


ANNUAL REPORT 2010

Jinchuan Group International Resources Co. Ltd

(Formerly known as Macau Investment Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2362)

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Mr. Yang Zhiqiang *(Chairman of the Board)*
Mr. Zhang Sanlin
Mr. Zhang Zhong
Ms. Deng Wen
Ms. Maria Majoire Lo

Non-executive Directors

Mr. Gao Tianpeng
Mr. Qiao Fugui
Ms. Zhou Xiaoyin

Independent Non-executive Directors

Mr. Gao Dezhu
Mr. Wu Chi Keung
Mr. Yen Yuen Ho, Tony

COMPANY SECRETARY

Mr. Wong Tak Chuen

AUDIT COMMITTEE

Mr. Gao Dezhu *(Chairman)*
Mr. Wu Chi Keung
Mr. Yen Yuen Ho, Tony

REMUNERATION COMMITTEE

Mr. Zhang Sanlin *(Chairman)*
Mr. Gao Dezhu
Mr. Wu Chi Keung
Mr. Yen Yuen Ho, Tony

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, 12/F
Tower 1
Admiralty Centre
18 Harcourt Road
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited

WEBSITE

www.jinchuan-intl.com

CHAIRMAN'S STATEMENT

2010 was a key milestone year in the embarking of Jinchuan Group International Resources Co. Ltd ("Jinchuan International", or the "Company"; together with its subsidiaries, collectively referred to as the "Group") on the diversification of the business into mineral resources exploitation sectors.

I and my key management team come from Jinchuan Group Limited*金川集團有限公司 ("Jinchuan Group"), has been working in various segments in running a large-scale non-ferrous mining conglomerate with rich experience, which embraces "Mining", "Concentrating", "Metallurgy", "Chemical Engineering" and "Further Processing".

Jinchuan Group, ultimate holding company of the Company, was founded in 1958 and it is a state-owned enterprise with its majority equity interest held by the People's Government of Gansu Province. Boasting the world's well-known mines of nickel sulfides associated with cobalt sulfides, Jinchuan Group is a leading nickel and cobalt producer in the world, as well as one of the largest producers of copper and platinum group of metals in the People's Republic of China (the "PRC"). In 2010, Jinchuan Group's annual output reaches 130,000 tonnes of nickel, 400,000 tonnes of copper, 6,000 tonnes of cobalt and over 200 tonnes of gold, silver and precious group of metals.

Leveraging with Jinchuan Group's background and its strong market position, Jinchuan Group has been developing its international mineral resources exploitation operations over 24 countries with an global exploration area of approximately 5,000 sq. km. These overseas resources are estimated to have over 1,000,000 tonnes of nickel, 3,000,000 tonnes of copper, 60,000 tonnes of cobalt. To accelerate the rapid expansion of Jinchuan Group's overseas business, it has established the flagship for the development of overseas operations through the subscription of 1,667,142,857 new shares, representing 61.1% equity interest, of the Company on 30 November 2010. I have been appointed as Chairman of the Board and Chief Executive Officer of the Company after the Jinchuan Group's acquisition of this majority stake in the Company. A launching ceremony has just taken place in Hong Kong on 18 February 2011 to celebrate the successful launching of Jinchuan Group as the first company from Gansu Province owning a company listed on the Main Board of the Hong Kong Stock Exchange. The Governor of Gansu Province and officials from the Liaison Office of the Central People's Government in the Hong Kong S.A.R. attended this ceremony, with over a hundred of guests from the investor community evidencing a new page of Jinchuan International in the Hong Kong capital market.

* For identification purpose only

In recent years, global and domestic demand of non-ferrous metals has been increasingly steadily, riding on the ongoing worldwide industrialisation and urbanisation, in particular the PRC. The wide application of nickel, copper and cobalt generates strong demands, resulting in huge return for mining companies to fuel the robust growth of extending the global resources. With the industry expertise and experience of our new key management team, we have been actively seeking and evaluating opportunities for overseas investment in mining exploration and mineral resources sector. We have confident in identifying quality assets and/or businesses in advance to capture attractive investment returns to our shareholders.

Backing by the strength of Jinchuan Group's technology and expertise over its fifty years development and leveraging on the platform of Hong Kong as an international finance and trading centre, we focus on developing the Company as a flagship of Jinchuan Group for undertaking overseas operations in the exploitation of mining assets and related trading, to create higher added value to the Company's investors. Apart from this prime future direction, we would also take care the existing beauty-related and property development businesses by considering any improvement measures and alternative arrangement in dealing with these operations and assets to enhance our profitability and cash flows to the benefit of the shareholders as a whole.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude as always to all the shareholders management team and staff member of Jinchuan International. The growth of the Company would not have been possible without your care and contribution. The Group would also like to thank the People's Government of Gansu Province for their continued support to Jinchuan Group, in particular the establishment of Jinchuan International as a flagship for further developing overseas mining exploration and mineral resources operations.

With the successful repositioning of our business to focus on mineral resources exploitation sector, our management and staff will dedicate their professional knowledge to actively expanding our presence in the international market. The outstanding track record of Jinchuan Group is able to adjust the Company quickly under this transformation and drive the Company to achieve more success in the future.

Yang Zhiqiang
Chairman of the Board

Hong Kong, 28 February 2011

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 30 November 2010, Jinchuan Group Limited* 金川集團有限公司 ("Jinchuan Group"), through its wholly-owned subsidiary, Jinchuan Group (Hongkong) Resources Holdings Limited, successfully subscribed 1,667,142,857 new shares of the Company and holds 61.1% interest in the Company since then. Jinchuan Group is a large-scale non-ferrous mining conglomerate, specializing in "mining", "concentrating", metallurgy, "chemical engineering" and "further processing". It is a state-owned enterprise with its majority interest held by the People's Government of Gansu Province.

Following the above change in controlling shareholder, it is the Company's strategic intention to diversify its businesses into the mining and mineral resources sector, in addition to its existing beauty-related and property investment operations. With effect from 12 January 2011, the name of the Company changed from "Macau Investment Holdings Limited" to "Jinchuan Group International Resources Co. Ltd 金川集團國際資源有限公司". It marks a significant milestone underscoring the Company's future business direction to operate as Jinchuan Group's flagship for undertaking overseas operations in the exploration and exploitation of mining assets and related trading.

Notwithstanding the Company's ongoing move towards the mining and mineral resources sector as mentioned above, the existing Cosmetic & Beauty and Property Investment & Development segments continued to be the core businesses of the Company in 2010. The details of their results of operations for the year ended 31 December 2010 are as follows:

Cosmetic and Beauty

Our Cosmetic and Beauty segment is represented by CMM International Group Limited and its subsidiaries (the "CMM Group"), which has continued to develop high quality anti-aging skin care and colour cosmetics, suitable for the Chinese consumers. In 2010, the CMM Group started to explore selling its products on TV shopping channel and through the Internet to reach a larger portfolio of potential customers. The CMM Group intends to grow this sector, continuously to explore younger consumer group and develop an easier access for consumers to buy its products.

The CMM Group also continues to manage the 7 beauty brands, for which it designs, develops and promotes through different marketing channels, while targeting a wide-range of consumer groups. It covers the retail channel with brands such as CMM, FL (Fresh Living), Barbie cosmetics and Hello Kitty cosmetics. It also distributes under brands Monita, Fairlady and MD Cliniceuticals to salon and spas through its professional beauty channels.

In Hong Kong, the CMM Monita beauty school business contributed to a large part of its local service business. It has developed new courses and successfully attracted more students after engaging in aggressive sales and marketing program. Orient medical spa by CMM and CMM medical beauty programs has also undergone exciting new changes to capture the future growth potential. Both the spas and medical beauty centers provide quality services and products for our customers through our professional medical beauty services.

* For identification purpose only

Property Investment and Development

There were no significant development of the two Macau property projects in which we held equity interest in the project companies during the year. Governmental approvals have not been sought to progress the projects on original planned schedule. With the increasing concerns from the society over the cultural heritage, allocation of more public recreational areas, ecological and environmental protection under overall city planning, it is expected that zoning adjustments, in terms of plot ratios and height restriction, would be imposed on possible future approval to be granted. The prolonged delay in project development and reduction in expected gross floor areas for development, amongst other things, caused the sharp fall in the year-end valuation of both projects as compared with prior year's valuation. The drop in value was also evidenced by the general write down of property value from adjacent developers.

In view of the uncertainty associated with Macau property market and ongoing development progress of the projects, the Group may consider realizing these assets at fair considerations.

FINANCIAL REVIEW

Except for the impairment of assets, the Group's operating results for the year ended 31 December 2010 are primarily contributed by its Cosmetics & Beauty segment run by the CMM Group.

Revenue and gross profit

The revenue from continuing operations for the year ended 31 December 2010 was HK$127 million, a decrease of 16% as compared with HK$151 million in the prior year. The Group's owned branded products had faced fierce competition from international peers in the People's Republic of China (the "PRC"), especially heavily impacted in first-tier cities like Beijing and Shanghai where enhanced purchasing power of high income group increasing the ability of customers to afford a wider selection of renowned imported cosmetic products. It resulted in a decline in product sales in 2010.

At the same time, to combat against the threat from the international competitors, the CMM Group extended greater discounts to its consumers to secure customer loyalty. With relatively stable costing structure over the year, the gross margin experienced a trim down as compared with that in 2009.

Other income and gains

The fall in other income and gains was mainly resulted from no equivalent fair value gain on equity investments at fair value through profit or loss in respect of the amount of HK$3.4 million recorded in 2009.

Selling and distribution costs

The decrease in selling and distribution costs of HK$6.5 million is mainly due to the saving in rental expenses of sales outlet in 2010 by HK$5.2 million after closure of beauty salon and sales outlet in the PRC around end of 2009.

Administrative expenses

The predominant reason for the significant increase in administrative expenses by 29% to HK$49.6 million from HK$38.4 million in 2009 is mainly due to the loss on disposal of plant and equipment, professional and consultancy fees and the impairment of trade receivables.

Costs associated with equity-settled share options

In July 2010, the Company granted share option exercisable to subscribe for, in aggregate, 26,400,000 new shares of HK$0.01 each at HK$0.59 per share which amounted to a share-based payment expenses of HK$7.1 million.

Impairment of assets

The significant impairment amounts recorded during the year comprise the impairment of (a) intangible assets of HK$75 million and (b) available-for-sale investments of HK$315 million.

(a) The intangible assets relate to the brand name under the Cosmetics & Beauty segment. These represent the rights for use of brand name "CMM" arising from the acquisition of CMM Group in previous years. The severe competition of the beauty-related business resulted in decline in revenue and thus losses incurred over the years. Such unfavourable factors had dragged down the year-end valuation of the "CMM" brand in 2010 and thus an impairment is required.

(b) The available for sale investments relate to the Group's interests in two Macau property projects as mentioned in the "Business Review" section above. Impairments are made owing to the general stagnant market sentiment beyond the Group's control and unexpected prolonged delays in project development.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2010, the Group had cash and bank balances of HK$631 million placed in banks. The interest-bearing bank borrowings of the Group of HK$18 million is due within one year.

The Group generally finances its operation with internally generated cash flows and equity. Following the new share subscription and placement raising a total of HK$584 million (before share issue expense) funds in November 2010, the Group is in a net cash position as at 31 December 2010.

