Annual Report
2008

B.A.L.

B.A.L. Holdings Limited

(Continued into Bermuda with limited liability)
(Stock Code: 8079)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

This report, for which the directors (the "Directors") of B.A.L. Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CONTENTS

Financial Summary	3
Corporate Profile	4
Corporate Information	5
Chairperson's Statement	6
Management Discussion and Analysis	7
Directors and Senior Management of the Group	12
Corporate Governance Report	14
Report of the Directors	18
Independent Auditors' Report	28
Consolidated Income Statement	29
Consolidated Balance Sheet	30
Balance Sheet	31
Consolidated Statement of Changes in Equity	32
Consolidated Cash Flow Statement	33
Notes to the Financial Statements	35

Financial Summary

Annual results for the five years ended 31 October 2008

	Results for the year ended				
	31 October 2008	31 October 2007	31 October 2006	31 October 2005	31 October 2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**272,078**	170,822	146,381	101,664	67,298
(Loss)/profit from operations	**(80,974)**	22,334	20,842	20,208	9,642
(Loss)/profit attributable to the equity holders of the Company	**(77,371)**	15,931	17,052	17,030	13,961

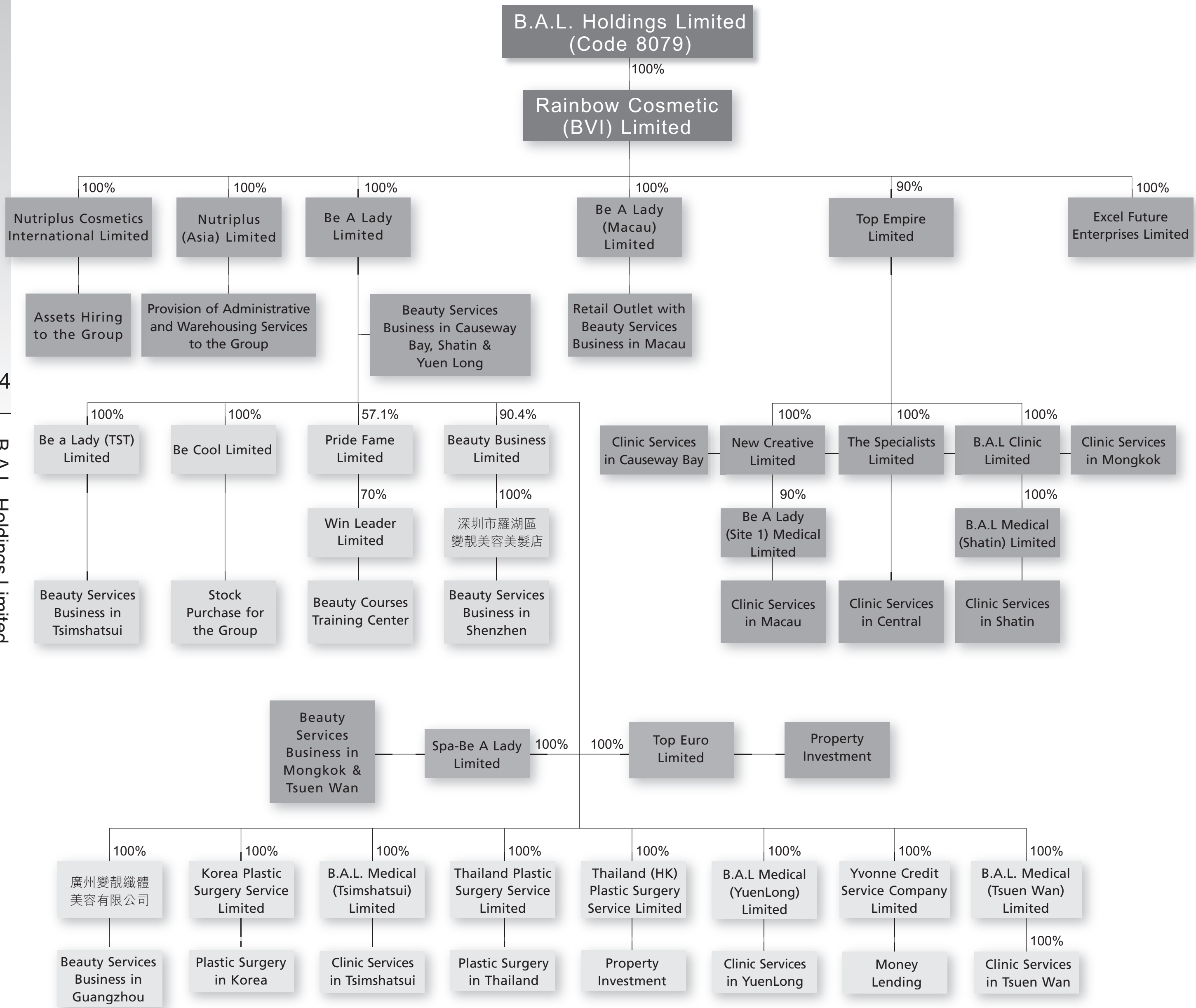
	As at 31 October				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**191,807**	301,235	111,196	71,339	23,379
Total liabilities	**(43,249)**	(126,830)	(29,594)	(24,813)	(19,508)
	148,558	174,405	81,602	46,526	3,871

Corporate Profile

B.A.L. Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") is principally engaged in the retails of beauty products in Hong Kong; property sales and rental and also in the provision of beauty services, clinical services and beauty courses in Hong Kong, Macau and China.

During the year, the Group have been operating nine beauty services centers/direct sales centers in Hong Kong, Macau and China, five medical clinics, two property investment Companies and one warehouse in Hong Kong.

As at 31 October 2008, the organisation chart of the Group is set out below:



Corporate Information

Directors

Executive Directors

Ms. SIU York Chee, Doreen – Chairperson
Mr. LEUNG Kwok Kui
Ms. LEUNG Ge Yau, *LL.B. (Hons), LL.M*

Independent Non-Executive Directors and Members of Audit Committee of the Board of Directors

Mr. HUNG Anckes Yau Keung
FCPA (Practising), FCCA, CICPA, CGA
Mr. SIU Yim Kwan, Sidney *S.B.St.J.*
Mr. TSUI Pui Hung, Walter *LL.B. (Hons), LL.M., BSc (Hons)*

Company Secretary

Mr. LO Gun Yuen, Raymond, *CPA*

Compliance Officer

Ms. SIU York Chee, Doreen

Qualified Accountant

Mr. LO Gun Yuen, Raymond, *CPA*

Authorised Representatives

Ms. SIU York Chee, Doreen
Mr. LEUNG Kwok Kui

Audit Committee

Mr. HUNG Anckes Yau Keung *(Chairman)*
FCPA (Practising), FCCA, CICPA, CGA
Mr. SIU Yim Kwan, Sidney *S.B.St.J.*
Mr. TSUI Pui Hung, Walter *LL.B. (Hons), LL.M., BSc (Hons)*

Remuneration Committee

Mr. HUNG Anckes Yau Keung *(Chairman)*
FCPA (Practising), FCCA, CICPA, CGA
Mr. SIU Yim Kwan, Sidney *S.B.St.J.*
Mr. TSUI Pui Hung, Walter *LL.B. (Hons), LL.M., BSc (Hons)*
Ms. SIU York Chee, Doreen
Mr. LEUNG Kwok Kui

Legal Advisers on the Bermuda Law

Appleby

Auditors

Grant Thornton
Certified Public Accountants
13th Floor Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Appleby Management (Bermuda) Ltd
Argyle House
41a Cedar Avenue
PO Box HM 1179
Hamilton HM 11
Bermuda

Hong Kong Branch Share Registrar and Transfer Office

Tricor Standard Limited
26th Floor
Tesbury Centre
28, Queen's Road East
Wanchai, Hong Kong

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business in Hong Kong

14th Floor
Guardian House
32 Oi Kwan Road
Wanchai
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
409-415 Hennessy Road, Wanchai
Hong Kong

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Hong Kong

Stock Code

8079

Website

http://www.hkbealady.com

Chairperson's Statement

On behalf of the board of Directors (the "Board"), I am pleased to present to the Shareholders the audited consolidated results of the Company and its subsidiaries for the year ended 31 October 2008.

REVIEW OF OPERATIONS

In 2008, competition within the beauty service industry was still keen. The Group had been operating under adverse condition throughout the year. The "Financial Tsunami" in the second half year had great impact on the service sector of Hong Kong. The expenditure mode of Hong Kong people has become more conservative due to fear for recession. Net loss for the year was approximately HK$77 million.

The turnover for the beauty services, clinical services and tuition fees of beauty courses was approximately HK$147 million, representing a decrease of approximately 14% as compared with last year.

Beauty courses operated by one subsidiary were temporarily suspended due to the poor response from students from August, 2007. Our money lending business, though small in size, was profitable. I prefer to maintain its present size in 2009 in respect of the uncertain global economy.

The management's decision to invest in the property market in September, 2007 was proven to be successful. All the commercial properties were sold at its peak and contributed gross earnings of approximately HK$14 million to the Group. Remaining residential properties were all leased out at market rent and have been providing steady rental income to the group.

The Group's investment loss in financial instruments and quoted shares was approximately HK$34 million due to the murky stock market and global financial crisis.

In August 2008, we have disposed our associated company, First Holdings Consortium Limited at an aggregate consideration of HK$29 million and realized an aggregate income of HK$4 million, compared to initial cost.

During the year, we have invested HK$6 million in a joint venture for movie production. We believe that this is a long term investment.

In 2009, we will relocate some of our branches (at the expiry of lease term) with the objective to cut down rental expenses. Recently, the Shatin beauty shop was relocated to Tai Wai at one-third of the original rental. The management will be more cautious in investments in financial instruments and quoted shares. We expect that some beauty shops operated by our competitors will be closed down in the coming year due to the adverse market condition and we believe that the Group will be able to get a larger market share as a result.

DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 October 2008 (2007: Nil).

PROSPECTS

I expect the global economy recession caused by the "Financial Tsunami" will be prominent in 2009. Appropriate measures will be taken to improve the overall performance of the Group. At present, the Group is financially strong and has no significant capital commitment; I have confidence in overcoming this "century global economy recession".

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to our staff members for their support in the past year and cheer them as we tackle future challenges successfully.

Ms. Siu York Chee, Doreen
Chairperson

Hong Kong, 20 January 2009

Management Discussion and Analysis

Business Review

Revenue

Turnover for the year ended 31 October, 2008 was approximately HK$272 million, representing an increase of approximately 59% as compared with last year. The main increase was due to the inclusion of the new business segment's turnover-sale of properties held for resale. If this factor is not counted, it was on the contrary a decrease of approximately 13%.

Beauty Services and Sale of Beauty Products Operations

The Group's turnover from beauty services and sale of beauty products operations for the year under review was approximately HK$93 million, representing a decrease of approximately 6%. Geographically, the performance of our Beauty Service shops in China and Macau was better than the local ones as competition was not keen and the market was not saturated. In the coming year, it is expected that some local competitors will be driven out of the industry as a consequence of the price war. By then, the Group will dominate a bigger market share and the service fees will be adjusted to a more realistic level. Good customer service is still our Company's goal.

As the Hong Kong depressed economy will not be fully recovered in the short run, our business strategy in 2009 will be generally conservative. Expansion program will be temporarily suspended. Plans will be formulated to reorganise the size and location of the beauty service shops upon expiry of the lease term. Tighter cost control will be introduced to maximise economies of scale.

Clinical Services

There was a downturn of the turnover of this segment for the period under review. Turnover from this segment amounted to approximately HK$53 million; representing a decrease of approximately 22%. As plastic surgery is still not commonly accepted by the majority of Hong Kong people; together with media pressure and fear for economy recession, our new medical centre in New World Tower did not achieve the sales target as previously planned. Following the decline of the beauty service sector, turnover from surgical and non-surgical beauty treatments was also affected. Under these circumstances, further expansion of this segment will not be considered in 2009. Advertising, seminars and promotional interviews will be suitably intensified to improve the popularity of plastic surgery over the entire population.

Beauty Courses

Owing to the poor response from students on the proposed beauty courses, turnover from this segment reduced sharply to approximately HK$0.9 million; representing a decrease of approximately 75%. Only short term beauty courses were organised during the first half year. The Beauty Course training centre was closed in mid April 2008. However, if conditions justify, we may consider opening new beauty course training centre again.

Sales of properties held for resale

This is a new business segment of the Group. Turnover from this segment amounted to approximately HK$124 million which related to sales of commercial properties. Gross earnings of approximately HK$14 million was recognised. Remaining investment properties (residential) were all leased out at market rent. Mortgaged bank loans, repayable within ten or twenty years, were obtained to finance 70% of the investment cost at market interest rate. The investment properties had been measured at fair value at 31 October 2008 in accordance with the prevailing accounting standards and the Company's accounting policy.

Investment in financial instruments and quoted shares

Following a very favorable return in 2007, though this is not the core business of the Group in the past, its investment size was rather significant in 2008. Therefore, it is classified as one of the principal activities of the Group. As a result of the downturn of the stock market and the "Financial Tsunami", a substantial loss of approximately HK$34 million (including fair value adjustments at balance sheet date) was recorded during the year under review. We will hold those financial instruments to maturity, during which time, significant provision may not be required. In future, we will be more cautious in dealing with financial instruments and quoted shares.

Outlook

We anticipate the global economy recession caused by the "Financial Tsunami" will be prominent in 2009. This will be a great challenge to the management on the subject of crisis management. The Group is financially strong and has no significant capital commitment. In the coming year, we will focus on maximising economies of scale and identifying new source of income. We have confidence in overcoming this "century global economy recession".

As at 31 October 2008, the Group have been operating nine beauty services centers/direct sales centers and five medical clinics in Hong Kong, Macau, China; two property investment companies and one warehouse in Hong Kong. Details of these operations including the locations and the staff headcount in each of the respective operating units of the company are summarised as follows:

	Operated by	Name	Principal Activities	Location	No. of Employees
1.	Nutriplus (Asia) Limited	N/A	Administrative Services to the Group	14th Floor, Guardian House, 32, Oi Kwan Road, Wan Chai, Hong Kong	43
2.	Be A Lady Limited	Mongkok Beauty Services Center with Direct Sales Centre	Beauty Services & Direct Sales	25th Floor, 655 Nathan Road, Kowloon	25
3.	Be A Lady Limited	Causeway Bay Beauty Services Center with Direct Sales Centre	Beauty Services & Direct Sales	23rd Floor, Island Centre, 1 Great George Street, Causeway Bay, Hong Kong	22
4.	Be A Lady Limited	Shatin Beauty Services Center	Beauty Services & Direct Sales	Unit 610-613, 6/F, Citylink Plaza, Shatin, N.T.	11
5.	Be A Lady (TST) Limited	Tsimshatsui Beauty Services Centre	Beauty Services & Direct Sales	5/F. & 18/F., Mass Resources, Development Bldg, 12 Humphrey's Avenue, Tsimshatsui, Kowloon	28
6.	Be Cool Limited	N/A	Group stock purchase	14th Floor, Guardian House, 32 OI Kwan Road, Wan Chai, Hong Kong	1
7.	B.A.L. Holdings Limited	N/A	Head office	14th Floor Guardian House, 32, Oi Kwan Road, Wan Chai, Hong Kong	N/A
8.	Nutriplus (Asia) Limited	Chai Wan Warehouse	Warehouse	Unit 8, 17/F., Chai Wan Industrial City, Phase 1, No. 60, Wing Tai Road, H.K.	N/A
9.	B.A.L. Clinic Limited	B.A.L. Medical Centre Mongkok	Non-surgical Beauty Services	23/F., 655, Nathan Road, Kowloon	6
10.	Nutriplus Cosmetics International Limited	N/A	Assets hiring to the Group	14th Floor, Guardian House, 32, Oi Kwan Road, Wan Chai, Hong Kong	N/A

Operated by	Name	Principal Activities	Location	No. of Employees
11. Be A Lady Limited	Tsuen Wan Beauty Services Centre	Beauty Services & Direct Sales	Units 1701-03 & 1707-08, City Landmark 1, Office Tower, 68 Chung On Street, Tsuen Wan, N.T.	27
12. Be A Lady Limited	Yuen Long Beauty Services Centre	Beauty Services & Direct Sales	Room 4-5, 8-9, 9th Floor, Kwong Wah Plaza, 11 Tai Tong Road, Yuen Long, N.T.	15
13. New Creative Limited	B.A.L. Medical Centre Causeway Bay	Non-surgical Beauty Services	22/F., Island Centre, No. 1 Great George Street, Causeway Bay Hong Kong	6
14. B.A.L. Medical (Tsuen Wan) Limited	B.A.L. Medical Centre, Tsuen Wan	Non-surgical Beauty Services	1704, 17/F., City Landmark I, 68 Chung On Street, Tsuen Wan	1
15. The Specialists Ltd	The Specialists	Surgical & medical Centre	2/F., New World Tower II, 18 Queen's Road Central, Hong Kong	18
16. Be A Lady (Macau) Limited	Macau Beauty Services Centre	Beauty Services & Direct Sales	AVENIDA DE ALMEIDA RIBEIRO N˚s. 89a 99. Edificio Commercial Nai Wa. 3˚ andar EM Macau	23
17. Be A Lady (site 1) Medical Limited	Macau Medical Centre	Non-surgical Beauty Services	AVENIDA DE ALMEIDA RIBEIRO N˚s. 89a 99. Edificio Commercial Nai Wa. 4˚ andar EM Macau	2
18. 深圳市羅湖區變靚美容美髮店	Shenzhen Beauty Services Centre	Beauty Services	深圳市羅湖區紅岭中路荔園酒店三樓	54
19. 廣州市變靚纖體美容有限公司	Guangzhou Beauty Services Centre	Beauty Services	廣州市天河區天河北路僑林街59號三層	69
Total employees of the Group as at 31 October 2008				351

Financial Review

For the year ended 31 October 2008, the Group's consolidated turnover amounted to approximately HK$272 million, representing an increase of approximately 59%, as compared with the previous financial year.

