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)

MACAU INVESTMENT
HOLDINGS LIMITED

2009 Annual Report

* For identification purpose only

Contents

	Pages
Corporate Information	2
Chairman's Statement and Management Discussion and Analysis	3
Corporate Governance Report	8
Profiles of Directors and Senior Management	14
Report of the Directors	16
Independent Auditors' Report	24
Consolidated Statement of Comprehensive Income	26
Consolidated Statement of Financial Position	28
Consolidated Statement of Changes in Equity	30
Consolidated Statement of Cash Flows	32
Statement of Financial Position	34
Notes to Financial Statements	35
Financial Summary	120

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yasumasa Ishizaka
Ms. Maria Majoire Lo

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Lam Tin Faat

AUTHORISED REPRESENTATIVES

Mr. Lam Tin Faat
Ms. Maria Majoire Lo

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTERED OFFICE ADDRESS

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

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 2009.

FINAL RESULTS

The Group recorded higher revenue from continuing operations of HK$151.4 million, an increase of 9.7% as compared with HK$138 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").

The other revenue of HK$8,090 mainly comprised of equity investment at fair value through profit or loss of HK$3.6m, consultancy fee of HK$1.1m and net gain on disposal of fixed assets of HK$0.94m respectively.

Selling and distribution cost and administrative costs of HK$66.3 million and HK$44.3 million, respectively, were mainly contributed by CMM Group.

BUSINESS REVIEW

The Group's core business comprises property development and beauty-related operations.

At present, the Group has interests in Macau lands, which is planning for development in the high-end luxurious residential and commercial complex projects in the heart of Macau. It also operates and manages beauty projects, services and education via its wholly-owned subsidiary CMM International Group, a market leader in Hong Kong and Mainland China.

Property Development Business

The outbreak of the global financial tsunami in 2008 has let Macau facing various challenges on the rapid growth of the region. The steep recession has clouded its outlook into 2009, with a significant decline in the gaming and tourism sector, along with the weakness in the property market and the fall in valuations. However, the second half of 2009 has marked a dramatic recovery in the global market, and Macau has witnessed a strong comeback, with the growth in visitor arrivals and gaming revenues, the increase in residential transactions and capital values of high-end properties, the progression of the Hong Kong-Zhuhai-Macau bridge and the Light Transit system, and the reactivation of some of the suspended construction projects on the Cotai Strip.

Reaching into 2010, the election of Fernando Chiu Sai-on as Macau's second Chief Executive is believed to uplift the positive energy that the region once possessed. While the market continues its journey to recovery, our intention is to focus on the progression of our two development projects, Lote 9 in Zona A at Baia de Praia Grande, and Baia da Nossa Senhora da Esperanca, while implementing our asset strategies with the developer of both lands. We are excited that the positive outlook of the property development market will bring an encouraging net asset value, which may ultimately increase shareholder value.

Chairman's Statement and Management Discussion and Analysis

Cosmetic and Beauty Business

The major part of the Group's revenue for the reporting year derived from CMM International Group. While the market environment remained challenging in 2009, our cosmetic and beauty business continued to grow on its operating performance through new product developments and expansion of its branded product lines. New brand expansion includes leveraging on the licenses successfully obtained in 2008, including international brands Barbie of Mattel Inc. and Hello Kitty of Sanrio Japan for manufacturing cosmetics. The company will continue to build its core business, which is developing and marketing branded beauty products in the Chinese market.

CMM International Group currently operates 7 beauty brands, for which we design, develop and promote through different marketing channels, while targeting a wide-range of consumer groups. We have covered the retail channel with brands such as CMM, FL fresh living, Barbie cosmetics and Hello Kitty cosmetics. We also distribute under brands Monita, Fairlady and MD Cliniceuticals to salon and spas through our professional beauty channel.

In 2010 we will continue to concentrate on developing distribution channels for Barbie cosmetics, and expansion through building counters and stores nationwide in Mainland China and Hong Kong. We design Barbie cosmetics, skin care and Bath and Body products, with a refreshing young, trendy and Barbie-themed packaging to attract younger consumers. With the collaboration with Watson's Group in Mainland China in 2009, Hello Kitty cosmetics opened numerous doors in selling Hello Kitty color cosmetics to attract more Hello Kitty fans and collectors.

CMM is also a leading provider of beauty services through our Orient Medical Spa in Hong Kong and beauty education through our 12 schools operating under CMM's Monita Academy. Our manufacturing plant in Shanghai has undergone renovation in 2009 and has obtained the updated GMP and ISO qualifications. With the increased effort in marketing and product promotion and the success of innovative R&D of our products, we will continue to grow these brands and services in Mainland China and Hong Kong.

One of CMM's service divisions made remarkable contributions to the Group. The luxurious Orient Medical Spas located in Hong Kong recorded a 33% growth compared to 2008. Meanwhile, the CMM Monita Academy, which offers full hair and beauty educational courses, has increased 10% in sales compared to last year. The growth in our well established segments shows that customers remained confident in our quality services, which have recognized a year of solid performance for our beauty service division.

Chairman's Statement and Management Discussion and Analysis

In the year ahead, we will continue to focus on building on our new brands and products by starting a new retail concept store, 'CMM Beauty Center', which will carry our entire group brands and services in one petite retail outlet. Through this new model, we will strengthen and expand our existing branded product lines and services into more regions of the Greater China, especially second and third tier cities in a chain store approach. We will also continue to enhance our comprehensive operations, expand and distribute our assortment of product lines into a larger retail network in order to maintain our leadership role in the beauty industry in the Greater China.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 December 2009, the Group had cash and bank balances of HK$57,501,000 placed in banks. The interest-bearing bank and other borrowings of the Group amounted to HK$18,801,000, 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. On 24 September 2009, the share capital of the Company was reduced by HK$0.49 per Existing Share by cancelling an equivalent amount of paid-up capital per Existing Share so that that par value of each New Share in issue will be HK$0.01. Immediately upon effect of the Capital Reduction, the authorized share capital of the Company was HK$50,000,000 New Shares, and the issued share capital was HK$4,858,302 comprising 485,830,194 New Shares, each with a par value of HK$0.01.