Material acquisitions and disposals of investments

In mid-2010, the Group acquired a further 2.8% equity interest in one of the Macau property projects for a total consideration of HK$43 million, comprising HK$26 million by cash and HK$17 million satisfied by the issue of 61,500,000 new shares of HK$0.01 each at HK$0.28 per share.

Save as above, the Group had no other material acquisitions or disposals of investments during the year.

Significant capital expenditures
Save for the HK$43 million in respect of further acquisition of property interest as mentioned in the above paragraphs and the HK$8 million additions of property, plant and equipment in the Cosmetic & Beauty segment, there were no significant capital expenditures during the year.

Details of charges on the Group's assets
The Group's buildings and prepaid land lease payments of approximately HK$16.3 million and HK$5.3 million, respectively, were pledged to banks to secure banking facilities granted to the Group.

Contingent liabilities
The Group had no material contingent liabilities as at 31 December 2010.

Foreign exchange exposure
Since we generated most of the revenue from the sale of goods, the proceeds of which are either in Hong Kong dollars or Renminbi, 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
Being the flagship for future undertaking of overseas operations in exploration and exploitation of mining assets and related trading as part of the Jinchuan Group, the Company intends to leverage on the expertise and experience of the Jinchuan Group and is considering investment, cooperation and acquisition opportunities with regard to nickel, copper and cobalt projects with particular focus in regions including Australia, America, Asia, Europe and Africa continents where have rich non-ferrous metal resources and favourable mineral investment environment for foreign investors.

With the state-ownership background, industry expertise and experience, as well as the strong market position of the Jinchuan Group which major business is vertical integration of mine and metal, the Company considers it is well placed to find and assess opportunities for investment in the mining and mineral resources sector, to undertake feasibility studies of identified opportunities, and to assess the quality and potential of identified assets or businesses. With the supports from the Jinchuan Group, which enjoys a leading position in this industry, the Company believes that it will have the ability to command the attention of potential targets with viable business and operations.

The Company is seeking potential investment chances to capture and pursue better business opportunities in the mining and mineral resources sector, so as to enhance the value of shareholders. In fact, with the wide application and the steady growth in global demand for mineral resources riding on the ongoing industrialisation and urbanisation, the Company believes that the mining and mineral resources business of nickel, copper and cobalt presents great potential.

With regard to the existing beauty-related and property investment operations, the Company intends to implement improvement measures and arrangement regarding the management and operations of these businesses and assets. However, when the new business ventures of the Group in mining and mineral resources sector develops into a mature stage, then the Group may consider opportunities to dispose of these existing businesses and assets at fair considerations.

The Group is confident that by gradually and steadily transforming its business into an international platform for undertaking overseas mining and mineral resources projects and operations, it would be able to create better returns to the overall shareholders as a whole.

EMPLOYEES

As at 31 December 2010 the Group had 543 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.

CORPORATE GOVERNANCE REPORT

The Company has complied throughout the year ended 31 December 2010 with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except for the non-compliance of CG Code provision A2.1 as mentioned in the section "Chairman of the Board and Chief Executive Officer" below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules regarding securities transactions by directors. Based on specific enquiry of directors of the Company, all of them have confirmed that they had complied with the required standard set out in the Model Code for the year ended 31 December 2010.

BOARD OF DIRECTORS

The main duty of the board of directors (the "Board") 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 Board presently at the date of this report comprises eleven directors of which five are executive directors, three are non-executive directors and three are independent non-executive directors.

The directors of the Company during the year ended 31 December 2010 and up to the date of this report were:

Executive directors:

Mr. YANG Zhiqiang *(Chairman of the Board)*	(appointed on 30 November 2010)
Mr. ZHANG Sanlin	(appointed on 30 November 2010)
Mr. ZHANG Zhong	(appointed on 30 November 2010)
Ms. DENG Wen	(appointed on 20 July 2010)
Ms. Maria Majoire LO	
Ms. CHEUNG Hing Man, Charissa	(appointed on 20 July 2010 and resigned on 30 November 2010)
Mr. ISHIZAKA Yasumasa	(resigned on 5 August 2010)

Non-executive directors:

Mr. GAO Tianpeng	(appointed on 30 November 2010)
Mr. QIAO Fugui	(appointed on 30 November 2010)
Ms. ZHOU Xiaoyin	(appointed on 30 November 2010)
Mr. GAO Dezhu*	(appointed on 12 January 2011)
Mr. WU Chi Keung*	(appointed on 12 January 2011)
Mr. YEN Yuen Ho, Tony*	(appointed 5 August 2010)
Mr. GUO Rui	(appointed on 5 August 2010 and resigned on 30 November 2010)
Mr. ZHOU Jin Song*	(resigned on 12 January 2011)
Mr. SUN Tong*	(resigned on 12 January 2011)
Ms. CHIU Ching Katie*	(resigned on 5 August 2010)

* Independent non-executive directors

MEETINGS ATTENDANCE

A total of 11 Board meetings, 2 Audit Committee meetings and 3 Remuneration Committee meetings had been held in 2010. The following is a summary of the attendance of meetings of each Director:

Directors	Board	Audit Committee	Remuneration Committee
YANG Zhiqiang	–	–	–
ZHANG Sanlin	–	–	–
ZHANG Zhong	–	–	–
DENG Wen	6	–	–
Maria Majoire LO	11	–	–
CHEUNG Hing Man, Charissa	6	–	–
Yasumasa ISHIZAKA	7	–	–
GAO Tianpeng	–	–	–
QIAO Fugui	–	–	–
ZHOU Xiaoyin	–	–	–
GAO Dezhu	–	–	–
WU Chi Keung	–	–	–
YEN Yuen Ho, Tony	4	1	1
GUO Rui	4	–	–
ZHOU Jin Song	8	2	3
SUN Tong	8	2	3
CHIU Ching Katie	4	1	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 OF THE BOARD AND CHIEF EXECUTIVE OFFICER

CG Code provision A2.1 stipulates that the role of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. During the year ended 31 December 2010, Mr. Yasumasa Ishizaka and Mr. Yang Zhiqiang, respectively, held the offices of Chairman and CEO of the Company. The Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Company will continue to review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and CEO, are necessary.

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.

TERMS OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

All of the non-executive directors have each entered into a letter of appointment with the Company with a term commencing on the appointment date and ending on the date of the third annual general meeting or the date on which he shall retire from office in accordance with the articles of association of the Company and the Listing Rules and not having been re-elected. The independent non-executive directors have each entered into a letter of appointment with the Company with a term of one year commencing on the appointment date or the date on which he shall retire from office in accordance with the articles of association of the Company and the Listing Rules and not having been re-elected.

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).

REMUNERATION COMMITTEE

The Company had established a Remuneration Committee to review with specific terms of reference in compliance with the CG Code provisions. The Remuneration Committee comprises four members, of whom one is an executive director namely Mr. Zhang Sanlin (Chairman of Remuneration Committee) and three are independent non-executive directors, namely Mr. Gao Dezhu, Mr. Wu Chi Keung and Mr. Yen Yuen Ho, Tony.

The principal duties of the Remuneration Committee are as follows:

- To make recommendations with respect to the remuneration of the 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. During the year ended 31 December 2010, the Remuneration Committee had held three meetings to review and recommend to the Board the salary packages of the 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.

AUDITS COMMITTEE

The Company has established an Audit Committee with written specific terms of reference in compliance with the CG Code provisions. The Audit Committee of the Company comprises three independent non-executive directors, namely Mr. Gao Dezhu (Chairman of Audit Committee), Mr. Wu Chi Keung and Mr. Yen Yuen Ho, Tony, who together have the relevant accounting and financial management expertise, legal and business experience to discharge their duties. The Audit committee had held 2 meetings during the year ended 31 December 2010 to review and approve the interim and annual results of the Company with the external auditor.

The principal duties of the Audit Committee are as follows:

- To review the interim and 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 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 2010, 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 ended 31 December 2010, the Board has through the Audit Committee reviewed the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management functions.

AUDITORS' REMUNERATION

The Group's external auditors are Ernst & Young. The auditors' remuneration for the year ended 31 December 2010 is HK$1.7 million which is all related to audit services.

NOMINATION OF DIRECTORS

The Company does not have a nomination committee. The Board is empowered under the Company's article of association to appoint any person as a director either to fill a casual vacancy or as an addition to the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their qualifications, experience and expertise as well as the requirements under the Listing Rules. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Yang Zhiqiang, *Chairman of the Board and Chief Executive Officer*

Mr. Yang Zhiqiang, aged 53, PhD, professor-grade senior engineer, currently the president of the ultimate holding company, Jinchuan Group Limited* **金川集團有限公司** ("Jinchuan Group") which is a large-scale non-ferrous mining conglomerate, specializing in mining, concentrating, metallurgy, chemical engineering and further processing. Mr. Yang joined the Jinchuan Group in 1982 and had served as the deputy general manager in Jing Hang Engineering Company (**井巷工程公司**) of the Jinchuan Group, deputy chief engineer and general manager of the corporate management division in the Jinchuan Group, deputy general manager in the Jinchuan Group, president and general manger of Silver Non-ferrous Metals Company (**白銀有色金屬公司**), and the deputy director of the Development and Reform Commission of Gansu Province. Mr. Yang, as the president of the Jinchuan Group, has over 28 years of extensive experience in resources development, mine construction, large-scale metal selection and group production, marketing and capital management.

Zhang Sanlin

Mr. Zhang Sanlin, aged 46, a senior economist, completed his postgraduate studies in business management. He joined the Jinchuan Group in July 1985 and since then has been consecutively responsible, at the smelting plant, for statistics and production planning, and at the management division of the Jinchuan Group, for corporate management and corporate transformation, and at the mines under the Jinchuan Group, for operation management, and at the management division of the Jinchuan Group, for asset restructuring, institutional adjustment, capital restructuring and share listing, merger and acquisition and asset management. He is currently the vice president of the Jinchuan Group and is responsible for the Jinchuan Group's asset management, legal matters, risk management and overseas investment and economic cooperation. He has extensive experience in mining business management and corporate asset management. He is also a director of Metals X Limited since November 2009 and Albidon Limited since September 2010, both of which are companies listed on the Australian Securities Exchange.

Zhang Zhong

Mr. Zhang Zhong, aged 45, EMBA, graduated from Xi'an Jiaotong University, currently the general manager of Jinchuan Group (Hongkong) Resources Holdings Limited. For over 20 years, Mr. Zhang has consecutively served as the head of the computer center of the Jinchuan Group, the director of the research institute of automation, liaison officer on overseas projects of the Jinchuan Group, head of the information centre of the Jinchuan Group, the president of Gansu Jinchuan Jin Ge Mining Vehicles Company Limited (甘肅金川金格礦業車輛有限公司), a Sino-German joint venture, the president (and general manager) of Jinchuan Group Mechanics Manufacturing Limited (金川集團機械製造公司) and the general manager of the planning and development division of the Jinchuan Group. He has extensive operation and management experience in the mining industry.

* For identification purpose only

Deng Wen

Ms. Deng Wen, aged 43. Ms. Deng holds a university degree in Chinese Literature from Inner Mongolia Normal University. Ms. Deng also attended the Economic Research Enterprise Management and Innovation Senior Executive Training organized by Peking University.

Ms. Deng has been the Deputy General Manager of Rong Da Xin Industrial Development Co., Ltd. since December 2006. Prior to that, Ms. Deng had been working as the General Deputy Manager for Weifang Chuang Ke Industrial Co., Ltd and Beijing Pu Bo Management Consulting Co., Ltd and assumed overall management and operation responsibilities of those companies.

