2008
Annual Report

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)

* For identification purpose only

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Brad
Mr. Chen Jacob James
Mr. Kwok King Yan, Edmund

Non-executive Director

Ms. Cheng Ho Ming

Independent Non-executive Directors

Mr. Sun Juyi
Ms. Hin Yat Ha
Ms. Chiu Ching, Katie
Mr. Sun Tong
Mr. Zhou Jin Song

COMPANY SECRETARY

Ms. Chan Wing Sze

AUTHORISED REPRESENTATIVES

Mr. Huang Brad
Ms. Chan Wing Sze

AUDIT COMMITTEE

Mr. Sun Tong
Mr. Zhou Jin Song
Ms. Chiu Ching, Katie

REMUNERATION COMMITTEE

Mr. Sun Tong
Mr. Zhou Jin Song
Ms. Chiu Ching, Katie

REGISTERED OFFICE ADDRESS

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 801,
Miramar Tower,
132-134 Nathan Road,
Tsim Sha Tsui
Kowloon,
Hong Kong

AUDITORS

East Asia Sentinel Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited

Chairman's Statement and Management Discussion and Analysis

On behalf of the board of directors (the "Board") of Macau Investment Holdings Limited (the "Company"), I am pleased to present the audited results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008.

FINAL RESULTS

The Group recorded higher revenue of HK$138.1 million, an increase of 51.4% as compared with HK$91.2 million in the prior year is mainly due to the whole year revenue attributable by the CMM International Group Limited and its subsidiaries (collectively referred to the "CMM Group") in 2008 when revenue for eight months was recorded in 2007 when CMM Group was acquired on 30 April 2007. Selling and distribution cost and administrative costs of HK$67 million and HK$44.3 million, respectively, were mainly contributed by CMM Group.

Nevertheless, the Group recorded a higher net loss attributable to the equity holders of the Company of HK$266.7 million, an increase of 59.7% as compared with HK$167.0 million in the prior year. The loss is mainly attributable to the impairment of goodwill of HK$55.9 million, convertible bond interest costs of HK$70.5 million, impairment of intangible assets of HK$40.0 million and net loss on disposal of a subsidiary of HK$36.1 million (being net result of loss on disposal of a subsidiary and gain on early redemption of convertible bonds), which are further detailed as below:

Impairment of goodwill of HK$55.9 million comprising HK$17.3 million and HK$38.6 million has been recognised for goodwill attributable to the Group's financial public relation service cash-generating unit and cosmetic and beauty cash-generating unit, respectively. In view of deterioration of the economic environment worldwide and loss making position of the Group's financial public relation service and cosmetic and beauty business, an additional impairment provision of HK$17.3 million and HK$38.6 million has been made during the year ended 31 December 2008.

The Group acquired 86.31% of the issued share capital of Sociedade De Investimento Imobiliario Pun Keng Van Sa ("Sociedade") which then became a 95%-owned subsidiary of the Company in August 2007. As part of the consideration for this acquisition was satisfied by issuance of zero coupon convertible bonds with a principal value of approximately HK$1,463.6 million, convertible bond interest costs increased significantly from HK$26.3 million to HK$70.5 million.

Impairment of intangible assets of HK$40.0 million comprising HK$9.2 million and HK$30.8 million has been recognised for CMM brand name and operating rights for billboards, respectively. The operating rights represent exclusive rights to operate 25 billboards on a highway in Fuzhou, for the period from 14 January 2008 to 2015. In view of the slowing down of the development of billboard sector and the expiry of the operating rights in 2015, an impairment loss of HK$30.8 million was made.

Net loss on disposal of a subsidiary of HK$36.1 million, being the net result of loss on disposal of a subsidiary of HK$155.6 million and gain on early redemption of convertible bonds of HK$119.5 million. On 31 October 2008, the Group entered into an agreement with Suregold Global Limited and Castle Rock Investment Holding Limited to early redeem the 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 and the assignment of the loans. As a result of the transaction which was completed on 12 December 2008, a loss on the disposal of Sociedade and gain on early redemption of the convertible bonds of HK$155.6 million and HK$119.5 million were recorded, respectively.

Chairman's Statement and Management Discussion and Analysis

BUSINESS REVIEW

The Company is an investment company and the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year, the Group was principally engaged in property development and investment, manufacture and trading of cosmetic and related products, provision of beauty technical and training services.

On 12 December 2008, the Company completed the early redemption of convertible bonds settled by the transfer of 81.31% equity interests of ownership of the Macau Nam Van Lake residential project from 95% to 13.69%. As a result of the disposal, the Group gearing ratio, which is measured by the Group's total liabilities divided by total assets, has significantly improved from 50.7% to 11.3%. The Board believes, in view of the continuous uncertainty of the global economy and the slowdown of Macau economic growth, significant decrease in the Group's liabilities would improve the Group's operating and financial performance in future.

During the year, CMM International Group Limited cooperated with Mattel Inc., one of the largest toy companies in the world, to operate a Barbie facial and spa in a Barbie flagship in Shanghai. Services provided include facial and spa treatments, nail treatments, makeup and hairstyling workshops. Both the brandnames "CMM" and "Barbie" is so well-known that cooperation between them will create synergy effect and capture wider range of young customers.

The Board believes the global financial market is still challenging under the global credit crisis and the Board will continue to focus on its core and potential businesses and to identify any medium-term or long-term investment opportunities.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2008, the Group had cash and bank balances of HK$65,287,000 placed in banks. The interest-bearing bank and other borrowings of the Group amounted to HK$18,853,000, which is mainly due within one year. The directors believe that the Group has sufficient working capital to meet its present requirements.

Capital structure of the Company

The Group is financed by the shares issued. There was no change in the capital structure of the Company during the year.

Material acquisitions and disposals of investments

During the year, the Group disposed Sociedade. Sociedade is principally engaged in property development business. Other than this disposal, the Group had no other material acquisitions or disposals of subsidiaries or affiliated companies during the year.

Significant capital expenditures

Save as mentioned above, there were no significant capital expenditures during the year.

Details of charges on the Group's assets

The Group had charges on the fixed deposit of HK$7,683,000 and the Group's buildings and prepaid land lease payments of approximately HK$17,692,000 and HK$6,877,000, respectively, made to banks to secure banking facilities granted to the Group.

Contingent liabilities

The Group had no material contingent liabilities at 31 December 2008.

Indebtedness

Borrowings and Gearing ratio

As at 31 December 2008, total interest-bearing bank and other borrowings were HK$20,343,000, comprising bank loans and overdraft of HK$18,853,000 and finance lease payables of HK$1,490,000. The Group's gearing ratio, measured by total borrowings to the shareholders' fund, was 3.5%.

Foreign exchange exposure

Since most of the revenue generated from the sale of goods and payments for purchases of materials and salaries are either made in Hong Kong dollars, Renminbi, or Hong Kong dollars pegged currencies, the use of financial instruments for hedging purposes is not considered necessary and the exposure to exchange rate fluctuations is minimal.

