period of the relevant company.

**(t) Related parties**

A party is considered to be related to the Group if:

- (i) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a member of the key management personnel of the Group or its parent;
- (iv) the party is a close member of the family of any individual referred to in (a) or (c);
- (v) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or
- (vi) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**(i) Impairment of available-for-sale financial assets**

The Group classifies certain assets as available-for-sale financial assets and recognises movements of their fair values in other comprehensive income. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of comprehensive income. At 31 December 2009, fair value gain have been recognised for available-for-sale financial assets (2008: impairment loss of HK\$1,439,000). The carrying amount of available-for-sale financial assets was HK\$331,341,000 (2008: HK\$330,921,000).

**(ii) Impairment loss for bad and doubtful debts**

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

**(iii) Allowance for slow-moving inventories**

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgment and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

## 5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's primary operating segment is the manufacture and trading of cosmetic and related products, and provision of beauty technical and tutoring services (the "Cosmetic and Beauty") segment. Since this is the only operating segment of the Group and is more consistent with the Group's internal financial reporting, no further analysis thereof is presented.

## (a) Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2009 and 2008.

## Group

	Continuing operations								Discontinued operation				Consolidated	
	Property investment and development		Cosmetic and beauty		Others		Eliminations		Total		Financial public relation and advertising service			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:														
Sales to external customers	-	-	151,441	138,332	-	-	-	-	151,441	138,332	-	6,289	151,441	144,621
Inter segment sales	-	-	-	-	-	-	-	(253)	-	(253)	-	253	-	-
Other revenue	-	-	3,651	4,618	-	-	-	-	3,651	4,618	-	8	3,651	4,626
Total	-	-	155,092	142,950	-	-	-	(253)	155,092	142,697	-	6,550	155,092	149,247
Segment results	-	-	(9,815)	(55,648)	-	-	-	-	(9,815)	(56,877)	-	(5,079)	(9,815)	(61,956)
Interest and unallocated other income									4,439	1,028	4	-	4,439	1,028
Unallocated expenses									(5,290)	(131,967)	-	-	(5,290)	(131,967)
Finance costs									-	(71,541)	-	-	-	(71,541)
Share of loss of an associate									-	(17)	-	-	-	(17)
Loss before tax									(8,964)	(259,374)	4	(5,079)	(8,960)	(264,453)
Tax									(855)	(2,582)	-	-	(855)	(2,582)
Loss for the year									(9,819)	(261,956)	4	(5,079)	(9,815)	(267,035)

## Group

	Continuing operations								Discontinued operation				Consolidated	
	Property investment and development		Cosmetic and beauty		Others		Eliminations		Total		Financial public relation and advertising service			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets and liabilities</b>														
Segment assets	254,989	254,989	120,979	224,351	-	-	-	-	357,968	479,340	-	2,819	357,968	482,159
Unallocated assets													285,002	173,510
<b>Total assets</b>													<b>642,970</b>	<b>655,669</b>
Segment liabilities	-	-	68,539	68,520	-	-	-	-	68,539	68,520	-	2,723	68,539	71,243
Unallocated liabilities													2,387	3,173
<b>Total liabilities</b>													<b>70,926</b>	<b>74,416</b>
<b>Other segment information:</b>														
Depreciation	-	-	8,730	7,916	-	-	-	-	8,730	7,916	-	545	8,730	8,461
Recognition of prepaid land lease payments	-	-	736	695	-	-	-	-	736	695	-	-	736	695
Impairment of items of property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	2,626	-	2,626
Provision for/(write-back of) impairment of trade receivables	-	-	-	399	-	-	-	-	-	399	-	(154)	-	245
Impairment of goodwill	-	-	-	38,610	-	-	-	-	-	38,610	-	17,300	-	55,910
Capital expenditure	-	-	9,590	10,497	-	31	-	-	9,590	10,528	-	-	9,590	10,545

## (b) Geographic segments

## Group

	Continuing operations						Discontinued operation		Consolidated			
	Hong Kong		Macau		The PRC		Total		Hong Kong			
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:												
Sales to external customers	46,702	33,952	-	-	104,753	104,127	151,455	138,079	-	6,542	151,455	144,621
Other income and gains	5,646	3,891	-	-	2,444	1,755	8,090	5,646	4	8	8,094	5,654
	<u>52,348</u>	<u>37,843</u>	<u>-</u>	<u>-</u>	<u>107,197</u>	<u>105,882</u>	<u>159,545</u>	<u>143,725</u>	<u>4</u>	<u>6,550</u>	<u>159,549</u>	<u>150,275</u>
Other segment information:												
Segment assets	294,177	299,235	254,989	254,989	93,703	98,626	642,869	652,850	-	2,819	642,869	655,669
Capital expenditure	1,097	3,888	-	-	8,493	6,640	9,590	10,528	-	17	9,590	10,545

## 6. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns, value-added tax and trade discounts; and the value of services rendered. An analysis of the Group's revenue and other income is as follows:

	Notes	2009 HK\$'000	2008 HK\$'000
<b>Revenue</b>			
Sale of goods		116,931	114,117
Rendering of services		<u>34,510</u>	<u>23,962</u>
Attributable to continuing operations reported in the consolidated statement of comprehensive income		151,441	138,079
Rendering of services attributable to a discontinued operation	12	<u>-</u>	<u>6,542</u>
		<u>151,441</u>	<u>144,621</u>



	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
<b>Other income</b>			
Bank interest income		51	1,139
Interest income from equity investments at fair value through profit or loss		46	–
Fair value gain on equity investments at fair value through profit or loss	21	3,397	–
Management fee income		42	507
Consultancy fee income		1,110	1,337
Others		3,444	2,663
		<hr/>	<hr/>
Attributable to continuing operations reported in the consolidated statement of comprehensive income		8,090	5,646
Other income attributable to a discontinued operation	12	104	8
		<hr/>	<hr/>
		<b>8,194</b>	<b>5,654</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>7. OTHER FINANCE COSTS</b>			
<b>Group</b>			
		<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years		1,042	997
Interest on finance leases		86	54
		<hr/>	<hr/>
Attributable to continuing operations reported in the consolidated statement of comprehensive income		1,128	1,051
		<hr/> <hr/>	<hr/> <hr/>

## 8. LOSS BEFORE TAXATION

The Group's loss before taxation is stated after charging/(crediting) the following:

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Cost of inventories sold		45,087	32,262
Cost of services provided <sup>#</sup>		17,242	15,339
Depreciation <sup>#</sup>	14	8,733	8,461
Amortisation of prepaid land lease payments	15	736	695
Amortisation of intangible assets	18	–	4,400
Minimum lease payments under operating leases in respect of buildings <sup>#</sup>		16,289	15,499
Auditors' remuneration		515	380
Employee benefits expense (excluding directors' remuneration – note 9(a)):			
Wages, salaries and allowances <sup>#</sup>		32,403	32,223
Pension scheme contributions <sup>*#</sup>		2,186	1,201
		<u>34,589</u>	<u>33,424</u>
Expense incurred for equity-settled share options issued to business consultants <sup>@</sup>		–	2,934
Provision for impairment of trade receivables <sup>***</sup>		–	245
Provision for inventories <sup>**</sup>		–	2,113
Write-off of inventories <sup>**</sup>		347	1,255
Impairment on items of property, plant and equipment <sup>#</sup>	14	–	2,626
Impairment on goodwill	17	–	55,910
Impairment on intangible assets	18	–	39,999
Loss on disposal and write-off of items of property, plant and equipment <sup>***</sup>		15	1,149
Provision/(Write-back of provision) for long service payment	30	82	(231)
Foreign exchange differences, net		(123)	(8)
Write-off of other receivables <sup>***</sup>		<u>3,022</u>	<u>360</u>

<sup>#</sup> The 2008 disclosures presented in this note include those amounts charged in respect of the discontinued operation, further details of which are set out in note 12 to the consolidated financial statements.

<sup>\*</sup> At 31 December 2009, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2008: Nil).

<sup>\*\*</sup> These items were included in "Cost of sales" on the face of the consolidated statement of comprehensive income.

<sup>\*\*\*</sup> These items were included in "Other operating expenses" on the face of the consolidated statement of comprehensive income.

<sup>@</sup> These items were included in "Costs associated with equity-settled share options" on the face of the consolidated statement of comprehensive income.

## 9. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

## (a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009	2008
	HK\$'000	HK\$'000
Fees	60	350
Other emoluments:		
Salaries and allowances	408	3,191
Equity-settled share option expenses	–	1,467
Pension scheme contributions	8	11
	416	4,669
	476	5,019

In 2008, a director was granted share options under the share option scheme of the Company in respect of his services to the Group, further details of which are set out in note 36 to the consolidated financial statements. The fair value of such options which was being recognised in the statement of comprehensive income over the vesting period was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is disclosed in this note.

The remuneration of executive and non-executive directors is set out below:

	Fees	Salaries and allowances	Equity-settled share option expenses	Pension scheme contributions	Total remuneration
2009	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive directors:</i>					
Yasumasa Ishizaka (note (i))	200	–	–	–	200
Maria Majoire Lo (note (ii))	208	–	–	8	216
Huang Brad (note (iii))	–	–	–	–	–
Chen Jacob James (note (iv))	–	–	–	–	–
	408	–	–	8	416
<i>Independent non-executive directors:</i>					
Zhou Jin Song (note (v))	30	–	–	–	30
Chiu Ching Katie	–	–	–	–	–
Sun Tong (note (v))	30	–	–	–	30
Sun Juyi (note (vi))	–	–	–	–	–
Hin Yat Ha (note (vi))	–	–	–	–	–
	60	–	–	–	60
	468	–	–	8	476

*Notes:*

- (i) Appointed on 9 June 2009
- (ii) Appointed on 21 August 2009
- (iii) Appointed on 23 June 2008 and resigned on 21 August 2009
- (iv) Appointed on 23 June 2008 and resigned on 27 April 2009
- (v) Appointed on 21 January 2009
- (vi) Resigned on 21 January 2009
- (vii) Resigned on 22 December 2008
- (viii) Resigned on 28 May 2008

<b>2008</b>	<b>Fees</b> <i>HK\$'000</i>	<b>Salaries and allowances</b> <i>HK\$'000</i>	<b>Equity-settled share option expenses</b> <i>HK\$'000</i>	<b>Pension scheme contributions</b> <i>HK\$'000</i>	<b>Total remuneration</b> <i>HK\$'000</i>
<i>Executive directors:</i>					
Kwok King Yan, Edmund (note (vii))	–	3,191	1,467	11	4,669
Huang Brad (note (iii))	–	–	–	–	–
Chen Jacob James (note(iv))	–	–	–	–	–
	–	3,191	1,467	11	4,669
<i>Non-executive director:</i>					
Cheng Ho Ming (note (viii))	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Sun Juyi	150	–	–	–	150
Chiu Ching Katie	100	–	–	–	100
Hin Yat Ha	100	–	–	–	100
	350	–	–	–	350
	350	3,191	1,467	11	5,019

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

**(b) Five highest paid employees' remuneration**

Of the five highest paid individuals of the Group, none of whom is a director (2008: one). Details of the remuneration of the five (2008: four) non-director, highest paid employees for the year are as follows:

	<b>Group</b>	
	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Salaries and allowances	3,107	3,067
Pension scheme contributions	340	35
	3,447	3,102
	3,447	3,102

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	<b>Number of employees</b>	
	<b>2009</b>	<b>2008</b>
Nil to HK\$1,000,000	5	3
HK\$1,000,001 – HK\$1,500,000	–	1
	5	4
	5	4

During the year, no share options were granted to any of these non-director, highest paid employees in respect of their services to the Group.

**10. TAXATION**

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Company has no estimated assessable profits for the year (2008: Nil).

Taxation on profits derived in the PRC for subsidiaries has been calculated at the rate of tax prevailing in the PRC corporate income tax rate of 25% (2008: 25%), which is based on existing legislation, interpretations and practices in respect thereof.

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Group:		
Current		
– the PRC	855	2,704
Deferred tax ( <i>note 34</i> )	–	(122)
	855	2,582
Total tax charge for the year	855	2,582
Represented by:		
Tax charge attributable to a discontinued operation ( <i>note 11</i> )	–	–
	–	–
Tax charge attributable to continuing operations reported in the consolidated statement of comprehensive income	855	2,582
	855	2,582

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

**Group – 2009**

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>Macau</b> <i>HK\$'000</i>	<b>The PRC</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Loss before taxation (including loss from a discontinued operation)	(4,997)	–	(4,465)	(9,462)
Tax at the statutory tax rate	(825)	–	(736)	(1,561)
Effect of different tax rate in other country	–	–	(496)	(496)
Income not subject to tax	(4,181)	–	–	(4,181)
Expenses not deductible for tax	5,571	–	843	6,414
Temporary different not recognised	58	–	–	58
Tax losses utilised from previous periods	(1,041)	–	–	(1,041)
Tax losses not recognised	418	–	1,244	1,662
Tax charge at the Group's effective rate	–	–	855	855

**Group – 2008**

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>Macau</b> <i>HK\$'000</i>	<b>The PRC</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Loss before taxation (including loss from a discontinued operation)	244,388	(976)	(19,089)	(264,453)
Tax at the statutory tax rate	(40,422)	(64)	(4,772)	(45,258)
Income not subject to tax	(687)	–	(11)	(698)
Expenses not deductible for tax	41,434	64	1,090	42,588
Tax losses utilised from previous periods	(338)	–	–	(338)
Tax losses not recognised	13	–	6,275	6,288
Tax charge at the Group's effective rate	–	–	2,582	2,582

**11. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY**

The consolidated loss attributable to equity owners of the Company for the year ended 31 December 2009 includes a loss of HK\$2,496,200 (2008: HK\$218,945,000) which has been dealt with in the financial statements of the Company (note 37(b)).

**12. DISCONTINUED OPERATION**

On 22 January 2009, the Company and Direct Offer Limited, a wholly-owned subsidiary of the Company, entered into a disposal agreement with Porte Finance Limited, to dispose the Group's investment in the entire issued share capital of Jovian Financial Communications Limited and its subsidiaries (collectively, the "Jovian Group") together with shareholder's loan owed to the Company of HK\$3,350,000 at a total consideration of HK\$100,000. The disposal of Jovian Group was completed on 3 February 2009.

The consolidated operating results associated with the Jovian Group for the years ended 31 December 2009 and 2008 are presented below:

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Revenue	–	6,542
Cost of sales	–	(2,005)
Gross profit	–	4,537
Other income	104	8
Administrative costs	–	(7,152)
Other operating costs	–	154
Impairment of items of properties, plant and equipment	–	(2,626)
Profit/(Loss) before taxation from the discontinued operation	104	(5,079)
Taxation	–	–
Profit/(Loss) for the year from the discontinued operation	<u>104</u>	<u>(5,079)</u>

The net cash flows of the discontinued operation for the year are as follows:

	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Net cash outflow arising from operating activities	–	(2,508)
Net cash outflow arising from investing activities	104	(8)
Net inflow	<u>104</u>	<u>(2,516)</u>
Loss per share:		
Basic, from the discontinued operation	–	HK\$0.01
Diluted, from the discontinued operation	N/A	N/A

The calculations of basic loss per share amounts from the discontinued operation are based on:

	<b>2009</b>	<b>2008</b>
Loss attributable to ordinary equity holders of the Company from the discontinued operation	–	HK\$5,079,000
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>–</u>	<u>485,830,194</u>

As at 31 December 2008, the assets and liabilities of Jovian Group were classified as a disposal group held for sales in the consolidated statement of financial position.

Net gain on disposal of subsidiaries for the year is provided below:

	<i>HK\$'000</i>
Assets of a disposal group classified as held for sale	2,819
Liabilities directly associated with the assets classified as held for sale	(2,723)
	<u>96</u>
Cost consideration	100
	<u>4</u>
Net gain on disposal	<u><u>4</u></u>

### 13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 December 2009 and 2008 have not been disclosed, as warrants, share options and convertible bonds outstanding in the prior year and warrants and share options outstanding in the current year had an anti-dilutive effect on the basic loss per share for the respective years.

The calculation of basic and diluted loss per share are based on:

	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit/(Loss)</b>		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation:		
From continuing operations	(9,819)	(261,587)
From a discontinued operation	4	(5,079)
	<u>(9,815)</u>	<u>(266,666)</u>
	<u><u>(9,815)</u></u>	<u><u>(266,666)</u></u>
	<b>Number of shares</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	485,830,194	485,830,194
	<u><u>485,830,194</u></u>	<u><u>485,830,194</u></u>



## 14. PROPERTY, PLANT AND EQUIPMENT

## Group

	Notes	Buildings HK\$'000	Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Total HK\$'000
Cost:								
At 1 January 2008		20,455	3,500	7,726	11,843	708	2,321	46,553
Additions		–	1,129	472	5,368	1,864	1,712	10,545
Disposals		–	(670)	(24)	(783)	(214)	(345)	(2,036)
Acquisition of subsidiaries	38	–	527	–	442	327	2,607	3,903
Transferred to assets of a disposal group classified as held for sale		–	(136)	–	(94)	–	(153)	(383)
Exchange realignment		739	173	386	591	35	158	2,082
At 31 December 2008 and 1 January 2009		21,194	4,523	8,560	17,367	2,720	6,300	60,664
Additions		590	3,085	228	4,805	88	794	9,590
Disposals and write-off		–	–	–	(15)	(107)	(97)	(219)
Exchange realignment		–	–	–	–	–	–	–
At 31 December 2009		21,784	7,608	8,788	22,157	2,701	6,997	70,035
Accumulated depreciation and impairment:								
At 1 January 2008		1,779	705	1,600	2,257	11	820	7,172
Provided during the year	8	1,634	700	1,120	2,610	192	2,205	8,461
Impairment during the year	8	–	–	–	37	282	2,307	2,626
Disposals		–	–	(11)	(429)	(92)	(184)	(716)
Transferred to assets of a disposal group classified as held for sale		–	(136)	–	(94)	–	(153)	(383)
Exchange realignment		89	126	79	168	9	156	627
At 31 December 2008 and 1 January 2009		3,502	1,395	2,788	4,549	402	5,151	17,787
Provided during the year	8	1,316	1,286	604	4,309	449	769	8,733
Disposals and write-off		–	(84)	–	(12)	(96)	(38)	(230)
Exchange realignment		–	(14)	–	–	–	–	(14)
At 31 December 2009		4,818	2,583	3,392	8,846	755	5,882	26,276
Net book value:								
At 31 December 2009		16,966	5,025	5,396	13,311	1,946	1,115	43,759
At 31 December 2008		17,692	3,128	5,772	12,818	2,318	1,149	42,877

The buildings of the Group are situated outside Hong Kong and erected on a land under a medium-term lease. Depreciation of HK\$7,236,000 (2008: HK\$6,797,000), has been expense in administrative and operating expenses and HK\$1,497,000 (2008: HK\$1,664,000) in cost of sales.

The net book value of the Group's fixed assets held under finance leases included in (i) the total amount of plant and machinery amounted to HK\$ Nil (2008: HK\$305,000), (ii) the total amount of office equipment of HK\$67,000 (2008: HK\$84,000); and (iii) the total amount of motor vehicles of HK\$1,273,000 (2008: HK\$1,591,000), respectively.

At 31 December 2009, the Group's buildings with a net book value of approximately HK\$16,966,000 (2008: HK\$17,692,000) were pledged to secure general banking facilities granted to the Group (note 29(b)).

**Company**

	<b>Furniture and fixtures HK\$'000</b>	<b>Office equipment HK\$'000</b>	<b>Total HK\$'000</b>
Cost:			
1 January 2008	772	323	1,095
Additions	–	31	31
Write-off	(772)	(338)	(1,110)
	<hr/>	<hr/>	<hr/>
At 31 December 2008 and at 31 December 2009	–	16	16
	<hr/>	<hr/>	<hr/>
Accumulated depreciation:			
1 January 2008	268	116	384
Provided during the year	153	67	220
Write-off	(421)	(179)	(600)
	<hr/>	<hr/>	<hr/>
At 31 December 2008 and at 1 January 2009	–	4	4
Provided during the year	–	3	3
	<hr/>	<hr/>	<hr/>
At 31 December 2009	–	7	7
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 December 2009	–	9	9
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2008	–	12	12
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 15. PREPAID LAND LEASE PAYMENTS

	<i>Notes</i>	<b>Group</b>	
		<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Carrying amount at 1 January		6,877	7,506
Amortisation recognised during the year	8	(736)	(695)
Exchange realignment		–	66
		<hr/>	<hr/>
Carrying amount at 31 December		6,141	6,877
Current portion included in prepayments, deposits and other receivables	24	(695)	(695)
		<hr/>	<hr/>
Non-current portion		5,446	6,182
		<hr/> <hr/>	<hr/> <hr/>

The leasehold land is held under medium term leases and is situated in the PRC.

At 31 December 2009, the Group's prepaid land lease payments with a net book value of HK\$6,141,000 (2008: HK\$6,877,000) were pledged to secure general banking facilities granted to the Group (note 29(b)).

## 16. PROPERTIES UNDER DEVELOPMENT

	<i>Notes</i>	<b>Group</b>	
		<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Carrying amount at 1 January		–	1,818,098
Additions		–	48,033
Disposal of a subsidiary	39(b)	–	(1,866,131)
		<hr/>	<hr/>
Carrying amount at 31 December		–	–
		<hr/> <hr/>	<hr/> <hr/>

Included in properties under development were prepaid land lease payments, the movements of which during the year are as follows:

	<b>Group</b>	
	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Carrying amount at 1 January	–	1,722,515
Recognised during the year	–	(115,939)
Disposal of a subsidiary	–	(1,606,576)
	<hr/>	<hr/>
Carrying amount at 31 December	–	–
	<hr/> <hr/>	<hr/> <hr/>

## 17. GOODWILL

	<i>Notes</i>	<b>Group</b>	
		<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Cost			
At 1 January		102,546	98,542
Acquisition of subsidiaries	38(b)	–	4,004
At 31 December		<u>102,546</u>	<u>102,546</u>
Accumulated impairment losses			
At 1 January		102,546	46,636
Impairment loss for the year	8	–	55,910
At 31 December		<u>102,546</u>	<u>102,546</u>
Carrying amount			
At 31 December		<u>–</u>	<u>–</u>

## 18. INTANGIBLE ASSETS

	<i>Notes</i>	<b>Brand name</b>	<b>Operating rights</b>	<b>Total</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:				
At 1 January 2008		99,906	–	99,906
Acquisition of subsidiaries	38	–	35,199	35,199
At 31 December 2008 and at 1 January 2009		99,906	35,199	135,105
Disposal of subsidiaries		–	(35,199)	(35,199)
At 31 December 2009		<u>99,906</u>	<u>–</u>	<u>99,906</u>
Amortisation and impairment:				
At 1 January 2008		–	–	–
Amortisation provided during the period	8	–	4,400	4,400
Impairment during the year	8	9,200	30,799	39,999
At 31 December 2008 and at 1 January 2009		9,200	35,199	44,399
Disposal during the year		–	(35,199)	(35,199)
At 31 December 2009		<u>9,200</u>	<u>–</u>	<u>9,200</u>
Net carrying amount:				
At 31 December 2009		<u>90,706</u>	<u>–</u>	<u>90,706</u>
At 31 December 2008		<u>90,706</u>	<u>–</u>	<u>90,706</u>

**Brand name**

The brand name represents rights for the use of the brand name “CMM” arising from the acquisition of CMM International Group Limited in previous year.

**Operating rights**

The operating rights represent the exclusive rights to operate 25 billboards on a highway in Mainland China arising from the acquisition of Add Talent Investments Limited and its subsidiaries (collectively referred to as the “Add Talent Group”) on 14 January 2008 as detailed in note 38. The operating rights were disposed together with the Jovian Group on 22 January 2009 as detailed in note 39.

**Impairment testing of brand name with indefinite useful life**

Brand name acquired through business combinations have been allocated to the cosmetic and beauty cash-generating unit, which is reportable segment for impairment testing.

The recoverable amount of the cosmetic and beauty cash-generating unit has been determined based on a value in use calculation using cash flow projections covering a period of five years, which are based on financial budget approved by senior management of the Group. The discount rate applied to the cash flow projections is approximately 18%.

Key assumptions were used in the value in use calculation of the cosmetic and beauty cash-generating unit for the year ended 31 December 2009 and 31 December 2008. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and the brand name with indefinite useful lives:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins was referenced to the historical gross margins.

Discount rates – The discount rates used are before taxation and reflect specific risks relating to the relevant units.

The directors are of the opinion that there is no impairment (2008: HK\$9,200,000) provided on the brand name during the year ended 31 December 2009, which was acquired through business combinations and have been allocated to cosmetic and beauty cash-generating unit amounted to HK\$90,706,000 (2008: HK\$90,706,000).

**19. INTERESTS IN SUBSIDIARIES, AND INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES CLASSIFIED AS HELD FOR SALE**

**(a) Interests in subsidiaries**

	<b>Company</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost	–	–
Amounts due from subsidiaries	646,882	663,364
Less: Provision for impairment #	(92,835)	(102,042)
	<hr/>	<hr/>
Total interests in subsidiaries	<u>554,047</u>	<u>561,322</u>

# An impairment was recognised during the years ended 31 December 2009 and 2008 due to prolonged loss making of these subsidiaries.

## (b) Interests in subsidiaries and amounts due to subsidiaries classified as held for sale

	Company	
	2009 HK\$'000	2008 HK\$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	–	3,350
	<u>–</u>	<u>3,350</u>
	<u><u>–</u></u>	<u><u>3,350</u></u>
Amounts due to subsidiaries	–	–
	<u><u>–</u></u>	<u><u>–</u></u>

The interests in subsidiaries together with amounts due to subsidiaries classified as held for sale were disposed on 3 February 2009.

At 31 December 2009, the Company had direct and indirect interests in the following subsidiaries, all of which are private companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place of incorporation/ registration and principal operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Bension International Limited	BVI	US\$1	–	100	Investment holding
Beauty Charm International Company Limited	Hong Kong	HK\$10,000	–	100	Investment holding
Beauty Connect Holdings Limited	Hong Kong	HK\$10,000	–	60	Investment holding
The Beauty Collection International Group Limited	BVI	US\$100	–	75	Investment holding
Carissa Bay Inc.	BVI	US\$1	100	–	Investment holding
Cheng Ming Ming's Beauty World Limited	Hong Kong	HK\$2,001,000	–	100	Investment and property holding
Cidesco International School Limited	Hong Kong	HK\$2	–	100	Operation of esthetic school
CMM International Group Limited	BVI	US\$1	–	100	Investment holding
CMM APAMA Company Limited	Hong Kong	HK\$5,000,000	–	51	Inactive
Direct Offer Limited	BVI	US\$1	100	–	Investment holding
Kasper Holding Limited	BVI	US\$1	–	100	Investment holding
M.D. Cliniceuticals Company Limited	Hong Kong	US\$50,000	–	100	Trading of cosmetic products

Name	Place of incorporation/ registration and principal operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Marianne Spa I Limited (note)	Hong Kong	HK\$10,000	–	100	Provision of beauty services
Marianne Spa II Limited (note)	Hong Kong	HK\$100	–	100	Provision of beauty services
Meilkind Development Limited	Hong Kong	HK\$10,000	–	100	Trading of cosmetic products
Monita Group Limited	Hong Kong	HK\$1,002	–	100	Trading of cosmetic and related products holding of trademark and provision of hair esthetic and trading services
Monita Trademark Limited	BVI	US\$2	–	100	Holding of trademarks
Noble Star Consultants Limited	BVI	US\$1	100	–	Investment holding
Pebble Rise Inc. (“Pebble Rise”)	BVI	US\$1	100	–	Investment holding
Performing Investments Limited (“PIL”)	BVI	US\$1	100	–	Investment holding
Profit Now Investments Limited (note (i))	Hong Kong	HK\$1	100	–	Inactive
Richpro Group Limited	BVI	US\$1	100	–	Investment holding
Signalmedia Networks Hong Kong Limited (note (i))	Hong Kong	HK\$1	–	100	Inactive
Shanghai Cheng Ming Ming Cosmetic Product Ltd.*	The PRC	US\$1,200,000	–	100	Provision of consultancy and technical services and manufacture of cosmetic related products
Shanghai Cheng Ming Ming Industrial Ltd.	The PRC	RMB3,000,000	–	100	Trading of cosmetic products
Winning Elite Investments Limited (“Winning Elite”)	BVI	US\$1	100	–	Investment holding
上海蒙妮坦職業培訓學校*	The PRC	RMB1,000,000	–	100	Operation of esthetic school
上海鄭明明美容美髮有限公司	The PRC	US\$200,000	–	100	Provision of consultancy services and esthetic services
唯美坊貿易(上海)有限公司	The PRC	US\$230,000	–	60	Trading of cosmetic products
上海妝韻美容美髮有限公司 (note (ii))	The PRC	RMB100,000	–	100	Provision of esthetic services

\* These subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

*Note:*

- (i) The Company has ceased business in the year and deregistered subsequent to the end of reporting period.
- (ii) This subsidiary was registered as wholly-foreign-owned enterprise under the PRC law on 25 May 2009.

## 20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<i>Note</i>	<b>Group</b>		<b>Company</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity investments in					
Hong Kong, at fair value	47	1,262	842	1,261	842
Unlisted equity investments, at cost		330,079	330,079	–	–
		<u>331,341</u>	<u>330,921</u>	<u>1,261</u>	<u>842</u>
Less: current portion classified as current assets		<u>(218,669)</u>	<u>(218,669)</u>	<u>–</u>	<u>–</u>
		<u>112,672</u>	<u>112,252</u>	<u>1,261</u>	<u>842</u>

All available-for-sale financial assets are denominated in Hong Kong dollars.

None of these financial assets is either past due or impaired.

*Notes:*

- (a) During the year, the gross gain of the Group's available-for-sale financial assets recognised directly in equity amounted to HK\$420,000 (2008: gross loss of HK\$1,439,000). The fair values of listed equity investments are based on quoted market prices as at 31 December 2009. The market values of the Group's and the Company's listed equity instruments at the date of approval of these consolidated financial statements were approximately HK\$1,262,000.
- (b) Unlisted equity investments consisted of investments in equity interests which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 December 2009, unlisted equity investments with an aggregate carrying amount of HK\$330,079 (2008: HK\$330,079,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. Further details of the unlisted equity investments are set out below.



*Investment in the Partnership*

On 9 September 2006, Winning Elite, a wholly-owned subsidiary of the Group, subscribed 6.4% of the expected total capitalisation of US\$200 million (equivalent to approximately HK\$1,560 million) in LCF Macau Co-Investor L.P. (“LCF Macau Co”), a limited partnership formed on 16 June 2006 under the Partnership Act 1996 of the BVI (the “Partnership”), at a consideration of HK\$100 million. As at 31 December 2009, the total capitalisation of LCF Macau Co amounted to US\$48.6 million (equivalent to approximately HK\$379.2 million) (2008: US\$48.6 million (equivalent to approximately HK\$379.2 million)) of which the Group holds 26.6% interests.

The Partnership has a term of 10 years from the date of its formation. The subscription was completed on 11 September 2006. The Partnership is principally engaged in property investment business. The principal asset held by the Partnership as at 31 December 2009 was a 4.61% (2008: 4.61%) equity interest in Baia da Nossa Senhora da Esperanca Real Estate Development Company Limited, a limited liability company incorporated in Macau, which has an interest in a piece of land situated at Baia de Nossa Senhora da Esperanca, Macau.

The Partnership comprises a general partner and eleven limited partners, including Winning Elite, as at the end of reporting period. The general partner of the Partnership shall have the sole right to determine whether from time to time profits of the Partnership shall be distributed in cash or shall be left within the Partnership, in which event the capital account of all partners shall be increased. The limited partners cannot make any investment and operating decisions of the Partnership and shall be entitled to receive a share of the annual net profits equivalent to their share in the capitalisation of the Partnership. Limited partners may not withdraw from the Partnership prior to the termination of the Partnership. Interests in the Partnership may be assigned only with the written consent of the general partner, which consent may be withheld at its sole discretion.

As the Group does not intend to dispose its interest in Partnership in near future, the investment is classified as non-current.

*Investment in Sociedade*

Sociedade is a limited liability company incorporated in Macau and principally engaged in property investment and development business. The principal asset held by Sociedade was a piece of bare land located at Baia de Praia Grande (Nam Van Lakes District), Macau for residential development purposes. The Company holds 13.69% interests in the issued share capital of Sociedade.

**21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<i>Note</i>	<b>Group</b>		<b>Company</b>	
		<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Embedded derivative					
financial instruments, at market value	47				
– Overseas		13,019	6,161	–	6,161

The changes in fair values of equity investments at fair value through profit or loss of HK\$3,397,000 (2008: Nil) were included in “Other income” in the consolidated statement of comprehensive income (note (6)).

The fair values of all equity investments at fair value through profit or loss are based on their current bid prices in an active market.