The Group recorded loss for the financial year ended 31 October 2008 amounted to approximately HK$77 million.

The Group's cash and bank balances as at 31 October 2008 was approximately HK$46 million.

The Directors do not recommend the payment of a dividend.

Liquidity and financial resources

The Group generally financed its operations with internally generated cash flows. As at 31 October 2008, the Group had cash and cash equivalents of approximately HK$46 million as compared to approximately HK$16 million as at 31 October 2007.

As at 31 October 2008 the Group had amounts due to minority shareholders of approximately HK$1 million and borrowings of approximately HK$12 million.

Gearing Ratio

As at 31 October 2008, the Group's gearing ratio, expressed as a percentage of total borrowings, (Comprising amounts due to related companies and minority shareholders, borrowings) over total assets, was approximately 7%.

Hedging

Since most of the transactions of the Group are denominated in Hong Kong dollars, no hedging or other arrangements to reduce the currency risk have been implemented.

Significant investments

As at 31 October 2008, the Group had significant investments in properties, listed securities and financial instruments.

Future plans for material investments or capital assets

The Group had no future plans for material investments or capital assets as at 31 October 2008.

Capital Structure

During the year under review, movement of share capital of the Company was as follows:

With effect from 22 November 2007, share consolidation of one existing issued and unissued shares of the Company be consolidated on the basis of four to one was completed.

On 31 December 2007, 237,402,135 rights shares at subscription price of HK$0.20 each on the basis of one rights share for every two shares were allotted.

On 2 April 2008, the change of domicile of the Company from the Cayman Islands to Bermuda by way of continuation of the Company into Bermuda was approved.

On 5 May 2008, the capital re-organisation was carried that each of the issued and unissued shares of par value HK$0.20 each in the share capital of the Company is reduced to HK$0.01 each.

On 29 May 2008, the Company entered into a top-up placing agreement and placing agreement to place an aggregate of 140,000,000 shares at the subscription price of HK$0.041 per share.

With effect from 27 June 2008, share consolidation of one existing issued and unissued shares of the Company be consolidated on the basis of five to one was completed.

During the year ended 31 October 2008, no share options were exercised.

As at 31 October 2008, 170,441,281 shares of par value HK$0.05 each of the Company were issued and fully paid.

Contingent Liabilities

As at 31 October 2008, the Company has executed corporate guarantees to third parties with respect to operating leases of approximately HK$1,000,000 (2007: HK$1,000,000), advertising contracts of certain subsidiaries of approximately HK$500,000 (2007: HK$500,000) and general banking facilities granted to certain subsidiaries of the Company of approximately HK$10,868,000 (2007: Nil).

Apart from the above, the Group and the Company had no other material contingent liabilities as at 31 October 2008 and up to the date of the approval of the audited results of the Group for the year ended 31 October 2008.

Employees

As at 31 October 2008, the Group had 351 (2007: 352) full-time employees. The total of employee remuneration, including that of the Directors, for the year ended 31 October 2008 amounted to HK$61 million (2007: HK$58 million). The Group remunerates its employees based on their performance, experience and the prevailing commercial practice.

Share Option Scheme

On 24 September 2001, the shareholders of the Company approved a share option scheme ("the Scheme") under which its Board of Directors may, at its discretion, offer full-time or part time employees and executive, non-executive and independent non-executive directors of the Company and/or any of its subsidiaries, options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company. The subscription price will be determined by the Company's Board of Directors and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the date of offer of the options, and (iii) the average of the quoted closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options.

Details of the Scheme of the Group are set out in note 34 to the financial statements.

Directors and Senior Management of the Group

Executive Directors

Ms. SIU York Chee, Doreen ("Ms. Siu"), aged 64, is the executive director since 16 June 2003 and being the chairperson of the Group since 17 September 2003. With extensive professional knowledge and many years of experience in the commercial field, Ms. Siu plays a positive role in the re-organizing and development of the Group. Prior to joining the Group, Ms. Siu was one of the founders of Companion Building Material International Holdings Ltd. (Currently known as Pacific Century Premium Developments Ltd, code no. 432) which was established in 1973 and listed in the Stock Exchange in 1993. Ms. Siu has resigned as Executive Director and Chairman of Companion Building Material International Holdings Ltd on January 2002. Ms. Siu is the wife of Mr. Leung Kwok Kui.

Mr. LEUNG Kwok Kui ("Mr. Leung"), aged 66, is the executive director of the Group since 5 September 2003. Mr. Leung has over 30 years' experience in the commercial field. Mr. Leung is responsible in sales and marketing operations for the Company. Prior to joining the Group, Mr. Leung was the executive director and one of the founders of the Companion Building Material International Holdings Ltd (Currently known as Pacific Century Premium Developments Ltd, code no. 432) and was also the executive director of Skynet (International Group) Holdings Limited which were listed companies in the Stock Exchange. Mr. Leung has resigned both positions as executive director on 31 January 2002.

Ms. LEUNG Ge Yau ("Ms. Leung"), *LL.B. (Hons), LL.M*, aged 31, in-house legal counsel of the Company since March 2008 and she was appointed as the executive director of the Company in April 2008.

Ms. Leung was admitted as a solicitor of the High Court of the Hong Kong Special Administrative Region ("Hong Kong") in 2003. Ms. Leung holds the degrees of a Master in Laws from King's College London, University of London and a Bachelor of Laws (with Honours) from City University of Hong Kong. Ms. Leung has also obtained a Postgraduate Certificate in Laws from the University of Hong Kong. Prior to joining the Company, Ms. Leung was a partner of Szwina Pang, Edward Li and Company.

Independent non-executive Directors

Mr. HUNG Anckes Yau Keung ("Mr. Hung"), *FCPA (Practising), FCCA, CICPA, CGA*, aged 56, is a Certified Public Accountant, Chairman of the Audit Committee, was appointed as an independent non-executive Director of the Company in October 2003. Mr. Hung has over 30 years experience in accounting. He is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, the Certified General Accountants Association, and an overseas non-practising member of the Chinese Institute of Certified Public Accountants.

Mr. Hung is now the practising director of KND & Co. CPA Limited, Certified Public Accountants (Practising). He is the Honorary Treasurer of The Overseas CICPA Members Association since the incorporation of the Association. He is also the Visiting Professor of the Southwestern University of Finance and Economics and the Research Institute of Economics of the Shenzhen University in China.

Mr. SIU Yim Kwan, Sidney ("Mr. Siu"), *S.B.St.J.*, aged 61, Mr. Siu was appointed as an independent non-executive director and member of Audit Committee of the Company in December 2004. Mr. Siu is also the non-executive director of Wang On Group Limited, a listed company in Hong Kong since November 1993.

Mr. Siu is a director of The Association of The Directors & Former Directors of Pok Oi Hospital Limited, Bright China Foundation Limited and Chiu Yang Residents Association of Hong Kong Limited, those companies are non-profitable association and providing community services in Hong Kong.

Mr. Siu is also a director and chairman of The Hong Kong Tae Kwon Do Association Limited, a sport association in Hong Kong and also an executive member of a number of charitable organizations and sports associations.

Mr. TSUI Pui Hung, Walter ("Mr. Tsui"), *LL.B. (Hons), LL.M, BSc (Hons)*, aged 33, is a practicing solicitor of the High Court of Hong Kong, was appointed as an independent non-executive director and member of Audit Committee of the Company in June 2007. Mr. Tsui holds the degrees of a Master in Laws from University of London, Bachelor of Laws (with Honours) from Manchester Metropolitan University, Bachelor of Science (with Honours) from the Chinese University of Hong Kong, Postgraduate Certificate in Laws from the University of Hong Kong and Diploma in Translation from the Chinese University of Hong Kong. Mr. Tsui has years of management experience and is familiar with internal control issues and regulatory rules of listed company. Mr. Tsui is also an independent non-executive director of Mandarin Entertainment (Holdings) Limited, a company listed on the Main Board of Stock Exchange.

SENIOR MANAGEMENT

Mr. LO Gun Yuen, Raymond, is the Qualified Accountant and the Company Secretary of the Group. Mr. Lo is responsible for the overall financial and accounting functions of the Group. Mr. Lo joined the Group in 2003. Mr. Lo has over 25 years of accounting, auditing and management financial reporting experience. Prior to joining the Group, Mr. Lo worked in several public listed companies in The Stock Exchange of Hong Kong Limited. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants.

Ms. LAM Man Li, Eling, is the General Manager of the beauty centres of the Company, who mainly oversees the operation and management of all beauty centres of the Company. Ms. Lam joined the Group in 2004. Prior to joining the Group, Ms. Lam has approximately over 20 years of experience in beauty services industry.

Ms. TSE Yin Fong, Yvonne, is the General Manager of the medical centres of the Company, who mainly oversees the operation and management of all medical centres of the Company. Ms. Tse joined the Group in 2002. Prior to joining the Group, Ms. Tse has approximately over 10 years of experience in beauty services industry.

Ms. CHANG Chi King, Anne, is the Marketing Manager of the Group. She is mainly responsible for the marketing and advertising of the Group. Ms. Chang joined the Group in 2004. Prior to joining the Group, Ms. Chang has over 9 years of administration and marketing experience in beauty and servicing industry.

Ms. KOO Fung Yi, Sue, is the Company Secretarial Officer. She mainly deals with company secretarial matters of the Group and communicates with The Stock Exchange of Hong Kong Limited on announcements, publications and share allotments. Ms. Koo joined the Group in 2003. Prior to joining the Group, Ms. Koo worked in several public listed companies in The Stock Exchange of Hong Kong Limited.

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance to protect the interests of the shareholders of the Company. The Company had complied with most of the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 October 2008. This report describes the corporate governance standards and practices used by the Company to direct and manage its business affairs. It also explains the applications of the Code and deviations, if any.

Board of Directors

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board of the Company as at the date of this report comprises the following directors:

Executive directors:
Ms. Siu York Chee, Doreen *(Chairperson and member of Remuneration Committee)*
Mr. Leung Kwok Kui *(member of Remuneration Committee)*
Ms. Leung Ge Yau *(appointed on 21 April 2008)*

Independent non-executive directors:
Mr. Hung Anckes Yau Keung *(Chairman of Audit Committee and Remuneration Committee)*
Mr. Siu Yim Kwan, Sidney *(member of Audit Committee and Remuneration Committee)*
Mr. Tsui Pui Hung, Walter *(member of Audit Committee and Remuneration Committee)*

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules.

Ms. Siu York Chee, Doreen is the spouse of Mr. Leung Kwok Kui. Ms. Leung Ge Yau is the daughter of Ms. Siu York Chee and Mr. Leung Kwok Kui. Save for the aforesaid, none of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the GEM Listing Rules. The Company considers both independent non-executive directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules.

Appointment and Succession Planning of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-Laws.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election and Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

None of the independent non-executive directors is appointed for a specific term. Pursuant to the Company's Bye-Laws, all directors of the Company, regardless of his/her term of appointment, if any, are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy is subject to re-election by shareholders at the first annual general meeting after his/her appointment. The Company in practice will observe Code Provision A.4.2 and will ensure that any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment.

Board and Board Committees Meetings

Number of Meetings and Directors' Attendance

Regular Board meetings should be held at least four times a year at quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 31 October 2008, twenty six Board meetings (four of which were regular Board meetings) and five Audit Committee meetings were held.

The individual attendance record of each director at the meetings of the Board and Audit Committee during the year ended 31 October 2008 is set out below:

	Attendance/Number of Meetings held during the tenure of directorship	
Name of Directors	**Board**	**Audit Committee**
Executive Directors		
– Ms. Siu York Chee, Doreen *(Chairperson and member of Remuneration Committee)*	25/26	N/A
– Mr. Leung Kwok Kui *(member of Remuneration Committee)*	26/26	N/A
– Ms. Leung Ge Yau *(appointed on 21 April 2008)*	9/26	N/A
Independent Non-Executive Directors		
– Mr. Hung Anckes Yau Keung *(Chairman of Audit Committee and Remuneration Committee)*	19/26	5/5
– Mr. Siu Yim Kwan, Sidney *(member of Audit Committee and Remuneration Committee)*	18/26	4/5
– Mr. Tsui Pui Hung, Walter *(member of Audit Committee* and *Remuneration Committee)*	16/26	4/5

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of Chairperson and Chief Executive Officer should be separated and should not be performed by the same individual.

Ms. Siu York Chee, Doreen is the Chairperson and Chief Executive Officer of the Company. In view of the scale of operations of the Company and the fact that daily operations of the Group's business is delegated to the senior executives and department heads, the Board considers that vesting the roles of both Chairperson and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that the current structure provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies. It is in the best interest of the Group to maintain the current practice for continuous efficient operations and development of the Group.

BOARD COMMITTEES

The Board has established Audit and Remuneration Committees in accordance with the Code Provisions and all or a majority of the members of the Committees are independent non-executive Directors.

Remuneration Committee

A remuneration committee was only formed in January 2007 with specific written terms of reference which deal clearly with its authority and duties in accordance with the requirements of the new Code. The remuneration committee is responsible for reviewing and developing the remuneration polices of the Directors and senior management. The remuneration committee consists of all the three independent non-executive directors of the Company, namely Mr. Hung Anckes Yau Keung, Mr. Siu Yim Kwan, Sidney, Mr. Tsui Pui Hung, Walter, and two executive directors, namely Ms. Siu York Chee and Mr. Leung Kwok Kui.

During the year under review, three meetings were held by the remuneration committee.

Audit Committee

The Company established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual report and financial statements, half-yearly report and quarterly reports and to provide advice and comment thereon to the Board. The Audit Committee are also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. Currently it consists of three independent non-executive Directors, Mr. Hung Anckes Yau Keung, Chairman of the Audit Committee, Mr. Siu Yim Kwan, Sidney and Mr. Tsui Pui Hung, Walter.

The Company's annual results for the year ended 31 October 2008, has been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 October 2008.

The Company also has established written guidelines on no less exacting terms than the Required Standard of Dealings (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 October 2008.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on page 28.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 October 2008 amounted to HK$600,000.

INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-Laws. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of 2008 annual general meeting and explained during the proceedings of the meeting.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairperson of the Board and the Chairman of the Audit Committee attended the 2008 annual general meeting to answer questions at the meeting.

Separate resolutions were proposed at 2008 annual general meeting on each substantial issue, including the election of individual directors.