PROSPECTS

2008 has turned out to be a very difficult year for the global capital markets and it is still uncertain if economy in 2009 would recover with massive intervention by fiscal and monetary authorities of all nations. In view of such uncertainly, the Group will continue to consolidate its cosmetic and beauty business, especially in China where has not been immune against the backdrop of global downturn, through consolidating key products for which the brandname "CMM" is widely known; serving a range of new customers in the Asia Pacific region; and developing several new product lines like anti-aging products and young and fancy cosmetic products to capture interest from other age groups.

EMPLOYEES

As at 31 December 2008, the Group had 670 employees. Employees receive competitive remuneration packages including salary and medical benefits. Key staff may also be entitled to performance bonus and share options to provide extra incentive to increase shareholder value.

AUDIT COMMITTEE

The Audit Committee aims at providing an independent and objective review of the financial reporting process, internal controls, and the audit functions of the Group. The current members are Mr. Sun Tong, Mr. Zhou Jin Song and Ms. Chiu Ching, Katie and they all have extensive experience in accounting, commercial and probate matter. The Committee held periodic meetings to review the accuracy of the interim and annual financial results before the reports were sent to the Board for approval.

The Committee has reviewed the Group's annual results for the year ended 31 December 2008.

APPRECIATION

The Board would like to take this opportunity to express our appreciation to the staff and management team of the Group for their contribution during the year and also to give our sincere gratitude to all our shareholders for their continuous support.

By order of the Board
Macau Investment Holdings Limited

Brad Huang
Chairman

Hong Kong, 8 April 2009

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules regarding securities transactions by directors on terms no less exacting than the required standard. Having made specific enquiry of all directors, all directors have confirmed that they had complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the period.

BOARD OF DIRECTORS

The main duty of the board of directors is to act in good faith for the benefit of the Company as a whole with proper delegation to the management of the Company according to the Articles of the Association of the Company.

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

Executive directors:

Mr. Huang Brad *(Chairman)*	(appointed on 23 June 2008)
Mr. Chen Jacob James *(Deputy Chairman)*	(appointed on 23 June 2008)
Mr. Kwok King Yan Edmund	(resigned on 22 December 2008)

Non-executive director:

Ms. Cheng Ho Ming	(resigned on 29 May 2008)

Independent non-executive directors:

Mr. Sun Juyi	(resigned on 21 January 2009)
Ms. Chiu Ching Katie	
Ms. Hin Ya Ha	(resigned on 21 January 2009)
Mr. Sun Tong	(appointed on 21 January 2009)
Mr. Zhou Jin Song	(appointed on 21 January 2009)

The term of the non-executive directors is one year and eligible for re-election.

MEETINGS ATTENDANCE

A total of 7 board meetings, 2 audit committee meetings and 2 remuneration committee meetings had been held in 2008. The following is a summary of the attendance of meetings of each Director:

Directors	Board meeting	Audit Committee	Remuneration Committee
Mr. Kwok King Yan Edmund	9	–	–
Mr. Huang Brad	2	–	–
Mr. Chen Jacob James	2	–	–
Ms. Cheng Ho Ming	2	–	–
Mr. Sun Juyi	5	2	2
Ms. Chiu Ching Katie	5	2	2
Ms. Hin Ya Ha	5	2	2

The Board regularly met during the year and on an ad hoc basis as required by business needs. The Board's primary purpose is to determine and review the overall strategic development of the Company and to oversee the achievement of the plans in relation thereto. Daily operational decisions are delegated to the Executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has no separation of the role of chairman and chief executive officer as set out in the code provision A.2.1. and Mr. Huang Brad currently holds both positions. The Company is an investment holding company with a professional management team to monitor the operations of the subsidiaries. The Board believes that the role of Chairman and Chief Executive Officer vested on the same person will be more efficient and consistent in the direction and management of the Company. The Company will review this situation and consider to appoint different persons as Chairman and Chief Executive Officer.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the Listing Rules relating to the appointment of a sufficient number of independent non-executive directors ("INEDs") and at least one independent non-executive director with appropriate professional accounting or financial management experience. The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

The INEDs of the Company are independent of the management and free of any relationship that could potentially interfere with the exercise of their independent judgments. None of the INEDs has any business or financial interests with the Company nor has any relationship with other directors.

REMUNERATION COMMITTEE

The Company had established a Remuneration Committee to review with terms of reference in line with the code provisions. The Remuneration Committee comprises all of the three INEDs. A meeting is held to review and evaluate the share options granted to the executive directors and employees of the Company. The terms of reference of the Remuneration Committee is summarised as follows:

- To make recommendations with respect to the remuneration of the Executive Directors and the senior management of the Company for approval by the Board;

- To review the remuneration package and recommend salaries, bonuses, including the incentive awards for Directors and the senior management; and

- To administer and make determinations with regard to the Company's share option scheme.

The Remuneration Committee annually sets out its recommendations on the remuneration package of the Executive Directors. In determining the package for a Director, the Remuneration Committee considers various factors, including market comparability, complexity of duties, and performance. For financial year ended 31 December 2008, the Remuneration Committee has reviewed and recommended to the Board the salary packages of the Executive Directors and the senior management.

In order to attract, retain, and motivate executives and key employees serving the Company, the Company has adopted a share option scheme in 2003. Such incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus to reward the participants who contribute to the success of the Company's operations.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Code of Best Practice set out in Appendix 14 of the Listing Rules and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants. The Audit Committee of the Company comprises all of the three INEDs. Each member brings to the Committee their respective valuable experience in reviewing financial statements and evaluating significant control and financial issues of the Company who among themselves posses a wealth of management experience in the accounting profession, commercial and legal sectors. The Audit committee had held 2 meetings during the year to review and approve the interim result of 2008 and audited financial statements of 2008 of the Company with the management and external auditor.

The main duties of the Audit Committee are as follows:

- To review the annual financial statements before they are submitted to the Board for approval;
- To make recommendations to the Board on, the appointment, the reappointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditors;
- To review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- To review the Company's financial controls, internal controls, and risk management systems;
- To review the Company's financial and accounting policies and practice;
- To review and monitor the effectiveness of the internal audit function; and
- To review the terms and conditions of continuing connected transactions of the Company.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibilities for preparing the financial statements. As at 31 December 2008, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going-concern basis.

The responsibilities of the external auditors with respect to financial reporting are set out in the Independent Auditors' Report attached to the financial statements.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. During the year under review, the Board has through the Audit Committee reviewed the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management functions.

AUDITORS' REMUNERATION

The Group's external auditors are East Asia Sentinel Limited. The auditors' remuneration for the year is HK$380,000 which is related to audit services.

NOMINATION OF DIRECTORS

The Board is responsible for considering the suitability of an individual to act as a Director, and approving the terminating and appointment of a Director. The Company has not established a Nomination Committee. The Company does not have any plans to set up a Nomination Committee considering the small size of the Board.