Material acquisitions and disposals of investments

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 its entre issued share capital of Jovian Financial Communications Limited and its subsidiaries (collectively, the "Jovian Group") together with shareholder's loan owned to the Company of HK$3,350,000 at a total consideration of HK$100,000. The disposal of Jovian Group was completed on 3 February 2009.

Save as above, 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 Group's buildings and prepaid land lease payments of approximately HK$7,236,000 and HK$1,497,000, respectively, made to banks to secure banking facilities granted to the Group.

Chairman's Statement and Management Discussion and Analysis

Contingent liabilities

The Group had no material contingent liabilities at 31 December 2009.

Indebtedness

Borrowings and Gearing ratio

As at 31 December 2009, total interest-bearing bank and other borrowings were HK$19,960,000, comprising bank loans and overdraft of HK$18,801,000 and finance lease payables of HK$1,159,000. 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

Looking into 2010, the Company will continue to adopt a sustainable business development strategy as the market is expected to witness a healthy economic growth ahead. We will strive to increase exposure of its cosmetic and beauty brands to the Chinese domestic consumer market in staying ahead of the intense competition. Macau's economy has staged a comeback in the second half of 2009, especially in its property market with dramatic increase in transaction volumes and values. While the general attitude for Macau remains promising, the residential developmental process of the Project Lote 9 in Zona A at Baia de Praia Grande, has proceeded with full speed. The renowned Kurokawa Architects Ltd. has been recruited for design development along with the lead of the new Project Director, who previously managed the development of the current highest residential building in Macau. It is planned that the site foundation work will resume by the end of 2010. We will also continue to aggressively capture new investment opportunities in Macau in order to achieve outstanding returns for our shareholders, and we believe our investment in the Macau lands will greatly contribute to the overall growth of the Company.

EMPLOYEES

As at 31 December 2009, the Group had 764 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.

Chairman's Statement and Management Discussion and Analysis

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. Zhou Jin Song, Mr. Sun Tong, 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 2009.

APPRECIATION

On behalf of the board of directors, I would like to take this opportunity to express our sincere gratitude to our staff and management team of the Company for their invaluable contributions throughout the year. We also want to thank all the shareholders, investors, customers and business partners for their continuous trust and support in us.

By order of the Board
Macau Investment Holdings Limited

Yasumasa Ishizaka
Chairman

Hong Kong, 30 April 2010

Corporate Governance Report

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. Yasumasa Ishizaka *(Chairman)*	(appointed on 9 June 2009)
Ms. Maria Majoire Lo	(appointed on 21 August 2009)
Mr. Huang Brad	(resigned on 21 August 2009)
Mr. Chen Jacob James	(resigned on 27 April 2009)

Independent non-executive directors:

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

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

Corporate Governance Report

A total of 9 board meetings, 2 audit committee meetings and 2 remuneration committee meetings had been held in 2009. The following is a Summary of the attendance of meetings of each Director:

Directors	Board meeting	Audit Committee	Remuneration Committee
Mr. Sun Juyi	–	–	–
Ms. Hin Ya Ha	–	–	–
Mr. Chen Jacob James	4	–	–
Mr. Huang Brad	9	–	–
Mr. Yasumasa Ishizaka	8	–	–
Ms. Maria Majoire Lo	8	–	–
Ms. Chiu Ching Katie	6	2	2
Mr. Zhou Jin Song	6	2	2
Mr. Sun Tong	6	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. Yasumasa Ishizaka 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 2009, 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 2009 and audited financial statements of 2009 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 2009, 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.

Corporate Governance Report

AUDITORS' REMUNERATION

The Group's external auditors are East Asia Sentinel Limited. The auditors' remuneration for the year is HK$450,000 which is related to audit services.

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$62,500 and HK$28,000, respectively, for the period from 1 January 2007 to 31 December 2008.

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 Two Tenancy Agreements. The annual cap for the year ended 31 December 2009 is HK$1,300,000.

For the year ended 31 December 2009, the aggregate amount paid under the Three Tenancy Agreements was HK$1,086,000.

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 Two Tenancy Agreements; and

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

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yasumasa Ishizaka, Chairman and Director

Mr. Yasumasa Ishizaka, aged 47, has over a decade of investment experience in Asia and the United States and is currently the Chairman of TT Global Asset Management, Co., Ltd. based in Tokyo, Japan. Previously, he was the Assistant to the Chairman of Club Med, Asia-Pacific Region, and was responsible for developing Club Med resorts within the region. He also worked as a financial analyst in the Investment Banking Division of Morgan Stanley in the New York headquarters and then in the Tokyo office. Mr. Ishizaka received his Master of Business Administration from the Harvard Business School and Bachelor of Arts from Brown University, USA.

Ms. Maria Majoire Lo, Director

Ms. Maria Majoire Lo, aged 33, has over five years of creative management experience in the United States and over two years experience of investment management in Asia. Previously, she was the producer of a mid-size advertising firm, and was the public relations manager of one of the world's largest live internet platforms. She also worked for an investment firm and was involved in the overall strategic management of multinational companies and analyzing potential investment details. Ms. Lo received her Bachelor of Arts in Annenberg School for Communication and minor certificate in Cinema-Television from the University of Southern California, USA.

Profiles of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Zhou Jin Song

Mr. Zhou, aged 39, 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 41, 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 33, 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.

COMPANY SECRETARY

Mr. Lam Tin Faat

Mr. Lam Tin Faat, aged 34, has over 10 years experience in accounting and finance. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Association of Chartered Certified Accountants. Mr. Lam received his Bachelor in Accountancy from the Chinese University of Hong Kong.

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 2009.

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 2009 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 119.

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 2009.