The equity investments at fair value through profit or loss are denominated in the following currencies:

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
United States dollars	8,544	2,641	–	2,641
Hong Kong dollars	4,475	3,520	–	3,520
	<u>13,019</u>	<u>6,161</u>	<u>–</u>	<u>6,161</u>

## 22. INTERESTS IN AN ASSOCIATE

	Group	
	2009 HK\$'000	2008 HK\$'000
At 1 January		
Share of net assets	2,283	1,027
Goodwill arising on acquisition	–	1,256
Less: Provision for impairment #	(2,283)	–
At 31 December	<u>–</u>	<u>2,283</u>

# An impairment was recognised during the year ended 31 December 2009 because the associate intends to suspend its business in the near future.

Particulars of the associate as at the reporting period end are as follows:

Name	Particular of issued shares capital	Place of incorporation/ registration and operation	Percentage of ownership interests attributable to the Group Indirect	Principal activity
The Skin Workshop Limited	Ordinary share HK\$1 each	Hong Kong	42%	Trading of cosmetic Products

The Group's share of interests in the associate, which is unlisted and its aggregated financial information, based on the associate's management accounts, are as follows:

	Assets HK\$'000	Liabilities HK\$'000	Revenue HK\$'000	Loss HK\$'000
2009	<u>983</u>	<u>180</u>	<u>1,052</u>	<u>5</u>
2008	<u>2,874</u>	<u>429</u>	<u>2,522</u>	<u>40</u>

## 23. INVENTORIES

	Group	
	2009 HK\$'000	2008 HK\$'000
Raw materials	9,933	7,223
Work in progress	197	175
Finished goods	25,044	24,157
	<u>35,174</u>	<u>31,555</u>
Carrying amount of inventories sold	45,087	32,262
Write-down of inventories	347	1,255
Reversal of write-down of inventories	(2,134)	–
	<u>43,300</u>	<u>33,517</u>

The reversal of write-down of inventories arose due to an increase in the estimated net realisable value of certain merchandise were sold during the year by mean of promotion sales.

## 24. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	Group		Company	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Trade receivables		12,706	14,228	–	–
Less: Provision for impairment of trade receivables		(509)	(1,579)	–	–
Trade receivables, net of provision	(a)	<u>12,197</u>	<u>12,649</u>	–	–
Prepayment, deposits and other receivables	(b)				
Current portion		49,794	53,724	8,528	8,685
Non-current portion		1,291	1,130	–	–
Prepaid land lease payment	15	51,085	54,854	8,528	8,685
		695	695	–	–
		<u>51,780</u>	<u>55,549</u>	<u>8,528</u>	<u>8,685</u>
		<u>63,977</u>	<u>68,198</u>	<u>8,528</u>	<u>8,685</u>

**(a) Trade receivables, net of provision**

The Group has different trading terms with customers for different businesses.

For services rendered, no credit term is granted to customers, except for certain well-established customers where the Group allows trading terms on credit. Invoices are normally payable within 30 days of issuance. Each customer has a maximum credit limit.

For the sale of goods, the Group's trading terms with its customers are mainly on credit. The credit period granted to customers generally ranges from one month to three months.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing and the carrying amounts of trade receivables approximate their fair values as at 31 December 2009 and 2008.

At the end of reporting period, the aging analysis of the trade receivables, net of impairment loss, based on the invoice date, were as follows:

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	10,893	11,914
4 to 6 months	919	172
7 to 12 months	329	223
Over 1 year	56	340
	12,197	12,649
	12,197	12,649

As of 31 December 2009, the trade receivables of HK\$7,674,000 (2008: HK\$7,766,000) were past due but not impaired. The aging analysis of these trade receivables is as follows:

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Past due 0 to 3 months	6,402	7,427
Past due 4 to 6 months	887	172
Past due 7 to 12 months	329	151
Over 1 year	56	16
	7,674	7,766
	7,674	7,766

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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

	<b>Group</b>	
	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
At 1 January	1,579	1,334
Impairment losses recognised on receivables	396	245
Reversal of provision for impairment losses	(396)	–
Impairment loss written off	(1,070)	–
	<u>509</u>	<u>1,579</u>
At 31 December	<u><u>509</u></u>	<u><u>1,579</u></u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$509,000 (2008: HK\$1,579,000) with a carrying amount of HK\$509,000 (2008: HK\$1,579,000). The individually impaired trade receivables relate to customers that were in default or delinquency in interest or principal payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

**(b) Deposits and other receivables**

None of these assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default. The carrying amounts of deposits and other receivables approximate their fair values as at 31 December 2009 and 2008. The Group does not hold any collateral or other credit enhancements over these balances.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	<b>Group</b>		<b>Company</b>	
	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Hong Kong dollars	47,446	45,227	8,528	8,685
Renminbi	15,289	22,276	–	–
Others	547	–	–	–
	<u>63,282</u>	<u>67,503</u>	<u>8,528</u>	<u>8,685</u>
	<u><u>63,282</u></u>	<u><u>67,503</u></u>	<u><u>8,528</u></u>	<u><u>8,685</u></u>

## 25. AMOUNTS DUE FROM/TO RELATED PARTIES

## (a) Amount due from related parties

Particulars of amounts due from related parties, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

**Group – 2009**

	<b>31 December 2009</b>	<b>Maximum amount outstanding during the year</b>	<b>1 January 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Monita Hair and Beauty College Limited	1,139	1,254	619
Chen's Industrial Company Limited	162	162	160
上海巨景生物科技有限公司	582	582	580
上海巨科國際貿易有限公司	208	210	210
CICA Association Limited	107	123	123
上海市徐匯區鄭浩明商行	380	380	–
CHENG Ming Ming	132	132	–
HUANG Chen Wei Lay, Bernadette	32	32	–
	<u>2,742</u>		<u>1,692</u>

**Group – 2008**

	<b>31 December 2008</b>	<b>Maximum amount outstanding during the year</b>	<b>1 January 2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Monita Hair and Beauty College Limited	619	619	43
Chen's Industrial Company Limited	160	160	64
上海巨景生物科技有限公司	580	580	387
上海巨科國際貿易有限公司	210	210	64
CICA Association Limited	123	123	36
	<u>1,692</u>		<u>594</u>

The amounts due from related parties do not contain impaired assets. The Group does not hold any collateral or other credit enhancements over these balances.

The above related parties are parties in which one of the Group's directors or their close family members had controlling beneficial interests. The balances with related parties are unsecured, interest-free and repayable on demand. The carrying amounts of these balances approximate their fair values as at 31 December 2009 and 2008.

The carrying amounts of the amounts due are denominated in the following currencies:

	<b>Group</b>	
	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Hong Kong dollars	1,440	902
Renminbi	1,302	790
	<hr/>	<hr/>
At 31 December	<u>2,742</u>	<u>1,692</u>

**(b) Amount due to related parties**

The amount due to related parties as at 31 December 2009 and 2008 are unsecured, interest-free and repayable on demand. The balances are denominated in Hong Kong dollars.

**26. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED BANK BALANCES**

	<i>Notes</i>	<b>Group</b>		<b>Company</b>	
		<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Cash and bank balances		57,501	58,753	30,487	39,312
Time deposits		–	14,217	–	–
		<hr/>	<hr/>	<hr/>	<hr/>
		57,501	72,970	30,487	39,312
Less: Pledged time deposits for a bank guarantee	(a)	–	(7,683)	–	–
		<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents		<u>57,501</u>	<u>65,287</u>	<u>30,487</u>	<u>39,312</u>
Maximum exposure to credit risk		<u>57,063</u>	<u>72,945</u>	<u>30,486</u>	<u>39,308</u>

*Note:*

- (a) The balance represents a pledged bank deposit made to a bank for guarantee granted by the bank to the landlord of one of the Group's rental premises in Hong Kong. The term of the lease is from 3 January 2006 to 31 December 2008 and the pledged deposit was released in July 2009.

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

	Group		Company	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States dollars	974	600	–	–
Hong Kong dollars	44,918	47,580	30,482	39,307
Renminbi	11,609	17,107	5	5
	<u>57,501</u>	<u>65,287</u>	<u>30,487</u>	<u>39,312</u>

## 27. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 22 January 2009, the Company and Direct Offer Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to dispose of the 100% equity interest in Jovian and its subsidiaries (collectively, the “Jovian Group”) at a consideration of HK\$100,000. The disposal of Jovian Group was completed on 3 February 2009. As at 31 December 2008, the assets and liabilities of the Jovian Group were classified as a disposal group held for sale.

The major classes of assets and liabilities classified as held for sale as at 31 December are as follows:

	Note	Group	
		2009	2008
		HK\$'000	HK\$'000
<i>Assets</i>			
Trade receivables		–	1,954
Prepayments, deposits and other receivables		–	386
Deferred tax assets	34	–	61
Tax recoverable		–	57
Cash and bank balances		–	361
		<u>–</u>	<u>2,819</u>
Assets of a disposal group classified as held for sale			
		<u>–</u>	<u>2,819</u>
<i>Liabilities</i>			
Trade payables		–	(1,602)
Other payables and accruals		–	(1,121)
		<u>–</u>	<u>(1,121)</u>
Liabilities directly associated with the assets classified as held for sale			
		<u>–</u>	<u>(2,723)</u>
Net assets directly associated with the disposal group			
		<u>–</u>	<u>96</u>

The disposal of Jovian Group was completed on 3 February 2009. Particulars of the disposal are set out in note 39 to the consolidated financial statements.



## 28. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Trade payables	12,796	9,244	–	–
Other payables and accruals	32,172	38,340	545	1,354
	<u>44,968</u>	<u>47,584</u>	<u>545</u>	<u>1,354</u>

At the end of reporting period, the aging analysis of the trade payables, based on the invoice date, were as follows:

	Group	
	2009 HK\$'000	2008 HK\$'000
Current to 3 months	6,664	8,194
4 to 6 months	2,941	173
7 to 12 months	2,550	558
Over 1 year	641	319
	<u>12,796</u>	<u>9,244</u>

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the Group's trade payables approximate their fair values.

The carrying amounts of the Group's other payables and accruals approximate their fair values.

## 29. INTEREST-BEARING BANK BORROWINGS

Group	2009			2008		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Bank overdrafts – unsecured	5.25 – 5.75	On demand	2,320	6	On demand	2,369
Bank loans – secured	5.58		16,481	6.43	2009	16,484
			<u>18,801</u>			<u>18,853</u>

*Notes:*

- (a) The Group's overdraft facilities amounted to HK\$ 4,500,000 (2008: HK\$4,500,000) at 31 December 2009, of which HK\$2,320,000 (2008: HK\$2,369,000) were utilised as at the reporting period end. The effective interest rate on bank overdrafts is 5.25-5.75% (2008: 6%) per annum.
- (b) The Group's bank loans are secured by mortgages over the Group's buildings and prepaid land lease payments, which had an aggregate carrying value of approximately HK\$16,966,000 (2008: HK\$17,692,000) (note 14) and HK\$5,446,000 (2008: HK\$6,141,000) (note 15), respectively at the end of reporting period.
- (c) The effective interest rate on bank loans is 5.58% (2008: 6.43%) per annum and mature until 1 December 2010.
- (d) Except for the secured bank loans which are denominated in Renminbi and at fixed rates, all borrowings are in Hong Kong dollars and at floating rates.

**30. PROVISION FOR LONG SERVICE PAYMENTS**

	<i>Note</i>	<b>Group</b>	
		<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
At 1 January		425	656
Provision/(write back of provision) for long service payments	8	82	(231)
At 31 December		<u>507</u>	<u>425</u>

**31. CONVERTIBLE BONDS**

On 31 October 2008, the Company and two of its wholly-owned subsidiaries, PIL and Pebble Rise, entered into the Agreement with Suregold Global Limited ("Suregold") and Castle Rock Investment Holding Limited ("Castle Rock") to conditionally early redeem the 2007 Convertible Bonds in a principal amount of HK\$1,463,580,000 which shall be settled by the transfer of 81.31% equity interests of Sociedade ("Consideration Shares") and the assignment of the loans to Suregold and Castle Rock, from then, and Suregold and Castle Rock conditionally agreed to transfer to the Company the 2007 Convertible Bonds for cancellation in consideration of the Consideration Shares and the loans at completion. The completion took place on 12 December 2008.

The convertible bonds issued have been split as to the liability and equity components and movement of the convertible bonds is as follows:

	<b>Group and Company</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Nominal value of convertible bonds	–	1,514,580
Equity component		
2005 Convertible Bonds	–	(8,957)
2007 Convertible Bonds	–	(395,341)
	<u>–</u>	<u>(404,298)</u>
Liability component at the issuance date	–	1,110,282
Interest expense in 2006	–	2,795
Interest expense in 2007	–	26,258
Interest expense in 2008	–	70,490
Redeemed during the year		
– The 2005 Convertible Bonds	–	(51,000)
– The 2007 Convertible Bonds	–	(1,158,825)
	<u>–</u>	<u>(1,158,825)</u>
Liability component at 31 December	<u>–</u>	<u>–</u>
Analysed into:		
Current liabilities	–	–
Non-current liabilities	–	–
	<u>–</u>	<u>–</u>

## 32. FINANCE LEASE PAYABLES

The Group leases certain of its office equipment and plant and machinery during the year. The lease is classified as finance lease and has remaining lease terms of five years.

At 31 December, the total future minimum lease payments under finance leases and their present values were as follows:

**Group**

	<b>Minimum lease payments 2009 HK\$'000</b>	<b>Minimum lease payments 2008 HK\$'000</b>	<b>Present value of minimum lease payments 2009 HK\$'000</b>	<b>Present value of minimum lease payments 2008 HK\$'000</b>
Amounts payable:				
Within one year	403	425	331	331
In the second year	403	425	331	331
In the third to fifth years, inclusive	505	885	497	828
	<u>1,311</u>	<u>1,735</u>	<u>1,159</u>	<u>1,490</u>
Total minimum finance lease payments	1,311	1,735	1,159	1,490
Future finance charges	<u>(152)</u>	<u>(245)</u>		
Total net finance lease payables	1,159	1,490		
Portion classified as current liabilities	<u>(331)</u>	<u>(331)</u>		
Non-current portion	<u>828</u>	<u>1,159</u>		

## 33. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The balances are unsecured, interest-free and repayable on demand. The carrying amount of the balance approximates its fair value.

## 34. DEFERRED TAX

Movements in deferred tax liabilities and assets during the year are as follows:

**Deferred tax liabilities**

<b>Group</b>	<i>Note</i>	<b>Group</b>	
		<b>Depreciation allowance in excess of related depreciation</b>	
		<b>2009</b>	<b>2008</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January		1,822	1,944
Deferred tax credited to the consolidated statement of comprehensive income		—	(122)
At 31 December		<u>1,822</u>	<u>1,822</u>

**Deferred tax assets**

<b>Group</b>	<i>Note</i>	<b>Group</b>	
		<b>Depreciation in excess of related depreciation allowance</b>	
		<b>2009</b>	<b>2008</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January		—	61
Transferred to assets of a disposal group classified as held for sale	27	—	(61)
At 31 December		<u>—</u>	<u>—</u>

At the reporting period end, the Group has unused tax losses that are available indefinitely for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 December 2009 and 2008, there were no significant unrecognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

## 35. SHARE CAPITAL

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Authorised:		
5,000,000,000 (2008: 5,000,000,000) ordinary shares of HK\$0.01 (2008: HK\$0.5) each	<u>500,000</u>	<u>2,500,000</u>
Issued and fully paid:		
485,830,194 (2008: 485,830,194) ordinary shares of HK\$0.01 (2008: HK\$0.5) each	<u>4,858</u>	<u>242,915</u>

A summary of the transactions during the year with reference to the changes in the Company's issued ordinary share capital is as follows:

	<i>Note</i>	Number of authorised shares	Number of shares in issue	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2008 and 31 December 2008		5,000,000,000	485,830,194	242,915	586,516	829,431
Capital reduction	(a)	—	—	(238,057)	—	(238,057)
At 31 December 2009		<u>5,000,000,000</u>	<u>485,830,194</u>	<u>4,858</u>	<u>586,516</u>	<u>591,374</u>

*Note:*

- (a) Pursuant to a special resolution passed on 3 July 2009, the issued share capital of the Company was reduced from HK\$242,915,097 to HK\$4,858,302 by the cancellation of HK\$0.49 paid up capital per each issued Share.

**36. SHARE OPTION SCHEME**

During the year, all of the Company's 21,439,000 share options were forfeited upon resignation of certain employees, resulting in a reduction in the share option reserve of HK\$16,072,000 (2008: HK\$1,506,000) which was transferred to accumulated losses.

On 15 October 2003, the Company adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to provide incentives and rewards to the eligible participants who contribute to the Group, and to enable the Group to recruit and retain high calibre professionals, executives and employees who are instrumental to the growth of the Group. Eligible participants of the Scheme include the directors (including executive directors and non-executive directors), and employees of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group or business alliance of the Group and shareholders of the Group. The Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from 15 October 2003.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be granted under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the ordinary shares in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the ordinary shares of the Company in issue as at the date of adopting the Scheme, but the Company may seek approval of its shareholders in a general meeting to refresh the 10% limit under the Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted under the Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period up to the date of grant must not exceed 1% of the ordinary shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting of the Company.

Share options granted under the Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is also the grantee of the options). In addition, any share options granted to a substantial shareholder or independent non-executive directors of the Company, in excess of 0.1% of the ordinary shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in a general meeting of the Company.

A share option may be accepted by a participant within 10 days from the date of the offer for grant of the option. The exercise period of the share options granted is determinable by the directors in accordance with the terms of the Scheme, and commences from the date of acceptance of the offer of grant of the share options and ends on a date which is not later than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, but must not be less than the higher of (i) the closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the date of the offer for grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer of the grant, which must be a business day; and (iii) the nominal value of the ordinary share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2009		2008	
	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>	Weighted average exercise price <i>HK\$ per share</i>	Number of options <i>'000</i>
At 1 January	2.35	21,439	2.441	18,494
Granted during the year	–	–	1.80	4,503
Cancelled/Lapsed during the year	(2.35)	(21,439)	(1.83)	(1,558)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 2008

The exercise prices and exercise periods of the share options outstanding as at 31 December 2008 are as follows:

Number of options <i>'000</i>	Exercise price* <i>HK\$ per share</i>	Exercise period
1,870	3.05	15-11-05 to 14-11-15
340	2.00	28-8-06 to 27-8-15
11,773	2.30	11-7-07 to 11-7-17
1,097	2.80	11-7-07 to 16-8-17
3,357	2.52	27-9-07 to 27-9-17
3,002	1.80	11-1-08 to 11-1-18
<u>          </u>		
<u>          </u>		
<u>          </u>		

\* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair values of the share options granted in 2008 was HK\$4,401,000, of which the Group recognised an equity-settled share option expense of HK\$4,401,000 in 2008.



The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2008:

<b>Date of grant</b>	<b>11 January 2008</b>
Dividend yield (%)	Nil
Expected volatility (%)	50.04
Risk-free interest rate (%)	3.06
Expected life of option (year)	10.01
Closing share price at date of grant (HK\$)	1.79

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

In 2008, Company had 21,439,000 share options outstanding under the Scheme, which represented approximately 4.4% of the Company's shares in issue as at that date. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 21,439,000 additional ordinary shares of the Company and additional share capital of approximately HK\$10,720,000 and share premium of approximately HK\$39,677,000 (before issue expenses).

### 37. RESERVES

#### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 30 and 31 of the consolidated financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are registered in the PRC has been transferred to reserve funds which are restricted as to use.

## (b) Company

	Share premium account HK\$'000	Equity component of convertible bonds HK\$'000	Warrant reserve HK\$'000 (note (b))	Share option reserve HK\$'000	Available- for-sale financial assets revaluation reserve HK\$'000 (note (a))	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2008	586,516	404,298	45,640	13,177	1,815	28,470	(170,543)	909,373
Changes in fair value of available-for-sale financial assets	-	-	-	-	(1,439)	-	-	(1,439)
Equity-settled share option arrangements	-	-	-	4,401	-	-	-	4,401
Redemption of the 2005 Convertible Bonds	-	(8,957)	-	-	-	-	8,957	-
Early redemption of the 2007 Convertible Bonds	-	(395,341)	-	-	-	-	77,366	(317,975)
Transfer of share option reserve upon cancellation of unexercised options	-	-	-	(1,506)	-	-	1,506	-
Loss for the year	-	-	-	-	-	-	(218,945)	(218,945)
At 31 December 2008 and 1 January 2009	586,516*	-	45,640*	16,072*	376*	28,470*	(301,659)*	375,415
Transfer of share option reserve upon cancellation of unexercised options	-	-	-	(16,072)	-	-	16,072	-
Transfer of Warrant reserve upon cancellation of Warrant	-	-	(45,640)	-	-	-	45,640	-
Transfer of Capital to setoff changes in fair value of available-for-sale financial assets	-	-	-	-	420	-	-	420
Loss for the year	-	-	-	-	-	-	(24,962)	(24,962)
Capital reduction	-	-	-	-	-	-	238,056	238,056
At 31 December 2009	586,516*	-	-	-	796*	28,470*	(26,853)*	588,929

\* These reserve accounts comprise the reserves of HK\$588,929,000 (2008: HK\$375,415,000) in the Company's statement of financial position.

*Notes:*

- (a) The Company's contributed surplus represents the difference between the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation referred to in note 37(a) over the nominal value of the Company's shares issued in exchange therefor.
- (b) The share option reserve comprised the fair value of share options granted which were yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3 to the consolidated financial statements. During the year, all share options were forfeited upon resignation of certain employees.

## 38. BUSINESS COMBINATIONS

**Business combination during the year ended 31 December 2008**

- (a) On 14 January 2008, the Group acquired 100% equity interest in Add Talent Investments Limited (“Add Talent”) and a shareholder’s loan owed by Add Talent of HK\$765,000 from an independent third party at a total consideration of HK\$40,765,000. The consideration was satisfied in exchange for the shareholder’s loan owed by Goldigit of HK\$597,000 and the disposal of 100% equity interest in Goldigit with the fair values of HK\$36,969,000 in aggregate, and the cash consideration of HK\$765,000. Add Talent and its subsidiaries (the “Add Talent Group”) are engaged in the provision of advertising services in the PRC.

The fair values of the identifiable assets and liabilities at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	<i>Notes</i>	<b>Fair value recognised on acquisition</b> <i>HK\$'000</i>	<b>Carrying amount immediate before the acquisition</b> <i>HK\$'000</i>
Intangible assets	18	35,199	–
Property, plant and equipment	14	2,936	2,936
Cash and bank balances		8	8
Other payables and accruals		(409)	(409)
		<u>37,734</u>	<u>2,535</u>
Satisfied by:			
100% equity interest in the Goldigit Group and the shareholder’s loan owed by Goldigit		36,969	
Cash		765	
		<u>37,734</u>	

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

	<i>HK\$'000</i>
Cash consideration paid	(765)
Cash and bank balances acquired	8
Net outflow of cash and cash equivalents in respect of the acquisition of Add Talent Group	<u>(757)</u>

- (b) On 22 October 2008, the Group acquired the entire issued capital of Marianne Group (the “Marianne Acquisition”). Marianne Group is engaged in the provision of beauty services. The purchase consideration was satisfied by cash of HK\$1,924,000.

The fair values of the identifiable assets and liabilities at the date of the Marianne Acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	<i>Notes</i>	<b>Fair value and carrying amount immediately before the acquisition</b> <i>HK\$'000</i>
Property, plant and equipment	14	967
Prepayments, deposits and other receivables		1,205
Other payables and accruals		(4,252)
		<u>(2,080)</u>
Goodwill on acquisition	17	4,004
		<u>1,924</u>
Satisfied by:		
Cash		<u>1,924</u>

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

	<i>HK\$'000</i>
Cash consideration and net outflow of cash and cash equivalents in respect of the Marianne Acquisition	<u>(1,924)</u>

Since its acquisition, Marianne Group contributed a loss of HK\$51,000 to the Group’s consolidated loss for the year ended 31 December 2008.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss of the Group for the year ended 31 December 2008 would have been HK\$138,777,000 and HK\$268,360,000, respectively.

## 39. DISPOSAL OF SUBSIDIARIES

## (a) Disposal of subsidiaries during the year ended 31 December 2009

On 22 January 2009, the Company and Direct Offer Limited, a wholly-owned of the Group's entire investment in the subsidiary of the Company, entered into a disposal agreement with Porte Finance Limited, to dispose its entire issued share capital of Jovian Financial Communications Limited and its subsidiaries (collectively, the "Jovian Group") together with shareholder's loan owned to the Company of HK\$3,350,000 at a total consideration of HK\$100,000. The disposal of Jovian Group was completed on 3 February 2009. Further details are disclosed in the circular dated 22 January 2009.

Details of the disposal of the Jovian Group are included in note 27 to the consolidated financial statements.

	<i>Notes</i>	<i>HK\$'000</i>
Net assets disposed of:		
Trade receivables	27	1,954
Prepayments, deposits and other receivables	27	386
Deferred tax assets	27	61
Tax recoverable	27	57
Cash and bank balances	27	361
Trade payables	27	(1,602)
Other payables and accruals	27	(1,121)

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*Note*

*HK\$'000*

Satisfied by:

Cash	12	100
------	----	-----

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

*HK\$'000*

Cash and bank balances disposed and net inflow of cash and cash equivalents in respect of the disposal of the Jovian Group	100
--	-----

The Jovian Group did not generate any revenue or contribution to the Group for the year ended 31 December 2009 (2008: HK\$5,079,000).

**(b) Disposal of subsidiaries during the year ended 31 December 2008**

On 31 October 2008, the Company and two of its wholly-owned subsidiaries, PIL and Pebble Rise, entered into an agreement with Suregold Global Limited (“Suregold”) and Castle Rock Investment Holding Limited (“Castle Rock”) to conditionally agreed to conditionally early redeem the 2007 Convertible Bonds in a principal amount of HK\$1,463,580,000 which shall be settled by the transfer of 81.31% equity interests of Sociedadade (“Consideration Shares”) and the assignment of the loans to Suregold and Castle Rock, further, Suregold and Castle Rock conditionally agreed to transfer to the Company the 2007 Convertible Bonds for cancellation in consideration of the Consideration Shares and the loans at Completion. The Completion took place on 12 December 2008. Further details are disclosed in the circular dated 24 November 2008.

	<i>Note</i>	<i>HK\$'000</i>
Net assets disposed of:		
Properties under development	16	1,866,131
Prepayments, deposits and other receivables		29
Cash and bank balances		1,141
Restricted bank balances		43,473
Other payables and accruals		(21,864)
Shareholders' loans		(269,481)
Minority interests		(67,298)
		<u>1,552,131</u>
Reclassification to available-for sale investments		(218,668)
Reclassification to other receivable		(36,320)
		<u>1,297,143</u>
Loss on disposal of a subsidiary		(155,582)
		<u><u>1,141,561</u></u>
Satisfied by:		
Early redemption of the 2007 Convertible Bonds		1,357,279
Less: shareholders' loans disposed		(215,718)
		<u><u>1,141,561</u></u>
An analysis of the net outflow of cash and cash equivalents in respect of the disposal is as follows:		
		<i>HK\$'000</i>
Cash and bank balances disposed of and net outflow of cash and cash equivalents in respect of the disposal of Sociedadade		<u><u>1,141</u></u>

## 40. CONTINGENT LIABILITIES

	<b>Group</b>	
	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Bank guarantees given to a third party	6,005	6,005
	<u>6,005</u>	<u>6,005</u>
	<b>Company</b>	
	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Guarantees given to a bank in connection with facilities granted to a subsidiary	2,500	2,500
	<u>2,500</u>	<u>2,500</u>

As at 31 December 2009, the banking facility granted to a subsidiary subject to guarantee given to the bank by the Company were utilised to the extent of approximately HK\$2,320,000 (2008: HK\$2,369,000).

## 41. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its leasehold land and buildings under operating lease arrangements. Leases for leasehold land and buildings are negotiated for terms ranging from one to three years.

At 31 December, the Group and the Company had total future minimum lease payments under non-cancellable operating leases with respect to staff quarters and shops as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Within one year	13,790	9,959	–	–
In the second to fifth years, inclusive	14,493	16,382	–	–
	<u>28,283</u>	<u>26,341</u>	<u>–</u>	<u>–</u>

## 42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41 above, the Group and the Company had the following capital commitments at the reporting period ended, which primarily related to the purchase of using right of a product royalty, namely “Barbie”:

	<b>Group</b>		<b>Company</b>	
	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Contracted, but not provided for product royalty	347	–	–	–
	<u>347</u>	<u>–</u>	<u>–</u>	<u>–</u>

## 43. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	<i>Notes</i>	<b>2009</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>
Rental expenses paid to related companies <sup>#</sup>	(i)	1,086	1,142
Management fee income received from related companies <sup>#</sup>	(ii)	42	439
Management fee paid to related parties*	(v)	1,000	–
Consultancy fee paid to a director	(iii)	–	625
Consultancy fee paid to a key management personnel of the Group	(iii)	–	625
Consultancy fee paid to a close family member of a director	(iii)	–	625
Consultancy fee paid to a close family member of a key management personnel of the Group	(iii)	220	625
Project management fee paid to a related company*	(iii)	–	9,454
Share options granted to a close family member of a director	(iv)	–	2,934
		<u>          </u>	<u>          </u>

<sup>#</sup> The related parties are parties in which a director of the Group, a key management personnel of the Group or their close family members have controlling beneficial interests.

\* The related parties were parties of which a close family member of one of the Company's directors or the Group's key management personnel were also directors of these related parties at the time of transactions.

*Notes:*

- (i) Rental expenses paid to related companies were made according to the prices and conditions stated in the tenancy agreements that were agreed between the Group and the related companies.
- (ii) Management fee income received from related companies was charged for certain administrative services provided by the Group. They were charged based on the actual costs incurred plus an agreed percentage to cover a share of general overheads.



- (iii) Consultancy fee, project management fee, management fee, performance incentive fee and were paid in accordance with contractual terms agreed between the Group and the related companies.
- (iv) Share options were granted for consultancy services provided to the Group under the share option scheme of the Company based on terms agreed by both parties.
- (v) Management fee paid to related parties in respect of management consultancy services provided to the Company.

(b) Outstanding balances with related parties:

Details of the Group's balances with related parties as at the end of reporting period is disclosed in note 25 to the consolidated financial statements.

(c) Other transactions with related parties:

Details of the guarantees given by a director of the Company and pledge of properties of a related company in respect of the general bank facilities of the Group are set out in note 29(a) to the financial statements.

(d) Compensation of key management personnel of the Company:

The key management personnel of the Company are its directors. Further details of their remunerations are disclosed in note 9 to the consolidated financial statements.

#### 44. NOTES TO THE CONSOLIDATE CASH FLOW STATEMENT

##### **Major non-cash transactions**

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the lease of HK\$Nil (2008: HK\$1,553,000).

Save as disclosed in notes 14, 15, 21, 22, 23, 27 and 30 to the consolidated financial statements, there is no other major non-cash transaction of investing and financing activities for the year ended 31 December 2009 (2008: Nil).

## 45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of reporting period are as follows:

**Group**

	2009				2008			
	Equity investments at fair value through profit or loss		Available-for-sale financial assets		Equity investments at fair value through profit or loss		Available-for-sale financial assets	
	Loans and receivables	Total	Loans and receivables	Total	Loans and receivables	Total	Loans and receivables	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Available-for-sale financial assets	-	-	331,341	331,341	-	-	330,921	330,921
Equity investments at fair value through profit or loss	13,019	-	-	13,019	6,161	-	-	6,161
Trade and other receivables	-	63,282	-	63,282	-	67,503	-	67,503
Amounts due from related parties	-	2,742	-	2,742	-	1,692	-	1,692
Pledged deposits	-	-	-	-	-	7,683	-	7,683
Cash and cash equivalents	-	57,501	-	57,501	-	65,287	-	65,287
	<u>13,019</u>	<u>123,525</u>	<u>331,341</u>	<u>467,885</u>	<u>6,161</u>	<u>142,165</u>	<u>330,921</u>	<u>479,247</u>

**Financial liabilities**

	2009	2008
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	12,796	9,244
Other payables	32,172	38,340
Interest-bearing bank borrowings	18,801	18,853
Amounts due to related parties	2,954	384
Amounts due to minority shareholders of subsidiaries	600	600
	<u>67,323</u>	<u>67,421</u>

## Company

	2009			2008			Total
	Equity investments at fair value through profit or loss <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available-for-sale financial assets <i>HK\$'000</i>	Equity investments at fair value through profit or loss <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available-for-sale financial assets <i>HK\$'000</i>	
Available-for-sale financial assets	-	-	1,262	-	-	842	842
Equity investments at fair value through profit or loss	-	-	-	6,161	-	-	6,161
Prepayments, deposits and other receivables	-	8,528	-	-	8,685	-	8,685
Due from subsidiaries	-	554,047	-	-	561,322	-	561,322
Due from subsidiaries classified as held for sale	-	-	-	-	-	3,350	3,350
Cash and cash equivalents	-	30,487	-	-	39,312	-	39,312
	-	593,062	1,262	6,161	609,319	4,192	619,672

## Financial liabilities

	2009 Financial liabilities at amortised cost <i>HK\$'000</i>	2008 Financial liabilities at amortised cost <i>HK\$'000</i>
Other payables	545	1,354

## 46. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments comprise trade and other receivables, cash and cash equivalents, available-for-sale financial assets, trade and other payables, amounts due to minority shareholders of subsidiaries and interest-bearing bank borrowings. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The board of directors reviews and agree policies for managing each of these risks and they are summarised below.