The Chairman/chief executive is responsible for identifying suitable candidates for appointment as a member of the Board when there is a vacancy or an additional Director is considered necessary. The Chairman/chief executive proposes the appointment of such candidates to each member of the Board for Consideration. Each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Company on the basis of his or her qualifications, experiences and work background.

DISCLOSURE OF CONTINUING CONNECTED TRANSACTIONS IN ACCORDANCE WITH RULE 14A OF THE LISTING RULES

On 28 November 2006 and 21 December 2007, the Group entered into two tenancy agreements with Monita Hair and Beauty College Limited ("Monita Hair and Beauty") to rent 3/F and 4/F of Grand Right Centre in Tsim Sha Tsui with amounts of HK$58,000 and HK$28,000, respectively, for the period from 1 January 2007 to 31 December 2008. On 28 November 2006, the Group also entered into another tenancy agreement with Arion Development Limited ("Arion") to rent Flat H, 8/F, Golden Bear Industrial Centre in Tsuen Wan with an amount of HK$22,000 from 1 January 2007 to 31 December 2007 (collectively referred to "Three Tenancy Agreements").

Since Professor Cheng Ho Ming owns 99.9% of Monita Hair and Beauty and she is also a sole shareholder of a company which owns 99.9% of Arion, both Monita Hair and Beauty and Arion are regarded as associates of Professor Cheng Ho Ming, a non-executive Director of the Company from 30 April 2007 to 29 May 2008. Accordingly, the Three Tenancy Agreements constitute continuing connected transactions for the Company upon 30 April 2007 under the Listing Rules. Details of the transactions were set out in the announcement dated 2 May 2007. The annual cap for the Three Tenancy Agreements is based on the total annual rental payable under the Three Tenancy Agreements. The annual cap for the year ended 31 December 2008 is HK$1,300,000.

For the year ended 31 December 2008, the aggregate amount paid under the Three Tenancy Agreements was HK$1,142,000.

The independent non-executive Directors have reviewed the above continuing connected transactions for the year and confirmed that the said transactions were conducted:

(i) in the ordinary and usual course of its business;

(ii) on normal commercial terms; and

(iii) in accordance with the Three Tenancy Agreements on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors also confirmed that:

(i) the transactions were approved by the board of directors;

(ii) the transactions were entered into in accordance with the terms of the Three Tenancy Agreements; and

(iii) the total rent paid by the Group in relation to the Three Tenancy Agreements do not exceed HK$1,300,000.

EXECUTIVE DIRECTORS

Mr. Brad Huang, Chairman, Director and Chief Executive Officer

Mr. Brad Huang, aged 43, has more than 15 years of investment experience. He worked with The Hudson Institute in Washington D.C., Goldman Sachs in New York and Credit Suisse in Tokyo. Mr. Huang started up Lotus Capital Management in 1994 and has invested in numerous projects in the United States, PRC, Japan, Korea and Hong Kong. He has co-founded and managed several notable companies including Asia Aluminum (Vice Chairman) and Sega America (President). Mr. Huang received his MBA from Yale University School of Management, MA in Economics from Georgetown University and BSc Physics from Hangzhou Zhejiang University. He is a Sterling Fellow of Yale University. Mr. Huang founded the Yale University Brad Huang China Fund in 2007 to help develop greater understanding between faculty and students with their counterparts in China.

Mr. Jacob James Chen, Deputy Chairman, Director

Mr. J. James Chen, aged 44, has more than 19 years of working experience in architectural, construction and property development in the United States, Hong Kong and the PRC. Mr. Chen is the managing director of real estate of Lotus Capital Investment Management, Limited. Previously he was an executive director of Super Ocean Group, one of the largest property developers in the PRC, and also a General Manager responsible for PRC property developments in the Chevalier Group, a company listed on the Stock Exchange in Hong Kong. Mr. Chen received his Bachelor of Architecture from the University of Southern California, School of Architecture.

Mr. Edmund Kwok King Yan, Director and Chief Financial Officer

Mr. Edmund Kwok, aged 46, is also the Chief Financial Officer of the Company. He has over 15 years international management experience in the telecommunications, internet and multimedia industries. Mr. Kwok joined the Company from the SUNDAY group, a 3G service provider, where he was the Director of Business Development. Previously he was with Motorola's strategic investment group for 5 years where he was the Director in charge of Asia investments. Prior to Motorola, Mr. Kwok was a management consultant with Deloitte Management Consultants where he specialized in strategy and finance. He holds a MBA degree from London Business School and a bachelor degree from Imperial College, London. Mr. Kwok is a UK Chartered Engineer, a Member of the Hong Kong Institute of Engineers and a Chartered Member of the British Computer Society.

NON-EXECUTIVE DIRECTOR

Professor Cheng Ho Ming

Professor Cheng Ho Ming, aged 67, is an Honorary Professor of Shanghai Second Polytechnic University, a member of the National Committee of the Chinese People's Political Consultative Conference and a Hong Kong representative of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference. She chairs several international and local beauty associations, including CIDESCO International (China branch), The International Professional Cosmetology Association and the Beauty Industry Training Advisory Committee of the Education and Manpower Bureau in Hong Kong, and is the Honorary President of the Federation of Beauty Industry (H.K.) and the Hong Kong Federation of Women.

Profiles of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhou Jin Song

Mr. Zhou, aged 38, graduated from Shenzhen Radio and TV University with a Bachelor's Degree of Business Management and Harbin Institute of Technology in the PRC with a Master Degree in Business Administration in 2002. He is a certified public accountant, and is a member of the Chinese Institute of Certified Public Accountants in 1998. Mr. Zhou has been practising as certified public accountants in the PRC since 2005 and he has extensive experience in accounting, audit and business advisory in various audit firms and private companies in the PRC.

Mr. Sun Tong

Mr. Sun Tong, aged 40, graduated from Engineering Institute of Zhe Jiang University. He has over 20 years of experience in the engineering industry in the PRC region. Mr. Sun is the chairman and chief operating officer of Shenzhen Harvest Engineering Co., Ltd., a company trading in mechanical and electric equipment and parts for power plants. Previously, he was the chief operating officer of Shenzhen Emitter Machinery & Equipment Co., Ltd.

Ms. Chiu Ching, Katie

Ms. Chiu Ching, Katie, aged 31, graduated with a Bachelor of Science degree from the Cornell University in New York, USA. She has over 8 years experiences in private equity investments in Hong Kong, the PRC and Asia and was an associate with PAMA Group (Hong Kong) Limited responsible for private equity investments in Asia and an investment banking analyst with Credit Suisse First Boston.

Mr. Sun Juyi

Mr. Sun Juyi, aged 56. He graduated from the Finance and Economic Institute of Tianjin in the PRC in 1978 and underwent a master research study program at the Finance and Economics Institute of Tianjin in the PRC in 1978. He is a senior accountant and a registered accountant in the PRC. He had been a lecturer of the Finance and Economic Institute of Tianjin and the assistant to the head of Shenzhen Chinese Accountants Firm. Mr. Sun has 24 years of experience in financial lecturing, accounting, auditing and corporate financial management. He is also a Director of Gemdale (金地集團). He was appointed in April 2001.