Report of the Directors

The directors of the Company ("Directors") present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 October 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the retails of beauty products and provision of beauty services, clinical services, property investment and beauty courses in Hong Kong, Macau and China.

An analysis of the Group's turnover and contribution to operating results of the Group by principal activities and geographical locations for each of the two years ended 31 October 2008 is set out in note 6 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest suppliers of the Group accounted for less than 30% of its operating costs for the year.

Sales to the Group's five largest customers accounted for less than 30% of the Group's turnover for each of the two years ended 31 October 2008.

Save as disclosed above, none of the directors or any of their associates (as defined in the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules") or any shareholders of the Company (who, to the knowledge of the Directors, own more than 5% of the issued share capital of the Company) had any beneficial interest in any of the five largest suppliers or customers of the Group for the financial year ended 31 October 2008.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 October 2008 are set out in the consolidated income statement on page 29 of the annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 3.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 13 to the financial statements.

ISSUED CAPITAL AND SHARE OPTIONS

Details of the movements in issued capital and share options of the Company during the year are set out in notes 34 and 35, respectively to the financial statements.

SHARE CAPITAL

At 31 October 2007, the number of issued shares is 1,899,217,082 ordinary shares.

By an ordinary resolution dated 21 November 2007, 1,899,217,082 ordinary shares of HK$0.05 each were consolidated on the basis of four to one was approved. After completion of share consolidation, the authorized share capital of the Company will remain at HK$300,000,000 but divided into 1,500,000,000 ordinary shares of which 474,804,270 ordinary shares of HK$0.20 each were issued which are fully paid or credited as fully paid. The Board believes that the share consolidation is to increase the investor quality and profile and will bring long term shareholder value.

On 31 December 2007, 237,402,135 rights shares at subscription price of HK$0.20 each on the basis of one rights share for every two shares were allotted. The rights issue provides a good opportunity for the Company to strengthen its capital base and to enhance its financial position and the net proceed of rights issue is approximately HK$45.90 million and used for property investment in Hong Kong. After the completion of rights issues, the authorized share capital of the Company will remain at HK$300,000,000 but divided into 1,500,000,000 ordinary shares of which 712,206,405 shares of HK$0.20 each were issued which are fully paid or credited as fully paid.

By a special resolutions dated 2 April 2008, the change of domicile of the Company from the Cayman Islands to Bermuda by way of continuation of the Company into Bermuda was approved.

With effect from 5 May 2008, the capital re-organisation was carried that each of the issued and unissued shares of par value HK$0.20 each in the share capital of the Company is reduced to HK$0.01 each. After the change of domicile, the authorized share capital of the Company will remain at HK$300,000,000 but divided into 30,000,000,000 shares of which 712,206,405 ordinary shares of HK$0.01 each were issued which are fully paid or credited as fully paid.

On 12 June 2008, 40,000,000 top-up placing and subscription at subscription price of HK$0.041 per share were allotted. The top-up placing and subscription represents an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. The net proceeds from the top-up placing and subscription is approximately HK$1.56 million and used for general working capital of the Company. After the completion of the top-up placing and subscription, the authorized share capital of the Company will remain at HK$300,000,000 but divided into 30,000,000,000 shares of which 752,206,405 ordinary shares of HK$0.01 each were issued which are fully paid or credited as fully paid.

On 20 June 2008, 100,000,000 new placing shares at placing price of HK$0.041 per shares were allotted. The new placing represents an opportunity to raise capital for the Company while broadening the Shareholder base and capital base of the Company. The net proceeds from the new placing is approximately HK$3.93 million and used for general working capital of the Company. After the completion of the new placing, the authorized share capital of the Company will remain at HK$300,000,000 but divided into 30,000,000,000 shares of which 852,206,405 shares of HK$0.01 each were issued which are fully paid or credited as fully paid.

By ordinary resolution dated 26 June 2008, 852,206,405 shares of HK$0.01 each were consolidated on the basis of five to one was approved. It is because of the trading price of shares of the Company is close to the extremity of HK$0.01 per share. The Board believes that the share consolidation will reduce the number of board lots in the market and in compliance with the GEM Listing Rules. After completion of share consolidation, the authorized share capital of the Company will remain at HK$300,000,000 but divided into 6,000,000,000 consolidated shares of which 170,441,281 ordinary shares of HK$0.05 each were issued which are fully paid or credited as fully paid.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 36 to the financial statements respectively.

DONATIONS

During the year, there was no donation made (2007: HK$2,000).

DIRECTORS

The Directors who held office during the year are:

Executive Directors

Ms. Siu York Chee, Doreen
Mr. Leung Kwok Kui
Ms. Leung Ge Yau, *LL.B. (Hons), LL.M* (appointed on 21 April 2008)

Independent non-executive Directors

Mr. Hung Anckes Yau Keung,
FCPA (Practising), FCCA, CICPA, CGA
Mr. Siu Yim Kwan, Sidney, *S.B.St.J.*
Mr. Tsui Pui Hung, Walter,
LL. B. (Hons), LL.M., BSc (Hons)

DIRECTORS' SERVICE CONTRACTS

Ms. Siu York Chee and Mr. Leung Kwok Kui have entered into a service contract with the Company for an initial term of five years. The service contracts shall be renewed automatically after the initial five years unless and until terminated by not less than six months' notice in writing served by either party on the other.

The other Directors (including the independent non-executive Directors) have no fixed term of office but are subject to the provisions of retirement and rotation of Directors under the Bye-Laws of the Company.

SHARE OPTION SCHEMES

(a) On 24 September 2001, the shareholders of the Company approved a share option scheme (the "Scheme") under which its board of directors may, at its discretion, offer full-time or part time employees and executive, non-executive and independent non-executive directors of the Company and/or any of its subsidiaries, options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company. The subscription price will be determined by the Company's board of directors and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the date of offer of the options, and (iii) the average of the quoted closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options.

All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

Share options and respective exercise prices are as follows for the reporting period presented:

2008

Type of grantee	At 1 November 2007	Granted	Adjustments *	Exercised/ Cancelled/Lapsed	At 31 October 2008	Date of grant	Exercise period of the share options	Exercise price per share
								HK$
Employees								
– In aggregate	11,760,000	–	(11,140,484)	–	619,516	20-Jun-05	22/6/05 – 21/12/08	2.7295*
– In aggregate	7,200,000	–	(6,820,704)	–	379,296	27-Feb-07	27/2/07 – 26/2/09	2.8475*
– In aggregate	720,000	–	(682,071)	(37,929)	–	15-Mar-07	15/3/07 – 14/9/08	4.271*
– In aggregate	26,560,000	–	(25,160,820)	–	1,399,180	27-Sep-07	27/9/07 – 26/9/09	1.31*
– In aggregate	–	7,122,064	(5,697,652)	–	1,424,412	1-Feb-08	6/2/2008 – 5/2/2010	1.00*
– In aggregate	–	17,000,000	(13,600,000)	–	3,400,000	5-May-08	5/5/2008 – 4/5/2010	0.283*
	46,240,000	24,122,064	(63,101,731)	(37,929)	7,222,404			
Other eligible persons								
– In aggregate	2,400,000	–	(2,273,568)	–	126,432	14-Mar-07	14/3/07 – 13/3/09	4.351*
– In aggregate	5,000,000	–	(4,736,600)	–	263,400	4-Oct-07	17/10/07 – 16/10/09	1.329*
	53,640,000	24,122,064	(70,111,899)	(37,929)	7,612,236			

* *This reflects the adjusted exercise prices and number of share options which have been granted and are outstanding after the completion of share consolidations and rights issues during the year ended 31 October 2008*

Share options and respective exercise prices are as follows for the reporting periods presented:

2007

Type of grantee	At 1 November 2006	Granted	Exercised #	Adjustments *	At 31 October 2007	Date of grant	Exercise period of the share options	Exercise price per share HK$
Employees								
– In aggregate	4,900,000	–	–	6,860,000	11,760,000	20 June 2005	22 June 2005 to 21 December 2008	0.1438 *
– In aggregate	–	3,000,000	–	4,200,000	7,200,000	27 February 2007	27 February 2007 to 26 February 2009	0.1500 *
– In aggregate	–	300,000	–	420,000	720,000	15 March 2007	15 March 2007 to 14 September 2008	0.2250 *
– In aggregate	–	26,560,000	–	–	26,560,000	27 September 2007	27 September 2007 to 26 September 2009	0.0690
	4,900,000	29,860,000	–	11,480,000	46,240,000			
Other eligible persons								
– In aggregate	2,000,000	–	(2,000,000)	–	–	27 June 2005	6 July 2005 to 5 July 2007	0.3730
– In aggregate	–	1,000,000	–	1,400,000	2,400,000	14 March 2007	14 March 2007 to 13 March 2009	0.2292*
– In aggregate	–	5,000,000	–	–	5,000,000	4 October 2007	17 October 2007 to 16 October 2009	0.0700
	2,000,000	6,000,000	(2,000,000)	1,400,000	7,400,000			
	6,900,000	35,860,000	(2,000,000)	12,880,000	53,640,000			

The weighted average share price of these shares at the date of exercise was HK$0.8175.

* *This reflects the adjusted exercise prices and number of share options which have been granted and are outstanding after the completion of share subdivision on 9 August 2007 and bonus issue on 31 August 2007.*

The fair values of options granted during the year ended 31 October 2008 were determined using the Black-Scholes valuation model. Significant inputs into the calculation included a weighted average share price of HK$0.33 and exercise prices as illustrated above. Furthermore, the calculation takes into account volatility rate of ranging from 102.77% to 186.29% based on expected share price. Risk-free interest rates ranging from 1.2% to 1.4% was determined.

The fair values of options granted during the year ended October 2007 were determined using the Black-Scholes valuation model. Significant inputs into the calculation included a weighted average share price of HK$0.42 and exercise prices as illustrated above. Furthermore, the calculation takes into account volatility rates ranging from 73.29% to 95.46%, based on expected share price. Risk-free interest rates ranging from 3.52% to 2.74% were determined.

The fair values of options granted during the year ended 31 October 2006 were determined using the Black-Scholes valuation model. Significant inputs into the calculation included a weighted average share price of HK$0.37 and exercise prices as illustrated above. Furthermore, the calculation takes into account volatility rate of 117.92% based on expected share price. Risk-free interest rate of 3.13% was determined.

In total, HK$1,655,000 of employee compensation expense has been included in the consolidated income statement for 2008 (2007: HK$646,000), the corresponding amount of which has been credited to share option reserve (note 36). No liabilities were recognised due to share-based payment transactions.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 October 2008, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the HKSE, were as follows:

(i) Interests and short positions of the Directors or chief executives in the Shares, underlying shares and debentures of the Company and its associated corporations

As at 31 October 2008, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

(a) Interests in Shares

Long positions

Name	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	Approximate percentage to the issued share capital of the Company as at 31 October 2008
Ms. Siu York Chee	Beneficiary owner and family interests	406,431	1,431	–	17,005,583 *(Notes 1 and 2)*	17,413,445	10.22%
Mr. Leung Kwok Kui	Beneficiary owner and family interests	1,431	17,412,014 *(Note 3)*	–	–	17,413,445	10.22%

Notes:

1. Heavenly Blaze Limited is beneficially owned as to (i) 46% by Mr. Shiu Stephen Junior, nephew of Ms. Siu York Chee (being the executive Directors); (ii) 34% by Mr. Shiu Yeuk Yuen, younger brother of Ms. Siu York Chee, and Ms. Siu York Chee together hold on behalf of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound, nieces of Ms. Siu York Chee; (iii) 16% by Ms. Shiu Ting Yan, Denise, niece of Ms. Siu York Chee; (iv) 1% by Mr. Cheng Jut Si; and (v) 3% by One Dollar Productions Limited which is beneficially owned as to 25% by Mr. Shiu Stephen Junior; and 75% by Ms. Hau Lai Mei, the step-mother of Mr. Shiu Stephen Junior.

2. Ms. Siu York Chee and Mr. Shiu Yeuk Yuen are the trustees of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound.

3. Mr. Leung Kwok Kui, the executive Director, is the spouse of Ms. Siu York Chee.

(b) *Interests in convertible loan notes*

Name	Type of interests	Number of underlying Shares held	Approximate percentage of the underlying Shares to the issued share capital of the Company as at 31 October 2008
Mr. Ho Wai Sun *(Note)*	Personal	9,090,909	5.33%

Note: Mr. Ho was issued with convertible loan notes on 18 January 2008 with a principal amount of HK$10,000,000 at an adjusted conversion price of HK$1.10 per Share (the "Convertible Notes"). Upon full conversion of the Convertible Notes, a maximum of 9,090,909 Shares will be issued to Mr. Ho. The Company has 170,441,281 Shares in issue as at 31 October 2008.

(c) *Interests in shares option*

Name	Type of interests	Outstanding shares option as at 31 October 2008	Approximate percentage of the underlying Shares to the issued share capital of the Company as at 31 October 2008
Mr. Ho Wai Sun *(Note)*	Personal	1,424,412	0.83%

Note: Mr. Ho was issued with the shares option on 1 February 2008 at an adjusted subscription price of HK$1.00 per Share.

Save as disclosed above, as at 31 October 2008, none of the Directors or chief executive of the Company had any interests or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he/ she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(ii) Interests and short positions of substantial Shareholders in the Shares, underlying shares and debentures of the Company and its associated corporations

Interests in the Shares and underlying shares

Long positions

Name	Capacity	Personal Interests	Family Interests	Corporate Interests	Other Interests	Shares Option/ Underlying Shares	Total	Approximate percentage to the issued share capital of the Company as at 31 October 2008
Heavenly Blaze Limited	Beneficiary owner	–	–	17,005,583 *(note 1)*	–	–	17,005,583	9.98%
Mr. Shiu Stephen Junior	Beneficiary owner and Interested held by controlled corporation	17,000	–	17,005,583 *(note 1)*	–	–	17,022,583	9.99%
Mr. Shiu Yeuk Yuen	Interested held by controlled corporation and family interests	–	855,310 *(note 1)*	–	17,005,583 *(note 2)*	–	17,860,893	10.48%
Ms. Hau Lai Mei	Beneficiary owner and family interests	76,700	17,005,583 *(note 1)*	–	–	778,610	17,860,893	10.48%
Everproven Limited	Beneficiary owner	–	–	16,360,000 *(note 3)*	–	–	16,360,000	9.60%
Chan Boon Ho, Peter	Interested held by controlled corporation	–	–	16,360,000 *(note 3)*	–	–	16,360,000	9.60%

Notes:

1. Heavenly Blaze Limited is beneficially owned as to (i) 46% by Mr. Shiu Stephen Junior, nephew of Ms. Siu York Chee (being the executive Directors); (ii) 34% by Mr. Shiu Yeuk Yuen, younger brother of Ms. Siu York Chee, and Ms. Siu York Chee together hold on behalf of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound, nieces of Ms. Siu York Chee; (iii) 16% by Ms. Shiu Ting Yan, Denise, niece of Ms. Siu York Chee; (iv) 1% by Mr. Cheng Jut Si; and (v) 3% by One Dollar Productions Limited which is beneficially owned as to 25% by Mr. Shiu Stephen Junior; and 75% by Ms. Hau Lai Mei, the step-mother of Mr. Shiu Stephen Junior.

2. Ms. Siu York Chee and Mr. Shiu Yeuk Yuen are the trustees of Ms. Shiu Yo Yo and Ms. Shiu Sound Sound.

3. Everproven Limited is beneficially owned as to 100% by Mr. Chan Boon Ho, Peter.

Save as disclosed above, as at 31 October 2008, the Directors were not aware of any other person who had an interests or short position in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period from 1 November 2007 to 31 October 2008.

CONNECTED AND RELATED PARTY TRANSACTIONS

(A) Connected transactions

On 8 January 2008, Be a Lady Limited, a wholly-owned subsidiary of the Company, and Heavenly Blaze Limited, a substantial shareholder holding approximately 14.71% of the issued share capital of the Company entered into a joint venture agreement for the formation of the joint venture, One Dollar Movies Productions Limited which principally engaged in the production and distribution of movies. Be a Lady Limited and Heavenly Blaze Limited would provide HK$7,200,000 and HK$10,800,000 respectively to the joint venture in the form of shareholders' loan.