**Interest rate risk**

The Group's exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on interest-bearing bank borrowings and bank deposits which carry prevailing market interest rates. The directors of the Company consider the Group's exposure to interest rate risk on interest-bearing bank borrowings and bank deposits is not significant as most deposits bear variable interest rates and they are not sensitive to fluctuation in interest rate. The Group is not exposed to any significant fair value interest rate risk.

**Foreign exchange rate risk**

Foreign exchange rate risk arises when future commercial transactions, assets or liabilities are denominated in a currency that is not the functional currency of the Group. The Group operates mainly in Hong Kong and the PRC. The Group has minimal exposure to foreign currency exchange rate risk as transactions are mainly denominated in Hong Kong dollars and Renminbi, which are the functional currency of the Company and its subsidiaries in the PRC respectively. Accordingly, no sensitivity analysis is presented.

**Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the senior management.

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

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 24 to the financial statements.

**Liquidity risk**

The Group monitors its risk to shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases. To manage liquidity risk, the Group periodically monitors its net operating cash flows and maintains an adequate working capital for its daily operations.

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

**Group**

	<b>2009</b>					<b>Total</b> <i>HK\$'000</i>
	<b>On demand</b>	<b>Less than</b>	<b>3 to</b>	<b>1 to 5</b>	<b>Over</b>	
	<i>HK\$'000</i>	<i>3 months</i>	<i>less than</i>	<i>years</i>	<i>5 years</i>	
Finance lease payables	–	101	302	907	–	1,310
Interest-bearing bank borrowings	2,320	3,335	13,861	–	–	19,516
Trade payables	–	6,664	5,491	641	–	12,796
Other payables and accruals	–	32,172	–	–	–	32,172
Amounts due to related parties	2,954	–	–	–	–	2,954
Amounts due to minority shareholders of subsidiaries	600	–	–	–	–	600
	<u>5,874</u>	<u>42,272</u>	<u>19,654</u>	<u>1,548</u>	<u>–</u>	<u>69,348</u>

	<b>2008</b>					<b>Total</b> <i>HK\$'000</i>
	<b>On demand</b>	<b>Less than</b>	<b>3 to</b>	<b>1 to 5</b>	<b>Over</b>	
	<i>HK\$'000</i>	<i>3 months</i>	<i>less than</i>	<i>years</i>	<i>5 years</i>	
Finance lease payables	–	106	331	1,159	–	1,596
Interest-bearing bank borrowings	2,369	–	16,484	–	–	18,853
Trade payables	–	9,244	–	–	–	9,244
Other payables and accruals	–	38,340	–	–	–	38,340
Amounts due to related parties	384	–	–	–	–	384
Amounts due to minority shareholders of subsidiaries	600	–	–	–	–	600
	<u>3,353</u>	<u>47,690</u>	<u>16,815</u>	<u>1,159</u>	<u>–</u>	<u>69,017</u>

**Company**

	<b>2009</b>					<b>Total</b> <i>HK\$'000</i>
	<b>On demand</b>	<b>Less than</b>	<b>3 to</b>	<b>1 to 5</b>	<b>Over</b>	
	<i>HK\$'000</i>	<i>3 months</i>	<i>less than</i>	<i>years</i>	<i>5 years</i>	
Other payables and accruals	–	545	–	–	–	545
	<u>–</u>	<u>545</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>545</u>

	2008					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Other payables and accruals	-	1,354	-	-	-	1,354

**Equity price risk**

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale financial assets (note 20) as at 31 December 2009. The Group's listed investments are listed on the Hong Kong Stock Exchange, and are valued at quoted market prices at the balance sheet date.

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

	31 December 2009	High/low 2009	31 December 2008	High/low 2008
Hong Kong – Hang Seng Index	14,312	23,099/ 11,344	14,387	27,854/ 10,676

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. For the available-for-sale financial assets of the Group, the impact is on the available-for-sale financial assets revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

	Carrying amount of equity investments HK\$'000	Increase/ decrease in equity HK\$'000
<b>2009</b>		
Investments listed in:		
Hong Kong – Available-for sale	1,262	63
<b>2008</b>		
Investments listed in:		
Hong Kong – Available-for sale	842	42

**Capital management**

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the return of capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank borrowings, an amount due to related parties and a minority shareholder, trade payables, other payables and accruals and finance lease payables, less cash and cash equivalents, and excludes the discontinued operation. Capital includes convertible bonds and equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	<b>Group</b>	
	<b>2009</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest-bearing bank borrowings	18,801	18,853
Finance lease payables	1,159	1,490
Trade payables	12,796	9,244
Other payables and accruals	34,164	38,340
Amounts due to related parties	954	384
Amounts due to minority shareholders of subsidiaries	600	600
Net debt	68,474	68,911
Equity attributable to equity holders of the Company	572,044	581,253
Total capital	572,044	581,253
Capital and net debt	640,518	650,164
Gearing ratio	10.7%	10.6%

## 47. FAIR VALUES

The fair values of cash and cash equivalents, trade and other receivables, amounts due to/from related parties, available-for sale financial assets (unlisted equity investments) and trade and other payables are not materially different from their carrying amounts. Given these terms, it is not meaningful to disclose the fair value of such balances.

The following table presents the carrying amounts of financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	Notes	Group and the Company			Total HK\$'000
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Available-for-sale financial assets	20	1,262	–	–	1,262
Equity investments at fair value through profit or loss	21	13,019	–	–	13,019
		<u>14,281</u>	<u>–</u>	<u>–</u>	<u>14,281</u>

## 48. EVENTS AFTER THE REPORTING PERIOD

On 11 February 2010, An aggregate of 97,000,000 Placing Shares, representing approximately 16.64% of the issued share capital of the Company immediately after completion of the Placing, have been successfully placed to not less than six Placees, who and whose ultimate beneficial owners are not connected persons of the Company and are independent of the Company and its connected persons, at the Placing Price of HK\$0.25 per Placing Share.

The net proceeds from the Placing amount to approximately HK\$23.95 million which, will be used for general working capital of the Group.

## 49. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 April 2010.



### 3. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2008

Set out below are the audited consolidated financial statements of the Group for the year ended 31 December 2008 together with the comparative figures for the year ended 31 December 2007 and accompanying notes as extracted from the Group's annual report 2007/2008.

#### Consolidated Income Statement

Year ended 31 December 2008

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	5	138,079	91,202
Cost of sales		(48,964)	(32,473)
Gross profit		89,115	58,729
Other income	5	5,646	7,256
Gain on early redemption of convertible bonds		119,522	–
Selling and distribution costs		(67,726)	(34,563)
Administrative expenses		(76,933)	(65,849)
Other operating expenses		(1,548)	(885)
Costs associated with equity-settled share options	36	(4,401)	(11,941)
Impairment of items of property, plant and equipment	13	–	(25,004)
Loss recognised on the remeasurement to fair value of prepaid land lease payments	15	–	(9,607)
Decrease in fair value of investment properties	14	–	(8,195)
Impairment of goodwill	17	(55,910)	(46,636)
Impairment of intangible assets	18	(39,999)	–
Loss on disposal of a subsidiary	40	(155,582)	–
Convertible bonds interest costs	31	(70,490)	(26,258)
Other finance costs	6	(1,051)	(962)
Share of loss of an associate		(17)	–
<b>LOSS BEFORE TAX</b>	7	(259,374)	(163,915)
Tax	9	(2,582)	(2,743)
<b>LOSS FOR THE YEAR FROM CONTINUING OPERATIONS</b>		(261,956)	(166,658)
<b>DISCONTINUED OPERATION</b>			
Loss for the year from a discontinued operation	11	(5,079)	(377)
<b>LOSS FOR THE YEAR</b>		(267,035)	(167,035)

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Attributable to:			
Equity holders of the Company	10	(266,666)	(167,019)
Minority interests		(369)	(16)
		<u>(267,035)</u>	<u>(167,035)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	12		
Basic:			
For loss for the year		<u>HK\$0.55</u>	<u>HK\$0.46</u>
For loss from continuing operations		<u>HK\$0.54</u>	<u>HK\$0.46</u>
Diluted:			
For loss for the year		<u>N/A</u>	<u>N/A</u>
For loss from continuing operations		<u>N/A</u>	<u>N/A</u>

**Consolidated Balance Sheet**

31 December 2008

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	42,877	39,381
Investment properties	14	–	–
Prepaid land lease payments	15	6,182	7,285
Properties under development	16	–	1,818,098
Goodwill	17	–	51,906
Intangible assets	18	90,706	99,906
Available-for-sale investments	20	112,252	113,691
Interests in an associate	22	2,283	–
Deferred tax assets	34	–	61
Long term deposits	24	1,130	1,298
		<hr/>	<hr/>
Total non-current assets		255,430	2,131,626
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories	23	31,555	25,634
Trade receivables	24	12,649	13,379
Prepayments, deposits and other receivables	24	53,724	55,378
Available-for-sale investments	20	218,669	–
Equity investments at fair value through profit or loss	21	6,161	–
Amounts due from related companies	25	1,692	594
Pledged deposits	26	7,683	7,549
Restricted bank balances	26	–	42,537
Cash and cash equivalents	26	65,287	172,217
		<hr/>	<hr/>
		397,420	317,288
Assets of a disposal group classified as held for sale	27	2,819	43,385
		<hr/>	<hr/>
Total current assets		400,239	360,673
		<hr/>	<hr/>

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	28	9,244	11,895
Other payables and accruals	28	38,340	76,076
Interest-bearing bank borrowings	29	18,853	14,155
Amounts due to related companies	25	384	540
Tax payable		535	2,253
Convertible bonds	31	–	47,820
Finance lease payables	32	331	495
Amounts due to minority shareholders of subsidiaries	33	600	10,259
		<u>68,287</u>	<u>163,493</u>
Liabilities directly associated with the assets classified as held for sale	27	2,723	6,416
		<u>71,010</u>	<u>169,909</u>
<b>Total current liabilities</b>		<u>71,010</u>	<u>169,909</u>
<b>NET CURRENT ASSETS</b>		<u>329,229</u>	<u>190,764</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>584,659</u>	<u>2,322,390</u>
<b>NON-CURRENT LIABILITIES</b>			
Provision for long service payments	30	425	656
Convertible bonds	31	–	1,091,515
Finance lease payables	32	1,159	21
Deferred tax liabilities	34	1,822	1,944
		<u>3,406</u>	<u>1,094,136</u>
<b>Total non-current liabilities</b>		<u>3,406</u>	<u>1,094,136</u>
<b>Net assets</b>		<u><u>581,253</u></u>	<u><u>1,228,254</u></u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	35	242,915	242,915
Equity component of convertible bonds	31	–	404,298
Reserves	37(a)	338,338	513,694
		<u>581,253</u>	<u>1,160,907</u>
<b>Minority interests</b>		<u>–</u>	<u>67,347</u>
<b>Total equity</b>		<u><u>581,253</u></u>	<u><u>1,228,254</u></u>

**Consolidated Statement of Changes in Equity**  
Year ended 31 December 2008

		Attributable to equity holders of the Company												
		Equity component			Available-for-sale investment			Retained profits/						
		Share premium	of convertible bonds	Warrant reserve	Share option reserve	revaluation reserve	Reserve funds	Contributed surplus	Exchange fluctuation reserve	(Accumulated losses)	Total	Minority interests	Total equity	
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(note 35)	(note 35)	(note 31)			(note 37(a))	(note 37(a))							
	At 1 January 2007	134,365	221,428	8,957	45,640	5,831	264	7,321	73	5,430	9,603	438,912	-	438,912
	Changes in fair value of available-for-sale investments	-	-	-	-	-	1,551	-	-	-	-	1,551	-	1,551
	Exchange realignment	-	-	-	-	-	-	-	-	6,543	-	6,543	-	6,543
	Total income and expense recognised directly in equity	-	-	-	-	-	1,551	-	-	6,543	-	8,094	-	8,094
	Loss for the year	-	-	-	-	-	-	-	-	-	(167,019)	(167,019)	(16)	(167,035)
	Total income and expense for the year	-	-	-	-	-	1,551	-	-	6,543	(167,019)	(158,925)	(16)	(158,941)
	Issue of shares	35	108,550	369,030	-	-	-	-	-	-	-	477,580	-	477,580
	Share issue expenses	35	-	(3,942)	-	-	-	-	-	-	-	(3,942)	-	(3,942)
	Issue of convertible bonds	31	-	-	395,341	-	-	-	-	-	-	395,341	-	395,341
	Acquisition of a subsidiary	39	-	-	-	-	-	-	-	-	-	-	67,363	67,363
	Equity-settled share option arrangements	36	-	-	-	11,941	-	-	-	-	-	11,941	-	11,941
	Transfer of share option reserve upon cancellation of unexercised options		-	-	-	(4,595)	-	-	-	-	4,595	-	-	-
	At 31 December 2007	242,915	586,516	404,298	45,640	13,177	1,815	7,321	73	11,973	(152,821)	1,160,907	67,347	1,228,254

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

		Attributable to equity holders of the Company												
		Equity component				Available-for-sale investment				Retained profits/				
		Share of	Warrant	Share option	revaluation	Reserve	Contributed	Exchange fluctuation	Accumulated	Total	Minority interests	Total equity		
		Issued capital	premium account	convertible bonds	reserve	reserve	reserve	reserve	reserve	losses)	Total	interests	equity	
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(note 35)	(note 35)	(note 31)			(note 37(a))	(note 37(a))						
	At 1 January 2008	242,915	586,516	404,298	45,640	13,177	1,815	7,321	73	11,973	(152,821)	1,160,907	67,347	1,228,254
	Changes in fair value of available-for-sale investments	-	-	-	-	-	(1,439)	-	-	-	-	(1,439)	-	(1,439)
	Exchange realignment	-	-	-	-	-	-	-	-	2,345	-	2,345	-	2,345
	Total income and expense recognised directly in equity	-	-	-	-	-	(1,439)	-	-	2,345	-	906	-	906
	Loss for the year	-	-	-	-	-	-	-	-	-	(266,666)	(266,666)	(369)	(267,035)
	Total income and expense for the year	-	-	-	-	-	(1,439)	-	-	2,345	(266,666)	(265,760)	(369)	(266,129)
	Disposal of a subsidiary	40	-	-	-	-	-	-	-	-	-	-	(67,298)	(67,298)
	Equity-settled share option arrangements	36	-	-	-	4,401	-	-	-	-	-	4,401	-	4,401
	Transfer of share option reserve upon cancellation of unexercised options	-	-	-	-	(1,506)	-	-	-	-	1,506	-	-	-
	Redemption of the 2005 Convertible Bonds	31	-	-	(8,957)	-	-	-	-	-	8,957	-	-	-
	Early redemption of the 2007 Convertible Bonds	31	-	-	(395,341)	-	-	-	-	-	77,366	(317,975)	-	(317,975)
	At 31 December 2008	242,915	586,516*	-	45,640*	16,072*	376*	7,321*	73*	14,318*	(331,658)*	581,573	(320)*	581,253

\* These reserve accounts comprise the consolidated reserves of HK\$338,338,000 (2007: HK\$513,694,000) in the consolidated balance sheet.

**Consolidated Cash Flow Statement**

Year ended 31 December 2008

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before tax:			
From continuing operations		(259,374)	(163,915)
From a discontinued operation	11	(5,079)	(305)
Adjustments for:			
Convertible bonds interest costs	31	70,490	26,258
Other finance costs	6	1,051	973
Bank interest income	5	(1,139)	(3,666)
Gain on early redemption of convertible bonds		(119,522)	–
Loss on disposal of a subsidiary	40	155,582	–
Write-back of provision for long service payments	7	(231)	–
Share of loss of an associate		17	–
Depreciation	7	8,461	8,010
Write-off for inventories	7	1,255	2,334
Provision for inventories	7	2,113	1,185
Loss on disposal and write-off			
of items of property, plant and equipment	7	1,149	158
Decrease in fair value of investment properties	14	–	8,195
Amortisation of intangible assets	7	4,400	–
Recognition of prepaid land lease payments	7	695	1,139
Impairment of goodwill	17	55,910	46,636
Impairment of items of property, plant and equipment	13	2,626	25,004
Impairment of intangible assets	18	39,999	–
Loss recognised on the remeasurement to fair value			
of prepaid land lease payments	15	–	9,607
Provision for impairment of trade receivables	7	245	727
Write-off of other receivables	7	360	–
Cost associated with equity-settled share options	36	4,401	11,941
		<hr/>	<hr/>
		(36,591)	(25,719)
Increase in inventories		(9,289)	(3,504)
Increase in trade receivables		(1,469)	(5,263)
Decrease/(increase) in prepayments, deposits			
and other receivables		13,279	(30,922)
Increase in restricted bank balances	26(b)	(936)	(918)
Increase/(decrease) in trade payables		(1,049)	365
Increase/(decrease) in other payables and accruals		1,826	(12,026)
Increase in balances with related companies		(1,254)	(54)
Increase in balances with minority shareholders		600	–
		<hr/>	<hr/>

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Cash used in operations		(34,883)	(78,041)
Interest paid		(997)	(946)
Interest element of finance lease rental payments		(54)	(27)
Hong Kong profits tax paid		–	(46)
Overseas taxes paid		(4,479)	(3,850)
		<hr/>	<hr/>
Net cash outflow from operating activities		(40,413)	(82,910)
		<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		1,139	3,666
Purchases of items of property, plant and equipment	13	(8,992)	(4,527)
Proceeds from disposals of items of properties, plant and equipment		171	–
Purchases of equity investments at fair value through profit or loss		(6,161)	–
Acquisition of interests in an associate		(2,300)	–
Additions of properties under development	16	–	(7,244)
Acquisition of subsidiaries	38, 39	(2,681)	(19,976)
Disposal of subsidiaries	40	(3,288)	–
Increase in pledged deposits		(134)	(549)
		<hr/>	<hr/>
Net cash outflow from investing activities		(22,246)	(28,630)
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	35	–	180,180
Share issue expenses	35	–	(3,942)
New bank loans		16,500	–
Repayment of bank loans		(10,542)	(5,674)
Repayment of the 2005 Convertible Bonds	31	(51,000)	–
Capital element of finance lease rental payments		(579)	(462)
		<hr/>	<hr/>
Net cash inflow/(outflow) from financing activities		(45,621)	170,102
		<hr/>	<hr/>



	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		(108,280)	58,562
Cash and cash equivalents at beginning of year		170,735	111,318
Effect of foreign exchange rate changes, net		824	855
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>63,279</b>	<b>170,735</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	26	58,753	122,231
Non-pledged time deposits with original maturity of less than three months when acquired	26	6,534	49,986
Bank overdrafts	29	(2,369)	(3,629)
Cash and bank balances attributable to assets of a disposal group classified as held for sale	27	361	2,147
		<hr/>	<hr/>
		<b>63,279</b>	<b>170,735</b>
		<hr/> <hr/>	<hr/> <hr/>

**Balance Sheet**

31 December 2008

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	12	711
Interests in subsidiaries	19	561,322	2,101,922
Available-for-sale investments	20	842	2,281
		<hr/>	<hr/>
Total non-current assets		562,176	2,104,914
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables		8,685	12,185
Interests in subsidiaries classified as held for sale	19	3,350	46,555
Equity investments at fair value through profit or loss	21	6,161	–
Cash and cash equivalents	26	39,312	147,305
		<hr/>	<hr/>
Total current assets		57,508	206,045
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		1,354	1,864
Amounts due to subsidiaries classified as held for sale	19	–	17,472
Convertible bonds	31	–	47,820
		<hr/>	<hr/>
Total current liabilities		1,354	67,156
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		56,154	138,889
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		618,330	2,243,803
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Convertible bonds	31	–	1,091,515
		<hr/>	<hr/>
Net assets		618,330	1,152,288
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Issued capital	35	242,915	242,915
Equity component of convertible bonds	31	–	404,298
Reserves	37(b)	375,415	505,075
		<hr/>	<hr/>
Total equity		618,330	1,152,288
		<hr/> <hr/>	<hr/> <hr/>

**Notes to Financial Statements***31 December 2008***1. CORPORATE INFORMATION**

Macau Investment Holdings Limited is a limited liability company incorporated in the Cayman Islands. The name of the Company was formerly known as Signal Media and Communications Holdings Limited. Pursuant to a special resolution passed in an extraordinary general meeting held on 15 October 2007, the change of the Company name was approved. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 801, 8th Floor, Miramar Tower, 132-134 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong.

During the year, the Company was involved in investment holding and the Group was involved in property development and investment, manufacturing and trading of cosmetic and related products, provision of beauty technical and training services, and provision of public relation services.

**2.1 BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain equity and debt investments, which have been measured at fair value. The disposal group held for sale is stated at the lower of its carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of an outside shareholder not held by the Group in the results and net assets of the Company's subsidiary.

## 2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 & HKFRS 7 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and measurement</i> and HKFRS 7 <i>Financial Instruments: Disclosures – Reclassification of Financial Assets</i>
HK(IFRIC)-Int 11	HKFRS 2 – <i>Group and Treasury Share Transactions</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	HKAS 19 – <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

## 2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> <sup>1</sup>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> <sup>1</sup>
HKFRS 3 (Revised)	<i>Business Combinations</i> <sup>2</sup>
HKFRS 8	<i>Operating Segments</i> <sup>1</sup>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> <sup>1</sup>
HKAS 23 (Revised)	<i>Borrowing Costs</i> <sup>1</sup>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> <sup>2</sup>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> <sup>1</sup>
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> <sup>2</sup>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> <sup>3</sup>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i> <sup>1</sup>
HK(IFRIC)-Int 16	<i>Hedges of a New Investment in a Foreign Operation</i> <sup>4</sup>
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners</i> <sup>2</sup>

Apart from the above, the HKICPA has also issued Improvements to HKFRSs\* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wordings. Except for the amendments to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2009
- <sup>2</sup> Effective for annual periods beginning on or after 1 July 2009
- <sup>3</sup> Effective for annual periods beginning on or after 1 July 2008
- <sup>4</sup> Effective for annual periods beginning on or after 1 October 2008
- \* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

### Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of an associate is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in an associate are stated in the consolidated balance sheet at such amount that represents the Group's share of net assets under the equity method of accounting, less any impairment losses.

### Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the acquirees' identifiable assets acquired together with the liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In respect of an associate, goodwill is included in the carrying amount of the interest in associate, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at the financial year end date of each year. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### **Intangible assets (other than goodwill)**

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at balance sheet date.

##### *Brand name*

Brand name with indefinite useful life is tested for impairment annually at the cash-generating unit level and is not amortised. The useful life of brand name is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

##### *Operating rights*

Purchased operating rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 8 years.

#### **Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for “A disposal group held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	20 years or the prepaid land lease term, if shorter
Leasehold improvements	20%
Plant and machinery	10%
Furniture and fixtures	20%
Motor vehicles	10%
Office equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

#### **Investment properties**

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

#### **Properties under development**

Properties under development are stated at cost less any accumulated impairment losses. Cost comprises prepaid land lease payments, building costs and any other direct costs attributable to the development of the properties. Borrowing costs, professional fees, and other related expenses incurred during the construction or development phase of the property are capitalised as part of the costs of that property.

Once the construction or development of these properties are completed, these properties are reclassified to the appropriate asset categories.

#### **Disposal group held for sale**

Disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such disposal group and its sale must be highly probable.

Disposal group (other than investment properties and financial assets) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

#### **Impairment of non-financial assets other than goodwill**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, goodwill and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

#### **Investments and other financial assets**

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on these financial assets are recognised in the income statement.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.



*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in another category. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as “Other income” in accordance with the policies set out for “Revenue recognition” below. Losses arising from the impairment of such investments are recognised in the income statement as “Impairment losses on available-for-sale financial assets” and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

*Fair value*

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

**Impairment of financial assets**

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

*Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

*Available-for-sale financial assets*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

*Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**Financial liabilities at amortised cost (including interest-bearing bank borrowings)**

Financial liabilities including trade and other payables, amounts due to related companies and a minority shareholder of a subsidiary, and interest-bearing bank borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within “finance costs” in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

**Convertible bonds**

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

**Inventories**

Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour, sub-contracting charges and, where applicable, an appropriate proportion of production overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Cash and cash equivalents**

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

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

**Leases**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

#### **Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with interests in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax assets relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with interests in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Revenue recognition**

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, when the services have been rendered;
- (c) rental income, on a time proportion basis over the lease terms; and
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial assets.

**Employee benefits***Share-based payment transactions*

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 36 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

#### *Pension schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

#### **Other share-based payment transactions**

The Company issues warrants and share options for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Participants receive remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments of the Company.

The cost of equity-settled transactions with the warrant and share option subscribers is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model further detailed in notes 35 and 36 to the financial statements. In valuing equity-settled transactions upon date of grant, no account is taken for any performance conditions, other than conditions linked to the price of the shares of the Company (“market conditions”), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant warrant and share option subscribers become fully entitled to the award (the “vesting date”). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative amount recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effects of outstanding warrants and share options are reflected as additional share dilution in the computation of earnings per share.

#### **Foreign currencies**

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

#### **Related parties**

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a member of the key management personnel of the Group or its parent;
- (d) the party is a close member of the family of any individual referred to in (a) or (c);
- (e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or
- (f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES

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

#### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) *Impairment of available-for-sale investments*

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 December 2008, impairment losses of an amount of HK\$1,439,000 have been recognised for available-for-sale assets (2007: Nil). The carrying amount of available-for-sale assets was HK\$330,921,000 (2007: HK\$113,691,000).

(ii) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill arising from acquisition of subsidiaries at 31 December 2008 was HK\$Nil (2007: HK\$51,906,000). Further details are included in note 17 to the financial statements.

(iii) *Impairment of non-financial assets other than goodwill*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Intangible assets with indefinite life are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details, including a sensitivity analysis of key assumptions of intangible assets with indefinite life, are given in note 18 to the financial statements.

(iv) *Share-based payment transactions*

The cost of equity-settled transactions is subject to the limitations of the Black-Scholes option pricing model and binomial model and the uncertainty in estimates used by management in the assumptions as disclosed in notes 35 and 36, respectively, to the financial statements. The Black-Scholes option pricing model and the binomial model are modified for the early exercise of warrants and share options, respectively, in limited open exercise periods. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the lives of warrants and share options, and other relevant parameters of the models change, there would be material changes in the amount of equity settled transactions recognised in the financial statements.



**4. SEGMENT INFORMATION**

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (i) Continuing operations:
  - (a) the property investment and development segment;
  - (b) the manufacturing and trading of cosmetic and related products, and provision of beauty technical and tutoring services (the "Cosmetic and Beauty") segment; and
  - (c) the others segment comprises, principally, the Group's other corporate income and expense items.
- (ii) Discontinued operation:
  - (a) the financial public relation and advertising service segment;

Intersegment sales and transfers are transacted with reference to the selling price of sales made to third parties.

## (a) Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

## Group

	Continuing operations								Discontinued operation				Consolidated	
	Property investment and development		Cosmetic and beauty		Others		Eliminations		Total		Financial public relation and advertising service			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Segment revenue:														
Sales to external customers	-	-	138,332	92,951	-	-	-	-	138,332	92,951	6,289	10,353	144,621	103,304
Intersegment sales	-	-	-	-	-	-	(253)	(1,749)	(253)	(1,749)	253	1,749	-	-
Other revenue	-	1,252	4,618	2,222	-	-	-	-	4,618	3,474	8	6	4,626	3,480
<b>Total</b>	<b>-</b>	<b>1,252</b>	<b>142,950</b>	<b>95,173</b>	<b>-</b>	<b>-</b>	<b>(253)</b>	<b>(1,749)</b>	<b>142,697</b>	<b>94,676</b>	<b>6,550</b>	<b>12,108</b>	<b>149,247</b>	<b>106,784</b>
<b>Segment results</b>	<b>(976)</b>	<b>(41,924)</b>	<b>(55,648)</b>	<b>(41,355)</b>	<b>-</b>	<b>-</b>	<b>(253)</b>	<b>(1,749)</b>	<b>(56,877)</b>	<b>(85,028)</b>	<b>(5,079)</b>	<b>(344)</b>	<b>(61,956)</b>	<b>(85,372)</b>
Interest and unallocated other income									1,028	3,782	-	50	1,028	3,832
Unallocated expenses									(131,967)	(55,449)	-	-	(131,967)	(55,449)
Finance costs									(71,541)	(27,220)	-	(11)	(71,541)	(27,231)
Share of loss of an associate									(17)	-	-	-	(17)	-
<b>Loss before tax</b>									<b>(259,374)</b>	<b>(163,915)</b>	<b>(5,079)</b>	<b>(305)</b>	<b>(264,453)</b>	<b>(164,220)</b>
Tax									(2,582)	(2,743)	-	(72)	(2,582)	(2,815)
<b>Loss for the year</b>									<b>(261,956)</b>	<b>(166,658)</b>	<b>(5,079)</b>	<b>(377)</b>	<b>(267,035)</b>	<b>(167,035)</b>

## Group

	Continuing operations								Discontinued operation				Consolidated	
	Property investment and development		Cosmetic and beauty		Others		Eliminations		Total		Financial public relation and advertising service			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets and liabilities</b>														
Segment assets	254,989	1,883,505	224,351	236,897	-	1,216	-	-	479,340	2,121,618	2,819	18,886	482,159	2,140,504
Unallocated assets													173,510	351,795
<b>Total assets</b>													<b>655,669</b>	<b>2,492,299</b>
Segment liabilities	-	48,647	68,520	42,033	-	-	-	-	68,520	90,680	2,723	2,240	71,243	92,920
Unallocated liabilities													3,173	1,171,125
<b>Total liabilities</b>													<b>74,416</b>	<b>1,264,045</b>
<b>Other segment information:</b>														
Depreciation	-	-	7,916	5,395	-	2,501	-	-	7,916	7,896	545	114	8,461	8,010
Recognition of prepaid land lease payments	-	-	695	462	-	677	-	-	695	1,139	-	-	695	1,139
Impairment of items of property, plant and equipment	-	25,004	-	-	-	-	-	-	-	25,004	2,626	-	2,626	25,004
Provision for/(write-back of) impairment of trade receivables	-	-	399	-	-	-	-	-	399	-	(154)	727	245	727
Loss recognised on the remeasurement to fair value of prepaid land lease payments	-	9,607	-	-	-	-	-	-	-	9,607	-	-	-	9,607
Impairment of goodwill	-	-	38,610	44,443	-	-	-	-	38,610	44,443	17,300	2,193	55,910	46,636
Decrease in fair value of investment properties	-	8,195	-	-	-	-	-	-	-	8,195	-	-	-	8,195
Capital expenditure	-	7,244	10,497	4,880	31	78	-	-	10,528	12,202	17	63	10,545	12,265

## (b) Geographic segments

## Group

	Continuing operations								Discontinued operation		Consolidated	
	Hong Kong		Macau		Mainland China		Total		Hong Kong		2008	2007
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	33,952	17,715	-	-	104,127	73,487	138,079	91,202	6,542	12,102	144,621	103,304
Other income and gains	3,891	4,580	-	52	1,755	2,624	5,646	7,256	8	56	5,654	7,312
	<u>37,843</u>	<u>22,295</u>	<u>-</u>	<u>52</u>	<u>105,882</u>	<u>76,111</u>	<u>143,725</u>	<u>98,458</u>	<u>6,550</u>	<u>12,158</u>	<u>150,275</u>	<u>110,616</u>
Other segment information:												
Segment assets	299,235	486,739	254,989	1,846,878	98,626	139,796	652,850	2,473,413	2,819	18,886	655,669	2,492,299
Capital expenditure	3,888	752	-	7,244	6,640	4,206	10,528	12,202	17	63	10,545	12,265

## 5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered. An analysis of the Group's revenue and other income is as follows:

	Note	2008 HK\$'000	2007 HK\$'000
<b>Revenue</b>			
Sale of goods		114,117	77,967
Rendering of services		23,962	13,235
		<u>138,079</u>	<u>91,202</u>
Attributable to continuing operations reported in the consolidated income statement			
Rendering of services attributable to a discontinued operation	11	6,542	12,102
		<u>144,621</u>	<u>103,304</u>

	<i>Note</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
<b>Other income</b>			
Bank interest income		1,139	3,616
Management fee income		507	271
Rental income		–	1,252
Consultancy fee income		1,337	829
Others		2,663	1,288
		<hr/>	<hr/>
Attributable to continuing operations reported in the consolidated income statement		5,646	7,256
Other income attributable to a discontinued operation	11	8	56
		<hr/>	<hr/>
		5,654	7,312
		<hr/> <hr/>	<hr/> <hr/>

**6. OTHER FINANCE COSTS**

	<i>Note</i>	<b>Group</b> <b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years		997	935
Interest on finance leases		54	27
		<hr/>	<hr/>
Attributable to continuing operations reported in the consolidated income statement		1,051	962
Other finance costs attributable to a discontinued operation	11	–	11
		<hr/>	<hr/>
		1,051	973
		<hr/> <hr/>	<hr/> <hr/>

## 7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Cost of inventories sold		32,262	23,358
Cost of services provided <sup>#</sup>		15,339	11,460
Depreciation <sup>#</sup>	13	8,461	8,010
Recognition of prepaid land lease payments		116,634	67,390
Less: capitalised in properties under development	16	(115,939)	(66,251)
	15	695	1,139
Amortisation of intangible assets	18	4,400	–
Minimum lease payments under operating leases in respect of buildings <sup>#</sup>		15,499	9,817
Auditors' remuneration		380	2,650
Employee benefits expense (excluding directors' remuneration – note 8(a)):			
Wages, salaries and allowances <sup>#</sup>		32,223	21,922
Equity-settled share option expense <sup>@</sup>		–	1,341
Pension scheme contributions* <sup>#</sup>		1,201	942
		33,424	24,205
Expense incurred for equity-settled share options issued to business consultants <sup>@</sup>		2,934	8,210
Provision for impairment of trade receivables*** <sup>#</sup>	24	245	727
Provision for inventories**		2,113	1,185
Write-off of inventories**		1,255	2,334
Impairment on items of property, plant and equipment <sup>#</sup>	13	2,626	25,004
Impairment on goodwill	17	55,910	46,636
Impairment on intangible assets	18	39,999	–
Loss on disposal and write-off of items of property, plant and equipment*** <sup>#</sup>		1,149	158
Write-back of provision for long service payment	30	(231)	–
Foreign exchange differences, net		(8)	(71)
Write-off of other receivables		360	–
Net rental income		–	(1,052)

<sup>#</sup> The 2007 and 2008 disclosures presented in this note include those amounts charged in respect of the discontinued operation, further details of which are set out in note 11 to the financial statements.