Maria Majoire Lo

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.

NON-EXECUTIVE DIRECTORS

Gao Tianpeng

Mr. Gao Tianpeng, aged 39, currently the general manager of the asset management division of the Jinchuan Group. For the 16 years since he has joined the Jinchuan Group, Mr. Gao has served as the cost manager of the finance division, finance manager of the international trading arm and general manager of the risk management division of the Jinchuan Group. Mr. Gao, currently as the director of the overseas investment projects and corporate merger and acquisition divisions, has extensive experience in financial cost management, risk management and asset management.

Qiao Fugui

Mr. Qiao Fugui, aged 45, Master of Engineering, holder of postgraduate qualification, currently the general manager of the mineral resources division of the Jinchuan Group. Mr. Qiao joined the Jinchuan Group in 1988. He has previously served as the deputy general manager of the planning and development division of the Jinchuan Group, the director of three mining zones of the Jinchuan Group, general manager of the mining division of the Jinchuan Group, the director of Gansu Jin Ao Mining Limited (甘肅金澳礦業公司), the joint venture established by the Jinchuan Group and BHP Billiton. He is also a director of GobiMin Inc., a company listed on the TSX Venture Exchange in Canada, since 2007. He expertise in technical aspects of mine exploration and development and has extensive experience in operation and management.

Zhou Xiaoyin

Ms. Zhou Xiaoyin, aged 33. Ms. Zhou obtained a bachelor's degree in legal studies from Lanzhou University of Finance in China in 1999 and joined the Jinchuan Group in the same year. She obtained the Certificate of Chinese Professional Legal Qualification in 2002 and acted as the Company's counsel on a long-term basis. Ms Zhou, as a business executive involved in the major overseas investment and finance projects of the Jinchuan Group, has a good understanding of the operation of international mining projects and has extensive professional knowledge and experience.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Gao Dezhu

Mr. Gao Dezhu, aged 70, is a senior economist. He has served as the deputy general manager of Bank of China and the vice minister of the State Nonferrous Metals Industry Administration (國家有色金屬工業局). He is currently the executive vice chairmen of the China Non-ferrous Metals Industry Association and a part-time professor of China Renmin University, the Graduate School of the People's Bank of China, Liaoning University, Central South University of Technology and Kunming University of Science and Technology. Mr. Gao has served as an independent non-executive director of BGRIMM Magnetic Materials & Technology Co., Ltd., Western Mining Co., Ltd., and Hainan Xingye Polyester Co., Ltd., the shares of these companies are listed on the Shanghai Stock Exchange in the past three years. In addition, Mr. Gao has served as an independent non-executive director of Anhui Tongdu Copper Stock Co., Ltd. and Ningxia Orient Tantalum Industry Co., Ltd. (the shares of both companies are listed on the Shenzhen Stock Exchange) and China Molybdenum Co., Ltd. and Jiangxi Copper Company Limited (the shares of both companies are listed on the main board of the Stock Exchange), in the past three years. Mr. Gao has extensive experience in finance and management in non-ferrous metals industry.

Wu Chi Keung

Mr. Wu Chi Keung, aged 54, graduated from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in 1980 with a Higher Diploma in Accountancy. He has more than 29 years of experience in financial audit and specializes in providing auditing and assurance services, financial due diligence reviews, support services for merger and acquisitions, corporate restructuring and fund raising engagements. Mr. Wu's prior experience in finance mainly includes working with international accounting firms until he retired as a partner from Deloitte Touche Tohmatsu in 2008. Mr. Wu is currently the managing director of a family-owned private company in Hong Kong engaging in property and other investment activities. He is an independent non-executive director of China Medical System Holdings Limited, the shares of which are listed on the main board of the Stock Exchange. Mr. Wu is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Yen Yuen Ho, Tony

Mr. Yen Yuen Ho, Tony, aged 63, is a solicitor of Hong Kong and the United Kingdom. He is also a barrister and solicitor of Australia, and was a member of the Government's Law Reform Commission. Mr. Yen has been practicing law in Hong Kong since 1983 and was the Law Draftsman of the Department of Justice in Hong Kong from 1995 to 2007.

Currently, Mr. Yen is an Adjunct Professor at the City University of Hong Kong and a Court Member of the Hong Kong University of Science and Technology. He was also recently appointed as a Director of Hong Kong Institute for Public Administration and an Honorary Legal Adviser to the Friends of Scouting, Scout Association of Hong Kong. Additionally, Mr. Yen serves as the Director of two secondary schools, the Vice Chairman of the Neighbourhood Advice Action Council and a Member of Heep Hong Society's Executive Council. He is also an Honorary Adviser to the Pok Oi Hospital and the Honorary Legal Adviser to the Shanghai Fraternity Association, and serves as a member to the Hong Kong Law Society's Mainland Legal Affairs Committee. In April 2009, Mr. Yen was appointed by the Hong Kong Government as the Vice-Chairman of the Social Welfare Lump Sum Grant Independent Complaints Handling Committee. Mr. Yen also serves as a guest speaker to various universities in Hong Kong.

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Wong Tak Chuen

Mr. Wong Tak Chuen, aged 46, is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom, as well as a member of the Institute of Chartered Accountants in England and Wales. Mr. Wong has over 20 years of experience in auditing, financial management, mergers and acquisitions gained from certain senior finance related positions in an international accounting firm in Hong Kong, companies listed in Hong Kong and a company listed in the United States.

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 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed in an extraordinary general meeting held on 12 January 2011, the name of the Company was changed from Macau Investment Holdings Limited (澳門投資控股有限公司, this Chinese name was translated for identification purposes) to Jinchuan Group International Resources Co. Ltd (金川集團國際資源有限公司).

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 115.

No dividend has been paid or declared by the Company in respect of the year ended 31 December 2010.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 116. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

BANK BORROWINGS

Particular of bank borrowings of the Group as at 31 December 2010 are set out in note 29 to the financial statement.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share option during the year are set out in notes 33 and 34 to the financial statements.

PURCHASES, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 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 2010 represents the aggregate of share premium account, special reserves and accumulated losses amounting to HK$780,336,000 (2009: HK$588,133,000).

DIRECTORS

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

Executive directors:

Mr. YANG Zhiqiang *(Chairman of the Board)*	(appointed on 30 November 2010)
Mr. ZHANG Sanlin	(appointed on 30 November 2010)
Mr. ZHANG Zhong	(appointed on 30 November 2010)
Ms. DENG Wen	(appointed on 20 July 2010)
Ms. Maria Majoire LO	
Ms. CHEUNG Hing Man, Charissa	(appointed on 20 July 2010 and resigned on 30 November 2010)
Mr. Yasumasa ISHIZAKA	(resigned on 5 August 2010)

Non-executive directors:

Mr. GAO Tianpeng	(appointed on 30 November 2010)
Mr. QIAO Fugui	(appointed on 30 November 2010)
Ms. ZHOU Xiaoyin	(appointed on 30 November 2010)
Mr. GAO Dezhu*	(appointed on 12 January 2011)
Mr. WU Chi Keung*	(appointed on 12 January 2011)
Mr. YEN Yuen Ho, Tony*	(appointed 5 August 2010)
Mr. GUO Rui	(appointed on 5 August 2010 and resigned on 30 November 2010)
Mr. ZHOU Jin Song*	(resigned on 12 January 2011)
Mr. SUN Tong*	(resigned on 12 January 2011)
Ms. CHIU Ching Katie*	(resigned on 5 August 2010)

* Independent non-executive directors

In accordance with the provisions of the Company's articles of association, Mr. YANG Zhiqiang, Mr. ZHANG Sanlin, Ms. DENG Wen, Mr. GAO Tianpeng, Mr. QIAO Fugui and Mr. YEN Yuen Ho, Tony will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

All of the non-executive directors have each entered into a letter of appointment with the Company with a term commencing on the appointment date and ending on the date of the third annual general meeting or the date on which he shall retire from office in accordance with the articles of association of the Company and the Listing Rules and not having been re-elected. The independent non-executive directors have each entered into a letter of appointment with the Company with a term of one year commencing on the appointment date or the date on which he shall retire from office in accordance with the articles of association of the Company and the Listing Rules and not having been re-elected.

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

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

As at 31 December 2010, the interests and short positions of the directors and chief executives of the Company in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the the Securities and Futures Ordinance (the "SFO")) which are required: (a) to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provision of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in share options of the Company:

Name of directors	Number of options directly beneficially owned
Ms. DENG Wen	5,800,000
Ms. Maria Majoire LO	500,000
	6,300,000

Save as disclosed above, as at 31 December 2010, 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 as set out in Appendix 10 to the Listing Rules.

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 subsidiaries, its holding companies or any of their subsidiaries were 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 34 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 2010	Number of share options: Granted during the year	Number of share options: At 31 December 2010	Exercise price HK$	Grant date	Exercise period
Directors						
Ms. DENG Wen	–	5,800,000	5,800,000	0.59	22/7/2010	22/1/2011 to 21/7/2020
Ms. CHEUNG Hing Man, Charissa*	–	5,800,000	5,800,000	0.59	22/7/2010	22/1/2011 to 21/7/2020
Ms. Maria Majoire LO	–	500,000	500,000	0.59	22/7/2010	22/1/2011 to 21/7/2020
	–	**12,100,000**	**12,100,000**			
Business consultants						
In aggregate	–	8,000,000	8,000,000	0.59	22/7/2010	22/1/2011 to 21/7/2020
Other employees						
In aggregate	–	6,300,000	6,300,000	0.59	22/7/2010	22/1/2011 to 21/7/2020
	–	**26,400,000**	**26,400,000**			

* Ms. CHEUNG Hing Man, Charissa is appointed as executive director on 20 July 2010 and resigned on 30 November 2010.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, so far as is known to the directors of the Company, the following persons had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in the shares of the Company

Name	*notes*	Capacity/ nature of interest	Number of shares held/involved	Percentage of the total issued share capital (%)
Jinchuan Group Limited	(1)	Interest of a controlled corporation	1,667,142,857	61.1
Jinchuan Group (Hongkong) Resources Holdings Limited	(1)	Interest of a controlled corporation	1,667,142,857	61.1
Jinchuan BVI Limited	(1)	Interest of a controlled corporation	1,667,142,857	61.1
Jinchuan (BVI) 1 Limited		Beneficial owner	956,557,377	35.1
Jinchuan (BVI) 2 Limited		Beneficial owner	437,283,372	16.0
Jinchuan (BVI) 3 Limited		Beneficial owner	273,302,108	10.0
Mr. Wei Jijun	(2)	Interest of a controlled corporation	152,548,480	5.6
Sincere Daily Limited		Beneficial owner	152,548,480	5.6

Notes:

1. Jinchuan Group Limited directly owns 100% of the issued share capital of Jinchuan Group (Hongkong) Resources Holdings Limited which in turn owns 100% of the issued share capital of Jinchuan BVI Limited which owns 100% of the issued share capital of Jinchuan (BVI) 1 Limited, Jinchuan (BVI) 2 Limited and Jinchuan (BVI) 3 Limited. Therefore, Jinchuan Group Limited, Jinchuan Group (Hongkong) Resources Holdings Limited and Jinchuan BVI Ltd are deemed to have an interest in 1,667,142,857 shares under the SFO.

2. Mr. Wei Jijun directly owns 100% of the issued shares of Sincere Daily Limited. Therefore, Mr. Wei is deemed to have an interest in 152,548,480 shares under the SFO.

