



MACAU INVESTMENT
HOLDINGS LIMITED

Interim Report 2008

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)

(Formerly known as Signal Media and Communications Holdings Limited)

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CONDENSED CONSOLIDATED INCOME STATEMENT*For the six months ended 30 June 2008*

		For the six months ended 30 June	
		2008	2007
	<i>Notes</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE	3	70,041	24,686
Cost of sales		(22,499)	(10,512)
Gross profit		47,542	14,174
Other income and gain		4,432	3,306
Selling and distribution costs		(27,345)	(5,882)
Administrative and other operating costs		(43,597)	(19,562)
Impairment of goodwill		(28,000)	-
Impairment of intangible assets		(10,000)	-
Convertible bonds interest costs		(36,534)	(1,493)
Other finance costs	4	(487)	(255)
Share of profit of an associate		57	-
LOSS BEFORE TAX	5	(93,932)	(9,712)
Tax	6	(1,780)	(1,109)
LOSS FOR THE PERIOD		(95,712)	(10,821)
Attributable to:			
Equity holders of the Company		(95,663)	(10,821)
Minority interests		(49)	-
		(95,712)	(10,821)
DIVIDENDS			
Proposed interim	7	-	-
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		(Restated)
Basic:			
For loss for the period		26.3 cents	3.71 cents

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2008

		30 June	31 December
		2008	2007
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		42,352	39,381
Prepaid land lease payments		6,529	7,285
Properties under development	9	1,843,323	1,818,098
Goodwill		23,906	51,906
Intangible assets	10	123,344	99,906
Available-for-sale investments	11	113,510	113,691
Interests in an associate		2,357	–
Deferred tax assets		61	61
Long term deposits		1,030	1,298
		<hr/>	<hr/>
Total non-current assets		2,156,412	2,131,626
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		33,017	25,634
Trade receivables	12	14,248	13,379
Prepayments, deposits and other receivables		17,245	55,378
Amounts due from related companies		382	594
Amount due from an associate		39	–
Pledged deposits		7,636	7,549
Restricted bank balances		43,022	42,537
Cash and cash equivalents		139,653	172,217
		<hr/>	<hr/>
		255,242	317,288
Assets of a disposal group classified as held for sale	14	–	43,385
		<hr/>	<hr/>
Total current assets		255,242	360,673
		<hr/>	<hr/>

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

30 June 2008

		30 June	31 December
		2008	2007
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
CURRENT LIABILITIES			
Trade payables	13	13,243	11,895
Other payables and accruals		60,236	76,076
Interest-bearing bank borrowings		12,585	14,155
Amounts due to related companies		136	540
Tax payable		2,500	2,253
Convertible bonds		49,555	47,820
Finance lease payables		330	495
Amount due to a minority shareholder of a subsidiary		10,259	10,259
		<hr/> 148,844	<hr/> 163,493
Liabilities directly associated with the assets classified as held for sale	14	-	6,416
		<hr/> 148,844	<hr/> 169,909
Total current liabilities		148,844	169,909

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

30 June 2008

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
NET CURRENT ASSETS	106,398	190,764
TOTAL ASSETS LESS CURRENT LIABILITIES	2,262,810	2,322,390
NON-CURRENT LIABILITIES		
Provision for long service payments	425	656
Convertible bonds	1,126,314	1,091,515
Finance lease payables	-	21
Deferred tax liabilities	1,840	1,944
Total non-current liabilities	1,128,579	1,094,136
Net assets	1,134,231	1,228,254
EQUITY		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Issued capital	242,915	242,915
Equity component of convertible bonds	404,298	404,298
Reserves	419,720	513,694
	1,066,933	1,160,907
MINORITY INTERESTS	67,298	67,347
Total equity	1,134,231	1,228,254