<sup>\*</sup> At 31 December 2008, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2007: Nil).

<sup>\*\*</sup> These items were included in "Cost of sales" on the face of the consolidated income statement.

<sup>\*\*\*</sup> These items were included in "Other operating expenses" on the face of the consolidated income statement.

<sup>@</sup> These items were included in "Costs associated with equity-settled share options" on the face of the consolidated income statement.

## 8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

## (a) Directors' remuneration

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

	Group	
	2008	2007
	HK\$'000	HK\$'000
Fees	350	450
Other emoluments:		
Salaries and allowances	3,191	2,379
Equity-settled share option expenses	1,467	2,390
Pension scheme contributions	11	12
	4,669	4,781
	5,019	5,231

During the year, a director was granted share options under the share option scheme of the Company, in respect of his services to the Group. Further details of which are set out in note 36 to the financial statements. The fair value of such options which is being recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

The remuneration of executive and non-executive directors is set out below:

	Fees	Salaries and allowances	Equity-settled share option expenses	Pension scheme contributions	Total remuneration
2008	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Executive directors:</i>					
Edmund Kwok King Yan (note (i))	–	3,191	1,467	11	4,669
Huang Brad (note (ii))	–	–	–	–	–
Chen Jacob James (note (ii))	–	–	–	–	–
	–	3,191	1,467	11	4,669
<i>Non-executive director:</i>					
Cheng Ho Ming (note (iii))	–	–	–	–	–
<i>Independent non-executive directors:</i>					
Sun Juyi	150	–	–	–	150
Chiu Ching Katie	100	–	–	–	100
Hin Yat Ha	100	–	–	–	100
	350	–	–	–	350
	350	3,191	1,467	11	5,019

Notes:

- (i) Resigned on 22 December 2008
- (ii) Appointed on 23 June 2008
- (iii) Resigned on 29 May 2008

2007	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Equity-settled share option expenses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
<i>Executive director:</i>					
Edmund Kwok King Yan	–	2,379	2,390	12	4,781
<i>Non-executive director:</i>					
Cheng Ho Ming	100	–	–	–	100
<i>Independent non-executive directors:</i>					
Sun Juyi	150	–	–	–	150
Chiu Ching Katie	100	–	–	–	100
Hin Yat Ha	100	–	–	–	100
	350	–	–	–	350
	450	2,379	2,390	12	5,231

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

**(b) Five highest paid employees' remuneration**

The five highest paid employees during the year included one (2007: two) director, details of whose remuneration are set out in (a) above. Details of the remuneration of the remaining four (2007: three) non-director, highest paid employees for the year are as follows:

	Group	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Salaries and allowances	3,067	2,519
Equity-settled share option expenses	–	542
Pension scheme contributions	35	26
	3,102	3,087



The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2008	2007
Nil to HK\$1,000,000	3	1
HK\$1,000,001 – HK\$1,500,000	1	2
	4	3
	4	3

During the year, no share options were granted to any of these non-director, highest paid employees in respect of their services to the Group.

## 9. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate became effective as from the year of assessment 2008/2009, and is applicable to the assessable profits arising in Hong Kong for the full year ended 31 December 2008. Taxes on profits assessable in Mainland China have been calculated at the rate of 25% (2007: 30%) based on existing legislation, interpretations and practices in respect thereof.

	2008 HK\$'000	2007 HK\$'000
Group:		
Current		
– Hong Kong	–	37
– Mainland China	2,704	2,845
Deferred ( <i>note 34</i> )	(122)	(139)
Total tax charge for the year	2,582	2,743
Represented by:		
Tax charge attributable to a discontinued operation ( <i>note 11</i> )	–	72
Tax charge attributable to continuing operations reported in the consolidated income statement	2,582	2,815

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

**Group – 2008**

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>Macau</b> <i>HK\$'000</i>	<b>Mainland China</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Loss before tax (including loss from a discontinued operation)	(244,388)	(976)	(19,089)	(264,453)
Tax at the statutory tax rate	(40,422)	(64)	(4,772)	(45,258)
Income not subject to tax	(687)	–	(11)	(698)
Expenses not deductible for tax	41,434	64	1,090	42,588
Tax losses utilised from previous periods	(338)	–	–	(338)
Tax losses not recognised	13	–	6,275	6,288
Tax charge at the Group's effective rate	–	–	2,582	2,582

**Group – 2007**

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>Macau</b> <i>HK\$'000</i>	<b>Mainland China</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Loss before tax (including loss from a discontinued operation)	(116,933)	(318)	(46,969)	(164,220)
Tax at the statutory tax rate	(20,463)	(21)	(15,500)	(35,984)
Income not subject to tax	(615)	(18)	(131)	(764)
Expenses not deductible for tax	21,738	39	18,337	40,114
Tax losses utilised from previous periods	(773)	–	–	(773)
Tax losses not recognised	222	–	–	222
Tax charge at the Group's effective rate	109	–	2,706	2,815

**10. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2008 includes a loss of HK\$218,945,000 (2007: HK\$122,196,000) which has been dealt with in the financial statements of the Company (note 37(b)).

**11. DISCONTINUED OPERATION**

On 22 January 2009, the Company and Direct Offer Limited, a wholly-owned subsidiary of the Company, entered into a disposal agreement with Porte Finance Limited, to dispose the entire issued share capital of Jovian Financial Communications Limited together with the shareholder's loan owed to the Company in the amount of HK\$3,350,000 at the total consideration of HK\$100,000.

The consolidated operating results associated with the financial public relation services and advertising services for the years ended 31 December 2008 and 2007 is presented below:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Revenue	6,542	12,102
Cost of sales	(2,005)	(5,864)
Gross profit	4,537	6,238
Other income	8	56
Selling and distribution costs	–	(5)
Administrative costs	(7,152)	(5,856)
Other operating costs	154	(727)
Impairment of items of properties, plant and equipment	(2,626)	–
Other finance costs	–	(11)
Loss before tax from the discontinued operation	(5,079)	(305)
Tax	–	(72)
Loss for the year from the discontinued operation	<u>(5,079)</u>	<u>(377)</u>

The net cash flows of the discontinued operation for the year are as follows:

	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Net cash inflow/(outflow) arising from operating activities	(2,508)	1,653
Net cash outflow arising from investing activities	(8)	(13)
Net inflow/(outflow)	<u>(2,516)</u>	<u>1,640</u>
Loss per share:		
Basic, from the discontinued operation	HK\$0.01	–
Diluted, from the discontinued operation	N/A	N/A

The calculations of basic loss per share amounts from the discontinued operation are based on:

	<b>2008</b>	<b>2007</b>
Loss attributable to ordinary equity holders of the Company from the discontinued operation	HK\$5,079,000	HK\$377,000
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>485,830,194</u>	<u>364,380,880</u>

Diluted loss per share amounts for the years ended 31 December 2008 and 2007 have not been disclosed, as warrants, share options and convertible bonds outstanding in the prior year and warrants and share options outstanding in the current year had an anti-dilutive effect on the basic loss per share for the respective years.

## 12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 December 2008 and 2007 have not been disclosed, as warrants, share options and convertible bonds outstanding in the prior year and warrants and share options outstanding in the current year had an anti-dilutive effect on the basic loss per share for the respective years.

The calculation of basic and diluted loss per share are based on:

	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss</b>		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation:		
From continuing operations	261,587	166,642
From a discontinued operation	<u>5,079</u>	<u>377</u>
	<u>266,666</u>	<u>167,019</u>
<b>Number of shares</b>		
	<b>2008</b>	<b>2007</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>485,830,194</u>	<u>364,380,880</u>

## 13. PROPERTY, PLANT AND EQUIPMENT

## Group

		Leasehold improve- ments	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equipment	Total	
	Notes	Buildings HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Cost:								
At 1 January 2007		31,539	2,543	19,654	1,048	395	416	55,595
Additions		–	126	1,020	3,502	24	349	5,021
Disposals		–	(16)	(227)	(5)	(249)	(169)	(666)
Acquisition of subsidiaries	38	19,000	3,251	5,902	7,433	730	1,656	37,972
Transferred to assets of a disposal group classified as held for sale		(33,199)	(2,533)	(20,687)	(204)	(416)	(68)	(57,107)
Exchange realignment		3,115	129	2,064	69	224	137	5,738
At 31 December 2007 and 1 January 2008		20,455	3,500	7,726	11,843	708	2,321	46,553
Additions		–	1,129	472	5,368	1,864	1,712	10,545
Disposals and write-off		–	(670)	(24)	(783)	(214)	(345)	(2,036)
Acquisition of subsidiaries	38	–	527	–	442	327	2,607	3,903
Transferred to assets of a disposal group classified as held for sale	27	–	(136)	–	(94)	–	(153)	(383)
Exchange realignment		739	173	386	591	35	158	2,082
At 31 December 2008		21,194	4,523	8,560	17,367	2,720	6,300	60,664

## Group

		Buildings	Leasehold improve- ments	Plant and machinery	Furniture and fixtures	Motor vehicles	Office equipment	Total
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accumulated depreciation and impairment:								
At 1 January 2007		5,581	1,870	19,654	325	214	156	27,800
Provided during the year	7	2,937	1,170	1,143	1,935	108	717	8,010
Impairment during the year	27(a)	25,004	–	–	–	–	–	25,004
Disposals		–	(10)	(204)	(3)	(224)	(67)	(508)
Transferred to assets of a disposal group classified as held for sale		(32,509)	(2,421)	(20,687)	(204)	(267)	(68)	(56,156)
Exchange realignment		766	96	1,694	204	180	82	3,022
At 31 December 2007 and 1 January 2008		1,779	705	1,600	2,257	11	820	7,172
Provided during the year	7	1,634	700	1,120	2,610	192	2,205	8,461
Impairment during the year		–	–	–	37	282	2,307	2,626
Disposals and write-off		–	–	(11)	(429)	(92)	(184)	(716)
Transferred to assets of a disposal group classified as held for sale	27	–	(136)	–	(94)	–	(153)	(383)
Exchange realignment		89	126	79	168	9	156	627
At 31 December 2008		3,502	1,395	2,788	4,549	402	5,151	17,787
Net book value:								
At 31 December 2008		<u>17,692</u>	<u>3,128</u>	<u>5,772</u>	<u>12,818</u>	<u>2,318</u>	<u>1,149</u>	<u>42,877</u>
At 31 December 2007		<u>18,676</u>	<u>2,795</u>	<u>6,126</u>	<u>9,586</u>	<u>697</u>	<u>1,501</u>	<u>39,381</u>

Company	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 January 2007	753	263	1,016
Additions	19	60	79
At 31 December 2007 and at 1 January 2008	772	323	1,095
Additions	–	31	31
Write-off	(772)	(338)	(1,110)
At 31 December 2008	–	16	16
Accumulated depreciation:			
At 1 January 2007	117	66	183
Provided during the year	151	50	201
At 31 December 2007 and at 1 January 2008	268	116	384
Provided during the year	153	67	220
Write-off	(421)	(179)	(600)
At 31 December 2008	–	4	4
Net book value:			
At 31 December 2008	–	12	12
At 31 December 2007	504	207	711

The net book value of the Group's fixed assets held under finance leases included in (i) the total amount of plant and machinery amounted to HK\$305,000 (2007: HK\$930,000), (ii) the total amount of office equipment of HK\$84,000 (2007: Nil); and (iii) the total amount of motor vehicles of HK\$1,591,000 (2007: Nil), respectively.

At 31 December 2008, the Group's buildings with a net book value of approximately HK\$17,692,000 (2007: HK\$18,676,000) were pledged to secure general banking facilities granted to the Group (note 29(b)).

## 14. INVESTMENT PROPERTIES

		<b>Group</b>	
	<i>Note</i>	<b>2008</b>	<b>2007</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 January		–	45,905
Net loss from fair value adjustments		–	(8,195)
Transferred to assets of a disposal group classified as held for sale	27(b)	–	(40,005)
Exchange realignment		–	2,295
		<u>–</u>	<u>–</u>
Carrying amount at 31 December		<u>–</u>	<u>–</u>

## 15. PREPAID LAND LEASE PAYMENTS

		<b>Group</b>	
	<i>Notes</i>	<b>2008</b>	<b>2007</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 January		7,506	10,022
Amortisation recognised during the year	7	(695)	(1,139)
Loss recognised on the remeasurement to fair value		–	(9,607)
Transferred to assets of a disposal group classified as held for sale	27	–	(265)
Acquisition of subsidiaries	38	–	7,900
Exchange realignment		66	595
		<u>6,877</u>	<u>7,506</u>
Carrying amount at 31 December		6,877	7,506
Current portion included in prepayments, deposits and other receivables		(695)	(221)
		<u>–</u>	<u>–</u>
Non-current portion		<u>6,182</u>	<u>7,285</u>

The leasehold land is held under medium term leases and is situated in Mainland China.

At 31 December 2008, the Group's prepaid land lease payments with a net book value of HK\$6,877,000 (2007: HK\$7,506,000) were pledged to secure general banking facilities granted to the Group (note 29(b)).

## 16. PROPERTIES UNDER DEVELOPMENT

		<b>Group</b>	
	<i>Notes</i>	<b>2008</b>	<b>2007</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 January		1,818,098	–
Acquisition of a subsidiary	39	–	1,810,854
Additions		48,033	7,244
Disposal of a subsidiary	40	(1,866,131)	–
		<u>–</u>	<u>–</u>
Carrying amount at 31 December		<u>–</u>	<u>1,818,098</u>



Included in properties under development were prepaid land lease payments, the movements of which during the year are as follows:

		<b>Group</b>	
	<i>Note</i>	<b>2008</b>	<b>2007</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 January		1,722,515	–
Acquisition of a subsidiary		–	1,788,766
Recognised during the year	7	(115,939)	(66,251)
Disposal of a subsidiary		(1,606,576)	–
		<u>–</u>	<u>–</u>
Carrying amount at 31 December		<u><u>–</u></u>	<u><u>1,722,515</u></u>

The Group's properties under development as at 31 December 2007 are situated in Macau and are held under a lease term of 25 years commencing on 30 July 1991. The lease is renewable for successive periods of 10 years up to 19 December 2049 and in accordance with the relevant laws in force in Macau at the time of renewals.

#### 17. GOODWILL

		<b>Group</b>	
	<i>Notes</i>	<b>2008</b>	<b>2007</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 January		51,906	19,493
Acquisition of subsidiaries	38	4,004	79,049
Impairment during the year	7	(55,910)	(46,636)
		<u>–</u>	<u>–</u>
At 31 December		<u><u>–</u></u>	<u><u>51,906</u></u>

		<b>Group</b>	
		<b>2008</b>	<b>2007</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December:			
Cost		102,546	98,542
Accumulated impairment		(102,546)	(46,636)
		<u>–</u>	<u>–</u>
Net carrying amount		<u><u>–</u></u>	<u><u>51,906</u></u>

Details of impairment testing of goodwill is further disclosed in note 18.

## 18. INTANGIBLE ASSETS

	<i>Notes</i>	<b>Brand name</b> <i>HK\$'000</i>	<b>Operating rights</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Cost:				
Acquisition of subsidiaries	38	99,906	–	99,906
At 31 December 2007 and at 1 January 2008		99,906	–	99,906
Acquisition of subsidiaries	38	–	35,199	35,199
At 31 December 2008		99,906	35,199	135,105
Amortisation and impairment:				
At 1 January 2007, 31 December 2007 and 1 January 2008		–	–	–
Amortisation provided during the period	7	–	4,400	4,400
Impairment during the year	7	9,200	30,799	39,999
At 31 December 2008		9,200	35,199	44,399
Net carrying amount:				
At 31 December 2008		90,706	–	90,706
At 31 December 2007		99,906	–	99,906

**Brand name**

The brand name represents rights for the use of the brand name “CMM” arising from the acquisition of CMM International Group Limited as detailed in note 38.

**Operating rights**

The operating rights represent the exclusive rights to operate 25 billboards on a highway in Mainland China arising from the acquisition of Add Talent Investments Limited and its subsidiaries (collectively referred to as the “Add Talent Group”) on 14 January 2008 as detailed in note 38.

**Impairment testing of goodwill and brand name with indefinite useful life**

Goodwill and brand name acquired through business combinations set out in notes 17 and 18, respectively, have been allocated to the following cash-generating units, which are reportable segments for impairment testing:

- Financial public relation service cash-generating unit; and
- Cosmetic and beauty cash-generating unit

The carrying amounts of goodwill and brand name allocated to each of the cash-generating units are as follows:

	Financial public relation service		Cosmetic and beauty		Total	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount of goodwill	–	17,300	–	34,606	–	51,906
Carrying amount of brand name with indefinite useful life	–	–	90,706	99,906	90,706	99,906
	–	17,300	90,706	134,512	90,706	151,812

*Financial public relation service cash-generating unit*

The recoverable amount of the financial public relation service cash-generating unit had been determined based on a value-in-use calculation using cash flow projections covering a five-year period approved by senior management of the Group. The discount rate applied to the cash flow projections was approximately 19%.

*Cosmetic and beauty cash-generating unit*

The recoverable amount of the cosmetic and beauty cash-generating unit has also been determined based on a value-in-use calculation using cash flow projections covering a period of five years, which are based on financial budget approved by senior management of the Group. The discount rate applied to the cash flow projections is approximately 18%.

Key assumptions were used in the value in use calculation of the financial public relation service and cosmetic and beauty cash-generating units for the years ended 31 December 2008 and 31 December 2007. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and brand name with indefinite useful lives:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins was referenced to the historical gross margins.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

*Impairment loss of goodwill attributable to the financial public relation services cash-generating unit*

Impairment losses of HK\$17,300,000 (2007: HK\$2,193,000) during the year ended 31 December 2008 have been recognised in the consolidated income statement for goodwill attributable to this cash-generating unit as a result of the subsequent disposal of the unit as disclosed in note 27.

*Impairment loss of goodwill and brand name attributable to the cosmetic and beauty cash-generating unit*

During the year ended 31 December 2008, an impairment loss of HK\$38,610,000 (2007: HK\$44,443,000) has been recognised for goodwill. An impairment loss of HK\$9,200,000 has been recognised for brand name attributable to the Group's cosmetic and beauty cash-generating unit for the year ended 31 December 2008.

As detailed in note 38, part of the consideration for acquisition of CMM International Group was to be satisfied by issuing and allotting 67 million of the Company's ordinary shares (the "Consideration Shares"). As a result of the increase in the quoted share price of the Company's shares during the period from the announcement date to the completion date of the acquisition, the fair values of the Consideration Shares were increased by approximately HK\$44 million. This increase, being part of fair values of the total consideration paid by the Group, contributed to the goodwill arising from the acquisition.

In view of the fact that the Group's cosmetic and beauty business continued to operate at a loss in the year, additional impairment provisions of HK\$38,610,000 and HK\$9,200,000 have been made in respect of the goodwill and brand name, respectively, during the year ended 31 December 2008.

#### Impairment testing of operating rights with definite useful life

The development of the billboard sector has significantly slowed down and there is no indication for significant improvement in the foreseeable future; an impairment of HK\$30,799,000 has been recognised in the consolidated income statement for the year ended 31 December 2008.

### 19. INTERESTS IN SUBSIDIARIES, AND INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES CLASSIFIED AS HELD FOR SALE

#### (a) Interests in subsidiaries

	Company	
	2008	2007
	HK\$'000	HK\$'000
Unlisted shares, at cost	–	–
Amounts due from subsidiaries	663,364	2,154,549
Impairment #	(102,042)	(52,627)
	<u>561,322</u>	<u>2,101,922</u>

# An impairment was recognised during the years ended 31 December 2008 and 2007 due to prolonged loss making conditions of these subsidiaries.

#### (b) Interests in subsidiaries and amounts due to subsidiaries classified as held for sale

	Company	
	2008	2007
	HK\$'000	HK\$'000
Unlisted shares, at cost	–	28,475
Amounts due from subsidiaries	3,350	18,080
	<u>3,350</u>	<u>46,555</u>
Amounts due to subsidiaries	<u>–</u>	<u>17,472</u>

As at 31 December 2008 and 2007, the interests in subsidiaries and amounts due to subsidiaries were considered to be held for sale in the coming twelve months. These balances are reflected as current assets and liabilities accordingly.

The balances with subsidiaries are unsecured and interest-free except for an amount of HK\$55,500,000, which was interest-bearing at 3% per annum, and have no fixed terms of repayment as at 31 December 2007. The carrying amounts of the amounts due from/to subsidiaries approximate their fair values.

During the years ended 31 December 2008 and 2007, the Company had direct and indirect interests in the following subsidiaries, all of which are private companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place of incorporation/ registration and principal operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Add Talent Investments Limited ( <i>note (iii)</i> )	British Virgin Islands ("BVI")	US\$1	–	100	Investment holding
Bension International Limited	BVI	US\$1	–	100	Investment holding
Beauty Charm International Company Limited	Hong Kong	HK\$10,000	–	100	Investment holding
Beauty Connect Holdings Limited	Hong Kong	HK\$10,000	–	60	Investment holding
The Beauty Collection International Group Limited	BVI	US\$100	–	75	Investment holding
Carissa Bay Inc.	BVI	US\$1	100	–	Investment holding
Cheng Ming Ming's Beauty World Limited	Hong Kong	HK\$2,001,000	–	100	Investment and property holding
Cidesco International School Limited	Hong Kong	HK\$2	–	100	Operation of esthetic school
CMM International Group Limited	BVI	US\$1	–	100	Investment holding
CMM APAMA Co., Ltd.	Hong Kong	HK\$5,000,000	–	51	Inactive
Direct Offer Limited	BVI	US\$1	100	–	Investment holding
Fujian Goldigit Fine Chemical Industry Co., Ltd.* ( <i>note (i)</i> )	People's Republic of China ("PRC")/ Mainland China	HK\$3,000,000	–	100	Development and distribution of solvent pesticides

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

Name	Place of incorporation/ registration and principal operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Fuzhou Development Zone Goldigit Fine Chemical Industry Co., Ltd.* <i>(note (i))</i>	PRC/ Mainland China	HK\$10,000,000	–	100	Property holding
Fuzhou WOFE Economics Consultants Co., Ltd* <i>(note (iii))</i>	PRC/ Mainland China	HK\$1,500,000	–	100	Investment holding
Goldigit Limited <i>(note (i))</i>	BVI	US\$10,000	100	–	Investment holding
Jovian Financial Communications Limited (“Jovian”) <i>(note (iii))</i>	Hong Kong	HK\$10,000	–	100	Provision of financial public relation services
Kasper Holding Limited	BVI	US\$1	–	100	Investment holding
M.D. Cliniceuticals Company Limited	Hong Kong	US\$50,000	–	100	Trading of cosmetic products
Marianne Spa I Limited <i>(note (iv))</i>	Hong Kong	HK\$10,000	–	100	Provision of beauty services
Marianne Spa II Limited <i>(note (iv))</i>	Hong Kong	HK\$100	–	100	Provision of beauty services
Master Tailor Investments Limited <i>(note (i))</i>	BVI	US\$1	–	100	Investment holding
Meilkind Development Limited	Hong Kong	HK\$10,000	–	100	Trading of cosmetic products
Monita Group Limited	Hong Kong	HK\$1,002	–	100	Trading of cosmetic and related products, holding of trademark, and provision for hair, esthetic and tutoring services

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

Name	Place of incorporation/ registration and principal operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Monita Trademark Limited	BVI	US\$2	–	100	Holding of trademarks
Noble Star Consultants Limited	BVI	US\$1	100	–	Investment holding
Pebble Rise Inc. (“Pebble Rise”)	BVI	US\$1	100	–	Investment holding
Performing Investments Limited (“PIL”)	BVI/ Macau	US\$1	100	–	Investment holding
Profit Now Investments Limited	Hong Kong	HK\$1	100	–	Inactive
Quanzhou Quangang Fine Chemical Co., Ltd. *(note (i))	PRC/ Mainland China	US\$1,000,000	–	100	Inactive
Richpro Group Limited	BVI	US\$1	100	–	Investment holding
Signalmedia Networks Hong Kong Limited	Hong Kong	HK\$1	–	100	Inactive
Shanghai Cheng Ming Ming Cosmetic Product Ltd.*	PRC/ Mainland China	US\$1,200,000	–	100	Provision of consultancy and technical services and manufacture of cosmetic related products
Shanghai Cheng Ming Ming Industrial Ltd.	PRC/ Mainland China	RMB3,000,000	–	100	Trading of cosmetic products
Sociedade de Investimento Imobiliario Pun Keng Van S.A.R.L. (“Sociedade”) (note (ii))	Macau	MOP1,000,000	–	95	Property development
Spring New Developments Limited (note (i))	BVI	US\$1	–	100	Investment holding

Name	Place of incorporation/ registration and principal operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Winning Elite Investments Limited (“Winning Elite”)	BVI/ Macau	US\$1	100	–	Investment holding
上海蒙妮坦職業培訓學校*	PRC/ Mainland China	RMB1,000,000	–	100	Operation of esthetic school
上海鄭明明美容美髮有限公司	PRC/ Mainland China	US\$200,000	–	100	Provision of consultancy services and esthetic services
福建省廣源廣告有限公司(note (iii))	PRC/ Mainland China	RMB1,000,000	–	100	Provision of advertising services
唯美坊貿易(上海)有限公司	PRC/ Mainland China	US\$80,000	–	60	Trading of cosmetic products

\* These subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

*Notes:*

- (i) On 14 January 2008, the Company disposed of a 100% equity interests in Goldigit Limited and its subsidiaries (the “Goldigit Group”) to an independent third party. Further details of the disposal are set out in note 40 to the financial statements.
- (ii) On 12 December 2008, the Company disposed of a 81.31% equity interests in Sociedade. Further details of the disposal are set out in note 40 to the financial statements.
- (iii) On 14 January 2008, the Company acquired Add Talent Investments Limited and its subsidiaries (the “Add Talent Group”) in exchange for the disposal of the Goldigit Group referred to in note (i) above. Subsequent to the balance sheet date, the Group disposed of Jovian, together with the entire Add Talent Group on 22 January 2009.
- (iv) On 22 October 2008, the Company acquired Marianne Spa I Limited and Marianne Spa II Limited (the “Marianne Group”), at a consideration of HK\$1,924,000. Further details of the acquisition are set out in note 38 to the financial statements.



## 20. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	Group		Company	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Listed equity investments in					
Hong Kong, at fair value	(a)	842	2,281	842	2,281
Unlisted equity investments, at cost	(b)				
– Non-current		111,410	111,410	–	–
– Current	40	218,669	–	–	–
		<u>330,079</u>	<u>111,410</u>	<u>–</u>	<u>–</u>
		<u>330,921</u>	<u>113,691</u>	<u>842</u>	<u>2,281</u>

*Notes:*

- (a) During the year, the gross loss of the Group's available-for-sale investments recognised directly in equity amounted to HK\$1,439,000 (2007: gross gain of HK\$1,551,000). The fair values of listed equity investments are based on quoted market prices as at 31 December 2008. The market values of the Group's and the Company's listed equity instruments at the date of approval of these financial statements were approximately HK\$842,000 and HK\$842,000, respectively.
- (b) Unlisted equity investments consisted of investments in equity interests which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

As at 31 December 2008, unlisted equity investments with an aggregate carrying amount of HK\$330,078,000 (2007: HK\$111,410,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. Further details of the unlisted equity investments are set out below.

**Investment in the Partnership**

On 9 September 2006, Winning Elite, a wholly-owned subsidiary of the Group, subscribed 6.4% of the expected total capitalisation of US\$200 million (equivalent to approximately HK\$1,560 million) in LCF Macau Co-Investor L.P. ("LCF Macau Co"), a limited partnership formed on 16 June 2006 under the Partnership Act 1996 of the British Virgin Islands (the "Partnership"), at a consideration of HK\$100 million. As at 31 December 2008, the total capitalisation of LCF Macau Co amounted to US\$48.6 million (equivalent to approximately HK\$379.2 million) of which the Group holds 26.6% interests.

The Partnership has a term of 10 years from the date of its formation. The subscription was completed on 11 September 2006. The Partnership is principally engaged in the property investment business. The principal asset held by the Partnership as at 31 December 2008 was a 4.61% (2007: 4.61%) equity interest in Baia da Nossa Senhora da Esperanca Real Estate Development Company Limited, a limited liability company incorporated in Macau, which has an interest in a piece of land situated at Baia de Nossa Senhora da Esperanca, Macau.

The Partnership comprises a general partner and eleven limited partners, including Winning Elite, as at the balance sheet date. The general partner of the Partnership shall have the sole right to determine whether from time to time profits of the Partnership shall be distributed in cash or shall be left within the Partnership, in which event the capital account of all partners shall be increased. The limited partners cannot make any investment and operating decisions of the Partnership and shall be entitled to receive a share of the annual net profits equivalent to their share in the capitalisation of the Partnership. Limited partners may not withdraw from the Partnership prior to the termination of the Partnership. Interests in the Partnership may be assigned only with the written consent of the general partner, which consent may be withheld at its sole discretion.

As the Group does not intend to dispose its interest in Partnership in near future, the investment is classified as non-current.

#### Investment in Sociedade

On 26 May 2006, Performing Investments, a wholly-owned subsidiary of the Group, acquired an 8.69% equity interest in Sociedade, a limited liability company incorporated in Macau on 15 May 1993, for a consideration of HK\$100,000,000. Sociedade is principally engaged in property investment and development business. The principal asset held by Sociedade was a piece of bare land located at Baia de Praia Grande (Nam Van Lakes District), Macau for residential development purpose. On 28 August 2007, the Group acquired an additional 86.31% equity interest in Sociedade subsequent to which it became a 95%-owned subsidiary of the Group. Further details are disclosed in note 39 to the financial statements. On 12 December 2008, the Group disposed of 81.31% equity interest in Sociedade and therefore Sociedade ceased to be the subsidiary of the Company. As the Group intends to dispose of its interest in near future, the investment is classified as current. Further details of the disposal are disclosed in note 40 to the financial statements.

#### 21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2008	2007
	HK\$'000	HK\$'000
Listed debt investments, at market value		
Elsewhere	6,161	–
	<u>6,161</u>	<u>–</u>

The fair value of all equity investments is based on their current bid prices in an active market.