Ms. Hin Yat Ha

Ms. Hin Yat Ha, aged 39, holds a Master of Science degree in Business Administration, the University of Washington, USA and a Bachelor of Science degree in Civil Engineering, Tongji University, PRC. She was the co-founder and vice president of Shanghai Joint Well Industrial Development Co., Ltd, a company engaged in civil engineering and construction business in the PRC and had served as a business development director of the PRC region under Hong Kong Hale Engineering Ltd, a civil engineering company, an account manager of the Shanghai branch of Hong Kong Mitsubishi Electricity Ltd and a civil engineer of the Shanghai Institute of Civil & Industrial Engineering.

SENIOR MANAGEMENT

Ms. Chan Wing Sze, Financial Controller and Company Secretary

Ms. Chan Wing Sze, aged 30, is the Group's Financial Controller and Company Secretary. Ms. Chan was graduated from the Hong Kong University of Science and Technology with Bachelor degree of Business Administration in Accounting. She is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Before joining the Group in 2007, Ms. Chan worked in Ernst & Young Hong Kong for six years and has experience in areas of audit, commercial and business advisory.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 127.

No interim dividend was paid to the shareholders during the year. The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2008.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 128. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements respectively.

SHARE CAPITAL, SHARE OPTIONS, WARRANTS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options, warrants and convertible bonds during the year are set out in notes 35, 36 and 31.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 37(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2008 represents the aggregate of share premium, special reserve and accumulated losses amounting to HK$313,327,000 (2007: HK$444,443,000).

DIRECTORS

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

Executive directors:

Mr. Huang Brad *(Chairman)*	(appointed on 23 June 2008)
Mr. Chen Jacob James *(Deputy Chairman)*	(appointed on 23 June 2008)
Mr. Edmund Kwok King Yan	(resigned on 22 December 2008)

Non-executive directors:

Ms. Cheng Ho Ming	(appointed on 30 April 2007)
Mr. Zhou Jin Song *	(appointed on 21 January 2009)
Mr. Sun Tong *	(appointed on 21 January 2009)
Mr. Sun Juyi *	(resigned on 21 January 2009)
Ms. Hin Ya Ha *	(resigned on 21 January 2009)
Ms. Chiu Ching Katie *	

* Independent non-executive directors

In accordance with the provisions of the Company's Articles of Association, Mr. Huang Brad, Mr. Zhou Jin Song and Mr. Sun Tong will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Mr. Edmund Kwok King Yan, Mr. Chen Jacob James, Mr. Sun Juyi and Ms. Hin Yat Ha will retire and will not offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Mr. Edmund Kwok King Yan has entered into service agreements with the Company under which he is to act as executive director commencing from the date of appointment. The service contract does not have a specific term of service and shall continue thereafter until terminated by either party giving to the other party notice in writing.

Each of the non-executive and independent non-executive directors was appointed for a period of one year commencing from their respective appointment date and, shall continue thereafter for successive terms of one year until terminated by either party with six month's notice in writing served to the other side.

The non-executive director has entered into a consultancy agreement with the Company's subsidiary under which she is to act as chairman of the subsidiary for a period of two years commencing from her appointment date and, shall continue thereafter for an additional one year upon mutual agreement in writing.

Save as disclosed above, none of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 13 to 15 of the annual report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the interests and short positions of the directors and chief executives of the Company in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provision of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest	
Name of director	**Through controlled corporation**	**Percentage of the share capital**
Ms. Cheng Ho Ming	71,499,000 (Note)	14.7

Note: 71,499,000 shares are held by Ambleside Associates Limited, a company beneficially owned by Ms. Cheng Ho Ming.

Long positions in share options of the Company:

Name of director	**Number of options directly beneficially owned**
Mr. Huang Brad	4,858,302
Mr. Chen Jacob James	4,858,302
Mr. Edmund Kwok King Yan	3,357,302
	13,073,906

Save as disclosed above, as at 31 December 2008, none of the directors and the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed in the section "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 36 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

	Number of share options						
Name category of participant	At 1 January 2008	Granted during the year	Lapsed during the year	At December 2008	Date of grant of share options	Exercise period of share options	Exercise price of share options*# HK$ per share
Directors							
Mr. Edmund Kwok Kin Yan	3,357,302	–	–	3,357,302	11/7/2007	11/7/2007 to 11/7/2017	2.30
	–	1,501,000	(1,501,000)	–	11/1/2008	11/1/2008 to 10/1/2018	1.80
	3,357,302	1,501,000	(1,501,000)	3,357,302			
Mr. Brad Huang	3,357,302	–	–	3,357,302	11/7/2007	11/7/2007 to 11/7/2017	2.30
	–	1,501,000	–	1,501,000	11/1/2008	11/1/2008 to 10/1/2018	1.80
	3,357,302	1,501,000	–	4,858,302			

Name category of participant	Number of share options: At 1 January 2008	Granted during the year	Lapsed during the year	At December 2008	Date of grant of share options	Exercise period of share options	Exercise price of share options*# HK$ per share
Mr. Chen Jacob James	3,357,302	–	–	3,357,302	27/9/2007	27/9/2007 to 26/9/2017	2.52
	–	1,501,000	–	1,501,000	11/1/2008	11/1/2008 to 10/1/2018	1.80
	3,357,302	1,501,000	–	4,858,302			
	10,071,906	4,503,000	(1,501,000)	13,073,906			
Business consultants							
In aggregate	1,869,846	–	–	1,869,846	15/11/2005	15/11/2005 to 10/11/2015	3.05
	4,298,587	–	–	4,298,587	11/7/2007	11/7/2007 to 11/7/2017	2.30
	6,168,433	–	–	6,168,433			
Other employee							
In aggregate	339,972	–	–	339,972	28/8/2006	28/8/2006 to 27/8/2015	2.00
	760,000	–	–	760,000	11/7/2007	11/7/2007 to 11/7/2017	2.30
	1,154,000	–	(57,000)	1,097,000	11/7/2007	11/7/2007 to 11/7/2017	2.30
	2,253,972	–	(57,000)	2,196,972			
	18,494,311	4,503,000	(1,558,000)	21,439,311			

* 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, so far as is known to the directors of the Company, 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 10% 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** (%)
Orben Inc. (fomerly known as i-cf, Inc.) (Note 1)	Interest of a controlled corporation	96,847,200	19.9
Orben Inc. (fomerly known as i-cf, Inc.) (Note 1)	Beneficial owner	10,147,200	2.1
ADDENDIS SMC Inc.(formerly known as Suiko Enterprise Co., Ltd.) (Note 1)	Beneficial owner	86,700,000	17.8
Ambleside Associates Limited (Note 2)	Beneficial owner	71,499,000	14.7
Ms. Cheng Ho Ming (Note 2)	Interest of a controlled corporation	71,499,000	14.7
Sigma Gain Co., Ltd.	Beneficial owner	65,037,280	13.4
Grand Chance Consultants Limited	Beneficial owner	50,000,000	10.3

Notes:

1. Orben Inc. (formerly known as i-cf, Inc) ("Orben") directly owns 10,147,200 Shares and indirectly owns 86,700,000 Shares through Addendis SMC Inc. ("Addendis") (formerly known as Suiko Enterprises Co., Ltd.). Addendis is wholly owned by Orben and therefore Orben is deemed to have an interest in an aggregate of 96,847,200 Shares.