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the Company												
	Equity component			Available-for-sale				Exchange fluctuation		Retained profits/		Minority Interests	Total equity
Issued capital	Share premium account	of convertible bonds	Warrant reserve	Share option reserve	investment revaluation reserve	Reserve funds	Contributed surplus	reserve	(Accumulated losses)	Total			
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
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
Issue of shares for acquisition of a subsidiary	33,500	113,900	-	-	-	-	-	-	-	-	147,400	-	147,400
Exchange realignment	-	-	-	-	-	-	-	-	(88)	-	(88)	-	(88)
Loss for the period	-	-	-	-	-	-	-	-	-	(10,821)	(10,821)	-	(10,821)
At 30 June 2007	167,865	335,328	8,957	45,640	5,831	264	7,321	73	5,342	(1,218)	575,403	-	575,403
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
Change in fair value of available-for-sale investments	-	-	-	-	-	(181)	-	-	-	-	(181)	-	(181)
Exchange realignment	-	-	-	-	-	-	-	-	1,870	-	1,870	-	1,870
Loss for the period	-	-	-	-	-	-	-	-	-	(95,663)	(95,663)	(49)	(95,712)
At 30 June 2008	242,915	586,516	404,298	45,640	13,177	1,634	7,321	73	13,843	(248,484)	1,066,933	67,298	1,134,231

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	1,092	(1,396)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES	(33,584)	(30,822)
NET CASH OUTFLOWS FROM FINANCING ACTIVITIES	(186)	(84)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(32,678)	(32,302)
Cash and cash equivalents at beginning of period	170,735	111,318
CASH AND CASH EQUIVALENTS AT END OF PERIOD	138,057	79,016
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	87,345	22,816
Non-pledged time deposits with original maturity of less than three months when acquired	52,308	59,737
Bank overdrafts	(1,596)	(3,537)
	138,057	79,016

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2008

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain financial instruments which have been measured at fair values.

The accounting policies adopted in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007 except for the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards and Interpretations).

Significant accounting policies newly adopted by the Group

Intangible assets (other than goodwill)

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

Licences are stated at cost less any impairment losses and are amortised on the straight-line basis over its estimated useful life of 10 years.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Significant accounting policies newly adopted by the Group *(continued)*

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 condensed consolidated income statement and condensed consolidated reserves, respectively. The Group's interests in an associate are stated in the condensed consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of an associate, is included as part of the Group's interests in an associate.

Impact of new and revised HKFRSs

The following new interpretations are effective for the current period. The directors of the Company anticipate that the adoption of these new interpretations have no material impact on the results of operations and financial position of the Group for the current or prior accounting periods.

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Impact of issued but not yet effective HKFRSs

The Group has not early adopted the following new standard or interpretation that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹

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. 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:

- (a) the property investment and development segment engages in property investment, development and the sale of properties;
- (b) the manufacture and trading of cosmetic and related products, and provision of beauty technical and tutoring services (the "Cosmetic and Beauty" segment);
- (c) the financial public relation service segment;
- (d) media operation segment; and
- (e) the development and distribution of solvent pesticides segment.

Intersegment transactions are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. SEGMENT INFORMATION (continued)

(a) Business segments

The following table presents revenue and results for the Group's business segments for the six months ended 30 June 2008 and 2007.

	Property investment and development		Cosmetic and beauty		Financial public relation service		Media Operation		Development and distribution of solvent pesticides		Elimination		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:														
Sales to external customers	-	746	66,372	19,165	3,669	5,521	-	-	-	-	-	-	70,041	25,432
Intersegment sales	-	-	-	-	154	902	-	-	-	-	(154)	(902)	-	-
Other income and gain	-	-	3,799	303	8	-	-	-	-	-	-	-	3,807	303
Total	-	746	70,171	19,468	3,831	6,423	-	-	-	-	(154)	(902)	73,848	25,735
Segment results	(87)	(1,071)	(18,367)	(94)	(7,585)	(579)	(11,760)	-	-	-	-	-	(37,799)	(1,744)
Interest and unallocated other income													625	2,257
Unallocated expenses													(19,794)	(8,477)
Finance costs													(37,021)	(1,748)
Share of profit of an associate													57	-
Loss before tax													(93,932)	(9,712)
Tax													(1,780)	(1,109)
Loss for the period													(95,712)	(10,821)
Other segment information:														
Depreciation	-	-	2,436	902	63	58	198	-	-	1,097	-	-	2,697	2,057
Recognition of prepaid land lease payments	-	-	347	6	-	-	-	-	-	323	-	-	347	329
Impairment of goodwill	-	-	20,000	-	8,000	-	-	-	-	-	-	-	28,000	-
Impairment of intangible assets	-	-	-	-	-	-	10,000	-	-	-	-	-	10,000	-
Amortisation of intangible assets	-	-	-	-	-	-	1,760	-	-	-	-	-	1,760	-