Subsequently on 4 March 2008, Be a Lady Limited and Heavenly Blaze Limited entered into a supplemental agreement pursuant to which Be a Lady Limited and Heavenly Blaze Limited would provide further funding to the joint venture in the sum of HK$2,400,000 and HK$3,600,000 respectively in the form of shareholders' loan.

The total investment of the joint venture is HK$24,000,010 of which HK$9,600,004, represents 40% of the joint venture, was provided by Be a Lady Limited and HK$14,400,006, represents 60% of the joint venture, was provided by Heavenly Blaze Limited as capital contribution and shareholders' loan respectively. The shareholders' loan will be provided to the joint venture within three months upon completion of the joint venture agreement and supplemental agreement and within seven days upon serving of a notice by the joint venture respectively.

(B) Related party transactions

Details of the related party transactions for the year are set out in note 37 to the financial statements.

Save as disclosed therein, there were no other transactions to be disclosed as connected and related party transactions in accordance with the requirements of the GEM Listing Rules.

COMPETING INTEREST

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company has an interest in a business, which competes or may compete with the business of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 (the "Required Standard of Dealings") of the GEM Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Required Standard of Dealings throughout the year ended 31 October 2008.

AUDIT COMMITTEE

The Company has formed an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The audit committee (the "Committee") comprises three Independent Non-Executive Directors, namely Mr. Hung Anckes Yau Keung, and Mr. Siu Yim Kwan, Sidney and Mr. Tsui Pui Hung Walter. Mr. Hung Anckes Yau Keung is also the chairman of the audit committee. The primary duties of the Committee are to review the Company's annual report and accounts, half-yearly report, quarterly reports and monthly reports and to provide advice and comments thereon to the board of Directors. The Committee is also responsible for reviewing and monitoring the Company's internal control procedures. The Committee has reviewed the draft of this report and has provided advice and comments thereon.

During the financial year ended 31 October 2008, the audit committee has reviewed the Company's half-year report, quarterly reports and monthly reports and has provided advice and comments thereon to the Board. The audit committee has met five times during the financial year for reviewing the Company's financial reports and monitoring the Company's internal control procedures.

CORPORATE GOVERNANCE

The Company has published its Corporate Governance Report, details of which are set out on pages 14 to 17 of this annual report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions ("Code Provisions") set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited) ("GEM Listing Rules") that are considered to be relevant to the Company and has complied with the Code Provisions save as disclosed below.

a) Ms. Siu York Chee, Doreen currently holds the offices of Chairperson and Chief Executive Officer of the Company. The Board considers that the current structure of vesting the roles of Chairperson and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that the current structure provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

b) None of the independent non-executive directors is appointed for a specific term but pursuant to the Company's Bye-Laws, all directors of the Company are subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years. Further, pursuant to the Company's Bye-Laws, any new director appointed to fill a casual vacancy is subject to re-election by shareholders at the first annual general meeting after his/her appointment. The Company in practice will observe Code Provision A.4.2 and will ensure that any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment.

AUDITORS

The financial statements of the Company for the financial year ended 31 October 2008 were audited by Grant Thornton, who will retire and a resolution to re-appoint Grant Thornton as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Grant Thornton has been Auditors of our Company since the financial year ended 31 October, 2006 while Chang Leung Hui & Li C.P.A. Limited had been our auditors for the financial years ended 31 October 2003 to 2005.

On behalf of the Board
B.A.L. Holdings Limited
Siu York Chee, Doreen
Chairperson

Hong Kong, 20 January 2009

Grant Thornton
均富

Member of Grant Thornton International Ltd

Independent Auditors' Report

TO THE MEMBERS OF B.A.L. HOLDINGS LIMITED
(continued into Bermuda with limited liability)

We have audited the consolidated financial statements of B.A.L. Holdings Limited (the "Company") set out on pages 29 to 96, which comprise the consolidated and company balance sheets as at 31 October 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Opinion

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

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

20 January 2009

Consolidated Income Statement

For the year ended 31 October 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Revenue	*5*	**272,078**	170,822
Cost of sales		**(145,759)**	(28,323)
Gross profit		**126,319**	142,499
Other revenue and gains	*5*	**6,541**	17,683
Servicing, selling and distribution costs		**(112,053)**	(96,459)
Administrative expenses		**(46,329)**	(37,616)
Other operating expenses		**(55,452)**	(3,773)
Operating (loss)/profit	*7*	**(80,974)**	22,334
Finance costs	*8*	**(991)**	(3,061)
Share of results of jointly controlled entities		**–**	(1,177)
Share of results of associates	*17*	**3,884**	1,351
(Loss)/profit before income tax		**(78,081)**	19,447
Income tax credit/(expense)	*9*	**360**	(2,929)
(Loss)/profit for the year		**(77,721)**	16,518
Attributable to:			
Equity holders of the Company	*10*	**(77,371)**	15,931
Minority interests		**(350)**	587
(Loss)/profit for the year		**(77,721)**	16,518
			(Restated)
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year	*11*		
– Basic		**HK$(2.67)**	HK$1.13
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 October 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**33,158**	34,365
Investment properties	14	**11,820**	1,630
Intangible assets	15	**4,528**	4,819
Interests in associates	17	**5,994**	26,351
Held-to-maturity investments	18	**708**	70
Available-for-sale financial assets	19	**–**	2,352
Derivative financial instruments	20	**–**	5,187
Deposits and other receivables	21	**6,567**	3,653
Restricted bank deposits	27	**449**	–
Deferred tax assets	33	**1,704**	547
		64,928	78,974
Current assets			
Intangible assets	15	**1,500**	–
Inventories	22	**2,307**	5,117
Trade receivables	23	**21,121**	42,614
Prepayments, deposits and other receivables	21	**30,910**	139,739
Financial assets at fair value through profit or loss	25	**13,397**	12,263
Held-to-maturity investments	18	**79**	–
Available-for-sale financial assets	19	**3,025**	–
Derivative financial instruments	20	**2,746**	2,353
Amounts due from related companies	26	**2,038**	4,154
Restricted bank deposits	27	**3,573**	–
Cash and cash equivalents	28	**46,177**	15,873
Tax recoverable		**6**	148
		126,879	222,261
Current liabilities			
Trade payables	29	**190**	577
Accruals, receipts in advance and other payables	30	**18,786**	21,190
Amount due to an associate	24	**–**	30
Amounts due to minority interests	31	**1,077**	1,291
Derivative financial instruments	20	**5,671**	–
Borrowings	32	**1,431**	98,768
Provision for tax		**3,570**	4,755
		30,725	126,611
Net current assets		**96,154**	95,650
Total assets less current liabilities		**161,082**	174,624
Non-current liabilities			
Borrowings	32	**10,973**	–
Derivative financial instruments	20	**1,230**	–
Deposits	30	**212**	219
Deferred tax liabilities	33	**109**	–
		12,524	219
Net assets		**148,558**	174,405
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	34	**8,522**	94,961
Reserves		**139,569**	79,444
		148,091	174,405
Minority interests		**467**	–
Total equity		**148,558**	174,405

Siu York Chee
Director

Leung Kwok Kui
Director

Balance Sheet

As at 31 October 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	16	**1,097**	1,097
Current assets			
Deposits and other receivables	21	**–**	99
Amounts due from subsidiaries	16	**135,022**	117,637
Financial assets at fair value through profit or loss	25	**2,306**	5
Cash and cash equivalents	28	**3,751**	235
		141,079	117,976
Current liabilities			
Accruals	30	**74**	300
Amounts due to subsidiaries	16	**5,294**	3,010
Provision for tax		**117**	117
		5,485	3,427
Net current assets		**135,594**	114,549
Non-current liabilities			
Borrowings	32	**1,622**	–
Net assets		**135,069**	115,646
EQUITY			
Share capital	34	**8,522**	94,961
Reserves	36	**126,547**	20,685
Total equity		**135,069**	115,646

Siu York Chee
Director

Leung Kwok Kui
Director

Consolidated Statement of Changes in Equity

For the year ended 31 October 2008

	Equity attributable to the equity holders of the Company										Minority interests	Total equity
	Share capital	Share premium*	Capital redemption reserve*	Exchange reserve*	Retained profits/ (accumulated losses)*	Capital reserves*	Investment revaluation reserve*	Share option reserve*	Contributed surplus*	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
						(Note 36.1)			*(Note 36.2)*			
At 1 November 2006	46,444	39,996	278	17	(34,449)	28,327	(192)	927	–	81,348	254	81,602
Changes in fair value of available-for-sale financial assets	–	–	–	–	–	–	11	–	–	11	–	11
Profit for the year	–	–	–	–	15,931	–	–	–	–	15,931	587	16,518
Total recognised income and expense for the year	–	–	–	–	15,931	–	11	–	–	15,942	587	16,529
Realisation of fair value changes of available-for-sale financial assets on disposals	–	–	–	–	–	–	192	–	–	192	–	192
Equity-settled share option arrangement	–	–	–	–	–	–	–	646	–	646	–	646
Arising from acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(855)	(855)
Capital contributed by minority shareholders	–	–	–	–	–	–	–	–	–	–	14	14
Proceeds from shares issued	34,740	40,791	–	–	–	–	–	–	–	75,531	–	75,531
Proceeds from exercise of share options	200	546	–	–	–	–	–	–	–	746	–	746
Bonus issue	13,577	(13,577)	–	–	–	–	–	–	–	–	–	–
Share premium cancellation	–	(48,168)	–	–	48,168	–	–	–	–	–	–	–
At 31 October 2007 and 1 November 2007	94,961	19,588	278	17	29,650	28,327	11	1,573	–	174,405	–	174,405
Changes in fair value of available-for-sale financial assets	–	–	–	–	–	–	(2,179)	–	–	(2,179)	–	(2,179)
Loss for the year	–	–	–	–	(77,371)	–	–	–	–	(77,371)	(350)	(77,721)
Total recognised income and expense for the year	–	–	–	–	(77,371)	–	(2,179)	–	–	(79,550)	(350)	(79,900)
Arising from partial disposals of interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	817	817
Realisation of fair value changes of available-for-sale financial assets on disposals	–	–	–	–	–	–	(11)	–	–	(11)	–	(11)
Equity-settled share option arrangement	–	–	–	–	–	–	–	1,655	–	1,655	–	1,655
Rights issue	47,480	(1,447)	–	–	–	–	–	–	–	46,033	–	46,033
Allotment of shares	1,400	4,159	–	–	–	–	–	–	–	5,559	–	5,559
Capital reduction	(135,319)	–	–	–	–	–	–	–	135,319	–	–	–
At 31 October 2008	**8,522**	**22,300**	**278**	**17**	**(47,721)**	**28,327**	**(2,179)**	**3,228**	**135,319**	**148,091**	**467**	**148,558**

* *These reserve accounts comprise the consolidated reserves of HK$139,569,000 (2007: HK$79,444,000) in the consolidated balance sheet.*

Consolidated Cash Flow Statement

For the year ended 31 October 2008

	Notes	2008 HK$'000	2007 HK$'000 (Reclassified)
Cash flows from operating activities			
(Loss)/profit for the year before income tax		**(78,081)**	19,447
Adjustments for:			
Dividend income from listed investments	5	**(611)**	(10)
Fair value losses/(gains) on financial assets at fair value through profit or loss	5,7	**24,225**	(13,795)
Fair value losses/(gains) on investment properties	5,7	**2,347**	(10)
Gains on disposals of investment properties	5	**(30)**	–
Interest income	5	**(2,450)**	(998)
Net surplus of net carrying amounts of assets acquired over cost of acquisition of additional interests in subsidiaries	5	**–**	(855)
Net surplus of sale proceeds over carrying amounts of net assets in subsidiaries disposed of	5	**(683)**	–
Amortisation of intangible assets	7	**1,500**	–
Depreciation	7	**12,907**	11,790
Equity-settled share option expense	7	**1,655**	646
Fair value losses on derivative financial instruments	7	**11,335**	651
Losses on disposals of available-for-sale financial assets	7	**243**	110
Losses on disposals of property, plant and equipment	7	**79**	1,407
Losses on termination of a jointly controlled entity	7	**–**	78
Losses on disposals of an associate	7	**1,241**	–
Provision for impairment of goodwill	7	**291**	–
Provision for impairment of other receivables	7	**1,950**	–
Provision for impairment of trade receivables	7	**12,595**	650
Property, plant and equipment written off	7	**696**	665
Equity-settled transactions with cash alternative	7	**1,622**	–
Interest expenses	8	**991**	3,061
Share of results of jointly controlled entities		**–**	1,177
Share of results of associates		**(3,884)**	(1,351)
Operating (loss)/profit before working capital changes		**(12,062)**	22,663
Decrease/(increase) in inventories		**2,810**	(2,604)
Decrease/(increase) in trade and other receivables		**112,863**	(134,301)
Decrease in trade and other payables		**(2,798)**	(227)
Decrease/(increase) in amounts due from related companies		**2,116**	(3,459)
Decrease/(increase) in amount due to an associate		**(30)**	30
Purchase of financial assets at fair value through profit or loss		**(161,414)**	(132,015)
Proceeds from disposals of financial assets at fair value through profit or loss		**136,055**	136,292
Purchase of derivative financial instruments		**(22,920)**	(8,191)
Proceeds from disposals of derivative financial instruments		**23,280**	–
Dividend received		**611**	10
Cash generated from/(used in) operations		**78,511**	(121,802)
Interest received		**2,450**	998
Income tax paid		**(1,731)**	(4,424)
Net cash generated from/(used in) operating activities		**79,230**	(125,228)

Consolidated Cash Flow Statement *(Continued)*

For the year ended 31 October 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000* (Reclassified)
Cash flows from investing activities			
Purchase of intangible assets		**(3,000)**	–
Purchase of held-to-maturity financial assets		**(717)**	(70)
Purchase of available-for-sale financial assets		**(5,973)**	(2,341)
Proceeds from disposals of available-for-sale financial assets		**2,867**	3,835
Acquisition of a subsidiaries	*38.2*	**–**	(2,359)
Investment in an associate		**(6,000)**	(25,000)
Purchase of investment properties		**(14,367)**	(1,620)
Purchase of property, plant and equipment	*38.1*	**(10,554)**	(19,795)
Proceeds from disposals of an associate		**29,000**	–
Proceeds from partial disposals of interests in subsidiaries		**1,500**	–
Proceeds from disposals of investment properties		**1,860**	–
Proceeds from disposals of property, plant and equipment		**68**	180
Net cash used in investing activities		**(5,316)**	(47,170)
Cash flows from financing activities			
Interest paid		**(991)**	(3,061)
Proceeds from allotment of shares, net of expenses		**51,592**	75,531
Proceeds from exercise of share options		**–**	746
Capital contributed by minority shareholders		**–**	14
Repayment of amount due to a jointly controlled entity		**–**	(75)
Repayments of amounts due to minority interests		**(214)**	(3,356)
Repayments of loans		**(98,999)**	–
Drawdown of loans		**9,695**	98,618
Capital element of finance lease liabilities		**(671)**	(198)
Increase in restricted bank deposits		**(4,022)**	–
Net cash (used in)/generated from financing activities		**(43,610)**	168,219
Net increase/(decrease) in cash and cash equivalents		**30,304**	(4,179)
Cash and cash equivalents at beginning of year		**15,873**	20,052
Cash and cash equivalents at end of year		**46,177**	15,873
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**46,177**	15,873

Notes to the Financial Statements

For the year ended 31 October 2008

1. GENERAL INFORMATION

B.A.L. Holdings Limited (the "Company") was an exempted company with limited liability incorporated and domiciled in the Cayman Islands. As set out in the circular ("Circular") of the Company dated 3 March 2008, to facilitate the implementation of the capital re-organisation of the Company, the board of directors proposed the change of domicile of the Company from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The proposed change of domicile was approved by the shareholders of the Company on 2 April 2008 and the Company has continued into Bermuda with limited liability with effect from 30 April 2008. The address of the registered office of the Company has been changed from Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies to Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

The principal places of business of the Company and its subsidiaries (the "Group") are in Hong Kong, Macau and the Peoples' Republic of China, except Hong Kong and Macau (the "PRC"). The Company's shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "SEHK").