2. 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for about 13.5% of the turnover of the Group and the largest customer accounted for about 4.8% of the total turnover.

The five largest suppliers of the Group in aggregate accounted for about 18.9% of its operating costs for the year. Purchases from the largest supplier accounted for about 6.2% of its operating costs.

At no time during the year did a director, an associate of a director, or a shareholder of the Company (which to the knowledge of the directors own more than 5% of the Company's share capital) have any interest in any of the Group's five largest customers or suppliers for the financial year ended 31 December 2008.

All transactions between the Group and its customers were carried out on normal commercial terms.

RETIREMENT BENEFIT SCHEMES

The Group strictly complies with the Mandatory Provident Fund Ordinance in making mandatory contributions for its staff in Hong Kong and staff retirement fund for those staff in the People's Republic of China.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which oblige the Company to offer new shares on pro-rata basis to existing shareholders.

COMPETING INTERESTS

None of the directors of the Company and their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited) had an interest in a business which competes or may compete with the business of the Group.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the board of directors on the basis of their merit, qualifications and competence.

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 36 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2008.

POST BALANCE SHEET EVENT

Details of a balance sheet event are disclosed in note 48 to the financial statements.

AUDITORS

During the year, Ernst & Young resigned as auditors of the Company and East Asia Sentinel Limited were appointed by the directors to fill the casual vacancy so arising. A resolution for the reappointment of East Asia Sentinel Limited as auditors of the company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Mr. Huang Brad

8 April 2009

Independent Auditors' Report

East Asia Sentinel Limited
衛亞會計師事務所有限公司
Certified Public Accountants

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Tel : +852 2521 2328
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To the shareholders of Macau Investment Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Macau Investment Holdings Limited set out on pages 26 to 127, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

East Asia Sentinel Limited
Victor Robert Lew
Director
Practising Certificate No. P01355
Hong Kong

8 April 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CONTINUING OPERATIONS			
REVENUE	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)**	–
LOSS BEFORE TAX	7	**(259,374)**	(163,915)
Tax	9	**(2,582)**	(2,743)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(261,956)**	(166,658)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	11	**(5,079)**	(377)
LOSS FOR THE YEAR		**(267,035)**	(167,035)
Attributable to:			
Equity holders of the Company	10	**(266,666)**	(167,019)
Minority interests		**(369)**	(16)
		(267,035)	(167,035)

	Notes	**2008**	2007
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic:			
For loss for the year		**HK$0.55**	HK$0.46
For loss from continuing operations		**HK$0.54**	HK$0.46
Diluted:			
For loss for the year		**N/A**	N/A
For loss from continuing operations		**N/A**	N/A

Consolidated Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
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
Total non-current assets		**255,430**	2,131,626
CURRENT ASSETS			
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
		397,420	317,288
Assets of a disposal group classified as held for sale	27	**2,819**	43,385
Total current assets		**400,239**	360,673
CURRENT LIABILITIES			
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
		68,287	163,493
Liabilities directly associated with the assets classified as held for sale	27	**2,723**	6,416
Total current liabilities		**71,010**	169,909
NET CURRENT ASSETS		**329,229**	190,764
TOTAL ASSETS LESS CURRENT LIABILITIES		**584,659**	2,322,390

Consolidated Balance Sheet

31 December 2008

	Notes	**2008 HK$'000**	2007 HK$'000
NON-CURRENT LIABILITIES			
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
Total non-current liabilities		**3,406**	1,094,136
Net assets		**581,253**	1,228,254
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	35	**242,915**	242,915
Equity component of convertible bonds	31	**–**	404,298
Reserves	37(a)	**338,338**	513,694
		581,253	1,160,907
Minority interests		**–**	67,347
Total equity		**581,253**	1,228,254

Director *Director*

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

		Attributable to equity holders of the Company												
	Notes	Issued capital HK$'000 (note 35)	Share premium account HK$'000 (note 35)	Equity component of convertible bonds HK$'000 (note 31)	Warrant reserve HK$'000	Share option reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Reserve funds HK$'000 (note 37(a))	Contributed surplus HK$'000 (note 37(a))	Exchange fluctuation reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
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

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

		Attributable to equity holders of the Company												
	Notes	**Issued capital** HK$'000 (note 35)	**Share premium account** HK$'000 (note 35)	**Equity component of convertible bonds** HK$'000 (note 31)	**Warrant reserve** HK$'000	**Share option reserve** HK$'000	**Available-for-sale investment revaluation reserve** HK$'000	**Reserve funds** HK$'000 (note 37(a))	**Contributed surplus** HK$'000 (note 37(a))	**Exchange fluctuation reserve** HK$'000	**Retained profits/ (Accumulated losses)** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
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

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
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
		(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**	–
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)
Net cash outflow from operating activities		**(40,413)**	(82,910)

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
Net cash outflow from investing activities		**(22,246)**	(28,630)
CASH FLOWS FROM FINANCING ACTIVITIES			
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)
Net cash inflow/(outflow) from financing activities		**(45,621)**	170,102
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(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
CASH AND CASH EQUIVALENTS AT END OF YEAR		**63,279**	170,735
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
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
		63,279	170,735

Balance Sheet

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**12**	711
Interests in subsidiaries	19	**561,322**	2,101,922
Available-for-sale investments	20	**842**	2,281
Total non-current assets		**562,176**	2,104,914
CURRENT ASSETS			
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
Total current assets		**57,508**	206,045
CURRENT LIABILITIES			
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
Total current liabilities		**1,354**	67,156
NET CURRENT ASSETS		**56,154**	138,889
TOTAL ASSETS LESS CURRENT LIABILITIES		**618,330**	2,243,803
NON-CURRENT LIABILITIES			
Convertible bonds	31	**–**	1,091,515
Net assets		**618,330**	1,152,288
EQUITY			
Issued capital	35	**242,915**	242,915
Equity component of convertible bonds	31	**–**	404,298
Reserves	37(b)	**375,415**	505,075
Total equity		**618,330**	1,152,288

Director *Director*

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

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

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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.

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 July 2008

[4] 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Share-based payment transactions (continued)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

(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.