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 120. 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 2009 represents the aggregate of share premium, special reserve and accumulated losses amounting to HK$588,133,000 (2008: HK$375,039,000).

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

Executive directors:

Mr. Yasumasa Ishizaka *(Chairman)*	(appointed on 9 June 2009)
Ms. Maria Majoire Lo	(appointed on 21 August 2009)
Mr. Huang Brad	(resigned on 21 August 2009)
Mr. Chen Jacob James	(resigned on 27 April 2009)

Independent Non-executive directors:

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

In accordance with the provisions of the Company's Articles of Association, Ms. Maria Majoire Lo and Ms. Chiu Ching Katie will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Mr. Yasumasa Ishizaka has entered into service agreements with the Company under which he is to act as chairman and 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.

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).

Report of the Directors

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 14 to 15 of the annual report.

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

As at 31 December 2009, 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:

Name category of participant	Number of share options: At 1 January 2009	Granted during the year	Lapsed during the year	At December 2009	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
	3,357,302	–	(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
	4,858,302	–	4,858,302	–			
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
	4,858,302	–	4,858,302	–			
	13,073,906	–	(13,073,906)	–			

Report of the Directors

Name category of participant	At 1 January 2009	Granted during the year	Lapsed during the year	At December 2009	Date of grant of share options	Exercise period of share options	Exercise price of share options*# HK$ per share
	Number of share options						
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
	1,097,000	–	(1,097,000)	–	11/7/2007	11/7/2007 to 11/7/2017	2.30
	2,196,972	–	(2,196,972)	–			
	21,439,311	–	(21,439,311)	–			

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, 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 (%)
DOB Corporation	Beneficial owner	74,000,000	15.23
Ambleside Associates Limited (Note 1)	Beneficial owner	71,499,000	14.7
Ms. Cheng Ho Ming (Note 1)	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

Note:

1. 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.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for about 14.1% of the turnover of the Group and the largest customer accounted for about 3.8% of the total turnover.

The five largest suppliers of the Group in aggregate accounted for about 19.3% of its operating costs for the year. Purchases from the largest supplier accounted for about 6.8% 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 2009.

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 2009.

POST REPORTING PERIOD END EVENT

Details of post reporting period end event are disclosed in note 48 to the financial statements.

AUDITORS

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

Yasumasa Ishizaka

30 April 2010

Independent Auditors' Report

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

22nd Floor, Tai Yau Building
181 Johnston Road, Wanchai
Hong Kong

Tel : +852 2521 2328
Fax : +852 2525 9890
Email : letters@EastAsiaSentinel.com
www.EastAsiaSentinel.com

To the shareholders of Macau Investment Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Macau Investment Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 26 to 119, which comprise the consolidated and Company statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED 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 Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated 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 consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent Auditors' Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

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

Date: 30 April 2010

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

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

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**43,759**	42,877
Prepaid land lease payments	15	**5,446**	6,182
Intangible assets	18	**90,706**	90,706
Available-for-sale financial assets	20	**112,672**	112,252
Interests in an associate	22	**–**	2,283
Long term deposits	24	**1,291**	1,130
		253,874	255,430
CURRENT ASSETS			
Inventories	23	**35,174**	31,555
Trade receivables	24	**12,197**	12,649
Prepayments, deposits and other receivables	24	**49,794**	53,724
Available-for-sale financial assets	20	**218,669**	218,669
Equity investments at fair value through profit or loss	21	**13,019**	6,161
Amounts due from related parties	25	**2,742**	1,692
Pledged deposits	26	**–**	7,683
Cash and cash equivalents	26	**57,501**	65,287
		389,096	397,420
Assets of a disposal group classified as held for sale	27	**–**	2,819
		389,096	400,239
CURRENT LIABILITIES			
Trade payables	28	**12,796**	9,244
Other payables and accruals	28	**32,172**	38,340
Interest-bearing bank borrowings	29	**18,801**	18,853
Amounts due to related parties	25	**2,954**	384
Tax payable		**115**	535
Finance lease payables	32	**331**	331
Amount due to minority shareholders of subsidiaries	33	**600**	600
		67,769	68,287
Liabilities directly associated with the assets classified as held for sale	27	**–**	2,723
		67,769	71,010
NET CURRENT ASSETS		**321,327**	329,229
TOTAL ASSETS LESS CURRENT LIABILITIES		**575,201**	584,659

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITIES			
Provision for long service payments	30	**507**	425
Finance lease payables	32	**828**	1,159
Deferred tax liabilities	34	**1,822**	1,822
		3,157	3,406
NET ASSETS		**572,044**	581,253
CAPITAL AND RESERVES			
Share capital	35	**4,858**	242,915
Reserves	37(a)	**568,004**	338,658
Equity attributable to owners of the parent		**572,862**	581,573
Minority interests		**(818)**	(320)
TOTAL EQUITY		**572,044**	581,253