The principal activities of the Group include the provision of beauty services and beauty courses, sales of beauty products, properties and securities investment and investment holding.

The financial statements on pages 29 to 96 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the SEHK (the "GEM Listing Rules").

The financial statements for the year ended 31 October 2008 were approved for issue by the board of directors on 20 January 2009.

2. ADOPTION OF NEW OR AMENDED HKFRSs

In the current year, the Group has adopted all the new and amended HKFRSs issued by the HKICPA which are first effective during the year and relevant to the Group (the "New HKFRSs"). The adoption of the New HKFRSs did not result in significant changes to the Group's accounting policies. As a result of the adoption of HKAS 1 (Amendment) "Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures", there are additional disclosures provided as follows:

The amendment to HKAS 1 introduces additional disclosure requirements to provide information in each annual financial statements about the level of capital and the Group's objectives, policies and procedures for managing capital. These new disclosures are set out in note 43 to the financial statements.

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required under HKAS 32 "Financial Instruments: Disclosure and Presentation". These disclosures are provided throughout these financial statements, in particular in note 42 to the financial statements.

The amendments to HKFRS 7 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The first-time application of HKAS 1 (Amendment) and HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items. Accordingly, no adjustments on prior periods are required.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

At the date of authorisation of these financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 (Amendment)	Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedge Items[2]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 2 (Revised)	Share-based Payment – Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combination – Comprehensive Revision on Applying the Acquisition Method[2]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Interpretation 2 (Amendment)	Members' Shares in Co-operative Entities and Similar Instruments[1]
HK(IFRIC) – Interpretation 12	Service Concession Arrangements[3]
HK(IFRIC) – Interpretation 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Interpretation 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]
HK(IFRIC) – Interpretation 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Interpretation 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Interpretation 17	Distributions of Non-cash Assets to Owners[2]
Various	Annual improvements to HKFRS 2008

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 January 2008
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008

Among these new or amended HKFRSs, HKAS 1 (Revised) "Presentation of Financial Statements" is expected to materially change the presentation of the Group's financial statements. The amendments affect the presentation of owner changes in equity and introduces a statement of comprehensive income. The Group will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The amendment does not affect the financial position or results of the Group but will give rise to additional disclosures.

In addition, HKFRS 8 "Operating Segments" may result in new or amended disclosures. The Directors are in the process of identifying reportable operating segments as defined in HKFRS 8.

The directors of the Company are currently assessing the impact of other new or amended HKFRSs but are not yet in a position to state whether they would have any material financial impact on the Group's financial statements upon initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for the investment properties, certain financial instruments classified as available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 October each year.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

In case of the changes in ownership in a subsidiary after control is obtained that do not result in a loss of control, an excess of the cost of the further acquisition/sale proceeds from the partial disposals over the net carrying amounts acquired/disposal of, or vice versa, was charged to/recognised in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Subsidiaries *(Continued)*

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

3.4 Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In consolidated financial statements, investment in jointly controlled entities is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the jointly controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the jointly controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the jointly controlled entity for the year, including any impairment loss on goodwill relating to the investment in jointly controlled entity recognised for the year.

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its jointly controlled entity. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in jointly controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see note 3.12) of the jointly controlled entity and its carrying amount.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the jointly controlled entity's profit or loss in which the investment is acquired.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the jointly controlled entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the jointly controlled entity's accounting policies to those of the Group when the jointly controlled entity's financial statements are used by the Group in applying the equity method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture. In consolidated financial statements, investment in associates is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each balance sheet date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (see note 3.12) of the associate and its carrying amount.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in which the investment is acquired.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

3.6 Foreign currency translation

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Foreign currency translation *(Continued)*

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the balance sheet date. Income and expenses have been converted into the HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3.7 Revenue recognition

Revenue comprises the fair value for the sale of goods, rendering of services, the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

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

Provision of beauty and clinical services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenue arising from the sales of properties held for resale is recognised upon the signing of the sale and purchase agreement or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits received on properties sold prior to the date of revenue recognition are included in the balance sheet under deposits received.

Tuition fee income is recognised when beauty courses are provided.

Rental income is recognised on a straight-line basis over the term of the lease.

Management/franchisee fee income is recognised when services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend is recognised when the right to receive payment is established.

3.8 Borrowing costs

All borrowing costs are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in joint venture and associate is set out in notes 3.4 and 3.5 respectively.

Goodwill represents the excess of the cost of a business combination or an investment over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination or investment in a jointly controlled entity is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assume, and equity instruments issued by the Group, plus any costs directly attributable to the business combination or investment.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 3.12).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or a jointly controlled entity is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.10 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Depreciation is provided to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	20% or over the lease terms, if shorter
Equipment	20% to 30%
Furniture and fixtures	20%
Motor vehicles	20%

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property. Any changes between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Gains or losses arising from either changes in the fair value or the sale of an investment property is included in the profit or loss for the period in which they arise.

3.12 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, other intangible assets, property, plant and equipment, interests in associates and investments in subsidiaries are subject to impairment testing.

Goodwill with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.13 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(a) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(b) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(c) Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

(d) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and interests in associates are set out below.

The Group's financial assets other than hedging instruments are classified into held-to-maturity investments, financial assets at fair value through profit or loss, loans receivables and available-for-sale financial assets.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. 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.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(a) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes 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 selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 3.7 to these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Financial assets *(Continued)*

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(d) Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition.

Impairment of financial assets

At each balance sheet date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as follows:

(a) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the income statement. The subsequent increase in fair value is recognised directly in equity. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

Financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available for sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period.

3.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated applicable selling expenses.

3.16 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 Accounting for income taxes *(Continued)*

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.18 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

3.19 Retirement benefit costs and short term employee benefits

Retirement benefit costs

Retirement benefits to employees are provided through a defined contribution plan.

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

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.19 Retirement benefit costs and short term employee benefits *(Continued)*

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.20 Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 November 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is ultimately recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3.21 Financial liabilities

The Group's financial liabilities include trade and other payables, accruals, amounts due to an associate and minority interests, derivative financial instruments and borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

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

Where 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 the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.21 Financial liabilities *(Continued)*

Trade and other payables, accruals and amounts due to and associate and minority interests

They are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Borrowings

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

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

Derivative financial instruments

Financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including derivatives which have been separated from their host contracts are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contact may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; or

– the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

– the financial liability contains an embedded derivative that would need to be separately recorded.

Convertible notes

For convertible notes identified as a share-based payment transaction with cash alternative, the convertible notes and the goods or services acquired are measured at the fair value. Until the convertible notes are settled, they are remeasured at the fair value at each reporting date and at the date of settlement, with any changes in fair value recognised in the income statement for the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.22 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as contingent liabilities, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.23 Related parties

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

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

3.24 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Company issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in income statement on initial recognition of any deferred income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.24 Financial guarantees issued *(Continued)*

The amount of the guarantee initially recognised as deferred income is amortised in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Company under the guarantee and the amount of that claim on the Company is expected to exceed the current carrying amount of the guarantee i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.25 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

In respect of business segment reporting, unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, investment properties, inventories, receivables, financial assets at fair value through profit or loss, available-for-sale financial assets and operating cash, and mainly exclude corporate assets. Segment liabilities comprise operating liabilities and exclude items such as provision for tax and certain corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment and investment properties, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, revenue is based on the location in which the customer is located and total assets and capital expenditure are where the assets are located.

3.26 Intangible assets (other than goodwill)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. The useful life of the non-competition arrangement is estimated as 18 months.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 critical 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:

4.1 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.12. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 October 2008 was HK$4,528,000 (2007: HK$4,819,000). Details of the impairment assessment are disclosed in note 15.1.

4.2 Impairment of inventories

The management of the Group reviews the inventories at each balance sheet date, and make allowance for impairment of obsolete, slow-moving and impaired items. The management estimates the net realisable value for such inventories based primarily on the expected future market conditions and the revenue associated. The Group carries out a review on the inventories at each balance sheet date and makes allowance for impairment if the net realisable value is below the carrying amount.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.3 Impairment of other non-financial assets

The Group assesses at each reporting date whether there is any indication that other non-financial assets with finite lives may be impaired. If any such indication exists, the Group estimates the recoverable amount of the assets in accordance with the accounting policy stated in note 3.12. In assessing whether there is any indication that other non-financial assets may be impaired, the Group considers indications from both internal and external sources of information such as evidence of obsolescence or decline in economic performance of the assets, changes in market conditions, economic environment and customers' tastes. These assessments are subjective and require management's judgements and estimations.

4.4 Impairment of receivables

The policy for making allowance for impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of the receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer/debtor. If the financial conditions of the customers/debtors of the Group deteriorate thus resulting in impairment as to their ability to make payments, additional allowance for impairment may be required. If the financial conditions of the customers/debtors of the Group, on whose account allowance for impairment has been made, were improved and no impairment of their ability to make payments were noted, reversal of allowance for impairment may be required.

4.5 Share-based employee compensation

Expense on share-based employee compensation is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option mode be changed, there would be material changes in the amount of share option benefits recognised in the income statement and share option reserve.

4.6 Income taxes

The Group is subject to income taxes in certain jurisdictions other than Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.7 Estimated fair value of investment properties

The investment properties of the Group were stated at fair value in accordance with the accounting policy stated in note 3.11. The fair value of the investment properties are determined by Dudley Surveyors Limited ("Dudley"), a firm of independent qualified professional surveyors, and the fair value of investment properties as at respective year end were set out in note 14. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.8 Deferred tax assets

Deferred tax assets are recognised for all temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available in the future against which the temporary differences, the carry forward of unused tax credits and unused tax losses could be utilised. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted at the balance sheet date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Where the actual or expected tax positions in future are different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax expense in the period in which such estimate has been changed.

4.9 Valuation for derivative financial instruments

The fair values of the derivative financial instruments are determined by Vigers Appraisal and Consulting Limited ("Vigers"), a firm of independent professional valuers. Binomial Model was used in determining the fair value of the derivative financial instruments. This valuation model requires the input of subjective assumptions, including the risk free rate, stock price, estimated volatility and expected life of the options. Changes in subjective input assumptions can materially affect the fair value estimate. Details of the fair value of each kind of the derivative financial instrument are disclosed in note 20.

5. REVENUE AND OTHER REVENUE AND GAINS

Revenue, which is also the Group's turnover, represents total invoiced value of beauty products and properties held for resale sold, net of discounts and sales returns, the appropriate proportion of contract revenue generated from the provision of beauty and clinical services and beauty courses, and the appropriate proportion of rental income based on the terms of the lease of investment properties.

	2008	2007
	HK$'000	*HK$'000*
Revenue		
Beauty services and sale of beauty products	**92,965**	99,115
Clinical services	**53,428**	68,224
Tuition fees of beauty courses	**861**	3,476
Rental income from investment properties	**597**	7
Sales of properties held for resale	**124,227**	–
	272,078	170,822
Other revenue and gains		
Dividend income from listed investments	**611**	10
Fair value gains on financial assets at fair value through profit or loss	**–**	13,795
Fair value gains on investment properties	**–**	10
Franchise fee income	**569**	198
Gains on disposals of investment properties	**30**	–
Interest income	**2,450**	998
Management fee income	**–**	240
Net surplus of carrying amounts of net assets acquired over cost of acquisition of additional interests in subsidiaries	**–**	855
Net surplus of sale proceeds over carrying amounts of net assets in subsidiaries disposed of	**683**	–
Rental income from sublet of office premises	**937**	857
Others	**1,261**	720
	6,541	17,683

6. SEGMENT INFORMATION

Primary reporting format – business segments

The Group is organised into five (2007: four) main business segments:

(a) Provision of beauty services and sale of beauty products;
(b) Provision of clinical services;
(c) Operation of beauty courses;
(d) Property investment; and
(e) Securities investment.

There were no inter-segment sales and transfers during the year (2007: Nil).

	2008					
	Beauty services and sale of beauty products *HK$'000*	**Clinical services** *HK$'000*	**Beauty courses** *HK$'000*	**Property investment** *HK$'000*	**Securities investment** *HK$'000*	**Group** *HK$'000*
Segment revenue:						
Revenue from external customers	**92,965**	**53,428**	**861**	**124,824**	**–**	**272,078**
Other revenue	**–**	**–**	**–**	**30**	**1,576**	**1,606**
	92,965	**53,428**	**861**	**124,854**	**1,576**	**273,684**
Segment results	**(31,209)**	**(9,921)**	**(1,176)**	**12,552**	**(34,227)**	**(63,981)**
Unallocated income						**4,935**
Unallocated expenses						**(21,928)**
Operating loss						**(80,974)**
Finance costs						**(991)**
Share of results of associates						**3,884**
Loss before income tax						**(78,081)**
Income tax credit						**360**
Loss for the year						**(77,721)**

6. SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	2008					
	Beauty services and sale of beauty products *HK$'000*	**Clinical services** *HK$'000*	**Beauty courses** *HK$'000*	**Property investment** *HK$'000*	**Securities investment** *HK$'000*	**Group** *HK$'000*
Segment assets	**58,792**	**25,593**	**1**	**11,866**	**19,954**	**116,206**
Associate						**5,994**
Unallocated assets						**69,607**
Total assets						**191,807**
Segment liabilities	**11,272**	**6,274**	**30**	**154**	**6,901**	**24,631**
Unallocated liabilities						**18,618**
Total liabilities						**43,249**
Capital expenditure	**6,655**	**5,255**	**–**	**14,367**	**–**	**26,277**
Unallocated portion						**633**
Total capital expenditure						**26,910**
Depreciation and amortisation	**8,223**	**5,535**	**136**	**–**	**–**	**13,894**
Unallocated portion						**513**
Total depreciation and amortisation						**14,407**
Provision for impairment of goodwill	**291**	**–**	**–**	**–**	**–**	**291**
Other non-cash expenses	**6,147**	**2,147**	**6,698**	**2,347**	**35,803**	**53,142**
Unallocated portion						**4,846**
Total other non-cash expenses						**57,988**

6. SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	2007					
	Beauty services and sale of beauty products *HK$'000*	Clinical services *HK$'000*	Beauty courses *HK$'000*	Property investment *HK$'000*	Securities investment *HK$'000* (Restated)	Group *HK$'000* (Restated)
Segment revenue:						
Revenue from external customers	99,115	68,224	3,476	7	–	170,822
Other revenue	–	–	–	–	13,795	13,795
	99,115	68,224	3,476	7	13,795	184,617
Segment results	547	19,752	(831)	(35)	13,034	32,467
Unallocated income						3,888
Unallocated expenses						(14,021)
Operating profit						22,334
Finance costs						(3,061)
Share of results of jointly controlled entities	(1,177)					(1,177)
Share of results of an associate						1,351
Profit before income tax						19,447
Income tax expense						(2,929)
Profit for the year						16,518

6. SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	2007					
	Beauty services and sale of beauty products *HK$'000*	Clinical services *HK$'000*	Beauty courses *HK$'000*	Property investment *HK$'000*	Securities investment *HK$'000* (Restated)	Group *HK$'000* (Restated)
Segment assets	66,699	38,513	2,298	12,005	104,073	223,588
Associate						26,351
Unallocated assets						51,296
Total assets						301,235
Segment liabilities	9,438	9,040	993	22	–	19,493
Unallocated liabilities						107,337
Total liabilities						126,830
Capital expenditure	11,057	9,858	536	1,620	–	23,071
Unallocated portion						221
Total capital expenditure						23,292
Depreciation	8,256	2,985	244	–	–	11,485
Unallocated portion						305
Total depreciation						11,790
Other non-cash expenses	2,868	575	118	–	–	3,561
Unallocated portion						646
Total other non-cash expenses						4,207

Secondary report format – geographical segments

The Group's operations are located in three main geographical areas. The following table provides an analysis of the Group's sales by geographical market based on the geographical location of customers, irrespective of the origin of the goods and services.

Revenue from external customers by geographical markets:

	2008 *HK$'000*	2007 *HK$'000*
Hong Kong	**236,618**	143,017
Macau	**15,454**	12,720
PRC	**20,006**	15,085
	272,078	170,822

6. SEGMENT INFORMATION *(Continued)*

Secondary report format – geographical segments *(Continued)*

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and investment properties, analysed by the geographical area in which the assets are located.