Save as disclosed above, as at 31 December 2010, there was no person (other than the interest disclosed above in respect of the directors or the chief executives of the Company) who (i) had interests or short positions in the shares and underlying shares of the Company which (a) would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) were recorded in the register required to be kept by the Company under Section 336 of the SFO; or (ii) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying the right to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases.

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 issued share capital) had any interest in any of the Group's five largest customers or suppliers for the year ended 31 December 2010.

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

Save as disclosed in this report, 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 34 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the board of directors, as at the date of this report, the Company has maintained sufficient public float not less than 25% of the Company's issued shares as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of event after the reporting period are disclosed in note 44 to the financial statements.

AUDITORS

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

By order of the Board

YANG Zhiqiang
Chairman

Hong Kong, 28 February 2011

INDEPENDENT AUDITORS' REPORT

Ernst & Young 安永

To the shareholders of Jinchuan Group International Resources Co. Ltd
(Formerly known as Macau Investment Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Jinchuan Group International Resource Co. Ltd (the "Company") and its subsidiaries (together, the "Group") set out on pages 28 to 115, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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 2010, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

28 February 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CONTINUING OPERATIONS			
REVENUE	6	**126,916**	151,441
Cost of sales		**(54,564)**	(56,384)
Gross profit		**72,352**	95,057
Other income and gains	6	**3,055**	8,090
Selling and distribution costs		**(59,751)**	(66,295)
Administrative expenses		**(49,637)**	(38,425)
Other expenses		**(3,766)**	(4,478)
Costs associated with equity-settled share options		**(7,138)**	–
Impairment of intangible assets		**(75,000)**	–
Impairment of available-for-sale investments		**(315,192)**	–
Impairment of an interest in an associate		**–**	(2,283)
Finance costs	7	**(1,264)**	(1,128)
LOSS BEFORE TAXATION	8	**(436,341)**	(9,462)
Income tax expense	10	**(2,410)**	(855)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(438,751)**	(10,317)
DISCONTINUED OPERATION			
Gain from a discontinued operation		**–**	4
LOSS FOR THE YEAR		**(438,751)**	(10,313)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Changes in fair value of available-for-sale investments		**(796)**	420
Exchange differences on translation of foreign operations		**1,879**	684
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(437,668)**	(9,209)

	Notes	**2010** **HK$'000**	2009 HK$'000
Loss attributable to:			
Owners of the parent	11	**(438,745)**	(9,815)
Non-controlling interests		**(6)**	(498)
		(438,751)	(10,313)
Total comprehensive loss attributable to:			
Owners of the parent		**(437,662)**	(8,711)
Non-controlling interests		**(6)**	(498)
		(437,668)	(9,209)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted:			
For loss for the year		**56 cents**	2 cents
For loss from continuing operations		**56 cents**	2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**39,268**	43,759
Prepaid land lease payments	15	**4,648**	5,446
Intangible assets	17	**15,706**	90,706
Available-for-sale investments	19	**–**	112,672
Long term deposits		**2,000**	1,291
Total non-current assets		**61,622**	253,874
CURRENT ASSETS			
Inventories	22	**31,994**	35,174
Trade receivables	23	**10,484**	12,197
Prepayments, deposits and other receivables	24	**52,153**	49,794
Available-for-sale investments	19	**57,887**	218,669
Equity investments at fair value through profit or loss	20	**–**	13,019
Due from related parties	25(a)	**2,591**	2,742
Cash and cash equivalents	26	**631,188**	57,501
Total current assets		**786,297**	389,096
CURRENT LIABILITIES			
Trade payables	27	**17,269**	12,796
Other payables and accruals	28	**46,305**	32,172
Interest-bearing bank borrowings	29	**18,281**	18,801
Due to related parties	25(b)	**4,112**	2,954
Tax payable		**1,502**	115
Finance lease payables	30	**334**	331
Due to non-controlling shareholders of subsidiaries	31	**600**	600
Total current liabilities		**88,403**	67,769
NET CURRENT ASSETS		**697,894**	321,327
TOTAL ASSETS LESS CURRENT LIABILITIES		**759,516**	575,201

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT LIABILITIES			
Provision for long service payments		**507**	507
Finance lease payables	30	**491**	828
Deferred tax liabilities	32	**2,563**	1,822
Total non-current liabilities		**3,561**	3,157
NET ASSETS		**755,955**	572,044
EQUITY			
Equity attributable to owners of the parent			
Issued capital	33	**27,285**	4,858
Reserves	35(a)	**729,494**	568,004
		756,779	572,862
Non-controlling interests		**(824)**	(818)
TOTAL EQUITY		**755,955**	572,044

YANG Zhiqiang
Director

ZHANG Zhong
Director

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**62**	9
Interests in subsidiaries	18(a)	**180,700**	554,047
Available-for-sale investments	19	**–**	1,261
Total non-current assets		**180,762**	555,317
CURRENT ASSETS			
Prepayments, deposits and other receivables	24	**9,229**	8,528
Cash and cash equivalents	26	**622,208**	30,487
Total current assets		**631,437**	39,015
CURRENT LIABILITIES			
Due to a subsidiary	18(b)	**2,240**	–
Other payables and accruals	28	**2,338**	545
Total current liabilities		**4,578**	545
NET CURRENT ASSETS		**626,859**	38,470
NET ASSETS		**807,621**	593,787
EQUITY			
Issued capital	33	**27,285**	4,858
Reserves	35(b)	**780,336**	588,929
TOTAL EQUITY		**807,621**	593,787

YANG Zhiqiang
Director

ZHANG Zhong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Attributable to owners of the parent											
	Issued capital	Share premium account	Warrant reserve	Share option reserve	Available-for-sale financial investments revaluation reserve	Reserve funds	Contributed surplus	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000 (note 33)	HK$'000 (note 33)	HK$'000	HK$'000 (note 34)	HK$'000	HK$'000 (note 35(a))	HK$'000 (note 35(a))	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	4,858	586,516	–	–	796	7,321	73	15,002	(41,704)	572,862	(818)	572,044
Loss for the year	–	–	–	–	–	–	–	–	(438,745)	(438,745)	(6)	(438,751)
Other comprehensive income for the year:												
Disposal of available-for-sale investments	–	–	–	–	(796)	–	–	–	–	(796)	–	(796)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	1,879	–	1,879	–	1,879
Total comprehensive loss for the year	–	–	–	–	(796)	–	–	1,879	(438,745)	(437,662)	(6)	(437,668)
Equity-settled share option arrangement	–	–	–	7,138	–	–	–	–	–	7,138	–	7,138
Issue of shares	22,427	592,014	–	–	–	–	–	–	–	614,441	–	614,441
At 31 December 2010	27,285	1,178,530*	–*	7,138*	–*	7,321*	73*	16,881*	(480,449)*	756,779	(824)	755,955

Year ended 31 December 2010

	Attributable to owners of the parent											
	Issued capital HK$'000 (note 33)	Share premium account HK$'000 (note 33)	Warrant reserve HK$'000	Share option reserve HK$'000 (note 34)	Available-for-sale financial investments revaluation reserve HK$'000	Reserve funds HK$'000 (note 35(a))	Contributed surplus HK$'000 (note 35(a))	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling 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
Loss for the year	–	–	–	–	–	–	–	–	(9,815)	(9,815)	(498)	(10,313)
Other comprehensive income for the year												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	420	–	–	–	–	420	–	420
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	684	–	684	–	684
Total comprehensive loss for the year	–	–	–	–	420	–	–	684	(9,815)	(8,711)	(498)	(9,209)
Cancellation of unexercised options	–	–	–	(16,072)	–	–	–	–	16,072	–	–	–
Cancellation of warrant	–	–	(45,640)	–	–	–	–	–	45,640	–	–	–
Capital reduction	(238,057)	–	–	–	–	–	–	–	238,057	–	–	–
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$729,494,000 (2009: HK$568,004,000) in the consolidated statement of financial position.

Dividend

No dividend has been paid or declared by the Company in respect of the year ended 31 December 2010 (2009: Nil).

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before taxation:			
From continuing operations		**(436,341)**	(9,462)
From a discontinued operation		**–**	4
Adjustments for:			
Impairment of available-for-sale investments	19	**315,192**	–
Impairment of intangible assets	17	**75,000**	–
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		**–**	(3,397)
Gain on disposal of equity investments at fair value through profit or loss		**(431)**	–
Gain on disposal of available-for-sale investments		**(605)**	–
Finance costs	7	**1,264**	1,128
Interest income	6	**(587)**	(51)
Provision for long service payments		**–**	82
Impairment of interest in an associate		**–**	2,283
Depreciation	14	**10,847**	8,733
Write-down/(write-back) of inventories to net realisable value		**2,984**	(1,787)
Loss on disposal and write-off of items of property, plant and equipment		**3,764**	15
Net gain on disposal of subsidiaries		**–**	(4)
Amortisation of prepaid land lease payments	15	**798**	736
Equity-settled share option expense		**7,138**	–
Impairment of trade receivables		**1,342**	3,022
		(19,635)	1,256
Decrease/(increase) in inventories		**196**	(1,832)
Decrease in trade receivables		**371**	452
(Increase)/decrease in prepayments, deposits and other receivables		**(2,076)**	908
Increase in long term deposits		**(709)**	(161)
Increase in trade payables		**4,473**	3,552
Increase/(decrease) in other payables and accruals		**14,133**	(6,168)
Decrease in balances with related companies		**1,343**	1,494
Cash used in operations		**(1,904)**	(499)
Interest paid		**(1,201)**	(1,042)
Interest element of finance lease rental payments		**(63)**	(86)
Overseas taxes paid		**(282)**	(847)
Net cash flows used in operating activities		**(3,450)**	(2,474)

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**587**	51
Interest income from equity investments at fair value through profit or loss		**–**	46
Purchases of items of property, plant and equipment	14	**(8,098)**	(9,590)
Proceeds from disposal of equity investments at fair value through profit or loss and available-for-sale investments		**14,521**	–
Purchases of available-for-sale investments		**(25,780)**	(3,461)
Disposal of subsidiaries		**–**	(261)
Decrease in pledged deposits		**–**	7,683
Net cash flows used in investing activities		**(18,770)**	(5,532)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increases in new bank loans		**15,929**	16,482
Repayment of bank loans		**(17,190)**	(16,482)
Capital element of finance lease rental payments		**(334)**	(331)
Issue of shares		**607,810**	–
Share issue expenses		**(10,589)**	–
Net cash flows from/(used in) financing activities		**595,626**	(331)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**573,406**	(8,337)
Cash and cash equivalents at beginning of year		**55,181**	63,279
Effect of foreign exchange rate changes, net		**485**	239
CASH AND CASH EQUIVALENTS AT END OF YEAR		**629,072**	55,181
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**41,129**	57,501
Non-pledged time deposits with original maturity of less than three months when acquired	26	**590,059**	–
Bank overdrafts	29	**(2,116)**	(2,320)
		629,072	55,181

1. CORPORATE INFORMATION

Jinchuan Group International Resources Co. Ltd (formerly known as Macau Investment Holdings Limited) is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is at P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

During the year, the Group was involved in the following principal activities:

- property development and investment
- manufacture and trading of cosmetic and related products, as well as the provision of beauty technical and training services

In the opinion of the directors, the ultimate holding company of the Company is Jinchuan Group Limited*(金川集團有限公司), which is incorporated in the People's Republic of China (the "PRC").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

* For identification purpose only

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

Basis of consolidation from 1 January 2010 (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to Nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the parent.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(b) (continued)

Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopter*[2]
HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards –Serve Hyperinflation and Removal of Fixed Dates to-First-time Adopters*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes-Deferred Tax: Recovery of underlying Assets*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010

2 Effective for annual periods beginning on or after 1 July 2010

3 Effective for annual periods beginning on or after 1 January 2011

4 Effective for annual periods beginning on or after 1 July 2011

5 Effective for annual periods beginning on or after 1 January 2012

6 Effective for annual periods beginning on or after 1 January 2013

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

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

It is expected that HKAS 39 will be aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

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

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations:* Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated statement of comprehensive income and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations."