3. SEGMENT INFORMATION (continued)**(b) Geographical segment**

	Hong Kong		Mainland China		Consolidated	
	2008	2007	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	19,703	9,863	50,338	15,569	70,041	25,432
Other income	929	1,669	3,503	891	4,432	2,560
	20,632	11,532	53,841	16,460	74,473	27,992

4. OTHER FINANCE COSTS

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on interest-bearing bank borrowings	471	249
Interest on finance lease	16	6
	487	255

5. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	2,697	2,057
Amortisation of an intangible asset	1,760	-
Recognition of prepaid land lease payments	347	329
Inventory write-off	362	182
Write-back of impairment of trade receivables	(710)	-
Loss on disposals of property, plant and equipment	525	-
Bank interest income	(675)	(1,719)

6. TAX

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Current – Mainland China	1,884	1,109
Deferred	(104)	–
	<hr/>	<hr/>
Tax charge for the period	1,780	1,109
	<hr/>	<hr/>

Pursuant to relevant laws and regulations in the PRC, the Company's subsidiaries are entitled to exemption from income tax under certain tax holidays and concessions. Income tax was calculated at rates given under the concessions.

7. DIVIDENDS

The directors do not recommend the payment of any interim dividends (six months ended 30 June 2007: Nil).

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

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

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss:		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	95,663	10,821
	<hr/>	<hr/>
Number of shares:		
Weighted average number of ordinary shares in issue during the period for used in the basic loss per share calculation	364,380,880	291,429,648
	<hr/>	<hr/>

Diluted loss per share amounts for the six months ended 30 June 2008 and 2007 have not been disclosed, as warrants, share options and convertible bonds outstanding during the periods had an anti-dilutive effect on the basic loss per share.

9. PROPERTIES UNDER DEVELOPMENT

The Group's properties under development as at 30 June 2008 and 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.

10. INTANGIBLE ASSETS

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	<i>Notes</i>		
Brand name	(a)	99,906	99,906
Licence	(b)	23,438	–
		123,344	99,906

Movement of licence right is as follow:

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	<i>Note</i>		
Carrying amount at 1 January		–	–
Acquisition of a subsidiary	14	35,198	–
Amortisation during the period		(1,760)	–
Impairment during the period		(10,000)	–
Carrying amount at 30 June		23,438	–

Notes:

- (a) It represents rights for the use of the brand name "CMM" arising from acquisition of CMM International Group Limited in 2007. The brand name is considered by management of the Group as having an indefinite useful life and is tested for impairment annually.
- (b) It represents licence right for the use of the signboards in Mainland China arising from acquisition of subsidiaries which took effect on 14 January 2008 (note 14). The term of the licence is from 6 June 1997 to 5 June 2017 and the right is amortised on a straight-line basis over 10 years.

11. AVAILABLE-FOR-SALE INVESTMENTS

The amounts mainly represented the Group's 26.6% equity interests in LCF Macau Co-Investor L.P. (the "LCF Macau"). LCF Macau is a limited partnership formed under the Partnership Act 1996 of the British Virgin Islands and is principally engaged in property investment. The principal asset held by LCF Macau is a 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. They 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 values cannot be measured reliably.