Mr. Yasumasa Ishizaka
Director

Ms. Maria Majoire Lo
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

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

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

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

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

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation:			
Loss from continuing operations		**(9,462)**	(259,374)
Profit/(loss) from a discontinued operation	27	**4**	(5,079)
Adjustments for:			
Convertible bonds interest costs		**–**	70,490
Other finance costs		**1,128**	1,051
Interest income from equity investment at fair value through profit or loss		**(46)**	–
Fair value gain on equity investment at fair value through profit or loss	21	**(3,397)**	–
Bank interest income		**(51)**	(1,139)
Gain on early redemption of convertible bonds		**–**	(119,522)
Loss on disposal of a subsidiary		**–**	155,582
Provision/(Write-back of provision) for long service payments	30	**82**	(231)
Share of loss of an associate		**–**	17
Impairment loss of an associate	22	**2,283**	–
Depreciation	14	**8,733**	8,461
Write-off for inventories		**347**	1,255
Provision for inventories		**–**	2,113
Reversal of provision for inventories	23	**(2,134)**	2,113
Loss on disposal and write-off of items of property, plant and equipment		**15**	1,149
Amortisation of intangible assets		**–**	4,400
Net gain on disposal of fixed assets		**(4)**	–
Recognition of prepaid land lease payments	15	**736**	695
Impairment of goodwill		**–**	55,910
Impairment of items of property, plant and equipment		**–**	2,626
Impairment of intangible assets		**–**	39,999
Provision for impairment of trade receivables		**–**	245
Provision for/Write-off of other receivables		**3,022**	360
Cost associated with equity-settled share options		**–**	4,401
		1,256	(36,591)
Operating loss before changes in working capital			
Increase in inventories		**(1,832)**	(9,289)
Decrease/(Increase) in trade receivables		**452**	(1,469)
Decrease in prepayments, deposits and other receivables		**908**	13,279
Increase in long term deposit		**(161)**	–
Increase in restricted bank balances		**–**	(936)
Increase/(Decrease) in trade payables		**3,552**	(1,049)
(Decrease)/Increase in other payables and accruals		**(6,168)**	1,826
Decrease/(Increase) in balances with related parties		**1,494**	(1,254)
Increase in balance with minority interests		**–**	600
Cash used in operations		**(499)**	(34,883)
Interest paid		**(1,042)**	(997)
Interest element of finance lease rental payments		**(86)**	(54)
Overseas taxes paid		**(847)**	(4,479)
Net cash used in operating activities		**(2,474)**	(40,413)

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**51**	1,139
Interest income from equity investment at fair value through profit or loss		**46**	–
Purchases of items of property, plant and equipment	14	**(9,590)**	(8,992)
Proceeds from disposals of items of items of properties, plant and equipment		**–**	171
Purchases of equity investments at fair value through profit or loss		**(3,461)**	(6,161)
Interests in an associate		**–**	(2,300)
Acquisition of subsidiaries	38	**–**	(2,681)
Disposal of subsidiaries	39	**100**	(3,288)
Cash attributable to subsidiaries disposed of		**(361)**	–
Decrease/(Increase) in pledged deposits		**7,683**	(134)
Net cash used in investing activities		**(5,532)**	(22,246)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increases in bank loans		**16,482**	16,500
Repayment of bank loans		**(16,482)**	(10,542)
Repayment of the 2005 Convertible Bonds	31	**–**	(51,000)
Capital element of finance lease rental payments		**(331)**	(579)
Net cash used in financing activities		**(331)**	(45,621)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(8,337)**	(108,280)
Cash and cash equivalents at beginning of year		**63,279**	170,735
Effect of foreign exchange rate changes, net		**239**	824
CASH AND CASH EQUIVALENTS AT END OF YEAR		**55,181**	63,279
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**57,501**	58,753
Non-pledged time deposits with original maturity of less than three months when acquired	26	**–**	6,534
Bank overdrafts	29	**(2,320)**	(2,369)
Cash and bank balances attributable to assets of a disposal group classified as held for sale	27	**–**	361
		55,181	63,279

Statement of Financial Position

31 December 2009

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

Mr. Yasumasa Ishizaka
Director

Ms. Maria Majoire Lo
Director

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

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

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

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

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

- HKFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.

- HKFRS 8, 'Operating segments' – effective 1 January 2009. The standard requires segment disclosure to be based on the way that the Group's chief operating decision makers regard and manage the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision makers for the purposes of assessing segment performance and making decisions about operating matters. During the year ended 31 December 2009, the Group adopted HKFRS 8 which has no effect on the disclosures of the consolidated financial statements as the presentation of segment information in prior years, which was based on a disaggregation of the Group's financial statements into segments, has been prepared in a manner that was consistent with internal reporting provided to the Group's most senior executive management.

- HKAS 1 (revised), 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

- HKAS 27 (amendments) "Consolidated and separate financial statements" – effective 1 January 2009 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognised an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

2. BASIS OF PREPARATION (CONTINUED)

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

- The "Improvements to HKFRSs (2008)" – effective 1 January 2009 comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. The impact of these amendments is not considered to be material to the Group and have not resulted in changes to the Group's accounting policies.

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

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

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

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 July 2010
7 Effective for annual periods beginning on or after 1 January 2013

Notes to Financial Statements

31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Consolidation

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

(i) Subsidiaries

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

(i) Subsidiaries (Continued)

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

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

(ii) Associates

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

(ii) Associates (Continued)

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

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

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

(b) Goodwill

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Goodwill (Continued)

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

(c) Intangible assets (other than goodwill)

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

Brand name

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

Operating rights

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

(d) Segment reporting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currencies

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

(iii) *Group entities*

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

– assets and liabilities for each reporting period presented are translated at the closing rate at the date of that reporting period;

– income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

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

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

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

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

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

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

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

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

(g) Properties under development

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

(h) Disposal group held for sale

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments

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

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

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

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

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

(i) Loans and receivables

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments (continued)

(ii) Available-for-sale financial assets

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

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

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

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

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

(iv) Other financial liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets

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

(i) Assets carried at amortised cost

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

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

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

(ii) Available-for-sales financial assets

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

Notes to Financial Statements

31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets (continued)

(iii) Assets carried at cost

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

(l) Inventories

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

(m) Cash and cash equivalents

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

(n) Borrowings

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

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

(o) Provisions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Bonus plans

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

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

(iii) Pension obligations

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

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

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

(iv) Termination benefits

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition

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

(i) sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods;

(ii) Provision for beauty technical and training services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transactions assessed on the basis of the actual service provided as a proportion of the total services to be provided;

(iii) rental income, on a time proportion basis over the lease terms; and

(iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instruments to the net carrying amount of the financial assets.

(s) Leases

(i) Operating leases (As a lessee)

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

(ii) Prepaid lease payments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Related parties

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

(i) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a member of the key management personnel of the Group or its parent;

(iv) the party is a close member of the family of any individual referred to in (a) or (c);

(v) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c); or

(vi) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

The Group classifies certain assets as available-for-sale financial assets and recognises movements of their fair values in other comprehensive income. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of comprehensive income. At 31 December 2009, fair value gain have been recognised for available-for-sale financial assets (2008: impairment loss of HK$1,439,000). The carrying amount of available-for-sale financial assets was HK$331,341,000 (2008: HK330,921,000).