	Year ended 31 October			
	2008		2007	
	Segment assets	**Capital expenditures**	Segment assets	Capital expenditures
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Hong Kong	**135,934**	**23,257**	95,525	11,881
Macau	**9,383**	**3,015**	11,128	3,777
PRC	**18,661**	**638**	13,269	7,420
Unallocated assets	**27,829**	**–**	181,313	214
	191,807	**26,910**	301,235	23,292

7. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is arrived at after charging/(crediting):

	2008	2007
	HK$'000	*HK$'000*
Auditors' remuneration		
Current year	**600**	770
Less: Underprovision in prior year	**10**	–
	610	770
Amortisation of intangible assets	**1,500**	–
Cost of inventories recognised as expense	**112,561**	2,057
Depreciation	**12,907**	11,790
Exchange losses	**192**	212
Fair value losses on derivative financial instruments	**11,335**	651
Fair value losses on financial assets at fair value through profit or loss	**24,225**	–
Fair value losses on investment properties	**2,347**	–
Losses on disposals of an associate	**1,241**	–
Losses on disposals of available-for-sale financial assets	**243**	110
Losses on disposals of property, plant and equipment	**79**	1,407
Losses on termination of a jointly controlled entity	**–**	78
Operating lease charges in respect of land and buildings	**16,847**	16,847
Property, plant and equipment written off	**696**	665
Provision for impairment of goodwill	**291**	–
Provision for impairment of other receivables	**1,950**	–
Provision for impairment of trade receivables	**12,595**	650
Rental income net of outgoings in respect of investment properties	**(493)**	(6)
Employee benefit expense (including directors' remuneration) *(Note 12)*		
Basic salaries and allowances	**60,331**	55,506
Equity-settled share option expense	**1,655**	646
Equity-settled transactions with cash alternative	**1,622**	–
Retirement benefit scheme contributions	**1,876**	2,075
Total employee benefit expense	**65,484**	58,227

8. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans and overdrafts		
– wholly repayable within five years	**132**	22
– not wholly repayable within five years	**113**	–
Other loans wholly repayable within five years	**708**	3,039
Finance charges on finance leases	**38**	–
	991	3,061

9. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2008	2007
	HK$'000	*HK$'000*
Current tax		
Hong Kong		
– Tax for the year	**296**	1,611
– Overprovision in respect of prior years	**(121)**	–
Overseas		
– Tax for the year	**513**	1,587
	688	3,198
Deferred tax *(Note 33)*		
– Current year	**(1,430)**	(269)
– Underprovision in respect of prior years	**350**	–
– Attributable to reduction in tax rate	**32**	–
	(1,048)	(269)
Total income tax (credit)/expense	**(360)**	2,929

9. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

Reconciliation between tax (credit)/expense and accounting (loss)/profit at applicable tax rates:

	2008	2007
	HK$'000	*HK$'000*
(Loss)/profit before income tax	**(78,081)**	19,447
Tax on (loss)/profit before income tax, calculated at the rates applicable to (loss)/profit in the tax jurisdiction concerned	**(13,804)**	3,242
Tax effect of non-taxable revenue	**(974)**	(442)
Tax effect of non-deductible expenses	**5,721**	1,127
Tax effect of prior years' unrecognised tax losses utilised this year	**(43)**	(511)
Tax effect of unused tax loss not recognised	**7,601**	–
Tax effect of unrecognised deferred tax items	**861**	(493)
Effect on opening deferred tax balances resulting from a reduction in tax rate during the year	**32**	–
Underprovision of deferred tax in prior years	**350**	–
Overprovision of current tax in prior years	**(121)**	–
Others	**17**	6
Income tax (credit)/expense	**(360)**	2,929

10. (LOSS)/PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss attributable to the equity holders of the Company of HK$77,371,000 (2007: profit of HK$15,931,000), a loss of HK$33,824,000 (2007: HK$754,000) has been dealt with in the financial statements of the Company.

11. (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of the Company of HK$77,371,000 (2007: profit of HK$15,931,000) and on the weighted average of 29,016,767 (2007: 14,113,201 (restated)) ordinary shares in issue during the year, as adjusted to reflect the share consolidation during the year, and also the share consolidation after the year end date.

(b) Diluted

The diluted (loss)/earnings per share for both years ended 31 October 2007 and 2008 are not presented as the potential ordinary shares had anti-dilutive effect on (loss)/earnings per share.

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

12.1 Directors' emoluments

	Fees	Discretionary bonus	2008 Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
– Ms. Siu York Chee, Doreen	**–**	**797**	**1,049**	**12**	**1,858**
– Mr. Leung Kwok Kui	**–**	**–**	**403**	**18**	**421**
– Ms. Leung Ge Yau	**–**	**–**	**630**	**7**	**637**
	–	**797**	**2,082**	**37**	**2,916**
Independent non-executive directors:					
– Mr. Hung Yau Keung, Anckes	**50**	**–**	**–**	**–**	**50**
– Mr. Siu Yim Kwan, Sidney	**100**	**–**	**–**	**–**	**100**
– Mr. Tsui Pui Hung	**50**	**–**	**–**	**–**	**50**
	200	**–**	**–**	**–**	**200**
	200	**797**	**2,082**	**37**	**3,116**

	Fees	Discretionary bonus	2007 Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:					
– Ms. Siu York Chee, Doreen	–	–	865	12	877
– Mr. Leung Kwok Kui	–	–	605	12	617
	–	–	1,470	24	1,494
Independent non-executive directors:					
– Mr. Hung Yau Keung, Anckes	50	–	–	–	50
– Mr. Siu Yim Kwan, Sidney	100	–	–	–	100
	150	–	–	–	150
	150	–	1,470	24	1,644

Except as disclosed above, there were no remuneration paid to the other directors for each of the two years ended 31 October 2007 and 2008.

There was no emolument paid by the Group to its directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

12.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2007: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2007: three) individuals during the year are as follows:

	2008	2007
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits in kind	**8,799**	1,641
Retirement benefit scheme contributions	**41**	36
Inducement fees paid during the year	**2,025**	–
Equity-settled share option expense	**80**	–
Equity-settled transactions with cash alternative	**1,622**	–
	12,567	1,677

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
	HK$'000	*HK$'000*
Emoluments bands		
Nil – HK$1,000,000	**1**	3
HK$1,000,001 – HK$1,500,000	**2**	–
HK$9,000,001 – HK$9,500,000	**1**	–
	4	3

13. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Leasehold improvements HK$'000	Equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 November 2006					
Cost	17,548	23,440	888	411	42,287
Accumulated depreciation	(7,934)	(7,260)	(295)	(63)	(15,552)
Net book amount	9,614	16,180	593	348	26,735
Year ended 31 October 2007					
Opening net book amount	9,614	16,180	593	348	26,735
Acquisition of a subsidiary	943	891	43	–	1,877
Additions	8,874	9,921	312	688	19,795
Disposals	(1,497)	(24)	–	(66)	(1,587)
Written off	(649)	(9)	(7)	–	(665)
Depreciation	(5,248)	(6,189)	(218)	(135)	(11,790)
Closing net book amount	12,037	20,770	723	835	34,365
At 31 October 2007 and 1 November 2007					
Cost	21,851	33,952	1,201	958	57,962
Accumulated depreciation	(9,814)	(13,182)	(478)	(123)	(23,597)
Net book amount	12,037	20,770	723	835	34,365
Year ended 31 October 2008					
Opening net book amount	**12,037**	**20,770**	**723**	**835**	**34,365**
Additions	**5,761**	**6,250**	**532**	**–**	**12,543**
Disposals	**(60)**	**(68)**	**(19)**	**–**	**(147)**
Written off	**(236)**	**(396)**	**(64)**	**–**	**(696)**
Depreciation	**(5,417)**	**(7,017)**	**(281)**	**(192)**	**(12,907)**
Closing net book amount	**12,085**	**19,539**	**891**	**643**	**33,158**
At 31 October 2008					
Cost	**25,939**	**35,886**	**1,483**	**958**	**64,266**
Accumulated depreciation	**(13,854)**	**(16,347)**	**(592)**	**(315)**	**(31,108)**
Net book amount	**12,085**	**19,539**	**891**	**643**	**33,158**

Equipment of net book value of HK$1,816,000 (2007: Nil) are held under finance lease.

14. INVESTMENT PROPERTIES – GROUP

All of the Group's property interests held under operating lease to earn rental or for capital appreciation purpose are measured using the fair value model and is classified and accounted for as investment properties. All investment properties are located in Hong Kong and held on leases of over 50 years.

Changes to the carrying amount presented in the consolidated balance sheet can be summarised as follows:

	2008	2007
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**1,630**	–
Additions	**14,367**	1,620
Disposals	**(1,830)**	–
Net (losses)/gains from fair value adjustments	**(2,347)**	10
Carrying amount at end of year	**11,820**	1,630

Investment properties were revalued at 31 October 2008 by Dudley based on current prices in an active market.

Bank borrowings are secured on all investment properties (2007: Nil) *(note 32.1)*.

15. INTANGIBLE ASSETS – GROUP

	2008	2007
	HK$'000	*HK$'000*
Goodwill *(Note 15.1)*	**4,528**	4,819
Non-competition arrangement *(Note 15.2)*	**1,500**	–
	6,028	4,819
Non-current portion	**(4,528)**	(4,819)
Current portion	**1,500**	–

15.1 Goodwill

The main changes in the carrying amount of goodwill result from the impairment of previously recognised goodwill. The net carrying amount of goodwill can be analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
At beginning of year		
Gross carrying amount	**4,819**	3,136
Accumulated impairment	**–**	–
Net carrying amount at beginning of year	**4,819**	3,136
Net carrying amount at beginning of year	**4,819**	3,136
Acquisition of subsidiaries	**–**	1,683
Impairment losses	**(291)**	–
Net carrying amount at end of year	**4,528**	4,819
At end of the year		
Gross carrying amount	**4,819**	4,819
Accumulated impairment	**(291)**	–
Net carrying amount at end of year	**4,528**	4,819

15. GOODWILL – GROUP *(Continued)*

15.1 Goodwill *(Continued)*

The carrying amount of goodwill is related to the beauty service business.

The recoverable amounts for the cash-generating units given above were determined based on value-in-use calculations, covering a detailed 3-year budget plan, followed by an extrapolation of expected cash flows at the growth rates stated below. The growth rates reflect the long-term average growth rates for the revenue of the cash-generating units.

The key assumptions used for value in use calculations

	2008	2007
	HK$'000	*HK$'000*
Growth rates	**8%-10%**	2%-5%
Discount rates	**2.7%**	3.75%

The Group management's key assumptions for the Group have been determined based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The forecast for the Group's beauty service business was adjusted in 2008 for the decline in the market. Impairment testing taking into account these latest developments resulted in the reduction of goodwill associated with this segment.

The related goodwill impairment loss of HK$291,000 (2007: Nil) was included under "other operating expenses" in the consolidated income statement *(note 7)*.

Apart from the considerations described in determining the value-in-use of the cash-generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

15.2 Non-competition arrangement

During the year, the Group entered into a service agreement (the "Service Agreement") with a doctor (the "Doctor") of which the agreement includes a non-competition arrangement for a consideration of HK$3,000,000. During the year, HK$1,500,000 (2007: Nil) has been amortised to the consolidated income statement *(note 7)*.

16. INVESTMENTS IN SUBSIDIARIES – COMPANY

	2008	2007
	HK$'000	*HK$'000*
Investments at cost		
– Unlisted shares	**1,097**	1,097

The amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

16. INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

Particulars of the principal subsidiaries as at 31 October 2008 are as follows:

Name	Place/country of incorporation and kind of legal entity	Particulars of issued/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities and place of operations
Rainbow Cosmetic (BVI) Limited	British Virgin Islands, limited liability company	50,000 ordinary shares of US$1 each	100%	–	Investment holding, Hong Kong
Be A Lady Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	–	100%	Provision of beauty services and sale of beauty products, and securities investment, Hong Kong
Be A Lady (Macau) Limited	Macau, limited liability company	60,000 ordinary shares of MOP1 each	–	100%	Provision of beauty services and sale of beauty products, Macau
Be A Lady (TST) Limited	Hong Kong, limited liability company	10 ordinary shares of HK$1 each	–	100%	Provision of beauty services and sale of beauty products, Hong Kong
Win Leader Limited^	Hong Kong, limited liability company	100 ordinary shares of HK$1 each	–	40%	Provision of beauty courses, Hong Kong
Be Cool Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Provision of beauty services and sale of beauty products, Hong Kong
New Creative Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	–	90%	Provision of beauty and clinical services and sale of beauty products, Hong Kong
B.A.L. Clinic Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	90%	Provision of beauty and clinical services and sale of beauty products, Hong Kong
B.A.L. Medical (Shatin) Limited (Formerly known as Valiant Limited)	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	–	90%	Provision of clinical services, Hong Kong

16. INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

Name	Place/country of incorporation and kind of legal entity	Particulars of issued/ registered capital	Percentage of issued/ registered capital held by the Company		Principal activities and place of operations
			Directly	Indirectly	
Spa-Be A Lady Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	–	100%	Provision of beauty services and sale of beauty products, Hong Kong
Korea Plastic Surgery Service Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	–	100%	Provision of clinical services, Hong Kong
B.A.L. Medical (Tsimshatsui) Limited (Formerly known as Korea (HK) Plastic Surgery Service Limited)	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Provision of beauty and clinical services and sale of beauty products, Hong Kong
Thailand Plastic Surgery Service Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	–	100%	Provision of clinical services, Hong Kong
Thailand (HK) Plastic Surgery Service Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Property investment, Hong Kong
Top Euro Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Property investment, Hong Kong
B.A.L. Medical (Tsuen Wan) Limited (Formerly known as Focus Rich International Group Limited)	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	–	100%	Provision of beauty and clinical services and sale of beauty products, Hong Kong
Be A Lady (Site 1) Medical Limited	Macau, limited liability company	30,000 ordinary shares of MOP1 each	–	81%	Provision of clinical services, Macau
B.A.L. Medical (Yuen Long) Limited (Formerly known as Brava (Hong Kong) Limited)	Hong Kong, limited liability company	20,000 ordinary shares of HK$1 each	–	100%	Provision of beauty services and sale of beauty products, Hong Kong
Guangzhou Be A Lady Limited[#]	PRC, limited liability company	RMB3,010,000	–	100%	Provision of beauty services and sale of beauty products, PRC

16. INVESTMENTS IN SUBSIDIARIES – COMPANY *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

^ *Pride Fame Limited, a 57% owned subsidiary of the Company, holds 70% equity interest in this company and the Company's directors consider that the Group holds more than one half of the voting power in the board of the directors of this company.*

The name of this company represent management's translation of the Chinese names of this company as no English name has been registered.

17. INTERESTS IN ASSOCIATES – GROUP

	2008	2007
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**26,351**	–
Acquisition of an associate	**–**	25,000
Loan to an associate	**6,000**	–
Share of results of associates		
– profit before income tax	**4,673**	1,638
– income tax expense	**(789)**	(287)
	3,884	1,351
	36,235	26,351
Disposal of an associate	**(30,241)**	–
Carrying amount at end of year	**5,994**	26,351

During the year, One Dollar Movies Productions Limited ("One Dollar Movies") was incorporated in Hong Kong. One Dollar Movies is owned as to 40% by the Group and 60% by Heavenly Blaze Limited ("Heavenly Blaze"), a substantial shareholder of the Company and is beneficially owned by certain family members of Madam Siu York Chee, a director of the Company. Upon the incorporation of One Dollar Movies, the Group injected HK$4 for the shareholding. During the year, the Group made a shareholder's loan of HK$6,000,000 to One Dollar Movies and the loan is unsecured, interest free and has no fixed term for repayment. The Group does not have a plan for the settlement of the loan.

As at 31 October 2007, the Group held 24.75% equity interest in First Holdings Consortium Limited. On 25 August 2008, the Group disposed of the entire equity interest in First Holdings Consortium Limited. As a result of the disposal, a loss of approximately HK$1,241,000 was incurred.