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Business combinations from 1 January 2010 (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

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

Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

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

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

(f) 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 (d) or (e); or

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it 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 "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently 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 financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the 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.

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 the Group's 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 eight years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in other income and gains or finance costs in the statement of comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assetss or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The loss arising from impairment is recognised in the statement of comprehensive income in other expenses.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of comprehensive income in 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 other expenses and removed from the available-for-sale investments valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the statement of comprehensive income as other income in accordance with the policies set out for "Revenue recognition" below.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the statement of comprehensive income.

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, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Available-for-sale investments

For available-for-sale investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of comprehensive income. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The measurement of loans and borrowings as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the provision of beauty technical and training services, when 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;

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

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Share-based payment transactions

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

The cost of equity-settled transactions with employees for is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the financial statements.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment transactions (continued)

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

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

Other employee benefits

Pension schemes

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

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a social security plan operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employee’ salaries to the social security plan organised by the governmental bodies. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the social security plan.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statement of comprehensive incomes are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 investments

The Group classifies certain assets as available-for-sale financial investments and recognises movements in their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of comprehensive income. During the year ended 31 December 2010, impairment losses of HK$315,192,000 have been recognised for the available-for-sale investments (2009: Nil). At 31 December 2010, the carrying amount of available-for-sale investments was HK$57,887,000 (2009: HK$331,341,000).

(ii) Impairment loss for bad and doubtful debts

The Group recognises 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 judgement 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 judgement 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.

(iv) Impairment of a brand name

Intangible asset with an indefinite life is tested for impairment annually by comparing their carrying amount with their recoverable amount. The recoverable amount is the higher of fair value less cost to sell and the value in use of an asset or a cash-generating unit. At 31 December 2010, an impairment loss of HK$75,000,000 has been recognised for the Group's brand name (2009: Nil). The carrying amount of the brand name was HK$15,706,000 (2009: HK$90,706,000). Further details are included in note 17 to the financial statements.

(v) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the risk-free interest rate, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in note 34.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the manufacture and trading of cosmetic and related products, and provision of beauty technical and tutoring services segment ("Cosmetic and Beauty"); and

(b) the property investment and development segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, unallocated other income and gains as well as head office and corporate expenses are excluded from such measurement.

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment assets exclude equity investments at fair value through profit or loss, certain cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2010

	Property investment and development HK$'000	Cosmetic and beauty HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	–	126,916	126,916
Other income and gains	–	1,237	1,237
	–	128,153	128,153
Reconciliation:			
Elimination of intersegment sales			–
Revenue from continuing operations			128,153
Segment results	(315,192)	(107,985)	(423,177)
Reconciliation:			
Interest income and unallocated gains			1,818
Corporate and other unallocated expenses			(14,982)
Loss before tax from continuing operations			(436,341)
Segment assets	94,207	130,701	224,908
Reconciliation:			
Corporate and other unallocated assets			623,011
Total assets			847,919
Segment liabilities	–	89,626	89,626
Reconciliation:			
Corporate and other unallocated liabilities			2,338
Total liabilities			91,964
Other segment information:			
Impairment loss of intangible asset	–	75,000	75,000
Depreciation and amortisation	–	11,645	11,645
Impairment of available-for-sale investments	315,192	–	315,192
Loss on disposal and write-off of items of property, plant and equipment	–	3,764	3,764
Capital expenditure*	43,000	8,098	51,098

* Capital expenditure consists of additions to property, plant and equipment and available-for-sale investments.

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2009

	Property investment and development HK$'000	Cosmetic and beauty HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	–	151,441	151,441
Other income and gains	–	3,651	3,651
	–	155,092	155,092
Reconciliation:			
Elimination of intersegment sales			–
Revenue from continuing operations			155,092
Segment results	–	(9,313)	(9,313)
Reconciliation:			
Interest income and unallocated gains			4,439
Corporate and other unallocated expenses			(4,588)
Loss before tax from continuing operations			(9,462)
Segment assets	366,399	217,932	584,331
Reconciliation:			
Corporate and other unallocated assets			58,639
Total assets			642,970
Segment liabilities	–	68,539	68,539
Reconciliation:			
Corporate and other unallocated liabilities			2,387
Total liabilities			70,926
Other segment information:			
Depreciation and amortisation	–	9,469	9,469
Loss on disposal and write-off of items of property, plant and equipment	–	15	15
Capital expenditure#	–	9,590	9,590

Capital expenditure consists of additions to property, plant and equipment.

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2010	2009
	HK$'000	HK$'000
Hong Kong	**37,494**	46,702
Mainland China	**89,422**	104,739
	126,916	151,441

The revenue information from continuing operations above is based on the location of the customers.

(b) Non-current assets

	2010	2009
	HK$'000	HK$'000
Hong Kong	**7,019**	99,740
Mainland China	**54,603**	42,723
Macau	**–**	111,411
	61,622	253,874

The non-current asset information from continuing operations above is based on the location of assets.

Information about major customer

There was no single customer accounting for over 10% of total revenue for the years ended 31 December 2010 and 2009.

6. REVENUE AND OTHER INCOME AND GAINS

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:

	2010	2009
	HK$'000	HK$'000
Revenue		
Sale of goods	**99,030**	116,931
Rendering of services	**27,886**	34,510
Attributable to continuing operations reported in the consolidated statement of comprehensive income	**126,916**	151,441
Other income and gains		
Bank interest income	**587**	51
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	**–**	3,397
Gain on disposal of available-for-sale investments	**605**	–
Gain on disposal of equity investments at fair value through profit and loss	**431**	–
Management fee income	**–**	42
Consultancy fee income	**–**	1,110
Others	**1,432**	3,444
Attributable to continuing operations reported in the consolidated statement of comprehensive income	**3,055**	8,090
Other income attributable to a discontinued operation	**–**	104
	3,055	8,194

7. FINANCE COSTS

	Group	
	2010	2009
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**1,201**	1,042
Interest on finance leases	**63**	86
Attributable to continuing operations reported in the consolidated statement of comprehensive income	**1,264**	1,128

8. LOSS BEFORE TAXATION

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

	Notes	**2010 HK$'000**	2009 HK$'000
Cost of inventories sold		**42,335**	39,142
Cost of services provided		**12,229**	17,242
Depreciation	14	**10,847**	8,733
Amortisation of prepaid land lease payments	15	**798**	736
Minimum lease payments under operating leases in respect of buildings		**9,849**	16,289
Auditors' remuneration		**1,760**	515
Employee benefit expense (excluding directors' remuneration – note 9(a)):			
Wages, salaries and allowances		**34,425**	32,403
Pension scheme contributions		**4,818**	2,186
		39,243	34,589
Expense incurred for equity-settled share options granted		**7,138**	–
Write-down/(write-back) of inventories to net realisable value		**2,984**	(1,787)
Impairment of intangible assets	17	**75,000**	–
Impairment of available-for-sale investments	19	**315,192**	–
Loss on disposal and write-off of items of property, plant and equipment		**3,764**	15
Provision for long service payments		**–**	82
Foreign exchange differences, net		**(34)**	(123)
Impairment of trade receivables		**1,342**	3,022

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	
	2010	2009
	HK$'000	HK$'000
Fees	**229**	60
Other emoluments:		
Salaries and allowances	**1,039**	408
Equity-settled share option expenses	**3,999**	–
Pension scheme contributions	**21**	8
	5,059	416
	5,288	476

In 2010, three directors were granted share options under the share option scheme of the Company in respect of services to the Group, further details of which are set out in note 34 to the consolidated financial statements. The fair value of such options which is 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:

2010	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:					
Yang Zhiqiang (note (1))	–	–	–	–	–
Zhang Sanlin (note (2))	–	–	–	–	–
Zhang Zhong (note (3))	–	–	–	–	–
Deng Wen (note (4))	–	247	1,917	6	2,170
Maria Majoire Lo (note (5))	–	388	165	12	565
Cheung Hing Man, Charissa (note (6))	–	54	1,917	3	1,974
Yasumasa Ishizaka (note (7))	–	350	–	–	350
	–	1,039	3,999	21	5,059
Non-executive directors:					
Gao Tianpeng (note (8))	–	–	–	–	–
Qiao Fugui (note (9))	–	–	–	–	–
Zhou Xiaoyin (note (10))	–	–	–	–	–
Guo Rui (note (11))	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors:					
Gao Dezhu (note (12))	–	–	–	–	–
Wu Chi Keung (note (13))	–	–	–	–	–
Yen Yuen Ho, Tony (note (14))	49	–	–	–	49
Zhou Jin Song (note (15))	60	–	–	–	60
Sun Tong (note (16))	60	–	–	–	60
Chiu Ching Katie (note (17))	60	–	–	–	60
	229	–	–	–	229
	229	1,039	3,999	21	5,288

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

(a) Directors' remuneration (continued)

Notes:

(1) Appointed on 30 November 2010

(2) Appointed on 30 November 2010

(3) Appointed on 30 November 2010

(4) Appointed on 20 July 2010

(5) Appointed on 21 August 2009

(6) Appointed on 20 July 2010 and resigned on 30 November 2010

(7) Appointed on 9 June 2009 and resigned on 5 August 2010

(8) Appointed on 30 November 2010

(9) Appointed on 30 November 2010

(10) Appointed on 30 November 2010

(11) Appointed on 5 August 2010 and resigned on 30 November 2010

(12) Appointed on 12 January 2011

(13) Appointed on 12 January 2011

(14) Appointed on 5 August 2010

(15) Appointed on 21 January 2009 and resigned on 12 January 2011

(16) Appointed on 21 January 2009 and resigned on 12 January 2011

(17) Resigned on 5 August 2010

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

(a) Directors' remuneration (continued)

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	–	200	–	–	200
Maria Majoire Lo	–	208	–	8	216
Huang Brad	–	–	–	–	–
Chen Jacob James	–	–	–	–	–
	–	408	–	8	416
Independent non-executive directors:					
Zhou Jin Song	30	–	–	–	30
Chiu Ching Katie	–	–	–	–	–
Sun Tong	30	–	–	–	30
	60	–	–	–	60
	60	408	–	8	476

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

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

(b) Five highest paid employees' remuneration

The five highest paid employees during the year included three (2009: Nil) directors, details of whose remuneration are set out in (a) above. Details of the remuneration of the remaining two (2009: five) non-director, highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**561**	3,107
Equity-settled share option expense	**1,273**	–
Pension scheme contributions	**17**	340
	1,851	3,447

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

	Number of employees	
	2010	2009
Nil to HK$1,000,000	**1**	5
HK$1,000,001 to HK$1,500,000	**1**	–
	2	5

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. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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 (2009: Nil).