4. SEGMENT INFORMATION (CONTINUED)

(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			
	Property investment and development		Cosmetic and beauty		Others		Eliminations		Total		Financial public relation and advertising service		Consolidated	
	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
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
Total	-	1,252	142,950	95,173	-	–	(253)	(1,749)	142,697	94,676	6,550	12,108	149,247	106,784
Segment results	(976)	(41,924)	(55,648)	(41,355)	-	–	(253)	(1,749)	(56,877)	(85,028)	(5,079)	(344)	(61,956)	(85,372)
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)	–
Loss before tax									(259,374)	(163,915)	(5,079)	(305)	(264,453)	(164,220)
Tax									(2,582)	(2,743)	-	(72)	(2,582)	(2,815)
Loss for the year									(261,956)	(166,658)	(5,079)	(377)	(267,035)	(167,035)

4. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (continued)

Group

	Continuing operations										Discontinued operation			
	Property investment and development		Cosmetic and beauty		Others		Eliminations		Total		Financial public relation and advertising service		Consolidated	
	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
Assets and liabilities														
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
Total assets													**655,669**	2,492,299
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
Total liabilities													**74,416**	1,264,045
Other segment information:														
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

4. SEGMENT INFORMATION (CONTINUED)

(b) Geographic segments

Group

	Continuing operations								Discontinued operation			
	Hong Kong		Macau		Mainland China		Total		Hong Kong		Consolidated	
	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
	37,843	22,295	**-**	52	**105,882**	76,111	**143,725**	98,458	**6,550**	12,158	**150,275**	110,616
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**	2007
		HK$'000	HK$'000
Revenue			
Sale of goods		**114,117**	77,967
Rendering of services		**23,962**	13,235
Attributable to continuing operations reported in the consolidated income statement		**138,079**	91,202
Rendering of services attributable to a discontinued operation	11	**6,542**	12,102
		144,621	103,304

5. REVENUE AND OTHER INCOME (CONTINUED)

	Note	2008 HK$'000	2007 HK$'000
Other income			
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
Attributable to continuing operations reported in the consolidated income statement		**5,646**	7,256
Other income attributable to a discontinued operation	11	**8**	56
		5,654	7,312

6. OTHER FINANCE COSTS

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

7. LOSS BEFORE TAX

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

	Notes	2008 HK$'000	2007 HK$'000
Cost of inventories sold		**32,262**	23,358
Cost of services provided#		**15,339**	11,460
Depreciation#	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#		**15,499**	9,817
Auditors' remuneration		**380**	2,650
Employee benefits expense (excluding directors' remuneration – note 8(a)):			
Wages, salaries and allowances#		**32,223**	21,922
Equity-settled share option expense@		**–**	1,341
Pension scheme contributions*#		**1,201**	942
		33,424	24,205
Expense incurred for equity-settled share options issued to business consultants@		**2,934**	8,210
Provision for impairment of trade receivables***#	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#	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***		**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)

7. LOSS BEFORE TAX (CONTINUED)

\# 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.

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

** These items were included in "Cost of sales" on the face of the consolidated income statement.

*** These items were included in "Other operating expenses" on the face of the consolidated income statement.

@ 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.

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (CONTINUED)

(a) Directors' remuneration (continued)

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

2008	Fees HK$'000	Salaries and allowances HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:					
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
Non-executive director:					
Cheng Ho Ming (note (iii))	-	-	-	-	-
Independent non-executive directors:					
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

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (CONTINUED)

(a) Directors' remuneration (continued)

2007	Fees HK$'000	Salaries and allowances HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive director:					
Edmund Kwok King Yan	–	2,379	2,390	12	4,781
Non-executive director:					
Cheng Ho Ming	100	–	–	–	100
Independent non-executive directors:					
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).

8. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION (CONTINUED)

(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	2007
	HK$'000	HK$'000
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

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	2007
	HK$'000	HK$'000
Group:		
Current		
– Hong Kong	**–**	37
– Mainland China	**2,704**	2,845
Deferred (note 34)	**(122)**	(139)
Total tax charge for the year	**2,582**	2,743
Represented by:		
Tax charge attributable to a discontinued operation (note 11)	**–**	72
Tax charge attributable to continuing operations reported in the consolidated income statement	**2,582**	2,815

9. TAX (CONTINUED)

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

	Hong Kong HK$'000	Macau HK$'000	Mainland China HK$'000	Total HK$'000
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

	Hong Kong HK$'000	Macau HK$'000	Mainland China HK$'000	Total HK$'000
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:

	2008	2007
	HK$'000	HK$'000
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	**(5,079)**	(377)

11. DISCONTINUED OPERATION (CONTINUED)

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

	2008	2007
	HK$'000	HK$'000
Net cash inflow/(outflow) arising from operating activities	**(2,508)**	1,653
Net cash outflow arising from investing activities	**(8)**	(13)
Net inflow/(outflow)	**(2,516)**	1,640

	2008	2007
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:

	2008	2007
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	**485,830,194**	364,380,880

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:

	2008	2007
	HK$'000	HK$'000
Loss		
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	**5,079**	377
	266,666	167,019

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**485,830,194**	364,380,880

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Buildings HK$'000	Leasehold improvements HK$'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 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

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Notes	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total 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		17,692	3,128	5,772	12,818	2,318	1,149	42,877
At 31 December 2007		18,676	2,795	6,126	9,586	697	1,501	39,381

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Furniture and fixtures HK$'000	Office equipment HK$'000	Total HK$'000
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

	Note	Group 2008 HK$'000	2007 HK$'000
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
Carrying amount at 31 December		**–**	–

15. PREPAID LAND LEASE PAYMENTS

	Notes	Group 2008 HK$'000	2007 HK$'000
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
Carrying amount at 31 December		**6,877**	7,506
Current portion included in prepayments, deposits and other receivables		**(695)**	(221)
Non-current portion		**6,182**	7,285

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

		Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
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)**	–
Carrying amount at 31 December		**–**	1,818,098

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

		Group	
		2008	2007
	Note	**HK$'000**	HK$'000
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)**	–
Carrying amount at 31 December		**–**	1,722,515

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

		Group	
		2008	2007
	Note	**HK$'000**	HK$'000
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)
At 31 December		**–**	51,906

17. GOODWILL (CONTINUED)

	Group 2008 HK$'000	Group 2007 HK$'000
At 31 December:		
Cost	**102,546**	98,542
Accumulated impairment	**(102,546)**	(46,636)
Net carrying amount	**–**	51,906

Details of impairment testing of goodwill is further disclosed in note 18.

18. INTANGIBLE ASSETS

	Notes	Brand name HK$'000	Operating rights HK$'000	Total HK$'000
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

18. INTANGIBLE ASSETS (CONTINUED)

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%.

18. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill and brand name with indefinite useful life (continued)

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 alloting 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.

18. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill and brand name with indefinite useful life (continued)

Impairment loss of goodwill and brand name attributable to the cosmetic and beauty cash-generating unit (continued)

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)
	561,322	2,101,922

\# An impairment was recognised during the years ended 31 December 2008 and 2007 due to prolonged loss making conditions of these subsidiaries.