Particulars of the associate at 31 October 2008 are as follows:

Name	Particulars of issued capital	Country of incorporation	Percentage of issued capital held by the Group	Principal activity
One Dollar Movies Productions Limited	10 ordinary shares of HK$1 each	Hong Kong	40%	Movies production

The summarised financial information of the Group's associates extracted from their management accounts are as follows:

	2008	2007
	HK$'000	*HK$'000*
Assets	**23,986**	113,942
Liabilities	**24,000**	7,484
Revenue	**–**	10,846
(Loss)/profit	**(14)**	5,458

18. HELD-TO-MATURITY INVESTMENTS – GROUP

	2008 *HK$'000*	2007 *HK$'000*
Debt securities listed outside Hong Kong		
Non-current portion	**708**	70
Current portion	**79**	–
	787	70

The debt securities represent bonds with fixed interest rates from 3.05% to 3.40% per annum (2007: 3.05% to 3.15% per annum) and mature on 24 August 2009, 28 September 2009, 29 July 2010 and 4 September 2011 respectively. The Group receives related interest payments semi-annually. The Group's management does not identify any potentially significant financial risk exposure.

As at 31 October 2007 and 2008, the entire held-to-maturity investments were held on trust for the Group by Madam Siu York Chee, Mr. Leung Kwok Kui and Ms. Leung Ge Yau, the directors of the Company.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2008 *HK$'000*	2007 *HK$'000*
Non-current portion		
Debt securities listed outside Hong Kong, at market value	**–**	2,352
Current portion		
Investment funds listed outside Hong Kong, at market value	**3,025**	–
	3,025	2,352

The amounts presented for the listed securities and investment funds have been determined directly by reference to published price quotations in active markets.

These financial assets are subject to financial risk exposure in terms of price risk.

20. DERIVATIVE FINANCIAL INSTRUMENTS – GROUP

	2008		2007	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial instruments held for trading				
Equity forward contracts *(Note 20.1)*	**–**	**4,405**	–	–
Market-linked instruments with interest swap arrangements *(Note 20.2)*	**–**	**2,496**	–	–
Financial instruments designated as financial assets at fair value through profit or loss				
Market-linked instruments with initial investments *(Note 20.3)*	**2,746**	**–**	7,540	–
Total	**2,746**	**6,901**	7,540	–
Less: Non-current portion				
Market-linked instruments with interest swap arrangements	**–**	**(1,230)**	–	–
Market-linked instruments with initial investments	**–**	**–**	(5,187)	–
Non-current portion	**–**	**(1,230)**	(5,187)	–
Current portion	**2,746**	**5,671**	2,353	–

20.1 Equity forward contracts

As at 31 October 2008, the major terms of the equity forward contracts are as follows:

	Underlying stock	**Maturity**	**Notional principal amount outstanding** *HK$'000*
A	Hutchison Whampoa Limited	6 November 2008	120
B	Petrochina Company Limited	8 December 2008	674
C	Cheung Kong (Holdings) Limited	12 January 2009	1,682
D	Hong Kong Exchanges and Clearing Limited	16 February 2009	3,473
E	Hong Kong Exchanges and Clearing Limited	26 May 2009	4,548

Under the terms of the contracts, the Group is obligated to acquire the underlying shares of each contract at a forward price for a year long. The contracts require no initial cost. Pre-determined number of shares is accumulated to be acquired by the Group on a daily basis and they are settled on monthly basis. The key terms of these contracts incorporate knock-out and gearing properties. A knock-out price is set for each contract, once the daily share price of the underlying shares triggers the knock-out price, the contract is closed out immediately. However, if the daily share price of the underlying share falls below the forward price, the Group has to acquire double of the pre-determined daily number of shares.

Fair values for the forward contracts have been determined by Vigers, by using the Binomial Model. The significant inputs into the model, which were based on market related data at the balance sheet date, were as follows:

20. DERIVATIVE FINANCIAL INSTRUMENTS – GROUP *(Continued)*

20.1 Equity forward contracts *(Continued)*

	Share price *HK$*	Forward price *HK$*	Time to maturity *Year*	Volatility	Risk-free rate	Dividend yield	Fair value as at 31 October 2008 *HK$*
A	41.00	74.76	0.02	45%	0.6%	4.22%	63
B	5.70	12.96	0.10	69%	0.6%	5.74%	609
C	72.55	119.28	0.20	54%	0.6%	3.38%	819
D	75.75	124.02	0.30	57%	0.6%	7.78%	1,452
E	75.75	109.85	0.54	57%	0.6%	7.78%	1,462
							4,405

Subsequent to 31 October 2008, the daily share prices of all the underlying equity securities under the outstanding equity forward contracts are below the forward prices set by the respective equity forward contracts. Had all the underlying equity securities under these outstanding equity forward contracts been acquired on the forward price condition at the balance sheet date, their theoretical net settlement value would decrease by about HK$4,835,000 based on the closing prices and forward prices at the balance sheet date. The theoretical net settlement value is the difference between the daily closing prices and the forward prices of those contracts multiplied by the maximum number of shares that has to be acquired up to the maturity dates of the contracts. These pro forma information is for illustrative purposes only and is not necessarily an indication of the fair value change in these equity securities and results of operation of the Group that actually would have been achieved had the acquisition of these equity securities been completed at the balance sheet date, nor is it intended to be a projection of future result.

These financial instruments are subject to financial risk exposure in terms of price risk.

20.2 Market-linked instruments with interest swap arrangements

As at 31 October 2008, the Group held two interest rate swap arrangements with aggregate nominal amount of HK$4,290,000 (2007: Nil). The contracts will expire on 10 November 2008 and 19 September 2010 respectively. Under the swap arrangements, the interest expenses payable by and the interest income receivable by the Group are primarily based on the USD LIBOR floating rate and the performance of a basket of underlying listed securities respectively. Where one or more of the underlying listed securities are traded below the predetermined knock-in prices, the Group has to buy the worst performing security at the predetermined strike price on the maturity date of the contract, with the maximum aggregate acquisition amount to be approximately HK$4,290,000. This instrument will be terminated automatically if the closing price of each of the underlying securities is at or above the autocall price on any specified trading day.

These derivative financial instruments are measured at fair value as determined by Vigers by using the Binomial Model. The significant inputs into the model were volatility ranging from 54% to 76%, risk free rate of 0.60% and dividend yield ranging from 3.59% to 7.78%. These inputs were based on market related data at the balance sheet date.

These financial instruments are subject to financial risk exposure in terms of price risk.

20.3 Market-linked instruments with initial investments

As at 31 October 2008, the Group held five (2007: four) market linked instruments in respect of baskets of the shares of certain listed companies in and outside Hong Kong (the “Shares”). The aggregate notional principal amount of the instruments at 31 October 2008 was HK$7,830,000 (2007: HK$8,190,000). Under the contracts, the Group had paid the principal amounts of the instruments. A coupon is accrued on each scheduled trading day only if the prices of the Shares close at or above the accrual barrier. When the market prices of the Shares exceed the knock-out prices as set forth in the contracts, the contracts are closed out immediately. At maturity date, if the closing level of the underlying shares traded at or above the agreed knock-in level, the Group can redeem the full principal amount. Otherwise, the Group either receives shares of the worst performing shares at strike price with maximum acquisition amount which is equal to notional principal amount or the redemption will be reduced by percentage of the depreciation in shares against the strike level.

20. DERIVATIVE FINANCIAL INSTRUMENTS – GROUP *(Continued)*

20.3 Market-linked instruments with initial investments *(Continued)*

At the maturity dates of the financial instruments, the financial instruments will either be settled by taking the worst performing shares at an agreed strike price or cash by reference to the performance of the shares. The investment therefore contains a host contract and one or more embedded derivatives which are not closely related to the host contract, and is designated as financial assets at fair value through profit or loss which requires the investment to be carried at fair value at the balance sheet date and the changes in the fair value are recognised in the income statement. As at 31 October 2008, the fair values of these financial instruments are determined by Vigers by using the Binomial Model. The significant inputs into the model were volatility ranging from 32% to 66%, risk free rate ranging from 0.60% to 1.85% and dividend yield ranging from 1.85% to 4.97%. These inputs were based on market related data at the balance sheet date.

These financial instruments are subject to financial risk exposure in terms of price risk.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP AND COMPANY

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**6,983**	3,141	**–**	–
Deposits*	**6,040**	125,204	**–**	98
Other receivables	**24,454**	15,047	**–**	1
	37,477	143,392	**–**	99
Less: Non-current portion				
Prepayments	**(2,275)**	–	–	–
Deposits	**(3,795)**	(3,653)	**–**	–
Other receivables	**(497)**	–	**–**	–
Non-current portion	**(6,567)**	(3,653)	**–**	–
Current portion	**30,910**	139,739	**–**	99

The carrying amounts of other receivables of the Group and of the Company approximate their fair values as this financial asset which is measured at amortised cost, is expected to be repaid within a short timescale, such that the time value of money impact is not significant.

* *As at 31 October 2007, the Group had made deposits of approximately HK$8,807,000 and HK$109,641,000 in respect of acquisition of properties in Hong Kong for trading and leasing purposes and application of initial public offering ("IPO") shares which were mainly financed by margin loans (note 32.4) respectively. Subsequently during the year, most properties were sold and all deposits for IPO shares were either refunded or used to set-off the cost of the IPO shares allotted to the Group.*

22. INVENTORIES – GROUP

	2008	2007
	HK$'000	*HK$'000*
Merchandise for sale	**1,028**	1,566
Consumable store	**1,279**	1,986
Properties held for resale	**–**	1,565
	2,307	5,117

23. TRADE RECEIVABLES – GROUP

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**34,514**	43,412
Less: Provision for impairment of trade receivables	**(13,393)**	(798)
Trade receivables – net	**21,121**	42,614

The directors of the Company considered that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2008	2007
Renminbi ("RMB")	**RMB2,539,000**	RMB4,655,000
Macao Pataca ("MOP")	**MOP2,088,000**	MOP5,003,000

The Group maintains credit terms of one to three months. Based on the invoice dates, the ageing analysis of the trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within three months	**14,831**	18,479
Over three months but within six months	**4,348**	8,296
Over six months and within one year	**1,942**	13,920
Over one year	**13,393**	2,717
	34,514	43,412

The movement in the provision for impairment of trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of year	**798**	148
Provision for impairment recognised during the year	**12,595**	650
Balance at end of year	**13,393**	798

At each balance sheet date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 October 2008, the Group has determined trade receivables of HK$13,393,000 as individually impaired (2007: HK$798,000). Based on this assessment, impairment loss of HK$12,595,000 has been recognised (2007: HK$650,000). The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables whether determined on an individual or collective basis.

23. TRADE RECEIVABLES – GROUP *(Continued)*

The ageing analysis of the Group's trade receivables that were past due as at the balance sheet date but not impaired, based on due date is as follows:

	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**9,282**	5,532
Within three months past due	**5,549**	12,947
Over three months but within six months past due	**4,348**	8,296
Over six months but within one year past due	**1,942**	13,920
Over one year past due	**–**	1,919
	21,121	42,614

Trade receivables that were past due but not impaired related to a large number of diversified customers. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

24. AMOUNT DUE TO AN ASSOCIATE – GROUP

Amount due to an associate was unsecured, interest free and repayable on demand.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – GROUP AND COMPANY

	Group		**Company**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Equity securities listed in Hong Kong	**9,565**	12,263	**1,061**	5
Equity securities listed outside Hong Kong	**3,832**	–	**1,245**	–
	13,397	12,263	**2,306**	5

The fair value of the Group's investments in listed equity securities has been determined directly by reference to their published price quotations in active markets as at the year end date.

These financial assets are subject to financial risk exposure in terms of price risk.

Changes in fair value of financial assets at fair value through profit or loss are recorded in other operating expenses (2007: other revenue and gains) in the consolidated income statement.

26. AMOUNTS DUE FROM RELATED COMPANIES – GROUP

Particulars of the amounts due from related companies are as follows:

Name	**2008** *HK$'000*	2007 *HK$'000*
One Dollar Productions Limited	**1,929**	1,362
Heavenly Blaze Limited	**–**	2,792
Runway Models Limited	**109**	–
	2,038	4,154

Amounts due from related companies are unsecured, interest free and repayable on demand. These related companies are beneficially owned and controlled by certain family members of Madam Siu York Chee.

27. RESTRICTED BANK DEPOSITS – GROUP

As at 31 October 2008, restricted bank deposits of approximately HK$4,022,000 (2007: Nil) in aggregate represented guaranteed deposits place in banks in Hong Kong to secure settlement for the equity forward contracts *(note 20.1)* and market-linked instruments with interest swap arrangements *(note 20.2)*.

28. CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group		**Company**	
	2008 *HK$'000*	2007 *HK$'000*	**2008** *HK$'000*	2007 *HK$'000*
Cash at banks and in hand	**18,092**	15,873	**3,751**	235
Short-term time deposits	**28,085**	–	**–**	–
	46,177	15,873	**3,751**	235

Cash at bank earns interest at floating rates based on daily bank deposit rates. The short-term time deposits earn 1.75% to 3.28% interest per annum (2007: Nil). They have initial maturity of 90 days.

The directors of the Group considered that the fair value of the short-term time deposits is not materially different from its carrying amount because of the short maturity period on its inception.

Included in cash at bank and in hand of the Group is HK$7,789,000 (2007: HK$1,657,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

As at 31 October 2008, cash and cash equivalents with aggregate amount of HK$5,408,000 (2007: HK$171,000) were held on trust for the Group by Madam Siu York Chee, Mr. Leung Kwok Kui and Ms. Leung Ge Yau.

29. TRADE PAYABLES – GROUP

The Group was granted by its suppliers credit periods ranging from 30 to 60 days. Based on the invoice dates, the ageing analysis of the trade payables at 31 October 2008 is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within three months	**190**	127
Over three months but within six months	**–**	22
Over six months	**–**	428
	190	577

30. ACCRUALS, RECEIPTS IN ADVANCE AND OTHER PAYABLES – GROUP AND COMPANY

	Group		**Company**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accruals	**6,780**	8,340	**74**	300
Receipts in advance	**9,844**	9,686	**–**	–
Deposits and other payables	**2,374**	3,383	**–**	–
	18,998	21,409	**74**	300
Non-current portion	**(212)**	(219)	**–**	–
Current portion	**18,786**	21,190	**74**	300

The carrying amounts of accruals and other payables of the Group and of the Company approximate their fair values as this financial liability which is measured at amortised cost, is expected to be repaid within a short timescale, such that the time value of money impact is not significant.

31. AMOUNTS DUE TO MINORITY INTERESTS – GROUP

Amounts due to minority interests are unsecured, interest-free and repayable on demand.

32. BORROWINGS – GROUP AND COMPANY

		Group		**Company**	
		2008	2007	**2008**	2007
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current					
Bank borrowings	*32.1*	**8,978**	–	**–**	–
Convertible notes	*32.2*	**1,622**	–	**1,622**	–
Finance lease liabilities	*32.3*	**373**	–	**–**	–
		10,973	–	**1,622**	–
Current					
Bank borrowings	*32.1*	**486**	–	**–**	–
Finance lease liabilities	*32.3*	**945**	–	**–**	–
Other loans – Unsecured	*32.4*	**–**	98,768	**–**	–
		1,431	98,768	**–**	–
Total borrowings		**12,404**	98,768	**1,622**	–

32. BORROWINGS – GROUP AND COMPANY *(Continued)*

32.1 Bank loans

As at 31 October 2008, the Group's bank loans were repayable as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**486**	–
In the second year	**504**	–
In the third to fifth year	**1,571**	–
Wholly repayable within 5 years	**2,561**	–
After the fifth year	**6,903**	–
	9,464	–

At 31 October 2008, the bank loans of the Group were secured by the charges over the Group's entire investment properties *(note 14)* and corporate guarantees executed by the Company *(note 40)*. The Group's entire bank loans are denominated in HK$, bearing floating interest rate of 2.70% (2007: Nil) per annum at 31 October 2008.

The directors of the Company consider that the carrying amounts of the bank loans approximate to their fair values at the balance sheet date.