Taxation on profits derived by Mainland China subsidiaries has been estimated at Mainland China corporate income tax rate of 25% (2009: 25%).

	2010 **HK$'000**	2009 HK$'000
Group:		
Current		
– Mainland China	**1,669**	855
Deferred tax (note 32)	**741**	–
Total tax charge for the year	**2,410**	855
Represented by:		
Tax charge attributable to continuing operations	**2,410**	855

10. INCOME TAX EXPENSE (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:

	Hong Kong	Mainland China	Total
	HK$'000	HK$'000	HK$'000
Group – 2010			
Loss before taxation	**(407,001)**	**(29,340)**	**(436,341)**
Tax at the statutory tax rate	**(67,155)**	**(7,335)**	**(74,490)**
Expenses not deductible for tax	**67,173**	**2,491**	**69,664**
Temporary difference not recognised	**146**	**3,707**	**3,853**
Adjustments in respects of current tax of previous periods	**–**	**69**	**69**
Tax losses utilised from previous periods	**(164)**	**–**	**(164)**
Tax losses not recognised	**–**	**3,478**	**3,478**
Tax charge at the Group's effective rate	**–**	**2,410**	**2,410**
Group – 2009			
Loss before taxation	(4,997)	(4,465)	(9,462)
Tax at the statutory tax rate	(825)	(736)	(1,561)
Lower tax rate(s) for specific provinces or enacted by local authority	–	(496)	(496)
Income not subject to tax	(4,181)	–	(4,181)
Expenses not deductible for tax	5,571	843	6,414
Temporary differences 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

11. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 December 2010 includes a loss of HK$406,949,000 (2009: HK$24,962,000) which has been dealt with in the financial statements of the Company (note 35(b)).

12. DISCONTINUED OPERATION

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

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

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.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the impact of the warrants and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the basic loss per share is based on:

	2010	2009
	HK$'000	HK$'000
Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation:		
From continuing operations	**(438,745)**	(9,819)
From a discontinued operation	**–**	4
	(438,745)	(9,815)

	Number of shares (in '000)	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**782,224**	485,830

14. PROPERTY, PLANT AND EQUIPMENT

Group

	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
31 December 2010							
1 January 2010:							
Cost	21,784	7,608	8,788	22,157	2,701	6,997	70,035
Accumulated depreciation and impairment	(4,818)	(2,583)	(3,392)	(8,846)	(755)	(5,882)	(26,276)
Net carrying amount	16,966	5,025	5,396	13,311	1,946	1,115	43,759
At 1 January 2010, net of accumulated depreciation and impairment	16,966	5,025	5,396	13,311	1,946	1,115	43,759
Additions	164	887	91	4,859	–	2,097	8,098
Depreciation provided during the year	(1,634)	(1,597)	(750)	(5,353)	(558)	(955)	(10,847)
Disposals	–	–	(14)	(3,750)	–	–	(3,764)
Exchange realignment	787	232	250	608	89	56	2,022
At 31 December 2010, net of accumulated depreciation and impairment	16,283	4,547	4,973	9,675	1,477	2,313	39,268
At 31 December 2010:							
Cost	22,941	8,798	9,054	15,380	2,814	9,190	68,177
Accumulated depreciation and impairment	(6,658)	(4,251)	(4,081)	(5,705)	(1,337)	(6,877)	(28,909)
Net carrying amount	16,283	4,547	4,973	9,675	1,477	2,313	39,268

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

	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
31 December 2009							
At 1 January 2009:							
Cost	21,194	4,523	8,560	17,367	2,720	6,300	60,664
Accumulated depreciation and impairment	(3,502)	(1,395)	(2,788)	(4,549)	(402)	(5,151)	(17,787)
Net carrying amount	17,692	3,128	5,772	12,818	2,318	1,149	42,877
At 1 January 2009, net of accumulated depreciation and impairment	17,692	3,128	5,772	12,818	2,318	1,149	42,877
Additions	590	3,085	228	4,805	88	794	9,590
Depreciation provided during the year	(1,316)	(1,286)	(604)	(4,309)	(449)	(769)	(8,733)
Disposals	–	–	–	(3)	(11)	(59)	(73)
Exchange realignment	–	98	–	–	–	–	98
At 31 December 2009, net of accumulated depreciation and impairment	16,966	5,025	5,396	13,311	1,946	1,115	43,759
At 31 December 2009 and 1 January 2010:							
Cost	21,784	7,608	8,788	22,157	2,701	6,997	70,035
Accumulated depreciation and impairment	(4,818)	(2,583)	(3,392)	(8,846)	(755)	(5,882)	(26,276)
Net carrying amount	16,966	5,025	5,396	13,311	1,946	1,115	43,759

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group (continued)

The buildings of the Group are situated outside Hong Kong and erected on land held under a medium-term lease.

Depreciation of HK$8,482,000 (2009: HK$7,236,000), has been included in administrative and operating expenses and HK$2,365,000 (2009: HK$1,497,000) in cost of sales.

The net book value of the Group's property, plant and equipment held under finance leases included in (i) office equipment amounted to HK$63,000 (2009: HK$67,000); and (ii) motor vehicle amounted to HK$1,018,000 (2009: HK$1,273,000).

At 31 December 2010, the Group's buildings with a net book value of approximately HK$16,283,000 (2009: HK$16,966,000) were pledged to secure general banking facilities granted to the Group (note 29(b)).

Company

	Leasehold improvements HK$'000	Office equipment HK$'000	Total HK$'000
31 December 2010			
At 1 January 2010:			
Cost	–	16	16
Accumulated depreciation and impairment	–	(7)	(7)
Net carrying amount	–	9	9
At 1 January 2010, net of accumulated depreciation and impairment	–	9	9
Additions	56	11	67
Depreciation provided during the year	(11)	(3)	(14)
At 31 December 2010, net of accumulated depreciation and impairment	45	17	62
At 31 December 2010:			
Cost	56	27	83
Accumulated depreciation and impairment	(11)	(10)	(21)
Net carrying amount	45	17	62

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company (continued)

	Office equipment HK$'000
31 December 2009	
At 1 January 2009:	
Cost	16
Accumulated depreciation and impairment	(4)
Net carrying amount	12
At 1 January 2009, net of accumulated depreciation and impairment	12
Depreciation provided during the year	(3)
At 31 December 2009, net of accumulated depreciation and impairment	9
At 31 December 2009 and at 1 January 2010:	
Cost	16
Accumulated depreciation and impairment	(7)
Net carrying amount	9

15. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**6,141**	6,877
Amortisation recognised during the year	**(798)**	(736)
Carrying amount at 31 December	**5,343**	6,141
Current portion included in prepayments, deposits and other receivables	**(695)**	(695)
Non-current portion	**4,648**	5,446

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

At 31 December 2010, the Group's prepaid land lease payments with a net book value of HK$5,343,000 (2009: HK$6,141,000) were pledged to secure general banking facilities granted to the Group (note 29(b)).

16. GOODWILL

	Group
	HK$'000
At 1 January 2009, 31 December 2009 and 2010:	
Cost	**102,546**
Accumulated impairment	**(102,546)**
Net carrying amount	**–**

17. INTANGIBLE ASSETS

Group

	Brand name	Operating rights	Total
	HK$'000	HK$'000	HK$'000
31 December 2010			
Cost at 1 January 2010, net of accumulated amortization and impairment	**90,706**	**–**	**90,706**
Impairment during the year	**(75,000)**	**–**	**(75,000)**
Cost at 31 December 2010, net of accumulated amortization and impairment	**15,706**	**–**	**15,706**
At 31 December 2010:			
Cost	**99,906**	**–**	**99,906**
Impairment	**(84,200)**	**–**	**(84,200)**
Net carrying amount	**15,706**	**–**	**15,706**
31 December 2009			
At 1 January 2009, 31 December 2009 and 1 January 2010:			
Cost	99,906	35,199	135,105
Amortisation and impairment	(9,200)	(35,199)	(44,399)
Net carrying amount	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 2007.

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") in 2008. The operating rights were disposed together with the Jovian Group on 22 January 2009 as detailed in note 36.

17. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of brand name with indefinite useful life

The recoverable amount of the brand name has been determined based on its value in use. The senior management of the Group adopted " Relief from Royalty" approach in estimating the cash inflow from the brand name. The discount rate applied to the cash flow projections is approximately 28%.

Key assumptions were used in estimating the brand name's value in use for the years ended 31 December 2010 and 31 December 2009. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the brand name with indefinite useful life:

Budgeted revenue – The basis used to determine the growth rate assigned to the budgeted revenue was referenced to the historical revenue growth rate.

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

During the year, the directors have provided an impairment of HK$75,000,000 (2009: Nil) on the brand name following the decrease in its recoverable amount.

18. INTERESTS IN SUBSIDIARIES AND DUE TO A SUBSIDIARY

(a) Interests in subsidiaries

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted investments, at cost	**46,550**	–
Due from subsidiaries*	**620,301**	646,882
Less: Provision for impairment	**(486,151)**	(92,835)
Total interests in subsidiaries	**180,700**	554,047

During the year ended 31 December 2010, an impairment was recognised for advances to subsidiaries of HK$393,316,000 which funded the purchase of available-for-sale investments and brand name.

* The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment.

18. INTERESTS IN SUBSIDIARIES AND DUE TO A SUBSIDIARY (CONTINUED)

At 31 December 2010, 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$3,955,130	–	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$5,970,514	100	–	Investment holding
Cheng Ming Ming's Beauty World Limited	Hong Kong	HK$2,001,000	–	100	Investment and property holding
Cidesco International School Limited	Hong Kong	HK$2	–	100	Operation of an aesthetic school
CMM International Group Limited	BVI	US$5,970,514	–	100	Investment holding
CMM APAMA Company Limited (i)	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	HK$10,000	–	100	Trading of cosmetic products

18. INTERESTS IN SUBSIDIARIES AND DUE TO A SUBSIDIARY (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
Marianne Spa I Limited	Hong Kong	HK$100	–	100	Provision of beauty services
Marianne Spa II Limited	Hong Kong	HK$2	–	100	Provision of beauty services
Meilkind Development Limited	Hong Kong	HK$10,000	–	100	Trading of cosmetic products
Monita Group Limited	Hong Kong	HK$30,851,002	–	100	Provision of beauty services and trading of cosmetic products
Monita Trademark Limited	BVI	US$2	–	100	Holding of trademarks
Noble Star Consultants Limited (i)	BVI	US$1	100	–	Investment holding
Pebble Rise Inc. ("Pebble Rise") (i)	BVI	US$1	100	–	Investment holding
Performing Investments Limited ("PIL")	BVI	US$1	100	–	Investment holding
Richpro Group Limited (i)	BVI	US$1	100	–	Investment holding
Shanghai Cheng Ming Ming Cosmetic Product Ltd.	Mainland China	US$1,200,000	–	100	Provision of consultancy and technical services and manufacture of cosmetic related products
Shanghai Cheng Ming Ming Industrial Ltd.	Mainland China	RMB3,000,000	–	100	Trading of cosmetic products
Winning Elite Investments Limited ("Winning Elite")	BVI	US$1	100	–	Investment holding

18. INTERESTS IN SUBSIDIARIES AND DUE TO A SUBSIDIARY (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	
上海蒙妮坦職業培訓學校	Mainland China	RMB1,000,000	–	100	Operation of an aesthetic school
上海鄭明明美容美髮有限公司	Mainland China	US$210,000	–	100	Provision of consultancy services and aesthetic services
唯美坊貿易（上海）有限公司	Mainland China	US$230,000	–	60	Trading of cosmetic products
上海妝韻美容美髮有限公司	Mainland China	RMB100,000	–	100	Provision of aesthetic services
上海美悦坊有限公司	Mainland China	RMB100,000	–	100	Trading of cosmetic products

Note:

(i) These subsidiaries ceased their business and were deregistered during the year.