19. INTERESTS IN SUBSIDIARIES, AND INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

(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
	3,350	46,555
Amounts due to subsidiaries	**–**	17,472

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:

19. INTERESTS IN SUBSIDIARIES, AND INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

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 (note (iii))	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

19. INTERESTS IN SUBSIDIARIES, AND INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

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	
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.* (note (i))	People's Republic of China ("PRC")/ Mainland China	HK$3,000,000	–	100	Development and distribution of solvent pesticides
Fuzhou Development Zone Goldigit Fine Chemical Industry Co., Ltd.* (note (i))	PRC/ Mainland China	HK$10,000,000	–	100	Property holding
Fuzhou WOFE Economics Consultants Co., Ltd* (note (iii))	PRC/ Mainland China	HK$1,500,000	–	100	Investment holding
Goldigit Limited (note (i))	BVI	US$10,000	100	–	Investment holding
Jovian Financial Communications Limited ("Jovian") (note (iii))	Hong Kong	HK$10,000	–	100	Provision of financial public relation services
Kasper Holding Limited	BVI	US$1	–	100	Investment holding

19. INTERESTS IN SUBSIDIARIES, AND INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

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	
M.D. Cliniceuticals Company Limited	Hong Kong	US$50,000	–	100	Trading of cosmetic products
Marianne Spa I Limited (note (iv))	Hong Kong	HK$10,000	–	100	Provision of beauty services
Marianne Spa II Limited (note (iv))	Hong Kong	HK$100	–	100	Provision of beauty services
Master Tailor Investments Limited (note (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
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

19. INTERESTS IN SUBSIDIARIES, AND INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

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	
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

19. INTERESTS IN SUBSIDIARIES, AND INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

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

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'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**	–	**-**	–
		330,079	111,410	**-**	–
		330,921	113,691	**842**	2,281

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.

20. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Notes: (continued)

Investment in the Partnership (continued)

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**	–

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**	–
	2,283	–

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:

	HK$'000
Assets	2,874
Liabilities	429
Revenue	2,522
Loss	40

23. INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**7,223**	7,600
Work in progress	**175**	234
Finished goods	**24,157**	17,800
	31,555	25,634

24. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2008	2007
	HK$'000	HK$'000
Gross trade receivables	**14,228**	14,713
Impairment	**(1,579)**	(1,334)
Net trade receivables	**12,649**	13,379
Prepayments, deposits and other receivables		
Current portion	**53,724**	55,378
Non-current portion	**1,130**	1,298
	54,854	56,676
	67,503	70,055

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.

24. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Trade receivables (continued)

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:

	Group	
	2008	2007
	HK$'000	HK$'000
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

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

		Group	
		2008	2007
	Note	**HK$'000**	HK$'000
At 1 January		**1,334**	167
Impairment losses recognised	7	**245**	727
Acquisition of a subsidiary		**–**	607
Amount written off as uncollectible		**–**	(167)
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 delinquence 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.

24. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Trade receivables (continued)

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
Neither past due nor impaired	**11,914**	11,648
1 to 3 months past due	**–**	1,731
4 to 6 months past due	**735**	–
	12,649	13,379

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

	31 December 2008 HK$'000	**Maximum amount outstanding during the year HK$'000**	**1 January 2008 HK$'000**
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**
	1,692		**594**

Group – 2007

	31 December 2007 HK$'000	Maximum amount outstanding during the year HK$'000	1 January 2007 HK$'000
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	–
	594		–

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

		Group		Company	
		2008	2007	**2008**	2007
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**58,753**	122,231	**37,278**	97,319
Time deposits		**14,217**	100,072	**2,034**	49,986
		72,970	222,303	**39,312**	147,305
Less: Pledged time deposits for a bank guarantee	(a)	**(7,683)**	(7,549)	**–**	–
Restricted bank balances	(b)	**–**	(42,537)	**–**	–
Cash and cash equivalents	(c)	**65,287**	172,217	**39,312**	147,305

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:

		Group	
		2008	2007
	Notes	**HK$'000**	HK$'000
Assets			
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
Assets of a disposal group classified as held for sale		**2,819**	43,385
Liabilities			
Trade payables		**(1,602)**	–
Other payables and accruals		**(1,121)**	(5,616)
Tax payable		**–**	(800)
Liabilities directly associated with the assets classified as held for sale		**(2,723)**	(6,416)
Net assets directly associated with the disposal group		**96**	36,969

27. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

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:

	Group	
	2008	2007
	HK$'000	HK$'000
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
	9,244	11,895
Other payables and accruals	**38,340**	76,076
	47,584	87,971

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 Effective interest rate (%)	2008 Maturity	2008 HK$'000	2007 Effective interest rate (%)	2007 Maturity	2007 HK$'000
Current						
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 extend 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

	Note	Group 2008 HK$'000	Group 2007 HK$'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.

31. CONVERTIBLE BONDS (CONTINUED)

2007 Convertible Bonds (continued)

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.

31. CONVERTIBLE BONDS (CONTINUED)

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

	Group and Company	
	2008	2007
	HK$'000	HK$'000
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)
	(404,298)	(404,298)
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)**	–
Liability component at 31 December	**–**	1,139,335
Analysed into:		
Current liabilities	**–**	47,820
Non-current liabilities	**–**	1,091,515
	–	1,139,335

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

	Minimum lease payments 2008 HK$'000	Minimum lease payments 2007 HK$'000	**Present value of minimum lease payments 2008 HK$'000**	Present value of minimum lease payments 2007 HK$'000
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**	–
Total minimum finance lease payments	**1,735**	543	**1,490**	516
Future finance charges	**(245)**	(27)		
Total net finance lease payables	**1,490**	516		
Portion classified as current liabilities	**(331)**	(495)		
Non-current portion	**1,159**	21		

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

Group	Notes	Depreciation allowance in excess of related depreciation 2008 HK$'000	2007 HK$'000
At beginning of year		**1,944**	–
Acquisition of a subsidiary	38	**–**	2,083
Deferred tax credited to the income statement	9	**(122)**	(139)
At end of year		**1,822**	1,944

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		**–**	61

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	**2,500,000**	2,500,000
Issued and fully paid:		
485,830,194 (2007: 485,830,194) ordinary shares of HK$0.5 (2007: HK$0.5) each	**242,915**	242,915

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

	Notes	Number of authorised shares	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
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
		40,000,000,000	2,171,000,000	108,550	369,030	477,580
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		5,000,000,000	485,830,194	242,915	586,516	829,431

35. SHARE CAPITAL (CONTINUED)

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.

35. SHARE CAPITAL (CONTINUED)

Warrants (continued)

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

35. SHARE CAPITAL (CONTINUED)

Warrants (continued)

Series B Warrant (continued)

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.

36. SHARE OPTION SCHEME (CONTINUED)

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	2.35	21,439	2.441	18,494

36. SHARE OPTION SCHEME (CONTINUED)

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**
21,439		

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
18,494		

* 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.

36. SHARE OPTION SCHEME (CONTINUED)

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:

Date of grant	11 January 2008	27 September 2007	11 July 2007
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.

37. RESERVES (CONTINUED)

(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

37. RESERVES (CONTINUED)

(b) Company (continued)

* 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.