12. TRADE RECEIVABLES

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

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

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

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

An aged analysis of the trade receivables, net of impairment loss, as at the balance sheet dates, based on invoice date, is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Current to 3 months	11,522	13,236
4 to 6 months	2,566	143
7 to 12 months	97	-
Over 1 year	63	-
	<hr/> 14,248 <hr/>	<hr/> 13,379 <hr/>

13. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet dates, based on invoice date, is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Current to 3 months	10,518	9,777
4 to 6 months	2,043	175
7 to 12 months	58	864
Over 1 year	624	1,079
	13,243	11,895

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

14. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 11 December 2007, the Company entered into an agreement with an independent third party, to acquire 100% of Add Talent Investments Limited and its subsidiaries (collectively referred to as the "Add Talent Group") with consideration of the disposal of 100% equity interest in Goldigit Limited and its subsidiaries (collectively referred to as "Goldigit Group") and cash of HK\$765,000. The Add Talent Group is engaged in media operations in Mainland China. The acquisition of Add Talent Group and disposal of Goldigit Group took effect on 14 January 2008.

Acquisition of Add Talent Group

The fair value of the identifiable assets and liabilities at the date of acquisition is:

	Fair value recognised on acquisition HK\$'000	Carrying amount HK\$'000
Licence right	35,198	–
Property, plant and equipment	2,935	2,935
Cash and bank balances	8	8
Other payables and accruals	(407)	(407)
	37,734	2,536
Satisfied by:		
100% equity interests in Goldigit Group	36,969	
Cash	765	
	37,734	

14. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

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

	<i>HK\$'000</i>
Cash and bank balance acquired	8
	<hr/>

Disposal of Goldigit Group

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	951
Prepaid land lease payments	265
Investment properties	40,005
Prepayments, deposits and other receivables	17
Cash and bank balances	2,147
Other payables and accruals	(5,616)
Tax payable	(800)
	<hr/>
	36,969
	<hr/>
Satisfied by:	
100% equity interests in Add Talent Group	36,969
	<hr/>

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

	<i>HK\$'000</i>
Cash and bank balance disposed	2,147
	<hr/>

15. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its leasehold land and buildings under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within one year	5,143	9,756
In the second to fifth years, inclusive	2,183	6,314
	7,326	16,070

16. COMMITMENTS

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Contracted, but not provided for properties under development	858,843	858,444
Authorised, but not contracted for properties under development	2,928	28,705

17. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the period:

		For the six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Rental expenses paid to related companies (a)	(i)	543	269
Management fee income received from related companies (a)	(ii)	223	66
Purchases of goods from a related company (a)	(iii)	-	3
Purchases of goods from an associate	(iii)	55	-
Sale of goods to an associate	(iii)	68	-
Consultancy fee paid to a director	(iv)	625	-
Consultancy fee paid to a close family member of a director	(iv)	125	-
Consultancy fee paid to a related company (a)	(iv)	750	-
		<hr/>	<hr/>

17. RELATED PARTY TRANSACTIONS *(continued)*

- (a) The Group had the following material transactions with related parties during the period:
(continued)

Notes:

- (a) The related companies are companies of which a close family member of one of the Company's directors is also a director of these related companies.
- (i) Rental expenses paid to related companies were made according to prices and conditions stated in the tenancy agreements that were agreed between the Group and related companies.
- (ii) Management fee income received from related companies were charged for administrative purposes provided by the Group. They are charged based on the actual costs incurred plus an agreed percentage to cover a share of general overheads.
- (iii) These purchase and sale transactions were determined through negotiations between the respective parties with reference to, among other things, the published price lists and the volume of the transactions on a case-by-case basis.
- (iv) Consultancy fee was paid in accordance with contractual terms agreed between the Group and the related parties.
- (b) A director of the Company has guaranteed certain banking facilities granted to the Group to the extent of HK\$2,000,000 as at 30 June 2007. The guarantee was released during the six months ended 30 June 2008.
- (c) Well Villa Company Limited, a related company of the Group, has pledged properties to secure the Group's banking facilities of amounts up to HK\$10,000,000 as at 30 June 2007. The pledge was released during the six months ended 30 June 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND PROSPECTS

Interim dividend

The Directors of the Company do not recommend the payment of any interim dividend in respect of the six months ended 30 June 2008 (30 June 2007: Nil).