#### 22. INTERESTS IN AN ASSOCIATE

	Group	
	2008	2007
	HK\$'000	HK\$'000
Share of net assets	1,027	–
Goodwill arising on acquisition	1,256	–
	<u>2,283</u>	<u>–</u>

Particulars of the associate are as follows:

Name	Particular of issued shares held	Place of incorporation/ registration and operations	Percentage of ownership interests attributable to the Group Indirect	Principal activity
The Skin Workshop Limited	Ordinary share HK\$1 each	Hong Kong	42	Trading of cosmetic Products

The following table illustrates the summarised financial information of the Group's associate extracted from the associate's management accounts:

	<i>HK\$'000</i>
Assets	2,874
Liabilities	429
Revenue	2,522
Loss	40

### 23. INVENTORIES

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	7,223	7,600
Work in progress	175	234
Finished goods	24,157	17,800
	<u>31,555</u>	<u>25,634</u>

### 24. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross trade receivables	14,228	14,713
Impairment	(1,579)	(1,334)
Net trade receivables	<u>12,649</u>	<u>13,379</u>
Prepayments, deposits and other receivables		
Current portion	53,724	55,378
Non-current portion	1,130	1,298
	<u>54,854</u>	<u>56,676</u>
	<u>67,503</u>	<u>70,055</u>

**Trade receivables**

The Group has different trading terms with its customers for different businesses.

For services rendered, no credit term is granted to customers, except for certain well-established customers where the Group allows trading terms on credit. Invoices are normally payable within 30 days of issuance. Each customer has a maximum credit limit.

For the sale of goods, the Group's trading terms with its customers are mainly on credit. The credit period granted to customers generally ranges from one month to three months.

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing and the carrying amounts of trade receivables approximate their fair values.

An aged analysis of the trade receivables, net of impairment loss, as at the balance sheet date, based on the invoice date, is as follows:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current to 3 months	11,914	13,236
4 to 6 months	172	143
7 to 12 months	223	–
Over 1 year	340	–
	12,649	13,379
	12,649	13,379

The movements in provision for impairment of trade receivables are as follows:

	<i>Note</i>	<b>Group</b>	
		<b>2008</b>	<b>2007</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January		1,334	167
Impairment losses recognised	7	245	727
Acquisition of a subsidiary		–	607
Amount written off as uncollectible		–	(167)
		1,579	1,334
At 31 December		1,579	1,334

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$1,579,000 (2007: HK\$1,334,000) with a carrying amount of HK\$1,579,000 (2007: HK\$1,443,000). The individually impaired trade receivables relate to customers that were in default or delinquency in interest or principal payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	<b>Group</b>	
	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Neither past due nor impaired	11,914	11,648
1 to 3 months past due	–	1,731
4 to 6 months past due	735	–
	<u>12,649</u>	<u>13,379</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

#### **Prepayments, deposits and other receivables**

None of these assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

An amount of HK\$36,320,000 is receivable from Sociedade, a company of which 81.31% equity interests was disposed by the Company on 12 December 2008.

#### **25. AMOUNTS DUE FROM/TO RELATED COMPANIES**

Particulars of amounts due from related companies, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

##### **Group – 2008**

	<b>31 December</b> <b>2008</b> <i>HK\$'000</i>	<b>Maximum amount outstanding during the year</b> <i>HK\$'000</i>	<b>1 January</b> <b>2008</b> <i>HK\$'000</i>
Monita Hair and Beauty College Limited	619	619	43
Chen's Industrial Company Limited	160	160	64
上海巨景生物科技有限公司	580	580	387
上海巨科國際貿易有限公司	210	210	64
CICA Association Limited	123	123	36
	<u>1,692</u>	<u>1,692</u>	<u>594</u>

## Group – 2007

	31 December 2007 <i>HK\$'000</i>	Maximum amount outstanding during the year <i>HK\$'000</i>	1 January 2007 <i>HK\$'000</i>
Monita Hair and Beauty College Limited	43	176	–
Chen's Industrial Company Limited	64	67	–
上海巨景生物科技有限公司	387	946	–
上海巨科國際貿易有限公司	64	1,142	–
CICA Association Limited	36	63	–
	<u>594</u>	<u>          </u>	<u>          </u>

The above related companies are companies in which one of the Group's directors or their close family members had controlling beneficial interests.

The balances with related companies are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these balances approximate their fair values.

## 26. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND RESTRICTED BANK BALANCES

	<i>Notes</i>	Group		Company	
		2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cash and bank balances		58,753	122,231	37,278	97,319
Time deposits		14,217	100,072	2,034	49,986
		<u>72,970</u>	<u>222,303</u>	<u>39,312</u>	<u>147,305</u>
Less: Pledged time deposits					
for a bank guarantee	(a)	(7,683)	(7,549)	–	–
Restricted bank balances	(b)	–	(42,537)	–	–
Cash and cash equivalents	(c)	<u>65,287</u>	<u>172,217</u>	<u>39,312</u>	<u>147,305</u>

*Notes:*

- (a) The balance represented a pledged bank deposit made to a bank for guarantee granted by the bank to the landlord of one of the Group's rental premises in Hong Kong. The term of the lease is from 3 January 2006 to 31 December 2008 and the pledged deposit was released subsequent to the year end.
- (b) As detailed in note 39, restricted bank balance with a carrying amount of HK\$41,619,000 was acquired upon acquisition of Sociedade on 28 August 2007. As at 31 December 2007, the balance represented an aggregate amount of HK\$40,000,000 plus interest placed by the former owners of Sociedade for future payment of the land premium by Sociedade, if any. The balance is unsecured. After payment of the land premium, if any, as determined by and settled with the Macau government, the remaining amount, together with the interest thereon, shall be refunded to the former owners. The balance was disposed of as Sociedade ceased to be a subsidiary of the Group on 12 December 2008. Further details are disclosed in note 40 to the financial statements.

- (c) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances, pledged time deposits and restricted bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents, the pledged deposits and restricted bank balances approximate their fair values.
- (d) At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$17,107,000 (2007: HK\$18,140,000). Even though the RMB is not freely convertible into other currencies, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## 27. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 11 December 2007, the Company entered into an agreement with an independent third party, to dispose of 100% equity interest in Goldigit Limited and its subsidiaries (collectively, the “Goldigit Group”) in exchange for acquiring an advertising operation in Mainland China with a fair value of approximately HK\$36,969,000. The principal activity of the Goldigit Group was property investment. As at 31 December 2007, the assets and liabilities of the Goldigit Group were classified as a disposal group held for sale.

On 22 January 2009, the Company and Direct Offer Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to dispose of the 100% equity interest in Jovian and its subsidiaries (collectively, the “Jovian Group”) at a consideration of HK\$100,000. The disposal of Jovian Group was completed subsequent to the year end date on 3 February 2009. As at 31 December 2008, the assets and liabilities of the Jovian Group were classified as a disposal group held for sale.

The major classes of assets and liabilities classified as held for sale as at 31 December are as follows:

		<b>Group</b>	
		<b>2008</b>	<b>2007</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>			
Property, plant and equipment	(a)	–	951
Prepaid land lease payments	(a)	–	265
Investment properties	(b)	–	40,005
Trade receivables		1,954	–
Prepayments, deposits and other receivables		386	17
Deferred tax assets	34	61	–
Tax recoverable		57	–
Cash and bank balances		361	2,147
		<hr/>	<hr/>
Assets of a disposal group classified as held for sale		2,819	43,385
		<hr/>	<hr/>
<b>Liabilities</b>			
Trade payables		(1,602)	–
Other payables and accruals		(1,121)	(5,616)
Tax payable		–	(800)
		<hr/>	<hr/>
Liabilities directly associated with the assets classified as held for sale		(2,723)	(6,416)
		<hr/>	<hr/>
Net assets directly associated with the disposal group		96	36,969
		<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (a) For the reason that the carrying amount of items of property, plant and equipment as at 31 December 2008 and 2007 and prepaid land lease payments in the disposal group held for sale as at 31 December 2007 were below their fair values less costs to sell, an impairment loss of HK\$2,626,000 (2007: HK\$25,004,000) (note 13) for property, plant and equipment was recognised during the year and loss on remeasurement to fair value of HK\$9,607,000 (note 15) for prepaid land lease payments were recognised during the year ended 31 December 2007.
- (b) As at 31 December 2007, the investment properties were situated in Mainland China and were held under medium term leases.

The Group's investment properties were revalued on 31 December 2007 by Greater China Appraisal Limited, independent professional qualified valuers, at HK\$40,005,000 on an open market, existing use basis.

The disposal of Goldigit Group was completed on 14 January 2008. Particulars of the disposal are set out in note 40 to the financial statements.

**28. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS**

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	<b>Group</b>	
	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Current to 3 months	8,194	9,777
4 to 6 months	173	175
7 to 12 months	558	864
Over 1 year	319	1,079
	<hr/>	<hr/>
Other payables and accruals	9,244	11,895
	38,340	76,076
	<hr/>	<hr/>
	<b>47,584</b>	<b>87,971</b>
	<hr/> <hr/>	<hr/> <hr/>

The trade payables are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the Group's trade payables approximate their fair values.

Included in other payables and accruals as at 31 December 2008 and 2007 were amounts due from the Group's associate of HK\$1,623,000 and an amount of HK\$42,537,000 received from the former owners of Sociedade for settlement of the land premium, if any, respectively (note 26(b)).



## 29. INTEREST-BEARING BANK BORROWINGS

Group	2008			2007		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Bank overdrafts – secured	–	–	–	6	On demand	3,629
Bank overdrafts – unsecured	6	On demand	2,369	–	–	–
Bank loans – secured	6.43	2009	16,484	6.73	2008	10,526
			18,853			14,155

## Notes:

- (a) The Group's overdraft facilities amounted to HK\$4,500,000 (2007: HK\$5,300,000) at 31 December 2008, of which HK\$2,369,000 (2007: HK\$3,629,000) were utilised as at the balance sheet date. As at 31 December 2007, an amount of HK\$3,629,000 was secured by the pledge of the properties of a related company of the Group and a personal guarantee executed by a non-executive director of the Company to the extent of HK\$2,000,000.
- (b) The Group's bank loans are secured by mortgages over the Group's buildings and prepaid land lease payments, which had an aggregate carrying value at the balance sheet date of approximately HK\$17,692,000 (2007: HK\$18,676,000) (note 13) and HK\$6,877,000 (2007: HK\$7,506,000) (note 15), respectively.
- (c) Except for the secured bank loans which are denominated in RMB and at fixed rates, all borrowings are in Hong Kong dollars and at floating rates.

The carrying amounts of the Group's bank borrowings approximate their fair values.

## 30. PROVISION FOR LONG SERVICE PAYMENTS

	Notes	Group	
		2008 HK\$'000	2007 HK\$'000
At beginning of year		656	–
Acquisition of a subsidiary	38	–	656
Write back of provision	7	(231)	–
At end of year		425	656

## 31. CONVERTIBLE BONDS

**2005 Convertible Bonds**

On 11 November 2005, the Company issued zero coupon convertible bonds with a nominal value of HK\$51,000,000 (the “2005 Convertible Bonds”). The bonds are convertible at the option of the bondholder into ordinary shares of the Company at a price of initially, HK\$0.2713 per share (the “First Conversion Price”), subject to adjustment, on or before 10 November 2008 (the “First Maturity Date”). Pursuant to the convertible bond agreement, the bonds are subject to mandatory conversion into ordinary shares of the Company at the First Conversion Price, subject to adjustment, prior to the First Maturity Date if the weighted average of the traded prices of the shares in issue for the 30 days immediately prior to the First Maturity Date represents a price which is equal to or higher than 150% of the First Conversion Price.

If not converted, the 2005 Convertible Bonds are redeemable at the face value of HK\$51,000,000 on the First Maturity Date.

On 10 November 2008, the 2005 Convertible Bonds were not converted and therefore the 2005 Convertible Bonds were fully redeemed.

**2007 Convertible Bonds**

On 28 August 2007, the Company issued two zero coupon convertible bonds with a nominal value of HK\$1,463,580,000 (the “2007 Convertible Bonds”). The bonds are convertible at the option of the bondholders into ordinary shares of the Company at a price of initially, HK\$0.18 per share (the “Second Conversion Price”), subject to adjustment, on or before 27 August 2012 (the “Second Maturity Date”). Pursuant to the convertible bond agreements, the bonds are subject to mandatory conversion into ordinary shares of the Company at the Second Conversion Price, subject to adjustment, prior to the Second Maturity Date if the weighted average of the traded prices of the shares in issue for the 30 days immediately prior to the Second Maturity Date represents a price which is equal to or higher than 150% of the Second Conversion Price.

If not converted, the 2007 Convertible Bonds are redeemable at the face value of HK\$1,463,580,000 on the Second Maturity Date.

The fair value of the liability component of the 2007 Convertible Bonds and the 2005 Convertible Bonds were estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders’ equity.

As a result of the share consolidation on 15 October 2007 (note 35(d)) and pursuant to the terms of the 2005 Convertible Bonds and 2007 Convertible Bonds, adjustments to the respective conversion price were made.

The table below sets out the conversion prices and the maximum number of shares to be issued upon conversion of the convertible bonds before and after the adjustments immediately upon the share consolidation taking effect:

	Before adjustments		After adjustments	
	Conversion Price (HK\$)	Maximum number of shares to be issued	Conversion price (HK\$)	Maximum number of shares to be issued
The 2005 Convertible Bonds	0.2713	187,983,781	2.713	18,798,378
The 2007 Convertible Bonds	0.18	8,131,000,000	1.8	813,100,000

On 31 October 2008, the Company and two of its wholly-owned subsidiaries, PIL and Pebble Rise, entered into the Agreement with Suregold Global Limited (“Suregold”) and Castle Rock Investment Holding Limited (“Castle Rock”) under which the Company, PIL and Pebble Rise conditionally agreed to early redeem the 2007 Convertible Bonds in the principal amount of HK\$1,463,580,000 to be settled by the transfer of 81.31% equity interests of Sociedade (“the Consideration Shares”) and the assignment of the loans to Suregold and Castle Rock, and Suregold and Castle Rock conditionally agreed to transfer to the Company the 2007 Convertible Bonds for cancellation in consideration of the Consideration Shares and the loans at completion. The completion took place on 12 December 2008.

The convertible bonds issued have been split as to the liability and equity components and movement of the convertible bonds is as follows:

	<b>Group and Company</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Nominal value of convertible bonds	1,514,580	1,514,580
Equity component		
2005 Convertible Bonds	(8,957)	(8,957)
2007 Convertible Bonds	(395,341)	(395,341)
	<u>(404,298)</u>	<u>(404,298)</u>
Liability component at the issuance date	1,110,282	1,110,282
Interest expense in 2006	2,795	2,795
Interest expense in 2007	26,258	26,258
Interest expense in 2008	70,490	–
Redeemed during the year		
–The 2005 Convertible Bonds	(51,000)	–
–The 2007 Convertible Bonds	(1,158,825)	–
	<u>–</u>	<u>–</u>
Liability component at 31 December	<u>–</u>	<u>1,139,335</u>
Analysed into:		
Current liabilities	–	47,820
Non-current liabilities	–	1,091,515
	<u>–</u>	<u>1,139,335</u>

### 32. FINANCE LEASE PAYABLES

The Group leases certain of its office equipment and plant and machinery during the year. The lease is classified as finance lease and has remaining lease terms of five years.

At 31 December 2008, the total future minimum lease payments under finance leases and their present values were as follows:

**Group**

	<b>Minimum lease payments 2008 HK\$'000</b>	<b>Minimum lease payments 2007 HK\$'000</b>	<b>Present value of minimum lease payments 2008 HK\$'000</b>	<b>Present value of minimum lease payments 2007 HK\$'000</b>
Amounts payable:				
Within one year	425	521	331	495
In the second year	425	22	331	21
In the third to fifth years, inclusive	885	–	828	–
	<u>1,735</u>	<u>543</u>	<u>1,490</u>	<u>516</u>
Total minimum finance lease payments	1,735	543	<u>1,490</u>	<u>516</u>
Future finance charges	(245)	(27)		
	<u>1,490</u>	<u>516</u>		
Total net finance lease payables	1,490	516		
Portion classified as current liabilities	(331)	(495)		
	<u>1,159</u>	<u>21</u>		
Non-current portion	<u>1,159</u>	<u>21</u>		

**33. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES**

The balance is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the balance approximates its fair value.

**34. DEFERRED TAX**

Movements in deferred tax liabilities and assets during the year are as follows:

**Deferred tax liabilities**

<b>Group</b>	<i>Notes</i>	<b>Depreciation allowance in excess of related depreciation</b>	
		<b>2008 HK\$'000</b>	<b>2007 HK\$'000</b>
At beginning of year		1,944	–
Acquisition of a subsidiary	38	–	2,083
Deferred tax credited to the income statement	9	(122)	(139)
		<u>1,822</u>	<u>1,944</u>
At end of year		<u>1,822</u>	<u>1,944</u>

## Deferred tax assets

Group	Note	Depreciation in excess of related depreciation allowance	
		2008 HK\$'000	2007 HK\$'000
At beginning of year		61	61
Transferred to assets of a disposal group classified as held for sale	27	(61)	–
At end of year		<u>–</u>	<u>61</u>

The Group has tax losses arising in Hong Kong and PRC of HK\$32,789,000 (2007: HK\$12,162,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 December 2008 and 2007, there were no significant unrecognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

## 35. SHARE CAPITAL

	2008 HK\$'000	2007 HK\$'000
Authorised:		
5,000,000,000 (2007: 5,000,000,000) ordinary shares of HK\$0.5 (2007: HK\$0.5) each	<u>2,500,000</u>	<u>2,500,000</u>
Issued and fully paid:		
485,830,194 (2007: 485,830,194) ordinary shares of HK\$0.5 (2007: HK\$0.5) each	<u>242,915</u>	<u>242,915</u>

A summary of the transactions during the year with reference to the changes in the Company's issued ordinary share capital is as follows:

	<i>Notes</i>	Number of authorised shares	Number of shares in issue	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2007		10,000,000,000	2,687,301,949	134,365	221,428	355,793
Increase in authorised shares	(a)	40,000,000,000	–	–	–	–
Issue of new shares for subscription	(b)	–	1,001,000,000	50,050	130,130	180,180
Issue of new shares for acquisition of subsidiaries	(c)	–	1,170,000,000	58,500	238,900	297,400
		<u>40,000,000,000</u>	<u>2,171,000,000</u>	<u>108,550</u>	<u>369,030</u>	<u>477,580</u>
Share issue expenses	(c)	–	–	–	(3,942)	(3,942)
Share consolidation	(d)	(45,000,000,000)	(4,372,471,755)	–	–	–
At 31 December 2007, 1 January 2008 and 31 December 2008		<u>5,000,000,000</u>	<u>485,830,194</u>	<u>242,915</u>	<u>586,516</u>	<u>829,431</u>

*Notes:*

- (a) Pursuant to an ordinary resolution passed on 10 August 2007, the authorised share capital of the Company was increased from HK\$500,000,000 to HK\$2,500,000,000 by a creation of 40,000,000,000 additional shares of HK\$0.05 each, ranking pari passu in all respects with the existing share capital of the Company.
- (b) On 26 June 2007, the Company entered into subscription agreements with certain subscribers pursuant to which the Company agreed to issue and allot 1,001,000,000 new ordinary shares of the Company at a subscription price of HK\$0.18 per share. The subscription was completed on 2 October 2007. Gross proceeds of approximately of HK\$180,180,000 were brought into the Group, giving rise to a share premium of HK\$130,130,000.
- (c) (i) On 30 April 2007, 670,000,000 shares at HK\$0.22 per share were issued and allotted as consideration for the acquisition of CMM International Group Limited, resulting in a share premium of HK\$113,900,000.
- (ii) On 28 August 2007, 500,000,000 shares at HK\$0.3 per share were issued and allotted for the acquisition of Sociedade, giving rise to a share premium of HK\$125,000,000.
- (d) Pursuant to a resolution passed in the extraordinary general meeting on 15 October 2007, every ten shares in the issued and unissued ordinary share capital of the Company of HK\$0.05 each were consolidated into one consolidated share of HK\$0.5 each (the "Share Consolidation").

#### Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

### Warrants

On 11 September 2006, the Company issued two unlisted warrants, being Series A Warrant and Series B Warrant (collectively, the “Warrants”), for HK\$1 per warrant to LCF II Holdings, Limited, a limited liability company incorporated in the BVI (the “Subscriber”). Each warrant entitles the Subscriber to subscribe, subject to conditions as further detailed below being fulfilled, 267,634,000 ordinary shares of the Company of HK\$0.05 each at an initial subscription price of HK\$0.1999 per share, subject to adjustment, and payable in cash, from the date of issue to 10 September 2009. As a result of the Share Consolidation (note 35(d)), the exercise price of the Warrants was adjusted from HK\$0.1999 per share to HK\$1.999 per share and the aggregate number of shares subscribed was adjusted from 535,268,000 to 53,527,000. Subsequent to the year end, the Company and the Subscriber entered into the cancellation agreement pursuant to which the Company and Subscriber mutually agreed to cancel the Warrants.

None of the Warrants was exercised during the year ended 31 December 2008. The exercise in full of the Warrants as at balance sheet date would, under the present value of the Group, result in the issue 53,527,000 additional shares of the Company, representing approximately 11.0% (2007: 11.0%) of the Company’s shares in issue as at 31 December 2008 and would give rise to additional share capital of HK\$26,763,000 (2007: HK\$26,763,000) and share premium of HK\$80,237,000 (2007: HK\$80,237,000).

#### *Series A Warrant*

The exercise of the subscription right attached to the Series A Warrant is conditional upon the Company receiving satisfactory evidence showing that the aggregate of the audited profits before tax of businesses acquired by the Group, being introduced by the Subscriber after 11 September 2006 (the “Introduced Businesses”), excluding those Introduced Businesses that are loss-making, for the twelve months ending on the financial year end date of those Introduced Businesses next following the completion date of the relevant acquisition multiplied by the relevant percentage interest acquired by the Group would exceed HK\$10 million.

#### *Series B Warrant*

The exercise of the subscription right attached to the Series B Warrant is conditional upon:

- i) The average market capitalisation of the Company for the 60 trading days immediately prior to the date which the Subscriber is entitled to exercise the subscription, which is determined as the product of the closing price of the Company’s shares and the number of shares issued and outstanding at the close of business, has an average of no less than HK\$1 billion; and
- ii) The Company, since 11 September 2006, having completed the acquisitions of businesses, assets and/or interests therein at a total consideration of not less than HK\$200 million, provided that the opportunities for such acquisitions have been introduced to the Group by the Subscriber.

The fair value of the Warrants granted was estimated as at the date of grant using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Date of grant	11 September 2006
Dividend yield (%)	Nil
Expected volatility (%)	82.00
Risk-free interest rate (%)	3.90
Expected life of option (year)	3.00
Closing share price at date of grant (HK\$)	0.19

The volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The fair value of the Warrants of HK\$45,640,000 has been recognised by the Group as the cost of equity-settled transactions for services provided by the Subscriber.

**36. SHARE OPTION SCHEME**

On 15 October 2003, the Company adopted a share option scheme (the “Scheme”). The purpose of the Scheme is to provide incentives and rewards to the eligible participants who contribute to the Group, and to enable the Group to recruit and retain high calibre professionals, executives and employees who are instrumental to the growth of the Group. Eligible participants of the Scheme include the directors (including executive directors and non-executive directors), and employees of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group or business alliance of the Group and shareholders of the Group. The Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from 15 October 2003.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be granted under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the ordinary shares of the Company in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the ordinary shares of the Company in issue as at the date of adopting the Scheme, but the Company may seek approval of its shareholders in a general meeting to refresh the 10% limit under the Scheme.

The total number of shares issued and to be issued upon exercise of the share options granted under the Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period up to the date of grant must not exceed 1% of the ordinary shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting of the Company.

Share options granted under the Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is also the grantee of the options). In addition, any share options granted to a substantial shareholder or independent non-executive directors of the Company, in excess of 0.1% of the ordinary shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company’s shares at the date of each grant) in excess of HK\$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders’ approval in a general meeting of the Company.

A share option may be accepted by a participant within 10 days from the date of the offer for grant of the option. The exercise period of the share options granted is determinable by the directors in accordance with the terms of the Scheme, and commences from the date of acceptance of the offer of grant of the share options and ends on a date which is not later than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of the Company, but must not be less than the higher of (i) the closing price of the Company’s shares as stated in the Hong Kong Stock Exchange’s daily quotations sheet on the date of the offer for grant, which must be a business day; (ii) the average closing price of the Company’s shares as stated in the Hong Kong Stock Exchange’s daily quotations sheet for the five business days immediately preceding the date of the offer of the grant, which must be a business day; and (iii) the nominal value of the ordinary share.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.



The following share options were outstanding under the Scheme during the year:

	2008		2007	
	Weighted average exercise price HK\$ per share	Number of options '000	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	2.441	18,494	0.308	108,791
Granted during the year	1.80	4,503	0.238	162,845
Cancelled during the year	–	–	0.313	(86,693)
Lapsed during the year	(1.83)	(1,558)	–	–
Adjustment of the Share Consolidation (note 35(d))	–	–	0.244	(166,449)
At 31 December	<u>2.35</u>	<u>21,439</u>	<u>2.441</u>	<u>18,494</u>

The exercise prices and exercise periods of the share options outstanding as at that balance sheet date are as follows:

#### 2008

Number of options# '000	Exercise price ** HK\$ per share	Exercise period
1,870	3.05	15-11-05 to 14-11-15
340	2.00	28-8-06 to 27-8-15
11,773	2.30	11-7-07 to 11-7-17
1,097	2.80	11-7-07 to 16-8-17
3,357	2.52	27-9-07 to 27-9-17
3,002	1.80	11-1-08 to 11-1-18
<u>21,439</u>		

#### 2007

Number of options# '000	Exercise price ** HK\$ per share	Exercise period
1,870	3.05	15-11-05 to 14-11-15
340	2.00	28-8-06 to 27-8-15
11,773	2.30	11-7-07 to 11-7-17
1,154	2.80	11-7-07 to 16-8-17
3,357	2.52	27-9-07 to 27-9-17
<u>18,494</u>		

\* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

# The number of shares to be issued upon exercise of share options under the Scheme and the exercise price prior to the Share Consolidation were adjusted upon the completion of the Share Consolidation on 15 October 2007 (note 35(d)).

The fair value of the share options granted during the year was HK\$4,401,000 (2007: HK\$11,941,000), of which the Group recognised an equity-settled share option expense of HK\$4,401,000 (2007: HK\$11,941,000) during the year ended 31 December 2008.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 December 2008 and 2007:

<b>Date of grant</b>	<b>11 January 2008</b>	<b>27 September 2007</b>	<b>11 July 2007</b>
Dividend yield (%)	Nil	Nil	Nil
Expected volatility (%)	50.04	50.04	49.35
Risk-free interest rate (%)	3.06	4.39	4.76
Expected life of option (year)	10.01	10.01	10.01
Closing share price at date of grant (HK\$)	1.79	2.55	2.16

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the balance sheet date, the Company had 21,439,000 share options outstanding under the Scheme, which represented approximately 4.4% of the Company's shares in issue as at that date. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 21,439,000 additional ordinary shares of the Company and additional share capital of approximately HK\$10,720,000 and share premium of approximately HK\$39,677,000 (before issue expenses).

### 37. RESERVES

#### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 30 and 31 of the financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are registered in the People's Republic of China has been transferred to reserve funds which are restricted as to use.

## (b) Company

	Share premium account HK\$'000	Equity component of convertible bonds HK\$'000	Warrant reserve HK\$'000	Share option reserve HK\$'000 (note (b))	Available- for-sale investment revaluation reserve HK\$'000	Contributed surplus HK\$'000 (note (a))	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2007	221,428	8,957	45,640	5,831	264	28,470	(52,942)	257,648
Changes in fair value of available-for-sale investments	-	-	-	-	1,551	-	-	1,551
Equity-settled share option arrangements	-	-	-	11,941	-	-	-	11,941
Issue of shares	369,030	-	-	-	-	-	-	369,030
Share issue expenses	(3,942)	-	-	-	-	-	-	(3,942)
Issue of convertible bonds	-	395,341	-	-	-	-	-	395,341
Transfer of share option reserve upon cancellation of unexercised options	-	-	-	(4,595)	-	-	4,595	-
Loss for the year	-	-	-	-	-	-	(122,196)	(122,196)
At 31 December 2007 and 1 January 2008	586,516	404,298	45,640	13,177	1,815	28,470	(170,543)	909,373
Changes in fair value of available-for-sale investments	-	-	-	-	(1,439)	-	-	(1,439)
Equity-settled share option arrangements	-	-	-	4,401	-	-	-	4,401
Redemption of the 2005 Convertible Bonds	-	(8,957)	-	-	-	-	8,957	-
Early redemption of the 2007 Convertible Bonds	-	(395,341)	-	-	-	-	77,366	(317,975)
Transfer of share option reserve upon cancellation of unexercised options	-	-	-	(1,506)	-	-	1,506	-
Loss for the year	-	-	-	-	-	-	(218,945)	(218,945)
At 31 December 2008	586,516*	-	45,640*	16,072*	376*	28,470*	(301,659)*	375,415

\* These reserve accounts comprise the reserves of HK\$375,415,000 (2007: HK\$505,075,000) in the Company's balance sheet.

*Notes:*

- (a) The Company's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the reorganisation referred to in note 37(a) over the nominal value of the Company's shares issued in exchange therefor.
- (b) The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

**38. BUSINESS COMBINATIONS****Business combination during the year ended 31 December 2008**

- (a) On 14 January 2008, the Group acquired 100% equity interest in Add Talent Investments Limited ("Add Talent") and the shareholder's loan of HK\$765,000 owed by Add Talent from an independent third party at a total consideration of HK\$40,765,000. The consideration was satisfied in exchange for the shareholder's loan of HK\$597,000 owed by Goldigit and the disposal of a 100% equity interest in Goldigit with fair values of HK\$36,969,000 in aggregate, at a cash consideration of HK\$765,000. Add Talent and its subsidiaries (the "Add Talent Group") are engaged in the provision of advertising services in Mainland China.

The fair values of the identifiable assets and liabilities at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	<i>Notes</i>	<b>Fair value recognised on acquisition</b> <i>HK\$'000</i>	<b>Carrying amount immediate before the acquisition</b> <i>HK\$'000</i>
Intangible assets	18	35,199	–
Property, plant and equipment	13	2,936	2,936
Cash and bank balances		8	8
Other payables and accruals		(409)	(409)
		<u>37,734</u>	<u>2,535</u>
Satisfied by:			
100% equity interest in the Goldigit Group and the shareholder's loan owed by Goldigit		36,969	
Cash		765	
		<u>37,734</u>	

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

	<i>HK\$'000</i>
Cash consideration paid	(765)
Cash and bank balances acquired	8
	<hr/>
Net outflow of cash and cash equivalents in respect of the acquisition of Add Talent Group	(757)
	<hr/> <hr/>

- (b) On 22 October 2008, the Group acquired the entire issued capital of Marianne Group (the “Marianne Acquisition”). Marianne Group is engaged in the provision of beauty services. The purchase consideration of HK\$1,924,000 was satisfied by cash.

The fair values of the identifiable assets and liabilities at the date of the Marianne Acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	<i>Notes</i>	<b>Fair value and carrying amount immediately before the acquisition</b> <i>HK\$'000</i>
Property, plant and equipment	13	967
Prepayments, deposits and other receivables		1,205
Other payables and accruals		(4,252)
		<hr/>
		(2,080)
Goodwill on acquisition	17	4,004
		<hr/>
		1,924
		<hr/> <hr/>
Satisfied by:		
Cash		1,924
		<hr/> <hr/>

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

	<i>HK\$'000</i>
Cash consideration and net outflow of cash and cash equivalents in respect of the Marianne Acquisition	(1,924)
	<hr/> <hr/>

Since its acquisition, Marianne Group contributed a loss of HK\$51,000 to the Group’s consolidated loss for the year ended 31 December 2008.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss of the Group for the year ended 31 December 2008 would have been HK\$138,777,000 and HK\$268,360,000, respectively.

**Business combination during the year ended 31 December 2007**

On 30 April 2007, the Group acquired the entire issued share capital of CMM International Group Limited (the “CMM Acquisition”). CMM International Group Limited is engaged in the manufacturing and trading of cosmetic related products, and provision of beauty technical and tutoring services. The purchase consideration of HK\$33,000,000 was satisfied by cash and, the allotment and issue of 670,000,000 new ordinary shares of the Company at a price of HK\$0.22 per share (note 35(c)(i)). Further details of the transaction are set out in the Company’s circular dated 9 March 2007.