(ii) Impairment loss for bad and doubtful debts

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

(iii) Allowance for slow-moving inventories

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

Notes to Financial Statements

31 December 2009

5. SEGMENT INFORMATION

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

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

(a) Business segments

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

Group

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

5. 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	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets and liabilities														
Segment assets	**254,989**	254,989	**120,979**	224,351	**-**	–	**-**	–	**357,968**	479,340	**-**	2,819	**357,968**	482,159
Unallocated assets													**285,002**	173,510
Total assets													**642,970**	655,669
Segment liabilities	**-**	–	**68,539**	68,520	**-**	–	**-**	–	**68,539**	68,520	**-**	2,723	**68,539**	71,243
Unallocated liabilities													**2,387**	3,173
Total liabilities													**70,926**	74,416
Other segment information:														
Depreciation	**-**	–	**8,730**	7,916	**-**	–	**-**	–	**8,730**	7,916	**-**	545	**8,730**	8,461
Recognition of prepaid land lease payments	**-**	–	**736**	695	**-**	–	**-**	–	**736**	695	**-**	–	**736**	695
Impairment of items of property, plant and equipment	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–	**-**	2,626	**-**	2,626
Provision for/(write-back of) impairment of trade receivables	**-**	–	**-**	399	**-**	–	**-**	–	**-**	399	**-**	(154)	**-**	245
Impairment of goodwill	**-**	–	**-**	38,610	**-**	–	**-**	–	**-**	38,610	**-**	17,300	**-**	55,910
Capital expenditure	**-**	–	**9,590**	10,497	**-**	31	**-**	–	**9,590**	10,528	**-**	–	**9,590**	10,545

5. SEGMENT INFORMATION (CONTINUED)

(b) Geographic segments

Group

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

6. REVENUE AND OTHER INCOME

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

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

6. REVENUE AND OTHER INCOME (CONTINUED)

	Notes	2009 HK$'000	2008 HK$'000
Other income			
Bank interest income		**51**	1,139
Interest income from equity investments at fair value through profit or loss		**46**	–
Fair value gain on equity investments at fair value through profit or loss	21	**3,397**	–
Management fee income		**42**	507
Consultancy fee income		**1,110**	1,337
Others		**3,444**	2,663
Attributable to continuing operations reported in the consolidated statement of comprehensive income		**8,090**	5,646
Other income attributable to a discontinued operation	12	**104**	8
		8,194	5,654

7. OTHER FINANCE COSTS

	Group 2009 HK$'000	2008 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**1,042**	997
Interest on finance leases	**86**	54
Attributable to continuing operations reported in the consolidated statement of comprehensive income	**1,128**	1,051

Notes to Financial Statements

31 December 2009

8. LOSS BEFORE TAXATION

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

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

8. LOSS BEFORE TAXATION (CONTINUED)

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

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

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

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

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

9. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

(a) Directors' remuneration

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

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

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

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

(a) Directors' remuneration (continued)

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

2009	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:					
Yasumasa Ishizaka (note (i))	**200**	**-**	**-**	**-**	**200**
Maria Majoire Lo (note (ii))	**208**	**-**	**-**	**8**	**216**
Huang Brad (note (iii))	**-**	**-**	**-**	**-**	**-**
Chen Jacob James (note(iv))	**-**	**-**	**-**	**-**	**-**
	408	**-**	**-**	**8**	**416**
Independent non-executive directors:					
Zhou Jin Song (note (v))	**30**	**-**	**-**	**-**	**30**
Chiu Ching Katie	**-**	**-**	**-**	**-**	
Sun Tong (note (v))	**30**	**-**	**-**	**-**	**30**
Sun Juyi (note (vi))	**-**	**-**	**-**	**-**	**-**
Hin Yat Ha (note (vi))	**-**	**-**	**-**	**-**	**-**
	60	**-**	**-**	**-**	**60**
	468	**-**	**-**	**8**	**476**

Notes:

(i) Appointed on 9 June 2009

(ii) Appointed on 21 August 2009

(iii) Appointed on 23 June 2008 and resigned on 21 August 2009

(iv) Appointed on 23 June 2008 and resigned on 27 April 2009

(v) Appointed on 21 January 2009

(vi) Resigned on 21 January 2009

(vii) Resigned on 22 December 2008

(viii) Resigned on 28 May 2008

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

(a) Directors' remuneration (continued)

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:					
Kwok King Yan, Edmund (note (vii))	–	3,191	1,467	11	4,669
Huang Brad (note (iii))	–	–	–	–	–
Chen Jacob James (note(iv))	–	–	–	–	–
	–	3,191	1,467	11	4,669
Non-executive director:					
Cheng Ho Ming (note (viii))	–	–	–	–	–
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

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

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

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

(b) Five highest paid employees' remuneration

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

	Group	
	2009	2008
	HK$'000	HK$'000
Salaries and allowances	**3,107**	3,067
Pension scheme contributions	**340**	35
	3,447	3,102

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

	Number of employees	
	2009	2008
Nil to HK$1,000,000	**5**	3
HK$1,000,001 – HK$1,500,000	**–**	1
	5	4

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

10. TAXATION

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

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

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

Notes to Financial Statements

31 December 2009

10. TAXATION (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 – 2009

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

Group – 2008

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

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

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

12. DISCONTINUED OPERATION

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

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

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

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

	2009	2008
	HK$'000	HK$'000
Net cash outflow arising from operating activities	**–**	(2,508)
Net cash outflow arising from investing activities	**104**	(8)
Net inflow	**104**	(2,516)

Notes to Financial Statements

31 December 2009

12. DISCONTINUED OPERATION (CONTINUED)

	2009	2008
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:

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

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

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

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

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

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

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

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

	2009	2008
	HK$'000	HK$'000
Profit/(Loss)		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation:		
From continuing operations	**(9,819)**	(261,587)
From a discontinued operation	**4**	(5,079)
	(9,815)	(266,666)

	Number of shares	
	2009	2008
	HK$'000	HK$'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**485,830,194**	485,830,194

Notes to Financial Statements

31 December 2009

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Notes	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
Cost:								
At 1 January 2008		20,455	3,500	7,726	11,843	708	2,321	46,553
Additions		–	1,129	472	5,368	1,864	1,712	10,545
Disposals		–	(670)	(24)	(783)	(214)	(345)	(2,036)
Acquisition of subsidiaries	38	–	527	–	442	327	2,607	3,903
Transferred to assets of a disposal group classified as held for sale		–	(136)	–	(94)	–	(153)	(383)
Exchange realignment		739	173	386	591	35	158	2,082
At 31 December 2008 and 1 January 2009		21,194	4,523	8,560	17,367	2,720	6,300	60,664
Additions		590	3,085	228	4,805	88	794	9,590
Disposals and write-off		–	–	–	(15)	(107)	(97)	(219)
Exchange realignment		–	–	–	–	–	–	–
At 31 December 2009		21,784	7,608	8,788	22,157	2,701	6,997	70,035

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Notes	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
Accumulated depreciation and impairment:								
At 1 January 2008		1,779	705	1,600	2,257	11	820	7,172
Provided during the year	8	1,634	700	1,120	2,610	192	2,205	8,461
Impairment during the year	8	–	–	–	37	282	2,307	2,626
Disposals		–	–	(11)	(429)	(92)	(184)	(716)
Transferred to assets of a disposal group classified as held for sale		–	(136)	–	(94)	–	(153)	(383)
Exchange realignment		89	126	79	168	9	156	627
At 31 December 2008 and 1 January 2009		3,502	1,395	2,788	4,549	402	5,151	17,787
Provided during the year	8	1,316	1,286	604	4,309	449	769	8,733
Disposals and write-off		–	(84)	–	(12)	(96)	(38)	(230)
Exchange realignment		–	(14)	–	–	–	–	(14)
At 31 December 2009		4,818	2,583	3,392	8,846	755	5,882	26,276
Net book value:								
At 31 December 2009		**16,966**	**5,025**	**5,396**	**13,311**	**1,946**	**1,115**	**43,759**
At 31 December 2008		17,692	3,128	5,772	12,818	2,318	1,149	42,877

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

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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Company

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

15. PREPAID LAND LEASE PAYMENTS

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

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

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

16. PROPERTIES UNDER DEVELOPMENT

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

Notes to Financial Statements

31 December 2009

16. PROPERTIES UNDER DEVELOPMENT (CONTINUED)

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

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

17. GOODWILL

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

18. INTANGIBLE ASSETS

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

Brand name

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

Operating rights

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

18. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of brand name with indefinite useful life

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

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

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

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

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

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

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

(a) Interests in subsidiaries

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

An impairment was recognised during the years ended 31 December 2009 and 2008 due to prolonged loss making 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	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries	**–**	3,350
	–	3,350
Amounts due to subsidiaries	**–**	–

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

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

Name	Place of incorporation/ registration and principal operations	Nominal value of issued ordinary share/ registered paid-up capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Bension International Limited	BVI	US$1	–	100	Investment holding
Beauty Charm International Company Limited	Hong Kong	HK$10,000	–	100	Investment holding
Beauty Connect Holdings Limited	Hong Kong	HK$10,000	–	60	Investment holding
The Beauty Collection International Group Limited	BVI	US$100	–	75	Investment holding
Carissa Bay Inc.	BVI	US$1	100	–	Investment holding

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	
Cheng Ming Ming's Beauty World Limited	Hong Kong	HK$2,001,000	–	100	Investment and property holding
Cidesco International School Limited	Hong Kong	HK$2	–	100	Operation of esthetic school
CMM International Group Limited	BVI	US$1	–	100	Investment holding
CMM APAMA Company Limited	Hong Kong	HK$5,000,000	–	51	Inactive
Direct Offer Limited	BVI	US$1	100	–	Investment holding
Kasper Holding Limited	BVI	US$1	–	100	Investment holding
M.D. Cliniceuticals Company Limited	Hong Kong	US$50,000	–	100	Trading of cosmetic products
Marianne Spa I Limited (note)	Hong Kong	HK$10,000	–	100	Provision of beauty services
Marianne Spa II Limited (note)	Hong Kong	HK$100	–	100	Provision of beauty services
Meilkind Development Limited	Hong Kong	HK$10,000	–	100	Trading of cosmetic products
Monita Trademark Limited	BVI	US$2	–	100	Holding of trademarks
Noble Star Consultants 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	
Pebble Rise Inc. ("Pebble Rise")	BVI	US$1	100	–	Investment holding
Performing Investments Limited ("PIL")	BVI	US$1	100	–	Investment holding
Profit Now Investments Limited (note (i))	Hong Kong	HK$1	100	–	Inactive
Richpro Group Limited	BVI	US$1	100	–	Investment holding
Signalmedia Networks Hong Kong Limited (note (i))	Hong Kong	HK$1	–	100	Inactive
Shanghai Cheng Ming Ming Cosmetic. Product Ltd.*	The PRC	US$1,200,000	–	100	Provision of consultancy and technical services and manufacture of cosmetic related products
Shanghai Cheng Ming Ming Industrial Ltd.	The PRC	RMB3,000,000	–	100	Trading of cosmetic products
Winning Elite Investments Limited ("Winning Elite")	BVI	US$1	100	–	Investment holding
上海蒙妮坦職業培訓學校*	The PRC	RMB1,000,000	–	100	Operation of esthetic school
上海鄭明明美容美髮有限公司	The PRC	US$200,000	–	100	Provision of consultancy services and esthetic services

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 Direct	Indirect	Principal activities
唯美坊貿易(上海) 有限公司	The PRC	US$230,000	–	60	Trading of cosmetic products
上海妝韵美容美髮有限公司 (note (ii))	The PRC	RMB100,000	–	100	Provision of esthetic services

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

Note:

(i) The Company has ceased business in the year and deregistered subsequent to the end of reporting period.