Financial Performance

The Group has acquired the entire issued capital of CMM International Group Limited and its subsidiaries (referred to the "CMM Group") on 30 April 2007. Consequently, the Group recorded higher revenue of HK\$70,041,000, an increase of 183.7% as compared with HK\$24,686,000 in the prior period with the revenue of HK\$66,372,000, selling and distribution costs and administrative costs of HK\$27,341,000 and HK\$20,031,000, respectively, attributable to the CMM Group.

Nevertheless, the Group recorded a higher net loss attributable to the equity holders of the Company of HK\$95,663,000, an increase of 784.0% as compared with HK\$10,821,000 in the prior period. The loss is mainly attributable to the increase in the non-cash provisions made after taking into consideration of the current economic downturn: 1) impairment of goodwill of HK\$28,000,000; 2) impairment of intangible assets of HK\$10,000,000 and; 3) convertible bond non-cash deemed interests costs of HK\$36,534,000.

Non-cash impairment of goodwill of HK\$28,000,000, comprising HK\$8,000,000 and HK\$20,000,000, 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.

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 HK\$1,463,580,000, non-cash convertible bond interests costs increased significantly from HK\$1,493,000 to HK\$36,534,000.

REVIEW AND PROSPECTS *(continued)*

Business Review

During the first half, the subprime mortgage crisis originating in the USA has spread to Asia and the result has been a squeeze in liquidity in the banking system and financial markets and a sizeable drop in stock market and asset values. The Hang Seng Index has retreated from its high of 31,638 on 30 October 2007 to 22,102 on 1 June 2008 while the Shanghai Stock Exchange Composite Index has fallen from 6,092 on 16 October 2007 to 2,736 on 30 June 2008. These stock market falls have adversely affected property prices throughout the region with decreases in both value and transaction volume being reported. Management expects that market sentiment could continue to worsen significantly if the flow of negative news from the subprime crisis continues into 2009.

China began tightening visa applications to Macau in June in a move that some commentators interpreted as the beginning of measures to control the growth of the casino industry, and has, in management's belief, caused a slow-down in the market sentiment and the economic growth, in spite of a 21.1% GDP growth in Q2 which is still comparatively good in the region. Progress in developing our major investment in Macau, the luxury residential project in Nam Van, has proven to be much slower than we expected and this is the new reality across much of the sector in Macau. Management will closely monitor the market conditions.

Our cosmetics business is making progress both in developing new sources of revenue and consolidating the existing CMM branded product line. The spa business unit has been working on a major project which is expected to launch this year. The cosmetics business unit has been improving the efficiency and quality of its operations as well as achieving a stream of new product launches. It is expected that these efforts will be rewarded with increased competitiveness over an expanded product range in the medium term.

REVIEW AND PROSPECTS *(continued)*

Prospects

Over the past three years the company has embarked on a growth strategy with several major acquisitions. With the world economic outlook changing during the first half and up to the date of this report, management will review all possibilities for all our investments to bring the best value to shareholders in the new environment.

Liquidity and Financial Resources

As at 30 June 2008, the Group had cash and bank balances of HK\$190,311,000 placed in bank mainly as fixed deposits. The interest-bearing bank borrowings of the Group amounted to approximately HK\$12,585,000, which was due within one year. The directors believe that the Group has sufficient working capital to meet its present requirements.

Capital structure of the Company

There was no change in the capital structure of the Company during the period.

Material acquisitions and disposals of investments

During the Period, the Group acquired Add Talent Investments Limited and its subsidiaries in exchange of the disposal of its entire interests in Goldigit Limited and its subsidiaries. Other than this acquisition and disposal, the Group had no other material acquisitions or disposals of subsidiaries or affiliated companies during the Period.