The fair values of the identifiable assets and liabilities at the date of the CMM Acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

		<b>Fair value recognised on acquisition</b>	<b>Carrying amount immediately before the acquisition</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	13	37,972	36,181
Prepaid land lease payments	15	7,900	1,360
Intangible assets	18	99,906	–
Trade receivables		6,575	6,575
Prepayments, deposits and other receivables		9,890	9,890
Inventories		24,392	24,392
Cash and bank balances		17,444	17,444
Trade payables		(9,849)	(9,849)
Other payables and accruals		(23,550)	(23,550)
Interest-bearing bank borrowings		(15,700)	(15,700)
Bank overdrafts		(2,006)	(2,006)
Tax payable		(3,006)	(3,006)
Finance lease payables		(484)	(484)
Deposit received		(10,000)	(10,000)
Provision for long service payments	30	(656)	(656)
Deferred tax liabilities	34	(2,083)	–
		<u>136,745</u>	<u>30,591</u>
Goodwill on acquisition	17	<u>79,049</u>	
		<u>215,794</u>	
Satisfied by:			
Cash		33,000	
Issue of new shares	35(c)(i)	147,400	
Costs directly attributable to the acquisition		<u>35,394</u>	
		<u>215,794</u>	

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

	<i>HK\$'000</i>
Cash consideration	(33,000)
Cash and bank balances acquired	17,444
Bank overdrafts	(2,006)
Costs directly attributable to the acquisition paid	(2,425)
	<hr/>
Net outflow of cash and cash equivalents in respect of the CMM Acquisition	(19,987)
	<hr/> <hr/>

Since its acquisition, CMM contributed HK\$92,950,000 and a profit of HK\$101,000 to the Group's turnover and to the consolidated loss for the year ended 31 December 2007, respectively.

Had the combination taken place at the beginning of the year ended 31 December 2007, the revenue from continuing operations of the Group and the loss of the Group for the year ended 31 December 2007 would have been HK\$142,442,000 and HK\$199,627,000, respectively.

### 39. ACQUISITION OF A SUBSIDIARY

On 28 August 2007, the Group acquired an additional 86.31% of the issued share capital of Sociedade (the "Sociedade Acquisition") which then became a 95%-owned subsidiary. In addition, the Group acquired 95% of the shareholders' loans of Sociedade at a consideration of HK\$194,922,000. Sociedade is engaged in the property investment and development. The total purchase consideration for equity interest and shareholders' loans was satisfied by issuance of the 2007 Convertible Bonds of HK\$1,463,580,000, and issue of 500,000,000 new ordinary shares of the Company at a price of HK\$0.3 per share. Further details of the transaction are set out in the Company's circular dated 10 August 2007.

The acquisition costs of identifiable assets and liabilities at the date of the Sociedade Acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	<i>Notes</i>	<b>Acquisition costs HK\$'000</b>
Properties under development	16	1,810,854
Trade receivables		367
Restricted bank balances	26(b)	41,619
Cash and bank balances		11
Other payables and accruals		(61,649)
Shareholders' loans		(205,181)
Minority interests		(67,363)
		<hr/>
		1,518,658
Reclassification from available-for-sale investment	20(b)	(100,000)
		<hr/>
		1,418,658
		<hr/> <hr/>
Satisfied by:		
Issue of new shares	35(c)(ii)	150,000
Issue of convertible bonds	31	1,463,580
Less: shareholders' loans acquired		(194,922)
		<hr/>
		1,418,658
		<hr/> <hr/>

An analysis of the net inflow of cash and cash equivalents in respect of the Sociedade Acquisition is as follows:

HK\$'000

Cash and bank balances acquired	11
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#### 40. DISPOSAL OF SUBSIDIARIES

##### Disposal of subsidiaries during the year ended 31 December 2008

(a) Details of the disposal of the Goldigit Group are set out in notes 27 and 38 to the financial statements.

	<i>Notes</i>	<i>HK\$'000</i>
Net assets disposed of:		
Property, plant and equipment	27	951
Prepaid land lease payments	27	265
Investment properties	27	40,005
Prepayments, deposits and other receivables	27	17
Cash and bank balances	27	2,147
Other payables and accruals	27	(5,616)
Tax payable	27	(800)
		<u>36,969</u>
Satisfied by:		
100% equity interest in Add Talent Group		<u>36,969</u>

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

HK\$'000

Cash and bank balances disposed and net outflow of cash and cash equivalents in respect of the disposal of the Goldigit Group	2,147
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Since its acquisition, the Add Talent Group did not generate any revenue and contributed HK\$3,196,000 to the consolidated loss for the year ended 31 December 2008.



- (b) On 31 October 2008, the Company and two of its wholly-owned subsidiaries, PIL and Pebble Rise, entered into the Agreement with Suregold Global Limited (“Suregold”) and Castle Rock Investment Holding Limited (“Castle Rock”) under which the Company, PIL and Pebble Rise conditionally agreed to early redeem the 2007 Convertible Bonds in the principal amount of HK\$1,463,580,000 which shall be settled by the transfer of 81.31% equity interests of Sociadade (“Consideration Shares”) and the assignment of the loans to Suregold and Castle Rock, and Suregold and Castle Rock conditionally agreed to transfer to the Company the 2007 Convertible Bonds for cancellation in consideration of the Consideration Shares and the loans at Completion. The Completion took place on 12 December 2008. Further details are disclosed in the circular dated 24 November 2008.

	<i>Notes</i>	<i>HK\$'000</i>
Net assets disposed of:		
Properties under development	16	1,866,131
Prepayments, deposits and other receivables		29
Cash and bank balances		1,141
Restricted bank balances		43,473
Other payables and accruals		(21,864)
Shareholders' loans		(269,480)
Minority interests		(67,298)
		<u>1,552,132</u>
Reclassification to available-for sale investments	20	(218,669)
Reclassification to other receivable	24	(36,320)
		<u>1,297,143</u>
Loss on disposal of a subsidiary		(155,582)
		<u>1,141,561</u>
Satisfied by:		
Early redemption of the 2007 Convertible Bonds		1,357,279
Less: shareholders' loans disposed		(215,718)
		<u>1,141,561</u>
An analysis of the net outflow of cash and cash equivalents in respect of the disposal is as follows:		
		<i>HK\$'000</i>
Cash and bank balances disposed of and net outflow of cash and cash equivalents in respect of the disposal of Sociadade		<u>1,141</u>

## 41. CONTINGENT LIABILITIES

	<b>Group</b>	
	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Bank guarantees given to a third party	6,005	–
	<u>6,005</u>	<u>–</u>
	<b>Company</b>	
	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Guarantees given to a bank in connection with facilities granted to a subsidiary	2,500	–
	<u>2,500</u>	<u>–</u>

As at 31 December 2008, the banking facility granted to a subsidiary subject to guarantee given to the bank by the Company were utilised to the extent of approximately HK\$2,369,000.

## 42. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its leasehold land and buildings under operating lease arrangements. Leases for leasehold land and buildings are negotiated for terms ranging from one to three years.

At 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Within one year	9,959	9,756	–	–
In the second to fifth years, inclusive	16,382	6,314	–	–
	<u>26,341</u>	<u>16,070</u>	<u>–</u>	<u>–</u>

## 43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42 above, the Group and the Company had the following capital commitments at the balance sheet date:

	<b>Group</b>		<b>Company</b>	
	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Contracted, but not provided for properties under development	–	858,444	–	–
	<u>–</u>	<u>858,444</u>	<u>–</u>	<u>–</u>
Authorised, but not contracted for properties under development	–	28,705	–	–
	<u>–</u>	<u>28,705</u>	<u>–</u>	<u>–</u>

## 44. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

**Major non-cash transactions**

- (a) During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the lease of HK\$1,553,000 (2007: HK\$494,000).
- (b) During the year, additions to properties under development included an amount of HK\$25,767,000 which was classified as prepayment as at 31 December 2007.
- (c) During the year, the Group had payables and accruals in relation to properties under development of HK\$22,266,000.
- (d) Save as disclosed in notes 35, 36, 38, 39, 40 and 44(a)-(c) to the financial statements, there is no other major non-cash transaction of investing and financing activities for the year ended 31 December 2008 (2007: Nil).

## 45. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	<b>2007</b> <i>HK\$'000</i>
Purchases of goods from a related company <sup>#</sup>	(i)	–	147
Rental expenses paid to related companies <sup>#</sup>	(ii)	1,142	864
Management fee income received from related companies <sup>#</sup>	(iii)	439	264
Consultancy fee paid to a director	(iv)	625	1,000
Consultancy fee paid to a key management personnel of the Group	(iv)	625	–
Consultancy fee paid to a close family member of a director	(iv)	625	1,000
Consultancy fee paid to a close family member of a key management personnel of the Group	(iv)	625	–
Project management fee paid to a related company <sup>*</sup>	(iv)	9,454	4,950
Performance incentive fee paid to a related company <sup>*</sup>	(iv)	–	12,637
Management fee paid to a related company <sup>*</sup>	(iv)	–	837
Placement fee paid to a related company <sup>*</sup>	(iv)	–	3,492
Share options granted to close family members of a director	(v)	2,934	2,390
		<u>2,934</u>	<u>2,390</u>

# The related companies are companies in which a director of the Group, a key management personnel of the Group or their close family members have controlling beneficial interests.

\* The related companies were companies of which a close family member of one of the Company's directors or the Group's key management personnel were also directors of these related companies at the time of transactions.

*Notes:*

- (i) Purchases of goods from a related company was made according to the published prices and conditions similar to those offered by suppliers of the Group.
- (ii) Rental expenses paid to related companies were made according to the prices and conditions stated in the tenancy agreements that were agreed between the Group and the related companies.
- (iii) Management fee income received from related companies was charged for certain administrative services provided by the Group. They were charged based on the actual costs incurred plus an agreed percentage to cover a share of general overheads.
- (iv) Consultancy fee, project management fee, management fee, performance incentive fee and placement fee were paid in accordance with contractual terms agreed between the Group and the related companies.
- (v) Share options were granted for consultancy services provided to the Group under the share option scheme of the Company based on terms agreed by both parties.

- (b) Outstanding balances with related parties:

Details of the Group's balances with related companies as at the balance sheet date is disclosed in note 25 to the financial statements.

- (c) Compensation of key management personnel of the Company:

The key management personnel of the Company are its directors. Further details of their remunerations are disclosed in note 7 to the financial statements.

## 46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

**Group**

	2008				2007		
	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Loans and receivables		Available-for-sale financial assets
	Total		Total		Total		Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale investments	-	-	112,252	112,252	-	113,691	113,691
Equity investments at fair value through profit or loss	6,161	-	-	6,161	-	-	-
Trade receivables	-	12,649	-	12,649	13,379	-	13,379
Financial assets included in prepayments, deposits and other receivables	-	-	-	-	36,999	-	36,999
Amounts due from related companies	-	1,692	-	1,692	594	-	594
Pledged deposits	-	7,683	-	7,683	7,549	-	7,549
Restricted bank balances	-	-	-	-	42,537	-	42,537
Cash and cash equivalents	-	65,287	-	65,287	172,217	-	172,217
	<u>6,161</u>	<u>87,311</u>	<u>112,252</u>	<u>205,724</u>	<u>273,275</u>	<u>113,691</u>	<u>386,966</u>

**Financial liabilities**

	2008	2007
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK\$'000	HK\$'000
Trade payables	9,244	11,895
Other payables	38,340	76,076
Convertible bonds	-	1,139,335
Interest-bearing bank borrowings	18,853	14,155
Finance lease payables	1,490	516
Amounts due to related companies	384	540
Amounts due to minority shareholders of subsidiaries	600	10,259
	<u>68,911</u>	<u>1,252,776</u>

## Company

	2008				2007		
	Financial assets		Available-		Available-		Total
	at fair value	Loans and	for-sale	Loans and	for-sale	Total	
	through profit	receivables	financial	receivables	financial		
or loss		assets		assets			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale investments	-	-	842	842	-	2,281	2,281
Equity investments at fair value through profit or loss	6,161	-	-	6,161	-	-	-
Due from subsidiaries	-	561,322	-	561,322	2,135,408	-	2,135,408
Due from subsidiaries classified as held for sale	-	-	3,350	3,350	-	18,080	18,080
Financial assets included in prepayments, deposits and other receivables	-	-	-	-	11,672	-	11,672
Cash and cash equivalents	-	39,312	-	39,312	147,305	-	147,305
	<u>6,161</u>	<u>600,634</u>	<u>4,192</u>	<u>610,987</u>	<u>2,294,385</u>	<u>20,361</u>	<u>2,314,746</u>

## Financial liabilities

	2008	2007
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK\$'000	HK\$'000
Due to subsidiaries classified as held for sale	-	17,472
Convertible bonds	-	1,139,335
Other payables	1,354	1,864
	<u>1,354</u>	<u>1,158,671</u>

## 47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, convertible bonds, finance leases, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, equity price risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

**Interest rate risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings and bank deposits with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings and deposits) and the Group's and the Company's equity.

	<b>Increase in basis points %</b>	<b>Group Decrease/ (increase) in profit before tax HK\$'000</b>	<b>Increase/ (decrease) in equity HK\$'000</b>	<b>Company Increase in basis points %</b>	<b>Increase/ (decrease) in equity HK\$'000</b>
<b>2008</b>					
Hong Kong dollar	10	76	76	10	90
United States dollar	10	–	–	10	–
Renminbi (“RMB”)	10	(83)	(83)	10	–
<b>2007</b>					
Hong Kong dollar	10	187	187	10	203
United States dollar	10	104	104	10	104
Renminbi (“RMB”)	10	(104)	(104)	10	–

**Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the senior management.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, financial assets at fair value through profit or loss and other financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 24 to the financial statements.

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible bonds and finance leases. To manage liquidity risk, the Group periodically monitors their net operating cash flows and maintains an adequate working capital for their daily operations.

The maturity profile of the Group's and the Company's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group	2008					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Finance lease payables	–	106	319	1,310	–	1,735
Interest-bearing bank borrowings	2,369	–	16,484	–	–	18,853
Trade payables	–	9,244	–	–	–	9,244
Other payables and accruals	–	38,340	–	–	–	38,340
Amounts due to related companies	384	–	–	–	–	384
Amounts due to minority shareholders of subsidiaries	600	–	–	–	–	600
	<u>3,353</u>	<u>47,690</u>	<u>16,803</u>	<u>1,310</u>	<u>–</u>	<u>69,156</u>
	<u><u>3,353</u></u>	<u><u>47,690</u></u>	<u><u>16,803</u></u>	<u><u>1,310</u></u>	<u><u>–</u></u>	<u><u>69,156</u></u>
Group	2007					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Convertible bonds	–	–	51,000	1,463,580	–	1,514,580
Finance lease payables	–	–	521	22	–	543
Interest-bearing bank borrowings	3,629	–	10,526	–	–	14,155
Trade payables	–	11,895	–	–	–	11,895
Other payables and accruals	–	33,054	43,022	–	–	76,076
Amounts due to related companies	540	–	–	–	–	540
Amounts due to minority shareholders of subsidiaries	10,259	–	–	–	–	10,259
	<u>14,428</u>	<u>44,949</u>	<u>105,069</u>	<u>1,463,602</u>	<u>–</u>	<u>1,628,048</u>
	<u><u>14,428</u></u>	<u><u>44,949</u></u>	<u><u>105,069</u></u>	<u><u>1,463,602</u></u>	<u><u>–</u></u>	<u><u>1,628,048</u></u>



Company	2008					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Other payables and accruals	-	1,354	-	-	-	1,354

Company	2007					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Due to subsidiaries classified as held for sale	17,472	-	-	-	-	17,472
Convertible bonds	-	-	51,000	1,463,580	-	1,514,580
Other payables and accruals	-	1,864	-	-	-	1,864
	17,472	1,864	51,000	1,463,580	-	1,533,916

#### Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (note 20) as at 31 December 2008. The Group's listed investments are listed on the Hong Kong, and are valued at quoted market prices at the balance sheet date.

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

	31 December 2008	High/low 2008	31 December 2007	High/low 2007
Hong Kong – Hang Seng Index	14,387	27,854/ 10,676	27,812	31,638/ 18,664

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. For the available-for-sale equity investment of the Group, the impact is on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

	Carrying amount of equity investments HK\$'000	Increase/ decrease in equity HK\$'000
<b>2008</b>		
Investments listed in:		
Hong Kong – Available-for-sale	842	1,439
<b>2007</b>		
Investments listed in:		
Hong Kong – Available-for-sale	2,281	114

**Capital management**

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the return of capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank borrowings, an amount due to related companies and a minority shareholder, trade payables, other payables and accruals and finance lease payables, less cash and cash equivalents, and excludes the discontinued operation. Capital includes convertible bonds and equity attributable to equity holders of the Company. The gearing ratios as at the balance sheet dates were as follows:

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest-bearing bank borrowings	18,853	14,155
Finance lease payables	1,490	516
Trade payables	9,244	11,895
Other payables and accruals	38,340	76,076
Amounts due to related companies	384	540
Amounts due to minority shareholders of subsidiaries	600	10,259
	<hr/>	<hr/>
Net debt	68,911	113,441
	<hr/>	<hr/>
Convertible bonds, the liability component	–	1,139,335
Equity attributable to equity holders of the Company	581,253	1,160,907
	<hr/>	<hr/>
Total capital	581,253	2,300,242
	<hr/>	<hr/>
Capital and net debt	650,164	2,413,683
	<hr/> <hr/>	<hr/> <hr/>
Gearing ratio	10.6%	4.7%
	<hr/> <hr/>	<hr/> <hr/>

**48. POST BALANCE SHEET EVENTS**

- (a) On 22 January 2009, the Company and Direct Offer Limited, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to dispose of the 100% equity interest in Jovian and its subsidiaries (collectively, the "Jovian Group") at a consideration of HK\$100,000. The disposal of Jovian Group was completed on 3 February 2009.
- (b) On 17 February 2009, the Company and the Subscriber entered into the cancellation agreement pursuant to which the Company and Subscriber mutually agreed to cancel the Warrants as disclosed in note 35.

**49. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the board of directors on 8 April 2009.

#### 4. UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2010

Set out below are the unaudited consolidated financial statements of the Group for the six months ended 30 June 2010 together with the relevant comparative figures accompanying notes as extracted from the Group's interim report 2010.

##### Condensed Consolidated Income Statement

For the six months ended 30 June 2010

	Notes	For the six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>REVENUE</b>	3	67,784	75,233
Cost of sales		(19,361)	(21,584)
Gross profit		48,423	53,649
Other income and gain		595	3,046
Gain on disposal of subsidiaries	4	–	4
Selling and distribution costs		(25,861)	(30,747)
Administrative and other operating costs		(21,948)	(25,701)
Other finance costs	5	(616)	(149)
<b>PROFIT BEFORE TAX</b>	6	593	102
Tax	7	(75)	(418)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<u>518</u>	<u>(316)</u>
Attributable to:			
Equity holders of the Company		518	(188)
Non-controlling interests		–	(128)
		<u>518</u>	<u>(316)</u>
<b>DIVIDENDS</b>			
Proposed interim	8	–	–
<b>PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	9		
Basic and diluted:			
Profit/(loss) for the period		<u>0.09 cents</u>	<u>(0.04) cents</u>

**Condensed Consolidated Statement of Comprehensive Income***For the six months ended 30 June 2010*

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	518	(316)
<b>OTHER COMPREHENSIVE INCOME</b>		
Change in fair value of available-for-sale investments	(285)	–
Exchange realignment	5,709	886
	<u>5,424</u>	<u>886</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>5,424</b>	<b>886</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>5,942</b>	<b>570</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Owners of the company	5,942	698
Non-controlling interests	–	(128)
	<u>5,942</u>	<u>570</u>

**Condensed Consolidated Statement of Financial Position***At 30 June 2010*

		<b>30 June 2010</b>	<b>31 December 2009</b>
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
	10		
Property, plant and equipment		42,596	43,759
Prepaid land lease payments		5,296	5,446
Intangible assets		90,706	90,706
Available-for-sale investments		112,388	112,672
Long term deposits		1,296	1,291
		<hr/>	<hr/>
Total non-current assets		252,282	253,874
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		38,480	35,174
Trade receivables	11	11,892	12,197
Prepayments, deposits and other receivables		57,460	49,794
Amounts due from related companies		2,586	2,742
Available for sale investments		218,669	218,669
Equity investments at fair value through profit or loss		28,095	13,019
Cash and cash equivalents		55,711	57,501
		<hr/>	<hr/>
Total current assets		412,893	389,096
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	22,833	12,796
Other payables and accruals		25,077	32,172
Interest-bearing bank borrowings		21,632	18,801
Amounts due to related companies		1,141	2,954
Tax payable		–	115
Finance lease payables		324	331
Amount due to a minority shareholder of a subsidiary		600	600
		<hr/>	<hr/>
Total current liabilities		71,607	67,769
		<hr/>	<hr/>

		<b>30 June 2010</b>	<b>31 December 2009</b>
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NET CURRENT ASSETS</b>		341,286	321,327
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		593,568	575,201
<b>NON-CURRENT LIABILITIES</b>			
Provision for long service payments		507	507
Finance lease payables		671	828
Deferred tax liabilities		1,822	1,822
Total non-current liabilities		3,000	3,157
Net assets		590,568	572,044
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	13	5,828	4,858
Reserves		585,558	568,004
		591,386	572,862
<b>Non-controlling interests</b>		(818)	(818)
Total equity		590,568	572,044

**Condensed Consolidated Statement of Changes in Equity***For the six months ended 30 June 2010*

	Attributable to equity holders of the Company												Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Equity component of convertible bonds HK\$'000	Warrant reserve HK\$'000	Share option reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Reserve funds HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Attributable to owners of the Company HK\$'000	Non-controlling Interests HK\$'000	
At 1 January 2009 (audited)	242,915	586,516	-	45,640	16,072	376	7,321	73	14,318	(331,658)	581,573	(320)	581,253
Exchange realignment	-	-	-	-	-	-	-	-	886	886	886	-	886
Loss for the period	-	-	-	-	-	-	-	-	-	(188)	(188)	(128)	(316)
Total comprehensive income for the period	242,915	586,516	-	45,640	16,072	376	7,321	73	15,204	(330,960)	582,271	(448)	581,823
Transfer between categories	-	-	-	(45,640)	(7,386)	-	-	-	-	53,026	-	-	-
At 30 June 2009 (unaudited)	242,915	586,516	-	-	8,686	376	7,321	73	15,204	(277,934)	582,271	(448)	581,823
At 1 January 2010 (audited)	4,858	586,516	-	-	-	796	7,321	73	15,002	(41,704)	572,862	(818)	572,044
Exchange realignment	-	-	-	-	-	-	-	-	(5,709)	-	(5,709)	-	(5,709)
Change in fair value of available-for-sale financial assets	-	-	-	-	-	(284)	-	-	-	-	(284)	-	(284)
Profit for the period	-	-	-	-	-	-	-	-	-	518	518	-	518
Issuance of shares	970	23,029	-	-	-	-	-	-	-	-	23,999	-	23,999
Total comprehensive income for the period	970	23,029	-	-	-	(284)	-	-	(5,709)	518	18,524	-	18,524
At 30 June 2010 (unaudited)	5,858	609,545	-	-	-	512	7,321	73	9,293	(41,186)	591,386	(818)	590,568

**Condensed Consolidated Cash Flow Statement***For the six months ended 30 June 2010*

	<b>For the six months ended 30 June</b>	
	<b>2010</b> (Unaudited) <i>HK\$'000</i>	<b>2009</b> (Unaudited) <i>HK\$'000</i>
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	(3,544)	(8,137)
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>	(18,935)	425
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>	24,259	(3,110)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	1,780	(10,822)
<b>NET FOREIGN EXCHANGE DIFFERENCE</b>	(5,709)	–
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	55,200	63,279
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	51,271	52,457
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	55,711	54,402
Bank overdrafts	(4,440)	(1,945)
	51,271	52,457



**Notes to Condensed Consolidated Interim Financial Statements***For the six months ended 30 June 2010***1. BASIS OF PREPARATION**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) of the Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

**2. PRINCIPAL ACCOUNTING POLICIES**

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain financial instruments which have been measured at fair values.

The accounting policies adopted in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009. In the current interim period, the Group has applied for the first time, a number of new and revised standards, amendments and interpretations (“New or revised HKFRSs”) issued by HKICPA which are effective for the Groups financial year beginning on 1 January 2010.

**Significant accounting policies newly adopted by the Group**

IFRSs (Amendments)	Improvements to IFRSs issued in 2008 (relating to IFRS 5) and 2009
IFRS 2 (Amendments)	Share-based Payment – Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IAS 27 (Revised)	Consolidated and Separate Financial Statements

**Impact of new and revised HKFRSs**

The adoption of the new and revised HKFRSs that are effective for the current period has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

**Impact of issued but not yet effective HKFRSs**

The Group has not early adopted new or revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company (the “Directors”) are in the process of making an assessment of the expected impact of the amendments, new or revised standard and interpretations in the period of initial application. So far it was considered that their adoption is unlikely to have a significant impact on the Group’s results of operations and financial position.

## 3. SEGMENT INFORMATION

Business segment information is chosen as the primary reporting format because this is more consistent with the Group's internal financial reporting.

During the period, the Group only has one segment, the manufacturing and trading of cosmetic and related products, and provision of beauty technical and tutoring services (the "Cosmetic and beauty") segment.

## (a) Business segment

The following table presents revenue and results for the Group's business segments for the six months ended 30 June 2010 and 2009.

	Property investment and development		Cosmetic and beauty		Consolidated	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Sales to external customers	-	-	67,784	75,233	67,784	75,233
Intersegment sales	-	-	-	-	-	-
Other income and gain	-	-	271	904	271	904
Total	-	-	68,055	76,137	68,055	76,137
<b>Segment results</b>	-	-	2,840	(739)	2,840	(739)
Interest and unallocated other income					324	2,146
Unallocated expenses					(1,955)	(1,156)
Finance costs					(616)	(149)
Profit before tax					593	102
Tax					(75)	(418)
Profit/(Loss) for the period					518	(316)
<b>Other segment information:</b>						
Depreciation	-	-	3,918	2,823	3,918	2,823
Recognition of prepaid land lease payments	-	-	150	150	150	150

## (b) Geographical segment

	Hong Kong		Mainland China		Consolidated	
	2010	2009	2010	2009	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:						
Sales to external customers	4,684	23,347	46,532	51,886	51,216	75,233
Other income	15,594	2,422	974	628	16,568	3,050
	<u>20,278</u>	<u>25,769</u>	<u>47,506</u>	<u>52,514</u>	<u>67,784</u>	<u>78,283</u>

## 4. GAIN ON DISPOSAL OF SUBSIDIARIES

On 22 January 2009, the Group disposed of a subsidiary, namely Jovian Financial Communications Limited and its subsidiaries (collectively, the "Jovian Group") at a consideration of HK\$100,000. The disposal of Jovian Group was completed on 3 February 2009. As at 31 December 2008, the assets and liabilities of Jovian Group were classified as a disposal group held for sales.

Net gain on disposal of subsidiary is provided below:

	2009 HK\$'000
Assets of a disposal group classified as held for sale	2,819
Liabilities directly associated with the assets classified as held for sale	(2,723)
	<u>96</u>
Cost consideration	<u>100</u>
Net gain on disposal	<u>4</u>

## 5. OTHER FINANCE COSTS

	For the six months ended 30 June	
	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on interest-bearing bank borrowings	555	69
Interest on finance lease	61	80
	<u>616</u>	<u>149</u>

**6. PROFIT BEFORE TAX**

Profit before tax is arrived at after charging/(crediting):

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Depreciation	3,918	2,823
Recognition of prepaid land lease payments	150	150
Loss on disposals of property, plant and equipment	3	820
Bank interest income	(177)	(139)
	<u>          </u>	<u>          </u>

**7. TAX**

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Group:		
Current – People’s Republic of China (“PRC”)	75	418
Deferred	–	–
	<u>          </u>	<u>          </u>
Tax charge for the period	<u>75</u>	<u>418</u>

Pursuant to relevant laws and regulations in the PRC, the Company’s subsidiaries are entitled to exemption from income tax under certain tax holidays and concessions. Income tax was calculated at rates given under the concessions.

**8. DIVIDENDS**

The directors do not recommend the payment of any interim dividends (six months ended 30 June 2009: Nil).

**9. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

The calculation of basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period:

	<b>For the six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Profit/(Loss):		
Profit/(Loss) attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	<u>518</u>	<u>(188)</u>

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Number of shares:		
Weighted average number of ordinary shares in issue during the period for used in the basic profit/(loss) per share calculation	560,735,749	485,830,194

There were no potential dilutive ordinary shares in existence during the six months ended 30 June 2010 and 2009 and therefore, no diluted earnings per share amounts have been presented.

#### 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENTS

During the six months ended 30 June 2010, the Group spent HK\$3,859,000 (2009: HK\$2,221,000) on additions to property, plant and equipment.

#### 11. TRADE RECEIVABLES

The Group has different trading terms with its customers for different businesses.

For services rendered, no credit term is granted to customers, except for certain well-established customers where the Group allows trading terms on credit. Invoices are normally payable within 30 days of issuance. Each customer has a maximum credit limit.

For the sale of goods, the Group's trading terms with its customers are mainly on credit. The credit period granted to customers generally ranges from one month to three months.

An aged analysis of the trade receivables, net of impairment loss, as at the balance sheet dates, based on invoice date, is as follows:

	30 June	31 December
	2010	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current to 3 months	9,897	10,893
4 to 6 months	258	919
7 to 12 months	470	329
Over 1 year	1,267	56
	<u>11,892</u>	<u>12,197</u>

#### 12. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet dates, based on invoice date, is as follows:

	30 June	31 December
	2010	2009
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Current to 3 months	8,410	6,664
4 to 6 months	4,471	2,941
7 to 12 months	4,492	2,550
Over 1 year	5,460	641
	<u>22,833</u>	<u>12,796</u>

## 13. ISSUED CAPITAL

	<b>30 June 2010</b>	<b>31 December 2009</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
5,000,000,000 (2009: 5,000,000,000) ordinary shares of HK\$0.01 (2009: HK\$0.01) each	50,000	50,000
Issued and fully paid:		
582,830,194 (2009: 485,830,194) ordinary shares of HK\$0.01 (2009: HK\$0.01) each	5,828	4,858

A summary of the transactions during the period with reference to the changes in the Company's issued ordinary share is as follows:

**Number of issued shares**

	<b>2010</b>	<b>2009</b>
At 1 January	485,830,194	485,830,194
Issuance of shares	97,000,000	–
At 30 June	582,830,194	485,830,194

## 14. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its leasehold land and buildings under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2010</b>	<b>31 December 2009</b>
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	8,555	13,790
In the second to fifth years, inclusive	7,295	14,493
	15,850	28,283

## 15. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

	<i>Notes</i>	<b>For the six months ended 30 June</b>	
		<b>2010</b> (Unaudited) <i>HK\$'000</i>	<b>2009</b> (Unaudited) <i>HK\$'000</i>
Rental expenses paid to related companies (a)	(i)	543	543
Management fee income received from related companies (a)	(ii)	–	42
Consultancy fee paid to a director	(iii)	–	200
		–	200

- (a) The related companies are companies of which a close family member of one of the Company's directors is also a director of these related companies.

*Notes:*

- (i) Rental expenses paid to related companies were made according to prices and conditions stated in the tenancy agreements that were agreed between the Group and related companies.
- (ii) Management fee income received from related companies were charged for administrative purposes provided by the Group. They are charged based on the actual costs incurred plus an agreed percentage to cover a share of general overheads.
- (iii) Consultancy fee was paid in accordance with contractual terms agreed between the Group and the related parties.

**5. MATERIAL CHANGE**

Save as disclosed below, the Directors confirm that as at the Latest Practicable Date, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Group were made up:

- (i) The Company announced on 4 February 2010 that it would raise net proceeds of approximately HK\$24.0 million by placing 97,000,000 new Shares; and
- (ii) The Company announced on 28 June 2010 that it would issue an aggregate of 61,500,000 consideration Shares at HK\$0.28 per Share to Nevin Investments Limited together with HK\$25.8 million cash financed internally to acquire approximately 2.8% equity interest in PKV.

**6. INDEBTEDNESS STATEMENT****Indebtedness**

As at the close of business on 31 August 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had total outstanding indebtedness of approximately HK\$22,519,165, comprising secured bank loans of approximately HK\$17,136,982, unsecured bank overdraft of HK\$4,439,735 and finance lease payables of HK\$942,448.

The loans were secured by the Group's buildings and prepaid land lease payments, and all finance lease payables were secured by the lessor's title to the leased assets.

**Foreign currency translation**

For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing as at 31 August 2010.

**Contingent liabilities**

As at the close of business on 31 August 2010, the Group had no contingent liabilities.

**Capital commitment**

As at the close of business on 31 August 2010, the Group had no capital commitment.



**Disclaimers**

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 31 August 2010, the Group did not have any outstanding indebtedness, any loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitments, guarantees or other contingent liabilities.

**Material changes**

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 August 2010 and up to the Latest Practicable Date.