(ii) This subsidiary was registered as wholly-foreign-owned enterprise under the PRC law on 25 May 2009.

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Notes:

(a) During the year, the gross gain of the Group's available-for-sale financial assets recognised directly in equity amounted to HK$420,000 (2008: gross loss of HK$1,439,000). The fair values of listed equity investments are based on quoted market prices as at 31 December 2009. The market values of the Group's and the Company's listed equity instruments at the date of approval of these consolidated financial statements were approximately HK$1,262,000.

(b) Unlisted equity investments consisted of investments in equity interests which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

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

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

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

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

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

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

21. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Company	
		2009	2008	**2009**	2008
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Embedded derivative financial instruments, at market value	47				
– Overseas		**13,019**	6,161	**–**	6,161

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

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

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

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

22. INTERESTS IN AN ASSOCIATE

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

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

22. INTERESTS IN AN ASSOCIATE (CONTINUED)

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

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

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

	Assets	Liabilities	Revenue	Loss
	HK$'000	HK$'000	HK$'000	HK$'000
2009	**983**	**180**	**1,052**	**5**
2008	2,874	429	2,522	40

23. INVENTORIES

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

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

24. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

(a) Trade receivables, net of provision

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK509,000 (2008: HK$1,579,000) with a carrying amount of HK$509,000 (2008: HK$1,579,000). The individually impaired trade receivables relate to customers that were in default or delinquency in interest or principal payments and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

(b) Deposits and other receivables

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

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**47,446**	45,227	**8,528**	8,685
Renminbi	**15,289**	22,276	**–**	–
Others	**547**	–	**–**	–
	63,282	67,503	**8,528**	8,685

25. AMOUNTS DUE FROM/TO RELATED PARTIES

(a) Amount due from related parties

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

Group – 2009

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

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

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

25. AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

(a) Amount due from related parties (continued)

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

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

	Group	
	2009	2008
	HK$'000	HK$'000
Hong Kong dollars	**1,440**	902
Renminbi	**1,302**	790
At 31 December	**2,742**	1,692

(b) Amount due to related parties

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

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

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

Note:

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

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

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

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

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

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

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

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

28. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

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

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

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

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

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

29. INTEREST-BEARING BANK BORROWINGS

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

Notes:

(a) The Group's overdraft facilities amounted to HK$ 4,500,000 (2008: HK$4,500,000) at 31 December 2009, of which HK$2,320,000 (2008: HK$2,369,000) were utilised as at the reporting period end. The effective interest rate on bank overdrafts is 5.25-5.75% (2008: 6%) per annum.

(b) The Group's bank loans are secured by mortgages over the Group's buildings and prepaid land lease payments, which had an aggregate carrying value of approximately HK$16,966,000 (2008: HK$17,692,000) (note 14) and HK$5,446,000 (2008: HK$6,141,000) (note 15), respectively at the end of reporting period.

(c) The effective interest rate on bank loans is 5.58% (2008: 6.43%) per annum and mature until 1 December 2010.

(d) Except for the secured bank loans which are denominated in Renminbi and at fixed rates, all borrowings are in Hong Kong dollars and at floating rates.

30. PROVISION FOR LONG SERVICE PAYMENTS

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

31. CONVERTIBLE BONDS

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

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

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

32. FINANCE LEASE PAYABLES

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

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

Group

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

33. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

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

34. DEFERRED TAX

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

Deferred tax liabilities

Group	Note	Group Depreciation allowance in excess of related depreciation 2009 HK$'000	2008 HK$'000
At 1 January		**1,822**	1,944
Deferred tax credited to the consolidated statement of comprehensive income		**–**	(122)
At 31 December		**1,822**	1,822

Deferred tax assets

Group	Note	Group Depreciation in excess of related depreciation allowance 2009 HK$'000	2008 HK$'000
At 1 January		**–**	61
Transferred to assets of a disposal group classified as held for sale	27	**–**	(61)
At 31 December		**–**	–

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

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

35. SHARE CAPITAL

	2009 HK$'000	2008 HK$'000
Authorised:		
5,000,000,000 (2008: 5,000,000,000) ordinary shares of HK$0.01 (2008: HK$0.5) each	**500,000**	2,500,000
Issued and fully paid:		
485,830,194 (2008: 485,830,194) ordinary shares of HK$0.01 (2008: HK$0.5) each	**4,858**	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:

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

Note:

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

36. SHARE OPTION SCHEME

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

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

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

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

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

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

36. SHARE OPTION SCHEME (CONTINUED)

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

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

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

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

36. SHARE OPTION SCHEME (CONTINUED)

2008

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

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		

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

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

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

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

36. SHARE OPTION SCHEME (CONTINUED)

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

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

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

37. RESERVES

(a) Group

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

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

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

37. RESERVES (CONTINUED)

(b) Company

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

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

Notes to Financial Statements

31 December 2009

37. RESERVES (CONTINUED)

(b) Company (Continued)

Notes:

(a) The Company's contributed surplus represents the difference between the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation referred to in note 37(a) over the nominal value of the Company's shares issued in exchange therefor.

(b) The share option reserve comprised the fair value of share options granted which were yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3 to the consolidated financial statements. During the year, all share options were forfeited upon resignation of certain employees.

38. BUSINESS COMBINATIONS

Business combination during the year ended 31 December 2008

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

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

	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	14	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	

38. BUSINESS COMBINATIONS (CONTINUED)

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

(a) (Continued)
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)

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

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

	Notes	**Fair value and carrying amount immediately before the acquisition** HK$'000
Property, plant and equipment	14	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

38. BUSINESS COMBINATIONS (CONTINUED)

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

(b) (Continued)

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.