(b) Due to a subsidiary

The amount due to a subsidiary is unsecured, interest-free and have no fixed terms of repayment.

19. AVAILABLE-FOR-SALE INVESTMENTS

		Group		Company	
	Notes	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Listed equity investments in Hong Kong, at fair value		**–**	1,262	**–**	1,261
Unlisted equity investments, at cost	(a)	**373,079**	330,079	**–**	–
Impairment		**(315,192)**	–	**–**	–
		57,887	331,341	**–**	1,261
Less: current portion classified as current assets		**(57,887)**	(218,669)	**–**	–
Non-current portion		**–**	112,672	**–**	1,261

Notes:

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

As at 31 December 2010, unlisted equity investments with an aggregate carrying amount of HK$57,887,000 (2009: 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

As at 31 December 2010, the Group had invested HK$111,410,000 (2009: HK$111,410,000) for 26.6% (2009: 26.6%) interests in LCF Macau Co-Investor L.P., a limited partnership formed on 16 June 2006 under the Partnership Act 1996 of the BVI (the "Partnership").

The Partnership has a term of 10 years from the date of its formation. The subscription was completed on 11 September 2006. The Partnership is principally engaged in the property investment business. The principal asset held by the Partnership as at 31 December 2010 was a 4.61% (2009: 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 Fàbrica de PanchõesIec Long, Macau.

19. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Notes: (continued)

(a) (continued)

The Partnership comprises a general partner and 11 limited partners, including the Group as at the end of 31 December 2010. 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.

During the year ended 31 December 2010, an impairment of HK$94,441,000 (2009: Nil) was made for the investment in the Partnership as a result of the decline in its carrying value.

Investment in Sociedade

Sociedade is a limited liability company incorporated in Macau and principally engaged in the 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. At 31 December 2010, the Group had invested HK$261,669,000 (2009: HK$218,669,000) for 16.49% (2009: 13.69%) equity interests in Sociedade.

During the year, the directors provided an impairment of HK$220,751,000 (2009: Nil) for the investment in Sociedade following the decline in its carrying value.

20. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

		Group		Company	
		2010	2009	**2010**	2009
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Embedded derivative financial instruments, at market value – Hong Kong		**–**	13,019	**–**	–

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.

21. INTEREST IN AN ASSOCIATE

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**2,283**	2,283
Less: Provision for impairment	**(2,283)**	(2,283)
	–	–

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

Name	Particulars of issued share capital	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Company (Indirect)	Principal activity
The Skin Workshop Limited*	Ordinary share HK$1 each	Hong Kong	42%	Inactive

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The following table illustrates the summarised financial information of the Group's associate extracted from its financial statements:

	Assets	Liabilities	Revenue	Loss
	HK$'000	HK$'000	HK$'000	HK$'000
2010	**1,991**	**36**	**–**	**–**
2009	1,991	36	4,072	65

22. INVENTORIES

	Group 2010 HK$'000	2009 HK$'000
Raw materials	**9,334**	9,933
Work in progress	**537**	197
Finished goods	**22,123**	25,044
	31,994	35,174

23. TRADE RECEIVABLES

	Group 2010 HK$'000	2009 HK$'000
Trade receivables	**12,335**	12,706
Provision for impairment	**(1,851)**	(509)
	10,484	12,197

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

For services rendered, no credit term is granted to customers.

For the sale of goods, payment in advance is normally required, except for major customers. 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 the Group's trade receivables approximate their fair values as at 31 December 2010 and 2009.

23. TRADE RECEIVABLES (CONTINUED)

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current to 3 months	**8,764**	10,893
4 to 6 months	**1,118**	919
7 to 12 months	**480**	329
Over 1 year	**122**	56
	10,484	12,197

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**7,546**	4,523
Less than 4 months pass due	**1,963**	6,402
4 to 6 months pass due	**373**	887
7 to 12 months pass due	**480**	329
Over 1 year	**122**	56
	10,484	12,197

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.

23. TRADE RECEIVABLES (CONTINUED)

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**509**	1,579
Impairment losses recognised on receivables	**1,342**	396
Reversal of provision for impairment losses	**–**	(396)
Impairment loss written off	**–**	(1,070)
At 31 December	**1,851**	509

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$1,851,000 (2009: HK$509,000) with a carrying amount of HK$1,851,000 (2009: HK$509,000). 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.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**6,789**	1,768	**433**	–
Deposits and other receivables	**45,364**	48,026	**8,796**	8,528
	52,153	49,794	**9,229**	8,528

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

25. DUE FROM/TO RELATED PARTIES

(a) Amounts due from related parties

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

Group – 2010

	31 December 2010	**Maximum amount outstanding during the year**	**1 January 2010**
	HK$'000	**HK$'000**	**HK$'000**
Monita Hair and Beauty College Limited	**1,139**	**1,139**	**1,139**
Chen's Industrial Company Limited	**162**	**162**	**162**
上海巨景生物科技有限公司	**616**	**616**	**582**
上海巨科國際貿易有限公司	**–**	**208**	**208**
CICA Association Limited	**103**	**107**	**107**
上海市徐匯區鄭浩明商行	**402**	**402**	**380**
CHENG Ming Ming	**169**	**169**	**132**
HUANG Chen Wei Lay, Bernadette	**–**	**32**	**32**
	2,591		**2,742**

Group – 2009

	31 December 2009	Maximum amount outstanding during the year	1 January 2009
	HK$'000	HK$'000	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

25. DUE FROM/TO RELATED PARTIES (CONTINUED)

(a) Amounts due from related parties (continued)

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

The above related parties are parties in which one of the Group's directors or their close family members had controlling beneficial interests. The balances with related parties are unsecured, interest-free and repayable on demand. The carrying amounts of these balances approximate to their fair values as at 31 December 2010 and 2009.

(b) Amounts due to related parties

The Group's amounts due to related parties as at 31 December 2010 and 2009 are unsecured, interest-free and repayable on demand.

	Group	
	2010	2009
	HK$'000	HK$'000
Cheng Ho Ming and Peakjoy Global Ltd.	**600**	500
上海巨景生物科技有限公司	**271**	270
CHENG Ming Ming	**3,116**	939
HUANG Chen Wei Lay, Bernadette	**5**	1,099
FL Professionel Ltd.	**120**	135
上海巨科國際貿易有限公司	**–**	11
	4,112	2,954

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**41,129**	57,501	**32,149**	30,487
Time deposits	**590,059**	–	**590,059**	–
Cash and cash equivalents	**631,188**	57,501	**622,208**	30,487

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$8,334,000 (2009: HK$12,353,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. CASH AND CASH EQUIVALENTS (CONTINUED)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

27. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Current to 3 months	**11,580**	6,664
4 to 6 months	**1,163**	2,941
7 to 12 months	**2,824**	2,550
Over 1 year	**1,702**	641
	17,269	12,796

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 to their fair values.

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred income	**11,735**	5,705	**–**	–
Other payables	**27,489**	19,217	**75**	75
Accruals	**7,081**	7,250	**2,263**	470
	46,305	32,172	**2,338**	545

Other payables are non-interest-bearing and have an average term of three months.

29. INTEREST-BEARING BANK BORROWINGS

Group	2010 Effective interest rate (%)	2010 Maturity	2010 HK$'000	2009 Effective interest rate (%)	2009 Maturity	2009 HK$'000
Bank overdrafts – unsecured	**HIBOR + 3**	**On demand**	**2,116**	5.25 – 5.75	On demand	2,320
Bank loans – secured	**BLR ± 5**	**2011**	**16,165**	5.58	2010	16,481
			18,281			18,801

Notes:

(a) The Group's overdraft facilities amounted to HK$4,500,000 (2009: HK$4,500,000) at 31 December 2010, of which HK$2,116,000 (2009: HK$2,320,000) were utilised as at the end of the reporting period. The effective interest rate on bank overdrafts is HIBOR+3% (2009: 5.25-5.75%) per annum.

(b) The Group's bank loans are secured by mortgages over the Group's buildings and prepaid land lease payments, which had carrying values of approximately HK$16,283,000 and HK$5,343,000 (2009: HK$16,966,000 and HK$6,141,000) (note 14 and note 15), respectively, at the end of the reporting period.

(c) The secured bank loans are denominated in Renminbi and at floating rates. The unsecured bank overdrafts are denominated in Hong Kong dollars and at floating rates.

30. FINANCE LEASE PAYABLES

The Group leased certain of its motor vehicle and office equipment. The lease is classified as finance lease and has remaining lease term of four years.

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

Group

	Minimum lease payments 2010 HK$'000	Minimum lease payments 2009 HK$'000	**Present value of minimum lease payments 2010 HK$'000**	Present value of minimum lease payments 2009 HK$'000
Amounts payable:				
Within one year	**403**	403	**334**	331
In the second year	**403**	403	**391**	331
In the third to fifth years, inclusive	**102**	505	**100**	497
Total minimum finance lease payments	**908**	1,311	**825**	1,159
Future finance charges	**(83)**	(152)		
Total net finance lease payables	**825**	1,159		
Portion classified as current liabilities	**(334)**	(331)		
Non-current portion	**491**	828		

31. DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

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

32. DEFERRED TAX LIABILITIES

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

Group	Note	Group Depreciation allowance in excess of related depreciation 2010 HK$'000	2009 HK$'000
At 1 January		**1,822**	1,822
Deferred tax credited to the profit or loss	10	**741**	–
At 31 December		**2,563**	1,822

The Group has tax losses arising in Hong Kong of HK$3,600,000 (2009: HK$4,595,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of HK$29,867,000 (2009: HK$15,296,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of those 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.

33. ISSUED CAPITAL

	2010 HK$'000	2009 HK$'000
Authorised:		
5,000,000,000 (2009: 5,000,000,000) ordinary shares of HK$0.01 (2009: HK$0.01) each	**50,000**	50,000
Issued and fully paid:		
2,728,473,051 (2009: 485,830,194) ordinary shares of HK$0.01 (2009: HK$0.01) each	**27,285**	4,858

33. ISSUED CAPITAL (CONTINUED)

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

	Notes	Number of authorised shares	Number of shares in issue	Share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2009		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
Issue of shares	(b)	–	2,242,642,857	22,427	592,014	614,441
At 31 December 2010		5,000,000,000	2,728,473,051	27,285	1,178,530	1,205,815

Notes:

(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.

(b) During the year, the movements in share capital were as follows:

(i) On 11 February 2010, 97,000,000 ordinary shares of HK$0.01 each were issued through a placement at a subscription price of HK$0.25 per share, for a total cash consideration, before expenses, of HK$24,250,000;

(ii) On 9 July 2010, 61,500,000 ordinary shares of HK$0.01 each were issued to Nevin Investments Limited, a non-related company, at a price of HK$0.28 per share as part of the consideration of the acquisition of additional 2.8% equity interests in the investment in Sociedade (see note 19(a));

(iii) On 30 November 2010, the Company issued 1,667,142,857 ordinary shares of HK$0.01 each to certain subsidiaries of Jinchuan Group (Hongkong) Resources Holdings Limited, at a subscription price of HK$0.28 per share for a total cash consideration, before expenses, of HK$466,800,000 (equivalent to US$60,000,000); and

(iv) On 30 November 2010, 417,000,000 ordinary shares of HK$0.01 each were issued through another placement at a subscription price of HK$0.28 per share for a total cash consideration, before expenses, of HK$116,760,000.