Significant capital expenditures

There were no significant capital expenditures during the Period.

Details of charges on the Group's assets

The Group had a charge on the fixed deposit of HK\$7,636,000 made to a bank. The Group's buildings and prepaid land lease payments with net book values of approximately HK\$17,700,000 and HK\$6,500,000, respectively, were pledged to secure general banking facilities granted to the Group.

Contingent liabilities

The Group had no contingent liabilities as at 30 June 2008.

REVIEW AND PROSPECTS *(continued)*

Foreign exchange exposure

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currency has no particular hedging vehicles to hedge its exposure to foreign exchange risk profile. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

DISCLOSURE OF INTERESTS

Interests of Directors

As at 30 June 2008, the interests and short positions of the Directors and the chief executive of the Company or any of their respective associates 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 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 share options of the Company:

Director	Option exercise period	Number of outstanding options	Exercise price
Mr. Brad Huang	11 July 2007 to 11 July 2017	3,357,301	HK\$2.30
Mr. J. James Chen	27 September 2007 to 27 September 2017	3,357,301	HK\$2.52
Mr. Edmund Kwok King Yan	11 July 2007 to 11 July 2017	3,357,301	HK\$2.30

DISCLOSURE OF INTERESTS *(continued)*

Interests of Directors *(continued)*

Long positions in underlying shares of the Company:

		Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital	
	<i>Notes</i>	Through connected person	Through controlled corporation	Total		
Executive directors:						
Mr. Brad Huang	(a)(i)	–	521,800,000	521,800,000	38.1	
	(a)(ii)	–	291,300,000	291,300,000	21.2	
	(a)(iii)	–	53,526,800	53,526,800	3.9	
	(b)	71,499,000	–	71,499,000	5.2	
			<hr/>	<hr/>	<hr/>	<hr/>
		71,499,000	866,626,800	938,125,800	68.4	
Mr. J. James Chen	(c)	–	521,800,000	521,800,000	38.1	
	(d)	71,499,000	–	71,499,000	5.2	
			<hr/>	<hr/>	<hr/>	<hr/>
			71,499,000	521,800,000	593,299,000	43.3

DISCLOSURE OF INTERESTS *(continued)***Interests of Directors** *(continued)*

Long positions in underlying shares of the Company (continued):

- (a) Mr Huang is a director of (i) Castle Rock Investment Holding Limited, a company holding a convertible bond in the principal amount of HK\$939,240,000 which is convertible into new Shares at an initial conversion price of HK\$1.80 per Share, subject to adjustments and certain conversion restrictions on the said convertible bond as set out in the circular of the Company dated 10 August 2007 (the "Circular"); (ii) Suregold Global Limited, a company holding a convertible bond in the principal amount of HK\$524,340,000 which is convertible into new Shares at an initial conversion price of HK\$1.80 per Share, subject to adjustments and certain conversion restrictions on the said convertible bond as set out in the Circular; (iii) LCF II Holdings, Limited, a company holding two unlisted warrants of the Company to subscribe for in aggregate 53,526,800 Shares at a subscription price of HK\$1.99 per Share (subject to adjustments) at any time up to and including 10 September 2009. LCF II Holdings, Limited is also a shareholder of Suregold Global Limited holding 43% of the issued share capital of Suregold Global Limited and is a company wholly-owned by the Lotus China Fund II, L.P., a private equity fund dedicated to direct investments in China related businesses.
- (b) Mr. Huang is the son-in-law of Professor Cheng Ho Ming who beneficially owns 71,499,000 shares in the Company.
- (c) Mr. Chen is a director of Castle Rock Investment Holding Limited, a company holding a convertible bond in the principal amount of HK\$939,240,000 which is convertible into new Shares at an initial conversion price of HK\$1.80 per Share, subject to adjustments and certain conversion restrictions on the said convertible bond as set out in the Circular.
- (d) Mr. Chen is the nephew of Professor Cheng Ho Ming who beneficially owns 71,499,000 shares in the Company.