39. DISPOSAL OF SUBSIDIARIES

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

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

Notes to Financial Statements

31 December 2009

39. DISPOSAL OF SUBSIDIARIES (CONTINUED)

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

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

	Notes	HK$'000
Net assets disposed of:		
Trade receivables	27	1,954
Prepayments, deposits and other receivables	27	386
Deferred tax assets	27	61
Tax recoverable	27	57
Cash and bank balances	27	361
Trade payables	27	(1,602)
Other payables and accruals	27	(1,121)
		96

	Note	HK$'000
Satisfied by:		
Cash	12	100

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

	HK$'000
Cash and bank balances disposed and net inflow of cash and cash equivalents in respect of the disposal of the Jovian Group	100

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

39. DISPOSAL OF SUBSIDIARIES (CONTINUED)

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

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

	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		(269,481)
Minority interests		(67,298)
		1,552,131
Reclassification to available-for sale investments		(218,668)
Reclassification to other receivable		(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

39. DISPOSAL OF SUBSIDIARIES (CONTINUED)

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

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

40. CONTINGENT LIABILITIES

	Group	
	2009	2008
	HK$'000	HK$'000
Bank guarantees given to a third party	**6,005**	6,005

	Company	
	2009	2008
	HK$'000	HK$'000
Guarantees given to a bank in connection with facilities granted to a subsidiary	**2,500**	2,500

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

41. OPERATING LEASE ARRANGEMENTS

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

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**13,790**	9,959	**-**	–
In the second to fifth years, inclusive	**14,493**	16,382	**-**	–
	28,283	26,341	**-**	–

42. COMMITMENTS

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Contracted, but not provided for product royalty	**347**	–	**-**	–

43. RELATED PARTY TRANSACTIONS

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

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

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

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

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Notes:

(i) Rental expenses paid to related companies were made according to the prices and conditions stated in the tenancy agreements that were agreed between the Group and the related companies.

(ii) Management fee income received from related companies was charged for certain administrative services provided by the Group. They were charged based on the actual costs incurred plus an agreed percentage to cover a share of general overheads.

(iii) Consultancy fee, project management fee, management fee, performance incentive fee and were paid in accordance with contractual terms agreed between the Group and the related companies.

(iv) Share options were granted for consultancy services provided to the Group under the share option scheme of the Company based on terms agreed by both parties.

(v) Management fee paid to related parties in respect of management consultancy services provided to the Company.

(b) Outstanding balances with related parties:

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

(c) Other transactions with related parties:

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

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

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

44. NOTES TO THE CONSOLIDATE CASH FLOW STATEMENT

Major non-cash transactions

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

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

45. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

Financial assets

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

45. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Group (continued)

Financial liabilities

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

Company

Financial assets

	2009				2008			
	Equity investments at fair value through profit or loss HK$'000	**Loans and receivables HK$'000**	**Available-for-sale financial assets HK$'000**	**Total HK$'000**	Equity investments at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	**-**	**-**	**1,262**	**1,262**	–	–	842	842
Equity investments at fair value through profit or loss	**-**	**-**	**-**	**-**	6,161	–	–	6,161
Prepayments, deposits and other receivables	**-**	**8,528**	**-**	**8,528**	–	8,685	–	8,685
Due from subsidiaries	**-**	**554,047**	**-**	**554,047**	–	561,322	–	561,322
Due from subsidiaries classified as held for sale	**-**	**-**	**-**	**-**	–	–	3,350	3,350
Cash and cash equivalents	**-**	**30,487**	**-**	**30,487**	–	39,312	–	39,312
	-	**593,062**	**1,262**	**594,324**	6,161	609,319	4,192	619,672

45. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company (continued)

Financial liabilities

	2009 Financial liabilities at amortised cost HK$'000	2008 Financial liabilities at amortised cost HK$'000
Other payables	**545**	1,354

46. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES

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

Interest rate risk

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

Foreign exchange rate risk

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

46. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

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

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

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

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

Liquidity risk

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

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

46. FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

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

Group

	2009					
	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	-	101	302	907	-	1,310
Interest-bearing bank borrowings	2,320	3,335	13,861	-	-	19,516
Trade payables	-	6,664	5,491	641	-	12,796
Other payables and accruals	-	32,172	-	-	-	32,172
Amounts due to related parties	2,954	-	-	-	-	2,954
Amounts due to minority shareholders of subsidiaries	600	-	-	-	-	600
	5,874	42,272	19,654	1,548	-	69,348

	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	331	1,159	–	1,596
Interest-bearing bank borrowings	2,369	–	16,484	–	–	18,853
Trade payables	–	9,244	–	–	–	9,244
Other payables and accruals	–	38,340	–	–	–	38,340
Amounts due to related parties	384	–	–	–	–	384
Amounts due to minority shareholders of subsidiaries	600	–	–	–	–	600
	3,353	47,690	16,815	1,159	–	69,017

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Company

	2009					
	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**
Other payables and accruals	**-**	**545**	**-**	**-**	**-**	**545**

	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
Other payables and accruals	–	1,354	–	–	–	1,354

Equity price risk

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

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

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

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Equity price risk (continued)

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

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

Capital management

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

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

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

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

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

Notes to Financial Statements

31 December 2009

47. FAIR VALUES

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

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

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

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

48. EVENTS AFTER THE REPORTING PERIOD

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

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

49. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**151,441**	138,079	103,304	5,392	3,120
Loss for the year attributable to the equity holders of the Company	**(9,815)**	(266,666)	(167,019)	(39,594)	(32,479)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	2009	2008	2007	2006	2005
Total assets	**642,970**	655,669	2,492,299	493,852	274,862
Total liabilities	**(70,926)**	(74,416)	(1,264,045)	(54,940)	(46,114)
Total minority interests	**–**	–	(67,347)	–	–
	572,044	581,253	1,160,907	438,912	228,748