34. SHARE OPTION SCHEME

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

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be granted under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the ordinary shares in issue from time to time. No options shall be granted under any other schemes of the Company or any of the subsidiaries if it resulting the 30% limit being excluded. 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.

34. SHARE OPTION SCHEME (CONTINUED)

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

The exercise price of the share options is determinable by the directors of the Company, but must not be less than the highest of (i) the closing price of the Company's shares as stated in the Hong Kong Stock Exchange's daily quotation sheets 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 quotation sheets 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:

	2010		2009	
	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
Granted during the year	**0.59**	**26,400**	–	–
Cancelled/lapsed during the year	**–**	**–**	(2.35)	(21,439)
At 31 December	**0.59**	**26,400**	–	–

During 2009, 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 which was transferred to accumulated losses.

During 2010, the Company granted 26,400,000 share options for the subscription of the Company's shares of HK$0.01 each, at an exercise price of HK$0.59 per share option, to certain directors, employees and consultants of the Group pursuant to the scheme. The fair value of the share options granted in 2010 was HK$8,107,000, of which the Group recognised an equity-settled share option expense of HK$7,138,000 in 2010.

34. SHARE OPTION SCHEME (CONTINUED)

The exercise prices and exercise periods of the share options outstanding as at 31 December 2010 are as follows:

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
26,400	0.59	22 January 2011 to 21 July 2020

* 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 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 2010:

Dividend yield (%)	Nil
Expected volatility (%)	88.08
Risk-free interest rate (%)	2.69
Closing share price at date of grant (HK$)	0.59

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

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

At 31 December 2010, the Company had 26,400,000 share options outstanding under the Scheme, which represented approximately 0.97% 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 26,400,000 additional ordinary shares of the Company and additional share capital of approximately HK$264,000 and share premium of approximately HK$15,312,000 (before share issue expenses).

35. 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.

Contributed surplus

The Group's contributed surplus represents the excess of 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.

Reserve funds

In accordance with the Company Law of Mainland China and the respective Articles of Association of Shanghai Cheng Ming Ming Industrial Ltd., 上海蒙妮坦職業培訓學校, 上海妝韻美容美髮有限公司 and 上海美悦坊有限公司, these companies are each required to allocate 10% of their profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserves (the "SSR") until such reserves reach 50% of the registered capital.

Shanghai Cheng Ming Ming Cosmetic Product Ltd. (the "CMMC") and 唯美坊貿易（上海）有限公司("唯美坊") are wholly-foreign-owned companies. According to the relevant PRC regulations applicable to wholly-foreign-owned companies, CMMC and 唯美坊 are required to allocate a certain portion (not less than 10%) of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of its registered capital.

The SSR and SRF are non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

35. RESERVES (CONTINUED)

(b) Company

	Share premium account HK$'000	Warrant reserve HK$'000	Share option reserve HK$'000 (note i)	Available-for-sale financial investments revaluation reserve HK$'000	Contributed surplus HK$'000 (note ii)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2009	586,516	45,640	16,072	376	28,470	(301,659)	375,415
Cancellation of unexercised options	–	–	(16,072)	–	–	16,072	–
Cancellation of Warrant	–	(45,640)	–	–	–	45,640	–
Changes in fair value of available-for-sale investments, net of tax	–	–	–	420	–	–	420
Loss for the year	–	–	–	–	–	(24,962)	(24,962)
Capital reduction	–	–	–	–	–	238,056	238,056
At 31 December 2009 and 1 January 2010	**586,516**	**–**	**–**	**796**	**28,470**	**(26,853)**	**588,929**
Equity-settled share option arrangement	**–**	**–**	**7,138**	**–**	**–**	**–**	**7,138**
Disposal of available-for-sale investments	**–**	**–**	**–**	**(796)**	**–**	**–**	**(796)**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(406,949)**	**(406,949)**
Issue of shares	**592,014**	**–**	**–**	**–**	**–**	**–**	**592,014**
At 31 December 2010	**1,178,530**	**–**	**7,138**	**–**	**28,470**	**(433,802)**	**780,336**

Notes:

(i) The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 3 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to accumulated loss should the related options expire or be forfeited.

(ii) The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation over the nominal value of the Company's shares issued in exchange therefor.

36. DISPOSAL OF SUBSIDIARIES

Disposal of subsidiaries during the year ended 31 December 2009

On 22 January 2009, the Group disposed its entre issued share capital of Jovian Financial Communications Limited and its subsidiaries (collectively, the "Jovian Group") together with a shareholder's loan owned to the Company of HK$3,350,000 at a total consideration of HK$100,000. The disposal of the Jovian Group was completed on 3 February 2009.

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

	HK$'000
Satisfied by:	
Cash	100

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

	HK$'000
Cash and bank balances disposed of and net inflow of cash and cash equivalents in respect of the disposal of the Jovian Group	(261)

37. CONTINGENT LIABILITIES

	Company	
	2010	2009
	HK$'000	HK$'000
Guarantees given to a bank in connection with facilities granted to a subsidiary	**4,500**	2,500

As at 31 December 2010, the banking facilities granted to a subsidiary subject to guarantees given to the bank by the Company was utilised to the extent of approximately HK$ 2,116,000 (2009: HK$2,320,000).

38. 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	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**11,663**	13,790	**724**	–
In the second to fifth years, inclusive	**8,184**	14,493	**–**	–
	19,847	28,283	**724**	–

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38 above, the Group and the Company had no significant capital commitments at the end of 31 December 2010.

40. 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	**2010** **HK$'000**	2009 HK$'000
Rental expenses paid to related parties#	(i)	**1,086**	1,086
Management fee income received from related parties#	(ii)	**–**	42
Management fee paid to related parties#	(iii)	**900**	1,000
Consultancy fee paid to a director of subsidiary	(iii)	**50**	–
Consultancy fee paid to a close family member of a key management personnel of the Group	(iii)	**–**	220

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

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 and management fee were paid in accordance with contractual terms agreed between the Group and the related companies.

(b) Outstanding balances with related parties:

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

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

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

41. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

During the year ended 31 December 2010, the Company issued 61,500,000 ordinary shares of HK$0.01 at a price of HK$0.28 each as part of the consideration for acquisition of an additional 2.8% equity interests in an available-for-sale investment (see note 19(a)).

42. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

Financial assets

	2010				2009			
	Equity investments at fair value through profit or loss	Loans and receivables	Available–for-sale financial assets	Total	Equity investments at fair value through profit or loss	Loans and receivables	Available–for-sale financial assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale investments	–	–	57,887	57,887	–	–	331,341	331,341
Equity investments at fair value through profit or loss	–	–	–	–	13,019	–	–	13,019
Trade receivables	–	10,484	–	10,484	–	12,197	–	12,197
Financial assets included in prepayments, deposits and other receivables	–	45,364	–	45,364	–	48,026	–	48,026
Amounts due from related parties	–	2,591	–	2,591	–	2,742	–	2,742
Cash and cash equivalents	–	631,188	–	631,188	–	57,501	–	57,501
	–	689,627	57,887	747,514	13,019	120,466	331,341	464,826

42. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Group

Financial liabilities

	2010 Financial liabilities at amortised cost HK$'000	2009 Financial liabilities at amortised cost HK$'000
Trade payables	17,269	12,796
Other payables	27,489	19,217
Interest-bearing bank borrowings	18,281	18,801
Finance lease payables	825	1,159
Amounts due to related parties	4,112	2,954
Amounts due to non-controlling shareholders of subsidiaries	600	600
	68,576	55,527

Company

Financial assets

	2010			2009		
	Loans and receivables HK$'000	Available–For-sale financial assets HK$'000	Total HK$'000	Loans and receivables HK$'000	Available–for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	–	–	–	–	1,261	1,261
Financial assets included in prepayments, deposits and other receivables	8,796	–	8,796	8,528	–	8,528
Cash and cash equivalents	622,208	–	622,208	30,487	–	30,487
	631,004	–	631,004	39,015	1,261	40,276

42. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company

Financial liabilities

	2010 Financial liabilities at amortised cost HK$'000	2009 Financial liabilities at amortised cost HK$'000
Other payables	**75**	75

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments comprise trade and other receivables, cash and cash equivalents, available-for-sale investments, trade and other payables, amounts due from and due to related parties, amounts due to non-controlling shareholders of subsidiaries, finance lease payables and interest-bearing bank borrowings. Details of these financial instruments are disclosed in the respective notes. The Group's activities expose it to a variety of financial risks: interest rate risk, foreign exchange rate 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 agrees 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 is 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 Mainland China. 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 currencies of the Company and its subsidiaries in Mainland China respectively.

43. FINANCIAL RISK 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 investments 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.

The Group is exposed to concentration of credit risk on its cash and cash equivalent as approximately 91% of its cash and cash equivalent is deposited with one bank.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 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.

43. FINANCIAL RISK 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 the reporting period, based on the contracted undiscounted payments, was as follows:

Group

			2010		
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Finance lease payables	–	101	302	505	908
Interest-bearing bank borrowings	2,116	3,498	13,259	–	18,873
Trade payables	–	11,580	5,689	–	17,269
Other payables and accruals	–	46,305	–	–	46,305
Amounts due to related parties	4,112	–	–	–	4,112
Amounts due to non-controlling shareholders of subsidiaries	600	–	–	–	600
	6,828	61,484	19,250	505	88,067

			2009		
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	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 non-controlling shareholders of subsidiaries	600	–	–	–	600
	5,874	42,272	19,654	1,548	69,348

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Company

	2010					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other payables and accruals	–	2,338	–	–	–	2,338

	2009					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other payables and accruals	–	545	–	–	–	545

Capital management

The primary objectives of the Group's capital management are 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 shareholders 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 for managing capital during the years ended 31 December 2009 and 2010.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

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 non-controlling 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 owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Group

	2010 HK$'000	2009 HK$'000
Interest-bearing bank borrowings	**18,281**	18,801
Finance lease payables	**825**	1,159
Trade payables	**17,269**	12,796
Other payables and accruals	**46,305**	32,172
Amounts due to related parties	**4,112**	2,954
Amounts due to non-controlling shareholders of subsidiaries	**600**	600
Net debt	**87,392**	68,482
Equity attributable to owners of the parent	**756,779**	572,862
Capital and net debt	**844,171**	641,344
Gearing ratio	**10.4%**	10.7%

44. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of these financial statements, the Group has no significant event after the reporting period that need to be disclosed.

45. COMPARATIVE AMOUNTS

Certain comparative amounts have been restated reclassified and restated to conform with the current year's presentation.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 February 2011.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets, liabilities and non-controlling 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

	2010 **HK$'000**	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000
Revenue	**126,916**	151,441	138,079	103,304	5,392
Loss for the year attributable to owners of the parent	**(438,745)**	(9,815)	(266,666)	(167,019)	(39,594)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Assets	**847,919**	642,970	655,669	2,492,299	493,852
Liabilities	**(91,964)**	(70,926)	(74,416)	(1,264,045)	(54,940)
Non-controlling interests	**824**	818	320	(67,347)	–
	756,779	572,862	581,573	1,160,907	438,912