38. BUSINESS COMBINATIONS (CONTINUED)

Business combination during the year ended 31 December 2008 (continued)

(a) (continued)

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:

	Notes	Fair value recognised on acquisition HK$'000	Carrying amount immediate before the acquisition HK$'000
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)
		37,734	2,535
Satisfied by:			
100% equity interest in the Goldigit Group and the shareholder's loan owed by Goldigit		36,969	
Cash		765	
		37,734	

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

	HK$'000
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	(757)

38. BUSINESS COMBINATIONS (CONTINUED)

Business combination during the year ended 31 December 2008 (continued)

(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:

	Notes	**Fair value and carrying amount immediately before the acquisition** HK$'000
Property, plant and equipment	13	967
Prepayments, deposits and other receivables		1,205
Other payables and accruals		(4,252)
		(2,080)
Goodwill on acquisition	17	4,004
		1,924
Satisfied by:		
Cash		1,924

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

	HK$'000
Cash consideration and net outflow of cash and cash equivalents in respect of the Marianne Acquisition	(1,924)

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.

38. BUSINESS COMBINATIONS (CONTINUED)

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:

	Notes	**Fair value recognised on acquisition** HK$'000	**Carrying amount immediately before the acquisition** HK$'000
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)	–
		136,745	30,591
Goodwill on acquisition	17	79,049	
		215,794	
Satisfied by:			
Cash		33,000	
Issue of new shares	35(c)(i)	147,400	
Costs directly attributable to the acquisition		35,394	
		215,794	

38. BUSINESS COMBINATIONS (CONTINUED)

Business combination during the year ended 31 December 2007 (continued)

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

	HK$'000
Cash consideration	(33,000)
Cash and bank balances acquired	17,444
Bank overdrafts	(2,006)
Costs directly attributable to the acquisition paid	(2,425)
Net outflow of cash and cash equivalents in respect of the CMM Acquisition	(19,987)

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.

39. ACQUISITION OF A SUBSIDIARY (CONTINUED)

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:

	Notes	**Acquisition costs** HK$'000
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)
		1,518,658
Reclassification from available-for-sale investment	20(b)	(100,000)
		1,418,658
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)
		1,418,658

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

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.

	Notes	HK$'000
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)
		36,969
Satisfied by:		
100% equity interest in Add Talent Group		36,969

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

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.

40. DISPOSAL OF SUBSIDIARIES (CONTINUED)

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

(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 Sociedade ("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.

	Note	HK$'000
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)
		1,552,132
Reclassification to available-for sale investments	20	(218,669)
Reclassification to other receivable	24	(36,320)
		1,297,143
Loss on disposal of a subsidiary		(155,582)
		1,141,561
Satisfied by:		
Early redemption of the 2007 Convertible Bonds		1,357,279
Less: shareholders' loans disposed		(215,718)
		1,141,561

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 of and net outflow of cash and cash equivalents in respect of the disposal of Sociedade	1,141

41. CONTINGENT LIABILITIES

	Group	
	2008	2007
	HK$'000	HK$'000
Bank guarantees given to a third party	**6,005**	–

	Company	
	2008	2007
	HK$'000	HK$'000
Guarantees given to a bank in connection with facilities granted to a subsidiary	**2,500**	–

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:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**9,959**	9,756	**–**	–
In the second to fifth years, inclusive	**16,382**	6,314	**–**	–
	26,341	16,070	**–**	–

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:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted, but not provided for properties under development	**–**	858,444	**–**	–
Authorised, but not contracted for properties under development	**–**	28,705	**–**	–

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:

	Notes	**2008** **HK$'000**	2007 HK$'000
Purchases of goods from a related company#	(i)	**–**	147
Rental expenses paid to related companies#	(ii)	**1,142**	864
Management fee income received from related companies#	(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*	(iv)	**9,454**	4,950
Performance incentive fee paid to a related company*	(iv)	**–**	12,637
Management fee paid to a related company*	(iv)	**–**	837
Placement fee paid to a related company*	(iv)	**–**	3,492
Share options granted to close family members of a director	(v)	**2,934**	2,390

\# 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.

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) 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

Financial assets

	2008				2007		
	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total 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
	6,161	87,311	112,252	205,724	273,275	113,691	386,966

46. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	2008 Financial liabilities at amortised cost HK$'000	2007 Financial liabilities at amortised cost HK$'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
	68,911	1,252,776

Company

Financial assets	2008 Financial assets at fair value through profit or loss HK$'000	2008 Loans and receivables HK$'000	2008 Available-for-sale financial assets HK$'000	2008 Total HK$'000	2007 Loans and receivables HK$'000	2007 Available-for-sale financial assets HK$'000	2007 Total 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
	6,161	**600,634**	**4,192**	**610,987**	2,294,385	20,361	2,314,746

46. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	2008 Financial liabilities at amortised cost HK$'000	2007 Financial liabilities at amortised cost HK$'000
Due to subsidiaries classified as held for sale	**–**	17,472
Convertible bonds	**–**	1,139,335
Other payables	**1,354**	1,864
	1,354	1,158,671

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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Group			Company	
	Increase in basis points	**Decrease/ (increase) in profit before tax**	**Increase/ (decrease) in equity**	**Increase in basis points**	**Increase/ (decrease) in equity**
	%	HK$'000	HK$'000	%	HK$'000
2008					
Hong Kong dollar	**10**	**76**	**76**	**10**	**90**
United States dollar	**10**	**–**	**–**	**10**	**–**
Renminbi ("RMB")	**10**	**(83)**	**(83)**	**10**	**–**
2007					
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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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					
	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$'000	Total HK$'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
	3,353	47,690	16,803	1,310	-	69,156

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Group	2007					
		Less than	3 to less than	1 to 5	Over	
	On demand	3 months	12 months	years	5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'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
	14,428	44,949	105,069	1,463,602	–	1,628,048

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

Company	2007					
		Less than	3 to less than	1 to 5	Over	
	On demand	3 months	12 months	years	5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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
2008		
Investments listed in:		
Hong Kong – Available-for-sale	**842**	**1,439**
2007		
Investments listed in:		
Hong Kong – Available-for-sale	2,281	114

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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:

	Group	
	2008	2007
	HK$'000	HK$'000
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
Net debt	**68,911**	113,441
Convertible bonds, the liability component	**–**	1,139,335
Equity attributable to equity holders of the Company	**581,253**	1,160,907
Total capital	**581,253**	2,300,242
Capital and net debt	**650,164**	2,413,683
Gearing ratio	**10.6%**	4.7%

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.

Financial Summary

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

RESULTS

	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**138,079**	103,304	5,392	3,120	24,997
Loss for the year attributable to the equity holders of the Company	**(266,666)**	(167,019)	(39,594)	(32,479)	(12,668)

ASSETS, LIABILITIES AND MINORITY INTERESTS

Total assets	**655,669**	2,492,299	493,852	274,862	248,520
Total liabilities	**(74,416)**	(1,264,045)	(54,940)	(46,114)	(4,268)
Total minority interests	**–**	(67,347)	–	–	–
	581,253	1,160,907	438,912	228,748	244,252