DISCLOSURE OF INTERESTS *(continued)*

Interests of substantial Shareholders

As at 30 June 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. (formerly known as i-cf, Inc.) (Note 1)	Interest of a controlled corporation	96,847,200	7.0
Orben Inc. (formerly known as i-cf, Inc.) (Note 1)	Beneficial owner	10,147,200	0.7
Addendis SMC Inc. (formerly known as Suiko Enterprise Co., Ltd.) (Note 1)	Beneficial owner	86,700,000	6.3
Suregold Global Limited ("Suregold") (Note 2)	Beneficial owner	291,300,000	21.2
Sigma Gain Co., Ltd (Note 3)	Interest of a controlled corporation	586,837,280	42.8
Sigma Gain Co., Ltd (Note 3)	Beneficial owner	65,037,280	4.7
Castle Rock Investment Holding Limited ("Castle Rock") (Note 3)	Beneficial owner	521,800,000	38.1
Ms. Cheng Ho Ming (Note 4)	Interest of a controlled corporation	71,499,000	5.2
Ambleside Associates Limited (Note 4)	Beneficial owner	71,499,000	5.2

DISCLOSURE OF INTERESTS *(continued)***Interests of substantial Shareholders** *(continued)**Notes:*

1. Orben Inc. (formerly known as i-cf, Inc) wholly owns all the shares in Addendis SMC Inc. (formerly known as Suiko Enterprises Co., Ltd.) and is therefore deemed to have an interest in an aggregate of 96,847,200 Shares under the SFO.
2. Pursuant to an agreement dated 26 June 2007, the Company agreed conditionally to issue a zero coupon convertible bond to Suregold in principal amount of HK\$524,340,000.
3. Pursuant to an agreement dated 26 June 2007, the Company agreed conditionally to issue a zero coupon convertible bond to Castle Rock in principal amount of HK\$939,240,000. Sigma Gain Co., Limited owns 80% shares of Castle Rock and is therefore deemed to have an interest in an aggregate of 586,837,280 Shares under the SFO.
4. Ms. Cheng Ho Ming owns 70% of the issued share capital of Ambleside Associates Limited and Peakjoy Global Limited owns the remaining 30% of the issued share capital of Ambleside Associates Limited. Ms. Cheng Ho Ming wholly owns all the beneficial interest in Peakjoy Global Limited. Ms. Cheng Ho Ming is therefore deemed to have an interest in 71,499,000 Shares under the SFO.

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 Juyi, Ms. Hin Yat Ha and Ms. Chiu Ching, Katie and they all have extensive experience in accounting, commercial and probate matter. The Committee has reviewed the accuracy of the interim financial statements and the Interim Report 2008 before the reports were sent to Board for approval.

REMUNERATION COMMITTEE

The Remuneration Committee was set up to review the remuneration package of the Directors and senior management of the Company. All the Remuneration Committee members are Independent Non-executive Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board and the Company has adopted the Model Code for Securities Transactions. Having made specific enquiry of all Directors, during the six months ended 30 June 2008, the Directors of the Company have complied with required standards as set out in the Model Code for Securities Transactions.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30 June 2008 with the applicable provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, except that:

Under provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. Since the appointment of Mr. Brad Huang as the Chairman and the Chief Executive Officer of the Company on 23 June 2008, the roles of both the Chairman and the Chief Executive Officer were performed by him. 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.

CODE ON CORPORATE GOVERNANCE PRACTICES *(continued)*

Under provision A.4.2 of the Code, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Directors of the Company were not appointed for a specific term but one-third of the Directors are subject to retirement by rotation at each annual general meeting as stated in the Articles of Association of the Company.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

All the information required by the relevant provisions of Appendix 16 of Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board

Macau Investment Holdings Limited

Brad Huang

Chairman

19 September 2008