**7. RECONCILIATION OF THE VALUATION OF PROPERTY INTERESTS WITH NET BOOK VALUE**

The table below sets forth the reconciliation between the net book value of the Group's property interests as at 30 June 2010 with the valuation of such property interests as at 31 August 2010 as stated in Appendix II to the circular:

	<i>HK\$'000</i>
Net book value of property interest of the Group as at 30 June 2010	352,378
Movements during the two months ended 31 August 2010:	
– Addition	43,000
– Depreciation and amortization	(340)
– Disposal	–
	<hr/>
Net book value as at 31 August 2010	395,038
Valuation surplus as at 31 August 2010	77,276
	<hr/>
Valuation as at 31 August 2010 as set out in Appendix II to this circular	472,314
	<hr/> <hr/>



**GREATER CHINA APPRAISAL**  
A Member of GCA Professional Services Group

Room 2703  
Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

29 October 2010

The Directors  
Macau Investment Holdings Limited  
Suite 1203B, 12/F, Tower 1  
Admiralty Centre  
18 Harcourt Road  
Hong Kong

Dear Sirs,

In accordance with the instructions from Macau Investment Holdings Limited (“the Company”) for us to value the property interests (“the Property”) of the Company and its subsidiaries (referred to as “the Group”) in the People’s Republic of China (“the PRC”), Hong Kong Special Administrative Region (“Hong Kong”) and Macau Special Administrative Region (“Macau”), we confirm that we have carried out inspections, made relevant enquires and obtained such further information as we consider necessary for the purpose of providing the market value of the Property as at 31 August 2010 (referred to as the “valuation date”).

It is our understanding that this valuation is for the purpose of inclusion of our valuation report to the shareholders’ document to be issued by the Company in relation to a proposed share subscription and placing.

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, titleship of properties and the limiting conditions.

## **BASIS OF VALUATION**

The valuation of such property is our opinion of the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

## **VALUATION METHODOLOGY**

Unless as stated otherwise, all property interests are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

For properties numbered 1 and 2, the residual method of valuation was used as a counter-check of the results derived from direct comparison method. In principle, the residual method is to estimate the present capital value of the future development (the gross development value) and to deduct therefrom the cost of all the works and other expenses necessary to put the property into the state to command such value and an allowance for developer's risks. The gross development value is the capital value of the proposed development when completed which is arrived at by valuing the completed development based on sales prices realized or market prices of comparable properties. The residual method is based on current market data. There is no discounted cash flow or profit forecast involved.

For property numbered 3, due to the nature of buildings and structures constructed, there is no readily identifiable market comparable to the property. We have applied the cost method of valuation in assessing the properties. It is a method of using current replacement costs to arrive at the value to the business in occupation of the property as existing at the date of valuation. This method of valuation, cost method, is based on an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. The cost method generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable.

### **ASSUMPTIONS**

Our valuation has been made on the assumption that the owner sells the property on the open market in its existing state without the benefit of any deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to increase the value of the Property.

In respect of the property numbered 3, continued use assumes the property will be used for the purposes for which the property is designed and built, or to which it is currently adapted. The valuation on the property in continued use does not represent the amount that might be realized from piecemeal disposition of the property on the open market.

For the properties which are held under long term Land Use Rights/Government Leases, we have assumed that the owners of the properties have free and uninterrupted rights to use or transfer the properties for the whole of the unexpired term of the respective Land Use Rights/Government Leases. In our valuation, we have assumed that the properties can be freely disposed of and transferred to third parties on the open market without any additional payment to the relevant government authorities. Unless stated as otherwise, vacant possession is assumed for the property concerned.

Where applicable, for the property of which the land is granted by the government with land premium being paid by instalments or outstanding, we have valued it on the basis that the purchaser will honour the contract and settle the outstanding sums in accordance with the agreed payment terms so as to secure valid interests in the property.

With regard to the property held for development, we have assumed that the property will be developed in accordance with the development proposals or buildings given to us, and that the property will be developed immediately after successful site assembly, completion of negotiation with government or obtaining approval of development proposals or building plans.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in the appraisal report. Moreover, it is assumed that the utilization of the land and improvements will be within the boundaries of the site held by the owner or permitted to be occupied by the owner. In addition, we assumed that no encroachment or trespass exists, unless noted in the report.

No environment impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licences, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

Other special assumptions of each property, if any, have been stated out in the footnotes of the valuation certificate for the property.

### **TITLESHP INVESTIGATION**

For the property interests held by the Group in Macau, we have caused searches made at the registration authorities of the Government of Macau. However, we have not verified ownership nor to verify the existence of any amendments which do not appear on the copies received by us.

For the property interests held by the Group in the PRC, we have been provided with copy of title documents. However, due to the current registration system of the PRC, no investigations have been made for the legal title or any material liabilities attached to the property.

For the properties rented by the Group, we have been provided with copy of the tenancy agreements. However, we have not inspected the original document to ascertain any amendments appear on the copy handed to us.

In our valuation, we have relied upon the legal opinions given by FCLAW (the “Macau Legal Advisors”) and Haiwen & Partners (the “PRC Legal Advisors”) in relation to the legal title to the valued properties in Macau and in the PRC respectively.

All legal documents disclosed in this report are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this report.

### **LIMITING CONDITIONS**

We have inspected the exterior and, where possible, the interior of the properties included in the attached valuation certificate. However, no structural survey has been made and we are therefore unable to report as to whether the properties are free from rot, infestation or any other structural defects. Also, no tests were carried out on any of the services.

We have not carried out detailed site measurements to verify the correctness of the land or building areas in respect of the property but have assumed that the areas shown on the legal documents provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for any property development. Our valuation is made on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

We do not investigate any industrial safety, environmental and health related regulations in association with any particular manufacturing process of the Company. It is assumed that all necessary licences, procedures and measures were implemented in accordance with government legislation and guidance.

Having examined all relevant documentation, we have relied to a very considerable extent on the information provided and have accepted advice given to us by the Company on such matters as planning approvals, statutory notices, easements, tenure, occupation, lettings, construction costs, rentals, site and permissible floor areas and in the identification of the Property. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No allowances have been made in our valuation for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the interest is free of encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Unless otherwise stated, it is assumed that the interests are free of encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We were advised by the instructing party that the Group does not have any intention to sell these properties, therefore the amount of tax liabilities would not be quantifiable nor crystallized. Should disposal of the property be conducted, the potential tax liabilities arising will include (a) the stamp duty (varies from 1.0% to 3.0% depending on the transaction price) for Macau properties and (b) the sales tax (5.0% on the transaction price) and land appreciation tax (varies from 30% to 60% on the appreciation depending on the ratio of the appreciation to the original cost of the property) for the PRC property.

For property numbered 3, since it is located in a relatively under-developed market, the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the properties depending upon the assumptions made. While the valuer has exercised his professional judgment in arriving at the value, report readers are urged to consider carefully the nature of such assumptions which are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

**OPINION OF VALUE**

Valuation figures of the properties held by the Group are shown in the attached summary of valuation and their respective valuation certificates.

For the properties classified under Group II that are rented by the Group from independent third parties under tenancy agreements, they have no commercial value due to inclusion of non-alienation clause or otherwise due to lack of substantial profit rent or short term nature.

**REMARKS**

Our valuation has been prepared in accordance with generally accepted valuation procedures and in compliance with the requirements contained in the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and effective from 1 January 2005.

Valuations of the Property are denominated in Hong Kong Dollars (HK\$). Exchange rates of HK\$1 to Chinese Renminbi (RMB) 0.8732 and HK\$1 to Patacas (MOP) 1.0092 were adopted which are the prevailing exchange rates as at the valuation date.

We enclose herewith the summary of valuation and the valuation certificates.

This valuation report is issued subject to our general service conditions.

Yours faithfully,

For and on behalf of

**GREATER CHINA APPRAISAL LIMITED**

**K. K. Ip** *BLE LLD*

*Chartered Valuation Surveyor*

*Registered Professional Surveyor*

*Managing Director*

*Note:* Mr. K. K. Ip, a Chartered Valuation Surveyor and a Registered Professional Surveyor, has substantial experience in valuation of properties in the PRC, Hong Kong and Macau since 1992.

## SUMMARY OF VALUATION

No.	Property	Market value as at 31 August 2010 (HK\$)	Interest attributable to the Company (%)	Market value attributable to the Company as at 31 August 2010 (HK\$)
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**Group I – Property Interests held by the Group**

1.	Development land located at the Northern side of Estrada da Baia de Nossa Senhora da Esperanca at its junction with Estrada Governador Nobre de Carvalho in Nossa Senhora do Carmo Taipa Macau	11,500,000,000	1.22%	140,300,000
2.	Development land located at the Lote 9 in Zona A situated at Avenida Comercial de Macao Baia de Praia Grande Macau	1,860,000,000	16.49%	306,714,000
3.	Land and Buildings located at No. 1686 Huaqingping Road Qingpu County Shanghai The PRC	25,300,000	100%	25,300,000

**Group II – Property Interests rented by the Group**

4.	Suite 1203B, 12/F Tower 1, Admiralty Centre 18 Harcourt Road Hong Kong	no commercial value		no commercial value
5.	Rooms 802-805 on 8/F Miramar Tower Nos. 132-134 Nathan Road Tsim Sha Tsui Kowloon Hong Kong	no commercial value		no commercial value

No.	Property	Market value as at 31 August 2010 (HK\$)	Interest attributable to the Company (%)	Market value attributable to the Company as at 31 August 2010 (HK\$)
6.	3/F Grand Right Centre 10 Cameron Road Tsim Sha Tsui Kowloon Hong Kong	no commercial value		no commercial value
7.	4/F Grand Right Centre 10 Cameron Road Tsim Sha Tsui Kowloon Hong Kong	no commercial value		no commercial value
8.	15/F Asia Pacific Centre 8 Wyndham Street Central Hong Kong	no commercial value		no commercial value
9.	16/F Soundwill Plaza 38 Russell Street Causeway Bay Hong Kong	no commercial value		no commercial value
10.	Unit J2 on 17/F Superluck Industrial Centre Phase 1 45-53 Sha Tsui Road Tsuen Wan New Territories	no commercial value		no commercial value
11.	Level 2 No. 18 Changsheng Road Hangzhou Zhejiang Province The PRC	no commercial value		no commercial value
12.	Unit 804 No. 5 Shuiyin Zhi Jie Xi Liu Hang Yuexiu District Guangzhou Guangdong Province The PRC	no commercial value		no commercial value



No.	Property	Market value as at 31 August 2010 (HK\$)	Interest attributable to the Company (%)	Market value attributable to the Company as at 31 August 2010 (HK\$)
13.	Rooms 1304-1305 Heng Feng Building Fengyang Road Xinzhan District Hefei Anhui Province The PRC	no commercial value		no commercial value
14.	No. 598 Hengshan Road Xuhui District Shanghai The PRC	no commercial value		no commercial value
15.	Room 1911 Eastern Block of Huaxin Building No. 2 Shuiyin Road Yuexiu District Guangzhou Guangdong Province The PRC	no commercial value		no commercial value
16.	12/F No. 333 Taiping Nan Road Nanjing Jiangsu Province The PRC	no commercial value		no commercial value
17.	M216-1 on 2/F No. 588 Madang Road Luwan District Shanghai The PRC	no commercial value		no commercial value
18.	Room 907 No. 1017 Nanquan Bei Road Pudong New District Shanghai The PRC	no commercial value		no commercial value

No.	Property	Market value as at 31 August 2010 (HK\$)	Interest attributable to the Company (%)	Market value attributable to the Company as at 31 August 2010 (HK\$)
19.	Room 102 Block 5 Zhangjiabin Pudong District Shanghai The PRC	no commercial value		no commercial value
20.	Room 903 Block 1 Pinganmoka City Jiangbei District Chongqing The PRC	no commercial value		no commercial value
21.	Room 103 in Unit 3 No. 42 Fengsheng Road Shibei District Qingdao Shandong Province The PRC	no commercial value		no commercial value
22.	Carparking No. 40 No. 38 Dongguang Road Shibei District Qingdao Shandong Province The PRC	no commercial value		no commercial value
23.	No. 38 Dongguang Road Shibei District Qingdao Shandong Province The PRC	no commercial value		no commercial value

No.	Property	Market value as at 31 August 2010 (HK\$)	Interest attributable to the Company (%)	Market value attributable to the Company as at 31 August 2010 (HK\$)
24.	Rooms 1701 and 1706 on 17/F Block A Yindu Building No. 9 Tongze Bei Street Heping District Shenyang Liaoning Province The PRC	no commercial value		no commercial value
<b>Total:</b>		<b>HK\$13,385,300,000</b>		<b>HK\$472,314,000</b>

## VALUATION CERTIFICATE

No.	Property	Descriptions and tenure	Particular of occupancy	Market Value as at 31 August 2010 (HK\$)
1.	Development land located at the Northern side of Estrada da Baia de Nossa Senhora da Esperanca (望德聖母灣大馬路) at its junction with Estrada Governador Nobre de Carvalho (嘉樂庇總督馬路) in Nossa Senhora do Carmo (嘉模堂區) Taipa Macau	<p>The property comprises a parcel of land generally irregular in shape (“the Land”) with an area of approximately 152,073 square metres. The developable site area is approximately 35,382 square metres and the lake and other area is approximately 116,691 square metres.</p> <p>As informed, a residential development with a total gross floor area of approximately 636,876 square metres is proposed to be developed on the Land.</p> <p>A leasehold term of 25 years was assumed to be granted to the Land.</p>	The property was vacant.	11,500,000,000 (1.22% interests attributable to the Company: HK\$140,300,000)

*Notes:*

- (i) According to a letter of undertaking dated 10 January 2001, as amended and supplemented by the subsequent amendment and supplemental agreement dated of 25 July 2006, the Government of Macau has undertaken to assign to Sociedade de Desenvolvimento Predial Baía da Nossa Senhora da Esperança, S.A., under certain terms and conditions, the concession of the Land. As at the valuation date, the Company holds 1.22% interest in Sociedade de Desenvolvimento Predial Baía da Nossa Senhora da Esperança, S.A. through a subscription of capital in a limited partnership by a wholly-owned subsidiary.
- (ii) As informed by the Company, the formal land grant procedures are being processed at the relevant authorities of the Government of Macau.
- (iii) According to the information provided by the Company, a residential development is proposed to be developed on the Land. Details of development proposal are summarized as follows:
- |                                     |   |                       |
|-------------------------------------|---|-----------------------|
| Total site area                     | : | 152,073 square metres |
| Developable site area               | : | 35,382 square metres  |
| Lake and other area                 | : | 116,691 square metres |
| Plot ratio                          | : | 10                    |
| Total useable area of apartments    | : | 353,820 square metres |
| Total common area of apartments     | : | 106,146 square metres |
| Total clubhouse area of apartments  | : | 53,073 square metres  |
| Total carparking area of apartments | : | 123,837 square metres |
| Total construction area             | : | 636,876 square metres |
- As no government approval of development conditions has been obtained, we have assumed that the property will be developed in accordance with the development proposal stated above.
- (iv) In our valuation, we have assumed that all outstanding land premiums have been settled and the Land can be freely disposed of and transferred on the open market without any additional payment to the relevant government authorities.
- (v) Furthermore, we have assumed that the Land will be granted for a term of 25 years which is the standard and maximum term of any leasehold granted by the Government of Macau under the relevant laws in Macau.

(vi) Opinions of the Macau Legal Advisors are summarized as follows:

- (a) By a letter of undertaking dated 10 January 2001, as amended and supplemented by the subsequent amendment and supplemental agreement dated of 25 July 2006 (the “Letter of Undertaking”), the Government of Macau has undertaken to assign to Sociedade de Desenvolvimento Predial Baía da Nossa Senhora da Esperança, S.A., under certain terms and conditions, the concession of the Land, in swap over a land known as the old “Fábrica de Panchões Iec Long”.
- (b) The Government of Macau has the powers and capacity to assign concessions over all lands under the private domain of the Macau Special Administrative Region, as well as to make deals, contracts and transactions of different sorts on the same.
- (c) The Land is under the private domain of the Macau Special Administrative Region.
- (d) According to the Land Searches, Sociedade de Desenvolvimento Predial Baía da Nossa Senhora da Esperança, S.A. owns three pieces of land located where the old “Fábrica de Panchões Iec Long” is.
- (e) The Letter of Undertaking, as executed by way of acknowledgement by the Macau Chief Executive and the Macau Secretary for Transports and Public Works, constitutes legal, valid, binding and enforceable obligations of each of the parties thereto in accordance with the terms thereof and in accordance with the Macau laws.
- (f) The Land is not subject to mortgages or real charges and there is no record of the Land and/or mortgages or real charges at the Macau Land Registry.

## VALUATION CERTIFICATE

No.	Property	Descriptions and tenure	Particular of occupancy	Market Value as at 31 August 2010 (HK\$)
2.	Development land located at the Lote 9 in Zona A situated at Avenida Comercial de Macao Baia de Praia Grande Macau	<p>The property comprises a parcel of land generally irregular in shape (“the Land”) with an area of approximately 3,449 square metres.</p> <p>As informed, a residential development with a total gross floor area of approximately 73,729 square metres is proposed to be developed on the Land.</p> <p>Construction of the property has been commenced but suspended since 2008. As informed by the Company, the construction work will be resumed by the end of 2010.</p> <p>The property is held under Concessao Por Arrendamento for a term of 25 years commencing on 30 July 1991 and is renewable for a further term until 19 December 2049.</p>	The property is currently vacant.	1,860,000,000 (16.49% interests attributable to the Company: HK\$306,714,000)

*Notes:*

- (i) The registered owner of the property is Sociedade de Investimento Imobiliário Pun Keng Van SARL of which the Company holds 16.49% interests in the issued share capital.
- (ii) According to the Gazette Nos. 73/SATOP/92 and 97/SATOP/94 and the cadastral plan issued by Macao Cartography and Cadastre Bureau, the property is subject to the following terms and conditions:
- (a) Land Area: 3,449 square metres
- (b) Gross Floor Area:  
Office: 23,261 square metres  
Carpark: 4,036 square metres
- (c) Building Covenant: 66 months commencing on 6 July 1992
- (d) Annual Rent:  
During the construction period: MOP 103,470  
Upon completion:  
Office: MOP15 per square metre  
Carpark: MOP10 per square metre
- Special conditions : 1) On the ground level and to 1.20 metre underneath of the said area, the grantee should be responsible for the construction and provision of a public road and installation of infrastructure.
- 2) Construction of a footbridge connecting to the existing footbridge in Lote A8 should be provided for public use.

- (iii) According to the Building Alignment Plan dated 13 May 2006 issued by the DSSOPT of the Government of Macau, the development and uses of the property contains, inter alia, the following salient terms:

Uses	:	Residential
Maximum Permitted Gross Floor Area (excluding carpark)	:	55,800 square metres
Maximum Permitted Building Height (including roof top)	:	190.0 metre
Car parking provision	:	Apart from providing car parking spaces as required under Gazette 42/89/M, an nominal amount of motor cycle parking spaces shall be provided (should not be less than 25% of light motor vehicle parking spaces)

The aforementioned Building Alignment Plan expired on 12 May 2007, however we have assumed that the development conditions stated therein are still valid in the course of submitting a revision on the approved architectural drawings.

- (iv) Approximately RMB40,200,000 of construction costs reflecting the physical state of the construction on site of the property was incurred. The incurred cost has already been taken into account in the valuation.
- (v) The gross development value of the property upon satisfactory completion is estimated to be approximately RMB3,191,400,000 and the estimated outstanding cost to complete the construction for the property is approximately RMB730,100,000 as at the date of valuation.
- (vi) In our valuation, we have assumed that all outstanding land premiums have been settled and the Land can be freely disposed of and transferred on the open market without any additional payment to the relevant government authorities.
- (vii) Opinions of the Macau Legal Advisors are summarized as follows:
- Sociedade de Investimento Imobiliário Pun Keng Van, SARL is the lawful concessionaire of the Land.
  - The Land is duly registered with the Macau Land Registry in the name of Sociedade de Investimento Imobiliário Pun Keng Van, SARL.
  - The Land is not subject to any charge or mortgage or other encumbrances according to the land search.
  - The concession is governed by the contract by the Executive Order 73/SATOP/92, amended by the Executive Orders 57/SATOP/93, 56/SATOP/94 and 97/SATOP/94.
  - The concession will expire on 30 July 2016 but it can be successively renewed until 19 December 2049.
  - The deadline for the completion of the development of the Land was 6 January 1998. However, the Government of Macau seldom terminates a concession in the past with reversion of the land to the Macau Administration without payment of compensation as a result of the deadline for completion of the development of the land having expired.
  - By a letter dated of 22 November 2004, the Public Works Department has informed that, through a decision of 12 November 2004 of the Secretary for the Public Works, the preliminary project in respect of the development of the Land for amendment of the original project in respect of the development of the Land was approved.
  - If the final project in respect of the development of the Land for amendment of the original project in respect of the development of the Land is approved by the Public Works Department, the concession agreement will then be amended and published in the Official Gazette. The amendment should include as well the extension of the development term.
  - In case the final project in respect of the development of the Land for amendment of the original project in respect of the development of the Land is not approved, the Government of Macau can still issue a letter authorizing the extension of the development term.

## VALUATION CERTIFICATE

No.	Property	Descriptions and tenure	Particular of occupancy	Market Value as at 31 August 2010 (HK\$)																
3.	Land and Buildings located at No. 1686 Huaqingping Road Qingpu County Shanghai The PRC	<p>The property comprises a parcel of land (“the Land”) and 9 blocks of 1- to 4-storey buildings (the “Buildings”) erected on the Land. The Buildings were completed in 1998.</p> <p>The land area of the Land is approximately 7,691 square metres and the total gross floor area of the Buildings is approximately 7,190.90 square metres. Detailed breakdown as follows:</p> <table border="1"> <thead> <tr> <th>Buildings</th> <th>No. of Blocks</th> <th>No. of Storeys</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Factory and Office</td> <td>2</td> <td>2 to 4</td> <td>6,862.90</td> </tr> <tr> <td>Ancillary</td> <td>7</td> <td>1 to 2</td> <td>328.00</td> </tr> <tr> <td>Total:</td> <td></td> <td></td> <td><u>7,190.90</u></td> </tr> </tbody> </table> <p>The property is held under a Real Estate Ownership Certificate for a term expiring on 22 July 2043 for industrial use.</p>	Buildings	No. of Blocks	No. of Storeys	Gross Floor Area (sq.m.)	Factory and Office	2	2 to 4	6,862.90	Ancillary	7	1 to 2	328.00	Total:			<u>7,190.90</u>	The property is currently occupied by the Group as a production plant with teaching facilities.	25,300,000 (100% interests attributable to the Company: HK\$25,300,000)
Buildings	No. of Blocks	No. of Storeys	Gross Floor Area (sq.m.)																	
Factory and Office	2	2 to 4	6,862.90																	
Ancillary	7	1 to 2	328.00																	
Total:			<u>7,190.90</u>																	

## Notes:

- (i) According to a Real Estate Ownership Certificate (Hu Fang Di Qing Zi (1999) No. 001019) issued by Real Estate and Land Administrative Bureau of Shanghai City dated 29 March 1999, the Land with a land area of 7,691 square metres was granted to the 上海鄭明明化妝品有限公司 (Shanghai Cheng Ming Ming Cosmetic Products Limited) (“CMM Cosmetic”, a wholly-owned subsidiary of the Company) for a term of 50 years and expiring on 22 July 2043 for industrial use.
- (ii) According to a Real Estate Ownership Certificate (Hu Fang Di Qing Zi (1999) No. 001019) issued by Real Estate and Land Administrative Bureau of Shanghai City dated 29 March 1999, the Buildings with a total gross floor area of 7,191.90 square metres is held by the CMM Cosmetic.
- (iii) Opinions of the PRC Legal Advisors are summarized as follows:
- (a) CMM Cosmetic has fully paid the granted land use right premium and related fees as required by the State-owned Land Use Right Granting Contract, and has obtained the Property Right Certificate for the property.
- (b) CMM Cosmetic has the granted land use right to the Land and is the owner of the Buildings.
- (c) The property is subject to mortgage in favor of Agricultural Bank of China Qingpu Branch.



## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
4.	Suite 1203B, 12/F Tower 1, Admiralty Centre 18 Harcourt Road Hong Kong	<p>The property comprises a unit within a 29-storey office building which was completed in 1980.</p> <p>The gross floor area of the property is approximately 186.92 square metres (2,012 square feet).</p> <p>The property is held under a tenancy agreement dated 6 January 2010 between Abisco Limited as lessor and the Company as lessee for a term of 2 years from 4 January 2010 to 3 January 2012 at a monthly rent of HK\$60,360 exclusive of management fee, government rates and other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as office.</p>	no commercial value

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
5.	Rooms 802-805 on 8/F Miramar Tower Nos. 132-134 Nathan Road Tsim Sha Tsui Kowloon Hong Kong	<p>The property comprises 4 units within a 32-storey office building erected on a 6-storey commercial podium which was completed in 1997.</p> <p>The gross floor area of the property is approximately 906.63 square metres (9,759 square feet).</p> <p>The property is held under a tenancy agreement dated 22 February 2010 between Henderson Real Estate Agency Limited (acting as a leasing agent for the lessor) and the Group as lessee for a term of 3 years from 1 March 2010 to 28 February 2013 at a monthly rent of HK\$214,698 exclusive of management fee, government rates and other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as office.</p>	no commercial value

## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
6.	3/F Grand Right Centre 10 Cameron Road Tsim Sha Tsui Kowloon Hong Kong	<p>The property comprises 1 floor within a 18-storey office building which was completed in 1992.</p> <p>The gross floor area of the property is approximately 206.15 square metres (2,219 square feet).</p> <p>The property is held under a tenancy agreement dated 23 December 2009 between Monita Hair and Beauty College Limited as lessor and the Group as lessee for a term of 1 year from 1 January 2010 to 31 December 2010 at a monthly rent of HK\$62,500 exclusive of management fee, government rates and other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as beauty salon and spa house.</p>	no commercial value

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
7.	4/F Grand Right Centre 10 Cameron Road Tsim Sha Tsui Kowloon Hong Kong	<p>The property comprises 1 floor within a 18-storey office building which was completed in 1992.</p> <p>The gross floor area of the property is approximately 129.32 square metres (1,392 square feet).</p> <p>The property is held under a tenancy agreement dated 23 December 2009 between Monita Hair and Beauty College Limited as lessor and the Group as lessee for a term of 1 year from 1 January 2010 to 31 December 2010 at a monthly rent of HK\$28,000 exclusive of management fee, government rates and other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as hair salon.</p>	no commercial value

## VALUATION CERTIFICATE

<b>No.</b>	<b>Property</b>	<b>Descriptions and Occupancy</b>	<b>Market Value as at 31 August 2010 (HK\$)</b>
8.	15/F Asia Pacific Centre 8 Wyndham Street Central Hong Kong	<p>The property comprises a unit within a 30-storey office building which was completed in or about 1997.</p> <p>The gross floor area of the property is approximately 308.06 square metres (3,316 square feet).</p> <p>The property is held under a tenancy agreement dated 22 October 2009 between Ease Gain Development Limited as lessor and the Group as lessee for a term of 3 years from 16 October 2009 to 15 October 2012 at a monthly rent of HK\$103,994 exclusive of management fee, government rents, rates and other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as beauty centre.</p>	no commercial value

<b>No.</b>	<b>Property</b>	<b>Descriptions and Occupancy</b>	<b>Market Value as at 31 August 2010 (HK\$)</b>
9.	16/F Soundwill Plaza 38 Russell Street Causeway Bay Hong Kong	<p>The property comprises a unit within a 31-storey commercial building which was completed in 2002.</p> <p>The gross floor area of the property is approximately 664.81 square metres (7,156 square feet).</p> <p>The property is held under a tenancy agreement dated 4 March 2009 between Golden Relay Company Limited as lessor and the Group as lessee for a term of 2 years from 1 December 2008 to 30 November 2010 at a monthly rent of HK\$214,680 exclusive of management fee, government rates and other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as beauty salon and spa house.</p>	no commercial value

## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
10.	Unit J2 on 17/F Superluck Industrial Centre Phase 1 45-53 Sha Tsui Road Tsuen Wan New Territories	<p>The property comprises a unit within a 23-storey industrial building which was completed in or about 1978.</p> <p>The gross floor area of the property is approximately 51.10 square metres (550 square feet).</p> <p>The property is held under an undated tenancy agreement between Cheung Wai Tat and Cheung Wai Kun as lessor and the Group as lessee for a term of 2 years from 1 March 2009 to 28 February 2011 at a monthly rent of HK\$3,200 exclusive of other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as warehouse.</p>	no commercial value

## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
11.	Level 2 No. 18 Changsheng Road Hangzhou Zhejiang Province The PRC	<p>The property comprises 1 floor within a 8-storey building which was completed in or about 1999.</p> <p>The gross floor area of the property is approximately 190 square metres.</p> <p>The property is held under a tenancy agreement dated 18 December 2007 between 浙江梅地亞新聞交流中心 (Zhejiang Media News Exchange Centre) as lessor and Cheng Ming Ming Beauty Co., Ltd. (“CMM Beauty”) as lessee for a term of 3 years from 1 January 2008 to 31 December 2010. For 1 January 2008 to 31 December 2008, the yearly rent is RMB130,000, for 1 January 2009 to 31 December 2009, the yearly rent is RMB136,500 and for 1 January 2010 to 31 December 2010, the yearly rent is RMB143,325, exclusive of management fee and other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as beauty salon and spa house.</p>	no commercial value

*Notes:*

Opinions of the PRC Legal Advisors are summarized as follows:

- (a) The tenancy agreement is valid and enforceable under the PRC law.
- (b) The PRC Legal Advisors were not provided with the registration record of the tenancy agreement and therefore unable to verify if the lease is duly recorded in accordance with the PRC laws. Failure of which will not invalidate the lease agreement, however the lessees may be required to submit other evidence to defend against the third party who claims the right to lease the property.

## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
12.	Unit 804 No. 5 Shuiyin Zhi Jie Xi Liu Hang Yuexiu District Guangzhou Guangdong Province The PRC	<p>The property comprises 1 unit within a 9-storey building which was completed in or about 2009.</p> <p>The gross floor area of the property is approximately 60.53 square metres.</p> <p>The property is held under a tenancy agreement dated 27 May 2010 between 李銘源 (Li Ming Yuan) as lessor and CMM Beauty as lessee for a term of 1 year from 1 January 2010 to 1 January 2011 at a monthly rent of RMB2,000 exclusive of management fee and other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as office.</p>	no commercial value

*Notes:*

Opinions of the PRC Legal Advisors are summarized as follows:

- (a) The tenancy agreement is valid and enforceable under the PRC law.
- (b) The PRC Legal Advisors were not provided with the registration record of the tenancy agreement and therefore unable to verify if the lease is duly recorded in accordance with the PRC laws. Failure of which will not invalidate the lease agreement, however the lessees may be required to submit other evidence to defend against the third party who claims the right to lease the property.

## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
13.	Rooms 1304-1305 Heng Feng Building Fengyang Road Xinzhan District Hefei Anhui Province The PRC	<p>The property comprise 2 units within a 28-storey building which was completed in or about 2006.</p> <p>The gross floor area of the property is approximately 160.04 square metres.</p> <p>The property is held under a tenancy agreement dated 28 February 2010 between 宣紅 (Xuan Hong) as lessor and CMM Beauty as lessee for a term of 1 year from 8 March 2010 to 7 March 2011 at a monthly rent of RMB4,400 exclusive of management fee and other service charges.</p> <p>The tenancy is not assignable.</p> <p>As confirmed by the Group, the tenancy had been terminated in August 2010.</p>	no commercial value

*Notes:*

Opinions of the PRC Legal Advisors are summarized as follows:

- (a) The tenancy agreement is valid and enforceable under the PRC law.
- (b) The PRC Legal Advisors were not provided with the registration record of the tenancy agreement and therefore unable to verify if the lease is duly recorded in accordance with the PRC laws. Failure of which will not invalidate the lease agreement, however the lessees may be required to submit other evidence to defend against the third party who claims the right to lease the property.

## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
14.	No. 598 Hengshan Road Xuhui District Shanghai The PRC	<p>The property comprises 1 block of 3-storey commercial building which was completed in 1980's.</p> <p>The gross floor area of the property is approximately 400.78 square metres.</p> <p>The property is held under a tenancy agreement dated 18 March 2008 between 上海新路達商業(集團)有限公司 (Shanghai Xin Lu Da Business Group Co., Ltd.) as lessor and CMM Beauty as lessee for a term of 3 years from 1 June 2008 to 31 May 2011. For 1 June 2008 to 31 May 2009, the monthly rent is RMB80,833.33, for 1 June 2009 to 31 May 2010, the monthly rent is RMB85,000 and for 1 June 2010 to 31 May 2011, the monthly rent is RMB89,166.67, exclusive of management fee and other service charges.</p> <p>The tenancy is not assignable.</p> <p>As confirmed by the Group, the tenancy had been terminated in August 2010.</p>	no commercial value

*Notes:*

Opinions of the PRC Legal Advisors are summarized as follows:

- (a) The tenancy agreement is valid and enforceable under the PRC law.
- (b) The PRC Legal Advisors were not provided with the registration record of the tenancy agreement and therefore unable to verify if the lease is duly recorded in accordance with the PRC laws. Failure of which will not invalidate the lease agreement, however the lessees may be required to submit other evidence to defend against the third party who claims the right to lease the property.



## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
15.	Room 1911 Eastern Block of Huaxin Building No. 2 Shuiyin Road Yuexiu District Guangzhou Guangdong Province The PRC	<p>The property comprises 1 unit within a 22-storey building which was completed in or about 1996.</p> <p>The gross floor area of the property is approximately 88 square metres.</p> <p>The property is held under a tenancy agreement dated 20 May 2009 between 廣州市初創物業管理有限公司 (Guang Zhou Chu Chuang Property Management Co., Ltd.) as lessor and CMM Beauty as lessee for a term of 1 year from 1 June 2010 to 31 May 2011 at a monthly rent of RMB5,104 exclusive of management fee and other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as office.</p>	no commercial value

*Notes:*

Opinions of the PRC Legal Advisors are summarized as follows:

- (a) The tenancy agreement is valid and enforceable under the PRC law.
- (b) The PRC Legal Advisors were not provided with the registration record of the tenancy agreement and therefore unable to verify if the lease is duly recorded in accordance with the PRC laws. Failure of which will not invalidate the lease agreement, however the lessees may be required to submit other evidence to defend against the third party who claims the right to lease the property.

## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
16.	12/F No. 333 Taiping Nan Road Nanjing Jiangsu Province The PRC	<p>The property comprises a floor within a 22-storey building which was completed in or about 2005.</p> <p>The gross floor area of the property is approximately 242 square metres.</p> <p>The property is held under a tenancy agreement dated 8 January 2008 between 姜亞娟 (Jiang Ya Juan) as lessor and Cheng Ming Ming Industry Co., Ltd. ("CMM Industry") as lessee for a term of 3 years from 16 March 2008 to 15 March 2011 at a yearly rent of RMB117,000 exclusive of management fee and other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as office.</p>	no commercial value

*Notes:*

Opinions of the PRC Legal Advisors are summarized as follows:

- (a) The tenancy agreement is valid and enforceable under the PRC law.
- (b) The PRC Legal Advisors were not provided with the registration record of the tenancy agreement and therefore unable to verify if the lease is duly recorded in accordance with the PRC laws. Failure of which will not invalidate the lease agreement, however the lessees may be required to submit other evidence to defend against the third party who claims the right to lease the property.

## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
17.	M216-1 on 2/F No. 588 Madang Road Luwan District Shanghai The PRC	<p>The property comprises 1 unit within a 2-storey building which was completed in or about 2009.</p> <p>The gross floor area of the property is approximately 30.20 square metres.</p> <p>The property is held under a tenancy agreement dated 26 January 2010 between 上海崗崎投資管理有限公司 (Shanghai Gang Qi Investment Management Co., Ltd.) (acting as a leasing agent of the lessor) and Beauty Trade (Shanghai) Co., Ltd. as lessee for a term from 15 January 2010 to 31 December 2012. For 1 May 2010 to 31 December 2010, the monthly rent is RMB10,872, and for 1 January 2011 to 31 December 2011, the monthly rent is RMB13,590, exclusive of management fee and other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as retail shop.</p>	no commercial value

*Notes:*

Opinions of the PRC Legal Advisors are summarized as follows:

- (a) The tenancy agreement is valid and enforceable under the PRC law.
- (b) The PRC Legal Advisors were not provided with the registration record of the tenancy agreement and therefore unable to verify if the lease is duly recorded in accordance with the PRC laws. Failure of which will not invalidate the lease agreement, however the lessees may be required to submit other evidence to defend against the third party who claims the right to lease the property.

## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
18.	Room 907 No. 1017 Nanquan Bei Road Pudong New District Shanghai The PRC	<p>The property comprises 1 unit within a 9-storey building which was completed in or about 1993.</p> <p>The gross floor area of the property is approximately 72 square metres.</p> <p>The property is held under an undated tenancy agreement between 王玉安 (Wang Yu An) as lessor and 杜同娣 (Du Tong Di, on behalf of CMM Industry) as lessee for a term of 1 year from 1 February 2010 to 31 January 2011 at a monthly rent of RMB3,000 exclusive of other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as office.</p>	no commercial value

*Notes:*

Opinions of the PRC Legal Advisors are summarized as follows:

- (a) The tenancy agreement is valid and enforceable under the PRC law.
- (b) CMM Industry and Du Tong Di confirmed that Du Tong Di has entered into the tenancy agreement on behalf of CMM Industry and such property is occupied by CMM Industry for business.
- (c) The PRC Legal Advisors were not provided with the registration record of the tenancy agreement and therefore unable to verify if the lease is duly recorded in accordance with the PRC laws. Failure of which will not invalidate the lease agreement, however the lessees may be required to submit other evidence to defend against the third party who claims the right to lease the property.

## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
19.	Room 102 Block 5 Zhangjiabin Pudong District Shanghai The PRC	<p>The property comprises 1 unit within a 7-storey building which was completed in or about 2000.</p> <p>The gross floor area of the property is approximately 79.69 square metres.</p> <p>The property is held under a tenancy agreement dated 22 March 2010 between 邵培康 (Shao Pei Kang) as lessor and 陳周烽 (Chen Zhou Feng, on behalf of CMM Industry) as lessee for a term of 1 year from 23 March 2010 to 22 March 2011 at a monthly rent of RMB1,600 exclusive of other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as office.</p>	no commercial value

*Notes:*

Opinions of the PRC Legal Advisors are summarized as follows:

- (a) The tenancy agreement is valid and enforceable under the PRC law.
- (b) CMM Industry and Chen Zhou Feng confirmed that Chen Zhou Feng has entered into the tenancy agreement on behalf of CMM Industry and such property is occupied by CMM Industry for business.
- (c) The property is currently occupied by CMM Industry for business operation which does not conform to the use permitted for residence. According to the PRC laws, CMM Industry may be requested to stop using the property for business.

## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
20.	Room 903 Block 1 Pinganmoka City Jiangbei District Chongqing The PRC	<p>The property comprises 1 unit within a 9-storey building which was completed in or about 2007.</p> <p>The gross floor area of the property is approximately 64.75 square metres.</p> <p>The property is held under a tenancy agreement dated 27 November 2009 between 蔣世利 (Jiang Shi Li) as lessor and CMM Industry as lessee for a term of 1 year and 27 days from 5 December 2009 to 31 December 2010 at a monthly rent of RMB1,300 exclusive of management fee and other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as office.</p>	no commercial value

*Notes:*

Opinions of the PRC Legal Advisors are summarized as follows:

- (a) The tenancy agreement is valid and enforceable under the PRC law.
- (b) The PRC Legal Advisors were not provided with the registration record of the tenancy agreement and therefore unable to verify if the lease is duly recorded in accordance with the PRC laws. Failure of which will not invalidate the lease agreement, however the lessees may be required to submit other evidence to defend against the third party who claims the right to lease the property.

## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
21.	Room 103 in Unit 3 No. 42 Fengsheng Road Shibei District Qingdao Shandong Province The PRC	<p>The property comprises 1 unit within a 1-storey building which was completed in or about 1985.</p> <p>The gross floor area of the property is approximately 15 square metres.</p> <p>The property is held under an undated tenancy agreement between 彭福利 (Peng Fu Li) as lessor and CMM Industry as lessee for a term of 3 years from 10 March 2009 to 9 March 2012 at a yearly rent of RMB80,000 for the first year, RMB60,000 for the second year and RMB65,000 for the third year exclusive of management fee and other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as retail shop.</p>	no commercial value

*Notes:*

Opinions of the PRC Legal Advisors are summarized as follows:

- (a) The tenancy agreement is valid and enforceable under the PRC law.
- (b) The PRC Legal Advisors were not provided with the registration record of the tenancy agreement and therefore unable to verify if the lease is duly recorded in accordance with the PRC laws. Failure of which will not invalidate the lease agreement, however the lessees may be required to submit other evidence to defend against the third party who claims the right to lease the property.

## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
22.	Carparking No. 40 No. 38 Dongguang Road Shibei District Qingdao Shandong Province The PRC	<p>The property comprises 1 unit within a 1-storey building which was completed in or about 2002.</p> <p>The gross floor area of the property is approximately 30 square metres.</p> <p>The property is held under a tenancy agreement dated 6 March 2008 between 王劍 (Wang Jian) as lessor and CMM Industry as lessee for a term of 3 years from 8 March 2008 to 7 March 2011 at a yearly rent of RMB7,000.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as warehouse.</p>	no commercial value

*Notes:*

Opinions of the PRC Legal Advisors are summarized as follows:

- (a) The tenancy agreement is valid and enforceable under the PRC law.
- (b) The PRC Legal Advisors were not provided with the registration record of the tenancy agreement and therefore unable to verify if the lease is duly recorded in accordance with the PRC laws. Failure of which will not invalidate the lease agreement, however the lessees may be required to submit other evidence to defend against the third party who claims the right to lease the property.



## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
23.	No. 38 Dongguang Road Shibei District Qingdao Shandong Province The PRC	<p>The property comprises 1 unit within a 6-storey building which was completed in or about 2002.</p> <p>The gross floor area of the property is approximately 140 square metres.</p> <p>The property is held under a tenancy agreement signed in July 2010 between 邢宪俐 (Xing Xian Li) as lessor and CMM Industry as lessee for a term of 2 years from 8 June 2010 to 7 June 2012 at a yearly rent of RMB37,000.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as office.</p>	no commercial value

*Notes:*

Opinions of the PRC Legal Advisors are summarized as follows:

- (a) The tenancy agreement is valid and enforceable under the PRC law.
- (b) The PRC Legal Advisors were not provided with the registration record of the tenancy agreement and therefore unable to verify if the lease is duly recorded in accordance with the PRC laws. Failure of which will not invalidate the lease agreement, however the lessees may be required to submit other evidence to defend against the third party who claims the right to lease the property.

## VALUATION CERTIFICATE

No.	Property	Descriptions and Occupancy	Market Value as at 31 August 2010 (HK\$)
24.	Rooms 1701 and 1706 on 17/F Block A Yindu Building No. 9 Tongze Bei Street Heping District Shenyang Liaoning Province The PRC	<p>The property comprises 2 units within a 22-storey building which was completed in or about 1990.</p> <p>The gross floor area of the property is approximately 163 square metres.</p> <p>The property is held under a tenancy agreement dated 1 January 2010 between 遼寧省電影發行放映公司 (Liaoning Film Publishing and Projecting Co., Ltd.) as lessor and CMM Industry Shenyang Branch as lessee for a term of 1 year from 1 January 2010 to 31 December 2010 at a yearly rent of RMB75,000 inclusive of management fee and other service charges.</p> <p>The tenancy is not assignable.</p> <p>The property is currently occupied by the Group as office.</p>	no commercial value

*Notes:*

Opinions of the PRC Legal Advisors are summarized as follows:

- (a) The tenancy agreement is valid and enforceable under the PRC law.
- (b) The PRC Legal Advisors were not provided with the registration record of the tenancy agreement and therefore unable to verify if the lease is duly recorded in accordance with the PRC laws. Failure of which will not invalidate the lease agreement, however the lessees may be required to submit other evidence to defend against the third party who claims the right to lease the property.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following the completion of the subscription; and (ii) immediately following the completion of the subscription and the Placing were as follows:

### As at the Latest Practicable Date

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>5,000,000,000</u> Shares	<u>50,000,000</u>
<i>Issued and fully paid share capital or credited as fully paid:</i>	
<u>644,330,194</u> Shares	<u>6,443,301</u>

### Immediately following after the issue of the Subscription Shares

<i>Issued and fully paid share capital or credited as fully paid:</i>	
<u>2,311,473,051</u> Shares	<u>23,114,730</u>

### Immediately following issue of the Subscription Shares and the Placing Shares

<i>Issued and fully paid share capital or credited as fully paid:</i>	
<u>2,728,473,051</u> Shares	<u>27,284,730</u>

All the issued shares in the capital of the Company rank *pari passu* with each other in all aspects including the rights as to voting, dividends and return of capital. The Shares in issue are listed on the Main Board of the Stock Exchange.

As at Latest Practicable Date, a total of 26,400,000 options under the share option scheme adopted by the Company on 15 October 2003, the Company has the following share options. The following table discloses the movements in the Company's share options since 31 December 2009 (being the latest financial year end of the Company) until the Latest Practicable Date:

<b>Name of grantee</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price of the share option</b>	<b>No. of Shares upon conversion</b>
Ms. Cheung Hing Man, Charissa	22 July 2010	22 January 2011 – 21 July 2020	HK\$0.59	5,800,000
Ms. Deng Wen	22 July 2010	22 January 2011 – 21 July 2020	HK\$0.59	5,800,000
Ms. Maria Majoire Lo	22 July 2010	22 January 2011 – 21 July 2020	HK\$0.59	500,000
Other employees and consultants	22 July 2010	22 January 2011 – 21 July 2020	HK\$0.59	14,300,000

Save for the aforesaid options, the Company did not have any other derivatives, options, warrants or conversion rights affecting the Shares and no capital of any member of the Group was under option, or agreed to conditionally or unconditionally to be put under option as at the Latest Practicable Date.

Since 31 December, 2009, the date to which the latest audited financial statements of the Company was made up, and up to the Latest Practicable Date, no Shares have been allotted and issued by the Company except as follows:-

- (i) On 11 February 2010, the Company placed an aggregate of 97,000,000 placing Shares to not less than six places, who and whose ultimate beneficial owners are not connected persons of the Company and are independent of the Company and its connected persons, at the placing price of HK\$0.25 per placing Share.
- (ii) On 9 July 2010, the Company had issued an aggregate of 61,500,000 consideration Shares, representing approximately 9.54% of the issued share capital of the Company immediately after completion of the acquisition, at HK\$0.28 per share to Nevin Investments Limited together with HK\$25.78million cash financed internally in exchange for 2.80% equity interest in PKV, (Sociedade De Investimento Imobiliário Pun Keng Van, S.A., a company established in Macau).

### 3. MARKET PRICE

The table below shows the closing price of the Shares on the Stock Exchange on (i) the last day on which trading took place in each of the calendar month during the period commencing six months preceding the date of the Announcement and ending on the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

<b>Date</b>	<b>Closing price per Share HK\$</b>
26 February 2010	0.375
31 March 2010	0.42
30 April 2010	0.39
31 May 2010	0.31
30 June 2010	0.325
30 July 2010	0.59
Last Trading Day	0.76
31 August 2010	1.06
30 September 2010	1.24
Latest Practicable Date	1.50

*Source: www.hkex.com.hk*

The highest and lowest closing prices per Share recorded on the Stock Exchange during the Relevant Period were HK\$1.52 on 11 October 2010 and HK\$0.28 on 20 May 2010 and 25 May 2010, respectively.

### 4. DISCLOSURE OF INTERESTS

#### Interests of Directors in the Company

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, save for the share options held by the Directors, details of which are set out under the subsection headed “Share Capital” above, none of the Directors is interested in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which the Directors or supervisors or chief executives of the Company were taken or deemed to have under such provisions of the Securities and Futures Ordinance) or which are required to be entered into the register maintained by the Company under section 352 of the Securities and Futures Ordinance or which are required to be notified to the Company and Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

### Interests of Substantial Shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date the persons, other than Directors, who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, and the amount of each of such person's interest in such securities, together with any options in respect of such capital, were as follows:

Shareholder	Capacity/ nature of interest	Number of Shares held/ involved	Percentage of the total issued share capital
Mr. Wei Jijun ( <i>Note 1</i> )	Beneficial owner	152,548,480	23.7%
Mr. Ahn Heeseung ( <i>Note 2</i> )	Beneficial owner	77,381,361	12.0%
Ms. Cheng Ho Ming ( <i>Note 3</i> )	Interest of a controlled corporation	71,499,000	11.1%
Ambleside Associates Limited ( <i>Note 3</i> )	Beneficial owner	71,499,000	11.1%

*Notes:*

1. The Shares are held by Sincere Daily Limited which is wholly owned by Mr. Wei Jijun. Mr. Wei Jijun is not a party acting in concert with and is independent of the Subscriber and its concert parties.
2. The Shares are held by Nevin Investments Limited which is wholly owned by Mr. Ahn Heeseung. Nevin Investments Limited is not a party acting in concert with and is independent of the Subscriber and its concert parties.
3. Ms. Cheng Ho Ming owns 70% of the issued share capital of Ambleside Associates Limited and Peakjoy Global Limited owns the remaining 30% of the issued share capital of Ambleside Associates Limited. Ms. Cheng Ho Ming wholly owns all the beneficial interest in Peakjoy Global Limited. Ms. Cheng Ho Ming is therefore deemed to have an interest in 71,499,000 Shares under the SFO. Ms. Cheng Ho Ming is not a party acting in concert with and is independent of the Subscriber and its concert parties.

### 5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed contract of service with any member of the Group which is not expiring or terminable within one year without payment of compensation (other than statutory compensation).

None of the Directors has a service contract with the Company or any of its subsidiaries or associated companies which:

- (a) (including continuous and fixed term contracts) have been entered into or amended within six months before the date of the Announcement;
- (b) are continuous contracts with a notice period of 12 months or more; or
- (c) are fixed term contracts with more than 12 months to run irrespective of the notice period.

## 6. DIRECTORS TO BE NOMINATED BY THE SUBSCRIBER

The Subscriber proposes to nominate the following candidates as Directors of the Company with effect from the Subscription Completion Date pursuant to the Subscription Agreement:

1. *Yang Zhiqiang (楊志強) (proposed Chairman of the Board)*

Mr. Yang Zhiqiang, aged 52, PhD, professor-grade senior engineer, currently the President of the Jinchuan Group. Mr. Yang joined the Jinchuan Group in 1982 and had served as the deputy general manager in Jing Hang Engineering Company (井巷工程公司) of the Jinchuan Group, deputy chief engineer and general manager of the corporate management division in the Jinchuan Group, deputy general manager in the Jinchuan Group, president and general manager of Silver Non-ferrous Metals Company (白銀有色金屬公司), and the deputy director of the Development and Reform Commission of Gansu Province. Mr. Yang, as the President of the Jinchuan Group, has over 28 years of extensive experience in resources development, mine construction, large-scale metal selection and group production, marketing and capital management.

2. *Zhang Sanlin (張三林) (proposed Executive Director)*

Mr. Zhang Sanlin, aged 46, a senior economist, completed his postgraduate studies in business management. He joined the Jinchuan Group in July 1985 and since then has been consecutively responsible, at the smelting plant, for statistics and production planning, and at the management division of the Jinchuan Group, for corporate management and corporate transformation, and at the mines under the Jinchuan Group, for operation management, and at the management division of the Jinchuan Group, for asset restructuring, institutional adjustment, capital restructuring and share listing, merger and acquisition and asset management. He is currently the Vice President of the Jinchuan Group and is responsible for the Jinchuan Group's asset management, legal matters, risk management and overseas investment and economic cooperation. He has extensive experience in mining business management and corporate asset management. He is also a director of Metals X Limited since November 2009 and Albidon Limited since September 2010, both of which are companies listed on the Australian Stock Exchange.

3. *Zhang Zhong (張忠) (proposed Executive Director)*

Mr. Zhang Zhong, aged 44, EMBA, graduated from Xi'an Jiaotong University, currently the general manager of Jinchuan Group (Hongkong) Resources Holdings Limited. For over 20 years, Mr. Zhang has consecutively served as the head of the computer center of the Jinchuan Group, the director of the research institute of automation, liaison officer on overseas projects of the Jinchuan Group, head of the information centre of the Jinchuan Group, the president of Gansu Jinchuan Jin Ge Mining Vehicles Company Limited (甘肅金川金格礦業車輛有限公司), a Sino-German joint venture, the president (and general manager) of Jinchuan Group Mechanics Manufacturing Limited (金川集團機械製造公司) and the general manager of the planning and development division of the Jinchuan Group. He has extensive operation and management experience in the mining industry.

4. *Qiao Fugui (喬富貴) (proposed Director)*

Mr. Qiao Fugui, aged 45, Master of Engineering, holder of postgraduate qualification, currently the general manager of the mineral resources division of the Jinchuan Group. Mr. Qiao joined the Jinchuan Group in 1988. He has previously served as the deputy general manager of the planning and development division of the Jinchuan Group, the director of three mining zones of the Jinchuan Group, general manager of the mining division of the Jinchuan Group, the director of Gansu Jin Ao Mining Limited (甘肅金澳礦業公司), the joint venture established by the Jinchuan Group and BHP Billiton. He is also a director of GobiMin Inc., a company listed on the TSX Venture Exchange in Canada, since 2007. He expertise in technical aspects of mine exploration and development and has extensive experience in operation and management.

5. *Gao Tianpeng (鄒天鵬) (proposed Executive Director)*

Mr. Gao Tianpeng, aged 39, currently the general manager of the asset management division of the Jinchuan Group. For the 16 years since he has joined the Jinchuan Group, Mr. Gao has served as the cost manager of the finance division, finance manager of the international trading arm and general manager of the risk management division of the Jinchuan Group. Mr. Gao, currently as the director of the overseas investment projects and corporate merger and acquisition divisions, has extensive experience in financial cost management, risk management and asset management.

6. *Zhou Xiaoyin (周小茵) (proposed Director)*

Ms. Zhou Xiaoyin, aged 33. Ms. Zhou obtained a bachelor's degree in legal studies from Lanzhou University of Finance in China in 1999 and joined the Jinchuan Group in the same year. She obtained the Certificate of Chinese Professional Legal Qualification in 2002 and acted as the Company's counsel on a long-term basis. Ms Zhou, as a business executive involved in the major overseas investment and finance projects of the Jinchuan Group, has a good understanding of the operation of international mining projects and has extensive professional knowledge and experience.

Save as disclosed above, the Directors are not aware of any other matters that need to be brought to the attention of the shareholders of the Company or any other information to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules, except the amount of emolument of the proposed Directors which will be disclosed by way of a separate announcement when such proposed Directors have been appointed.

The appointment of the proposed new Directors will be considered by the Board in accordance with its current nomination procedures. The Company confirms that the existing Directors will exercise their fiduciary duty to process the proposed nomination of the new Directors. The new Directors will be subject to fiduciary duties owed to the Company.

## 7. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2009, being the date of the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group;



- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group as a whole.
- (c) there was no material contracts entered into by the Subscriber or parties acting in concert with it in which any Director has a material personal interest.

**8. ADDITIONAL DISCLOSURE OF SHAREHOLDINGS AND DEALINGS PURSUANT TO THE TAKEOVERS CODE**

- (a) None of the Subscriber and its parties acting in concert owned, controlled or was interested in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date and none of them had dealt for value in any Shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period, save for the Subscription Shares. As at the Latest Practicable Date, the Company had no shareholding interest in the Subscriber nor had the Company dealt for value in any shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Subscriber during the Relevant Period.
- (b) None of the directors of the Subscriber was interested in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date nor had the directors of the Subscriber had dealt for value in any shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.
- (c) Save as disclosed in sub-section headed “Share Capital” above, none of the Directors was interested in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber nor had the Directors dealt for value in any share or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber during the Relevant Period.
- (d) As at the Latest Practicable Date, save for the Subscription Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any of its parties acting in concert with any of them and (i) any other persons; and (ii) any Director, recent Director, Shareholder or recent Shareholder of the Company which is conditional on or dependent up on the outcome of the Subscription or the Whitewash Waiver or otherwise connected with the Subscription or the Whitewash Waiver.
- (e) As at the Latest Practicable Date, no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by the Independent Financial Adviser and none of the advisers to the Company (as specified in class (2) of the definition of “associate” under the Takeovers Code) owned or had any interests in any Shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

- (f) As at the Latest Practicable Date, there was no shareholding in the Company owned or controlled by any persons who, prior to the posting of this circular, have irrevocably committed themselves to vote for or against the Subscription or the Whitewash Waiver. No persons who have irrevocably committed themselves to vote for or against the Subscription and the Whitewash Waiver had dealt in any Shares, options, warrants, options warrants, derivatives or securities convertible into Shares of the Company and the Subscriber for value during the Relevant Period.
- (g) As the Latest Practicable Date, none of the Directors has any beneficial shareholdings in the Shares which would entitle them to vote in respect of the resolutions for the Subscription or the Whitewash Waiver.
- (h) As at the Latest Practicable Date, no person had any arrangement of the kind as described in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.
- (i) As at the Latest Practicable Date, no person has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Subscriber or any person acting in concert with it.
- (j) As at the Latest Practicable Date, no benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Subscription or the Whitewash Waiver.
- (k) No Shares to be acquired by the Subscriber or parties acting in concert with it in pursuance of the Subscription will be transferred, charged or pledged to any other persons after completion of the Subscription.
- (l) As at the Latest Practicable Date, there was no shareholding in the Company which the Subscriber or parties acting in concert with it has borrowed or lent, and none of the Subscriber or parties acting in concert with it had borrowed or lent the Shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.
- (m) As at the Latest Practicable Date, there was no shareholding in the Company which the Company or the Directors has/have borrowed or lent, and there was no dealings in the Shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company by person which the Company or the Directors had borrowed or lent the Shares or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.
- (n) As at the Latest Practicable Date, other than the Directors, namely Ms. Deng Wen, Ms. Maria Majoire Lo and Ms. Cheung Hing Man, Charissa, who were granted with certain share options of the Company as disclosed in this Appendix, none of the Directors has any beneficial shareholdings in the Shares. All Directors have no material interest or involve in or interested in the Subscription, the Placing or the Whitewash Waiver, accordingly they will vote on the board resolutions for the Subscription and the Whitewash Waiver.
- (o) As at the Latest Practicable Date, no shareholdings of the Company was managed on a discretionary basis hereon by fund managers connected with the Company. The Directors in respect of their own beneficial shareholdings, will abstain from voting in respect of the resolutions of the Subscription or the Whitewash Waiver.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) having been entered into by the Company or any of its subsidiaries within two years immediately preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

- (a) the Subscription Agreement;
- (b) the Placing Agreement; and
- (c) the Supplemental Placing Agreement.

## 10. EXPERTS' CONSENTS AND QUALIFICATIONS

The following are the qualifications of the professional advisers who have given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Greater China Appraisal Limited	Independent property valuer
VC Capital Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

Each of Greater China Appraisal Limited and the Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and all reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of Greater China Appraisal Limited and the Independent Financial Adviser was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited consolidated financial statements of the Group were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 11. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

## 12. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

**13. MISCELLANEOUS**

As at the Latest Practicable Date:

- (a) The registered office of the Subscriber is at Room 4105, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong and its directors are Yang Zhiqiang, Wang Haizhou and Zhang Sanlin.
- (b) The principal place of business of Jinchuan Group is at 98 Jinchuan Road, Jinchang City, Gansu Province and its directors are Yang Zhiqiang, Wang Haizhou, Zhang Ming, Zhang Ti, Shi Guomin, Zhou Yizhou and Zhang Tongqin.
- (c) The registered address of the Independent Financial Adviser is at 2903C-6, The Centrium, 60 Wyndham Street, Central, Hong Kong.

**14. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at office of the Company at Suite 1203B, 12/F., Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong, from the date of this circular up to and including the date of the EGM in accordance with Note 1 to Rule 8 of Takeovers Code and at the EGM and will be displayed on the website of the Company at [www.macau-holdings.com](http://www.macau-holdings.com) and on the website of the Securities and Futures Commission at [www.sfc.hk](http://www.sfc.hk):

- (a) the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 42 of this circular;
- (b) the property valuation report issued by Greater China Appraisal Limited, the text of which is set out in Appendix II to this circular;
- (c) the written consents from the Independent Financial Adviser and Greater China Appraisal Limited referred to in the paragraph headed “Experts’ Consents and Qualifications” in paragraph 10 of this appendix;
- (d) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 22 of this circular;
- (e) the contracts referred to in the paragraph headed “Material Contracts” referred in paragraph 9 of this appendix;
- (f) the memorandum of association and bye-laws of the Company;
- (g) the memorandum and articles of association of the Subscriber; and
- (h) the audited consolidated financial statements of the Group for the two financial years ended 31 December, 2009 and 31 December, 2008 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2010.

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## NOTICE OF EGM

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MACAU INVESTMENT  
HOLDINGS LIMITED

### MACAU INVESTMENT HOLDINGS LIMITED

澳門投資控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 2362)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “Meeting”) of Macau Investment Holdings Limited will be held at 2:30 p.m. on Friday, 19 November, 2010 at the Pacific Place Conference Centre, Mont Blanc Room, Level 5, One Pacific Place, Hong Kong for the purpose of considering and, if thought fit, passing with or without modification, the following resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “(a) **THAT**, the execution by the Company of the conditional subscription agreement dated 14 August 2010 (the “**Subscription Agreement**”) entered into with Jinchuan Group (Hongkong) Resources Holdings Limited (the “**Subscriber**”) (a copy of which has been produced at this EGM and initialed by the chairman of the EGM for identification purposes), the terms and conditions thereof and the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed and that the Directors be and are hereby authorized, without prejudice to any other existing mandate granted to the Directors in general meeting, to allot and issue such number of Shares equal to the Hong Kong dollar equivalent of US\$60,000,000 divided by HK\$0.28 to the Subscriber (or its nominee(s)) pursuant to the terms of the Subscription Agreement, and generally and unconditionally to prepare and execute all documents and to do all things as they consider necessary, expedient and appropriate to effect and implement the Subscription Agreement and transactions contemplated thereunder or incidental thereto;
  
- (b) **THAT**, the waiver (the “**Whitewash Waiver**”) granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any delegate of the Executive Director) pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers in respect of the obligation on the part of the Subscriber and any parties acting in concert with it, to make a mandatory general offer to shareholders of the Company for all the issued Shares not already owned or agreed to be acquired by them upon completion of the Subscription Agreement be and is hereby approved and that the Directors be and are generally and unconditionally authorized to prepare and execute all documents and to do all such other things as they consider necessary, expedient and appropriate to give effect to any matters relating to, or incidental to, the Whitewash Waiver.”

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## NOTICE OF EGM

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2. “**THAT**, the execution by the Company of the conditional placing agreement dated 14 August 2010 (the “**Placing Agreement**”) and the Supplemental Placing Agreement dated 28 October 2010 made with Sun Hung Kai Investment Services Limited (the “**Placing Agent**”) (a copy of which has been produced at this EGM and initialed by the chairman of the EGM for identification purposes), the terms and conditions thereof and the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed and that the Directors be and are hereby authorized, without prejudice to any other existing mandate granted to the Directors in general meeting, to allot and issue up to 417,000,000 Shares to places indentified by the Placing Agent pursuant to the terms of the Placing Agreement, and generally and unconditionally to prepare and execute all documents and to do all things as they consider necessary, expedient and appropriate to effect and implement the Subscription Agreement and transactions contemplated thereunder or incidental thereto.”

For and on behalf of the Board  
**Macau Investment Holdings Limited**  
**Deng Wen**  
*Chairman*

Hong Kong, 29 October 2010

*Registered office:*

P.O. Box 309  
Ugland House  
Grand Cayman KY1-1104  
Cayman Islands

*Head office and principal place of business  
in Hong Kong:*

Suite 1203B  
Tower 1  
Admiralty Centre  
18 Harcourt Road  
Hong Kong

*Notes:*

1. Based on the conversion of U.S. dollar into Hong Kong dollar at the rate of USD1 to HK\$7.78, an estimate of 1,667,142,857 Shares will be allotted and issued to the Subscriber pursuant to resolution 1. As prescribed in the Subscription Agreement, the actual number of Shares to be allotted and issued pursuant to resolution 1 shall be determined based on the exchange rate from US\$ to HK\$ at 11:00 a.m. on the third business day prior to the date of completion of the Subscription Agreement as quoted by The Hongkong and Shanghai Banking Corporation Limited.
2. A member entitled to attend and vote at the EGM is entitled to appoint more than one proxy to attend and, on poll, vote on his or her behalf. A proxy need not be a member of the Company.
3. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof if you so wish. In the event that you attend the EGM after having returned the completed form of proxy, your form of proxy will be deemed to have been revoked.
4. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney, must be deposited at the Company’s Hong Kong branch share registrar, Hong Kong Registrars Limited at Room 1806 – 1807, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

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## NOTICE OF EGM

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5. In the case of joint registered holders of any Shares, any one of such joint registered holders may vote at the Meeting, either in person or by proxy, in respect of such shares as if he/she/it were solely entitled thereto; but if more than one of such joint registered holders be present at the Meeting, either in person or by proxy, the vote of that one of them so present, either in person or by proxy, whose name stands first on the register of members in respect of such Shares shall be accepted to the exclusion of the votes of the other joint registered holder(s).

*As at the date of this notice, the Board consists of three executive Directors, namely Ms. Deng Wen, Ms. Maria Majoire Lo, and Ms. Cheung Hing Man, Charissa, non-executive Director Mr. Guo Rui, and three independent non-executive Directors, namely Mr. Zhou Jin Song, Mr. Sun Tong and Mr. Yen Yuen Ho, Tony.*

\* *For identification purpose only*