32.2 Convertible notes

Convertible notes of the Group (the "Notes") were issued on 18 January 2008 (the "Issue Date"). The Notes were convertible into 45,454,545 ordinary shares of the Company at a price of HK$0.22 (subject to the usual anti-dilution adjustments on capital structure changes) at the Issue Date with zero coupon and will be matured on 18 January 2010 ("Maturity Date"). The Notes are convertible into ordinary shares of the Company at any time between the Issue Date of the Notes and the Maturity Date. The noteholder may exercise up to the maximum principal amount of HK$5,000,000 at the end of the twelve month from the Issue Date. The Notes may be redeemed at the option of the Company on any business day prior to the Maturity Date by giving not less than seven business days prior written notice to the noteholder. Unless previously converted or redeemed, the Company will redeem the Notes on Maturity Date.

During the year, the Notes were issued to the Doctor in accordance with the Service Agreement to exchange for 5-year services to the Group. If the Doctor has converted the Notes into shares of the Company or the Company has redeemed the Notes before or at the Maturity Date but he terminates his services at anytime during 5 years after the Service Agreement becomes effective, he has to refund the principal amount of the Notes to the Group. The Notes are accounted for in accordance with HKFRS 2 "Share-based Payment". At the Issue Date, the fair value of the Notes was determined by RHL Appraisal Limited, an independent firm of valuers, at an amount of HK$8,891,000 by using the discount cash flow method. Significant inputs into the calculation included a 2-year risk free rate of 1.78% and discount rate 4.10%. In total, HK$1,622,000 of equity-settled transactions with cash alternative has been included in the consolidated income statement for 2008 (2007: Nil), the corresponding amount of which has been credited to the Notes.

32. BORROWINGS – GROUP AND COMPANY *(Continued)*

32.3 Finance lease liabilities

The analysis of the obligations under finance lease is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Total minimum lease payments		
Due within one year	**1,000**	–
Due in the second to fifth years	**381**	–
	1,381	–
Future finance charges on finance leases	**(63)**	–
Present value of finance lease liabilities	**1,318**	–

The present value of finance lease liabilities is as follows:

	2008	2007
	HK$'000	*HK$'000*
Due within one year	**945**	–
Due in the second to fifth years	**373**	–
	1,318	–
Less: Portion due within one year included under current liabilities	**(945)**	–
Non-current portion included under non-current liabilities	**373**	–

The Group has entered into finance leases for certain items of equipment. The lease periods are for 1 to 2 years. These leases do not have options to renew or any contingent rental provisions. Under the terms of one of the leases, the Group has the option to purchase the leased asset at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease.

The directors of the Company consider that the carrying amounts of the finance lease liabilities approximate to their fair values at the balance sheet date.

32.4 Other loans

As at 31 October 2007, other loans of HK$150,000 were unsecured, interest free and repayable on demand, while the remaining balances of HK$98,618,000 were unsecured margin loans, bear interest rates ranging from 5.65% to 6.70% per annum, being the effective interest rates as at 31 October 2007, and with a maturity period of less than one month. The margin loans were used to finance the Group's application of IPO shares which have been fully repaid subsequently during the year *(note 21)*.

33. DEFERRED TAX – GROUP

Deferred taxation is calculated in full on temporary differences under the liability method by using rates of taxation prevailing in the locations in which the Group operates.

The movement on deferred tax assets/(liabilities) is as follows:

	2008	2007
	HK$'000	*HK$'000*
At beginning of year	**547**	86
Arising from acquisition of a subsidiary	**–**	192
Deferred taxation credited to income statement *(Note 9)*	**1,430**	269
Underprovision in respect of prior years *(Note 9)*	**(350)**	–
Attributable to reduction in tax rate *(Note 9)*	**(32)**	–
At end of year	**1,595**	547

The movement in deferred tax assets and (liabilities) (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax assets

	Accelerated tax depreciation		**Tax losses**		**Total**	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of year	**(814)**	(694)	**1,361**	780	**547**	86
Arising from acquisition of a subsidiary	**–**	–	**–**	192	**–**	192
(Charged)/credited to income statement	**(179)**	(120)	**1,718**	389	**1,539**	269
Underprovision in prior years	**(24)**	–	**(326)**	–	**(350)**	–
Attributable to change in tax rate	**47**	–	**(79)**	–	**(32)**	–
At end of year	**(970)**	(814)	**2,674**	1,361	**1,704**	547

Deferred tax liabilities

	Accelerated tax	
	2008	2007
	HK$'000	*HK$'000*
At beginning of year	**–**	–
Charged to income statement	**(109)**	–
At end of year	**(109)**	–

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has estimated tax losses of HK$48,146,000 (2007: Nil) arising in subsidiaries that have been loss-making for some time which will be carried forward against future taxable income.

34. SHARE CAPITAL – GROUP AND COMPANY

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.10 each		
At 1 November 2006	800,000,000	80,000
Ordinary shares of HK$0.05 each		
Share subdivision	800,000,000	–
Increase in authorised share capital	4,400,000,000	220,000
At 31 October 2007 and 1 November 2007	6,000,000,000	300,000
Ordinary shares of HK$0.20 each		
Share consolidation	**(4,500,000,000)**	**–**
Ordinary shares of HK$0.01 each		
Share subdivision	**28,500,000,000**	**–**
Ordinary shares of HK$0.05 each		
Share consolidation	**(24,000,000,000)**	**–**
At 31 October 2008	**6,000,000,000**	**300,000**
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
At 1 November 2006	464,440,451	46,444
Allotment	212,400,000	21,240
Share options exercised	2,000,000	200
Ordinary shares of HK$0.05 each		
Shares subdivision	678,840,451	–
Allotment	270,000,000	13,500
Bonus issue	271,536,180	13,577
At 31 October 2007 and 1 November 2007	1,899,217,082	94,961
Ordinary shares of HK$0.20 each		
Share consolidation	**(1,424,412,812)**	**–**
Rights issue	**237,402,135**	**47,480**
Ordinary shares of HK$0.01 each		
Capital reduction	**–**	**(135,319)**
Allotment	**140,000,000**	**1,400**
Ordinary shares of HK$0.05 each		
Share consolidation	**(681,765,124)**	**–**
At 31 October 2008	**170,441,281**	**8,522**

By an ordinary resolution dated 21 November 2007, authorised share capital for ordinary shares of HK$0.05 each was consolidated on the basis of four into one from 6,000,000,000 ordinary shares of HK$0.05 each to 1,500,000,000 ordinary shares of HK$0.20 each. The issued share capital was consolidated on the basis of four into one from 1,899,217,082 ordinary shares of HK$0.05 each to 474,804,270 ordinary shares of HK$0.20 each.

By an ordinary resolution dated 31 December 2007, 237,402,135 ordinary shares were issued at subscription price of HK$0.20 each on the basis of one for every two shares. Funds raised from the rights issue were approximately HK$46,033,000, net of share issue expenses.

By a special resolution dated 2 April 2008, the nominal value of each share in issue was reduced from HK$0.20 to HK$0.01 by cancelling paid up capital to the extent of HK$0.19 on each issued share and the issued share capital of the Company was reduced by HK$135,319,000 from HK$142,441,000 divided into 712,206,405 ordinary shares of HK$0.20 each to HK$7,122,000 divided into 712,206,405 ordinary shares of HK$0.01 each. Authorised share capital for ordinary shares of HK$0.20 each were subdivided on the basis of one to twenty from 1,500,000,000 ordinary shares of HK$0.20 each to 30,000,000,000 ordinary shares of HK$0.01 each.

34. SHARE CAPITAL – GROUP AND COMPANY *(Continued)*

By an ordinary resolution dated 29 May 2008, 140,000,000 ordinary shares of the Company of HK$0.01 each were allotted at a subscription price of HK$0.041 each. Funds raised from the allotment were approximately HK$5,559,000, net of share issue expenses.

By an ordinary resolution dated 26 June 2008, authorised share capital for ordinary shares of HK$0.01 each was consolidated on the basis of five into one from 30,000,000,000 ordinary shares of HK$0.01 each to 6,000,000,000 ordinary shares of HK$0.05 each. The issued share capital was consolidated on the basis of five into one from 852,206,405 ordinary shares of HK$0.01 each to 170,441,281 ordinary shares of HK$0.05 each.

The premium totalling approximately HK$2,712,000 arising from the above subscription of shares and rights issues, net of share issue expenses of approximately HK$1,628,000, has been credited directly to the share premium account.

35. SHARE-BASED EMPLOYEE COMPENSATION

On 24 September 2001, the shareholders of the Company approved a share option scheme (the "Scheme") under which its board of directors may, at its discretion, offer full-time or part time employees and executive, non-executive and independent non-executive directors of the Company and/or any of its subsidiaries, options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the Scheme shall not exceed 30% of the issued share capital of the Company. The subscription price will be determined by the Company's board of directors and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing price of the Company's shares on the date of offer of the options, and (iii) the average of the quoted closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options.

Share options and respective exercise prices are as follows for the reporting periods presented:

2008

Type of grantee	At 1 November 2007	Granted	Lapsed	Adjustment*	At 31 October 2008	Date of grant	Exercise period of the share options	Exercise price per share *HK$*
Employees								
– In aggregate	11,760,000	–	–	(11,140,484)	619,516	20 June 2005	22 June 2005 to 21 December 2008	2.7295*
– In aggregate	7,200,000	–	–	(6,820,704)	379,296	27 February 2007	27 February 2007 to 26 February 2009	2.8475*
– In aggregate	720,000	–	(37,929)	(682,071)	–	15 March 2007	15 March 2007 to 14 September 2008	4.2710*
– In aggregate	26,560,000	–	–	(25,160,820)	1,399,180	27 September 2007	27 September 2007 to 26 September 2009	1.3100*
– In aggregate	–	7,122,064	–	(5,697,652)	1,424,412	1 February 2008	6 February 2008 to 5 February 2010	1.0000*
– In aggregate	–	17,000,000	–	(13,600,000)	3,400,000	5 May 2008	5 May 2008 to 4 May 2010	0.2830*
	46,240,000	24,122,064	(37,929)	(63,101,731)	7,222,404			
Other eligible persons								
– In aggregate	2,400,000	–	–	(2,273,568)	126,432	14 March 2007	14 March 2007 to 13 March 2009	4.3510*
– In aggregate	5,000,000	–	–	(4,736,600)	263,400	4 October 2007	17 October 2007 to 16 October 2009	1.3290*
	7,400,000	–	–	(7,010,168)	389,832			
	53,640,000	24,122,064	(37,929)	(70,111,899)	7,612,236			

35. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

2007

Type of grantee	At 1 November 2006	Granted	Exercised	Adjustment*	At 31 October 2007	Date of grant	Exercise period of the share options	Exercise price per share
								HK$
Employees								
– In aggregate	4,900,000*	–	–	6,860,000	11,760,000	20 June 2005	22 June 2005 to 21 December 2008	0.1438
– In aggregate	–	3,000,000	–	4,200,000	7,200,000	27 February 2007	27 February 2007 to 26 February 2009	0.1500
– In aggregate	–	300,000	–	420,000	720,000	15 March 2007	15 March 2007 to 14 September 2008	0.2250
– In aggregate	–	26,560,000	–	–	26,560,000	27 September 2007	27 September 2007 to 26 September 2009	0.0690
	4,900,000	29,860,000	–	11,480,000	46,240,000			
Other eligible persons								
– In aggregate	2,000,000	–	(2,000,000)#	–	–	27 June 2005	6 July 2005 to 5 July 2007	0.3730
– In aggregate	–	1,000,000	–	1,400,000	2,400,000	14 March 2007	14 March 2007 to 13 March 2009	0.2292
– In aggregate	–	5,000,000	–	–	5,000,000	4 October 2007	17 October 2007 to 16 October 2009	0.0700
	2,000,000	6,000,000	(2,000,000)	1,400,000	7,400,000			
	6,900,000	35,860,000	(2,000,000)	12,880,000	53,640,000			

The weight average share price of these shares at the date of exercise was HK$0.8175.

* This reflects the adjusted exercise prices and number of share options which have been granted and are outstanding after the completion of the consolidation of shares and rights issue of shares during the year.

The fair values of options granted during the year ended 31 October 2008 were determined using the Black-Scholes valuation model. Significant inputs into the calculation included a weighted average share price of HK$0.33 and exercise prices as illustrated above. Furthermore, the calculation takes into account option life of 2 years and volatility rates ranging from 102.77% to 186.29%, based on expected share price. Risk-free interest rates ranging from 1.20% to 1.40% were determined.

The fair values of options granted during the year ended 31 October 2007 were determined using the Black-Scholes valuation model. Significant inputs into the calculation included a weighted average share price of HK$0.42 and exercise prices as illustrated above. Furthermore, the calculation takes into account volatility rate of 73.29% to 95.46% based on expected share price. Risk-free interest rate of 3.52% to 3.94% was determined.

In total, HK$1,655,000 of employee compensation expense has been included in the consolidated income statement for 2008 (2007: HK$646,000), the corresponding amount of which has been credited to share option reserve *(note 36)*. No liabilities were recognised due to these share-based payment transactions.

During the year, the Notes issued to the Doctor were an equity-settled with cash alternative share-based payment (note 32.2). HK$1,622,000 of equity-settled transactions with cash alternative has been included in the consolidated income statement (2007: Nil). A liability of HK$1,622,000 was recognised due to these share-based payment transactions.

36. RESERVES – GROUP AND COMPANY

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 32 of the financial statements.

36.1 Capital reserves

The Group's capital reserves represent the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in previous years over the nominal value of the Company's shares issued in exchange therefor.

36.2 Contributed surplus

Pursuant to a special resolution passed at the extraordinary general meeting of the Company on 2 April 2008, the Company reduced its issued share capital by an amount of approximately HK$135,319,000 *(note 34)* and transferred the same amount to the contributed surplus account of the Company.

Company

	Share premium	**Accumulated losses**	**Capital redemption reserve**	**Share option reserve**	**Contribution surplus**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 36.2)*	*HK$'000*
At 1 November 2006	39,996	(48,168)	278	927	–	(6,967)
Allotment of shares	40,791	–	–	–	–	40,791
Exercise of share options	546	–	–	–	–	546
Bonus issue	(13,577)	–	–	–	–	(13,577)
Share premium cancellation	(48,168)	48,168	–	–	–	–
Equity-settled share option arrangement	–	–	–	646	–	646
Loss for the year	–	(754)	–	–	–	(754)
At 31 October 2007 and 1 November 2007	19,588	(754)	278	1,573	–	20,685
Allotment of shares	4,159	–	–	–	–	4,159
Rights issue	(1,447)	–	–	–	–	(1,447)
Capital reduction	–	–	–	–	135,319	135,319
Equity-settled share option arrangement	–	–	–	1,655	–	1,655
Loss for the year	–	(33,824)	–	–	–	(33,824)
At 31 October 2008	**22,300**	**(34,578)**	**278**	**3,228**	**135,319**	**126,547**

37. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group has the following transactions with related parties during the year:

	2008	2007
	HK$'000	*HK$'000*
Consultancy fee paid	**150**	95
Consultancy fee income	**72**	90
Service fee income	**104**	–
Commission income	**–**	19
Rental income	**72**	72
Advertising fee paid	**617**	–

Rental income of HK$36,000 (2007: HK$36,000) and service fee income of HK$104,000 (2007: Nil) were received from a company controlled by Madam Siu York Chee.

The entire consultancy fee, commission income and advertising fee and rental income of HK$36,000 (2007: HK$36,000) were paid to/received from a company controlled by Messrs. Shiu Yeuk Yuen and Siu, Stephen Junior, brother and nephew of Madam Siu York Chee respectively.

Included in staff costs are key management personnel compensation and comprises the following categories:

	2008	2007
	HK$'000	*HK$'000*
Short term employee benefits	**9,283**	2,411
Other long term benefits	**72**	60
	9,355	2,471

As at 31 October 2008, certain financial assets, including held-to-maturity investments of HK$787,000 (2007: HK$70,000) and cash and cash equivalents of HK$5,408,000 (2007: HK$171,000) which are held by certain directors of the Company on trust for the Group, are included in "Held-to-maturity investments" and "Cash and cash equivalents" respectively in the consolidated balance sheet.

During the year, One Dollar Movies was incorporated in Hong Kong. One Dollar Movies is owned as to 40% by the Group and 60% by Heavenly Blaze which is a substantial shareholder of the Company and is beneficially owned by certain family members of Madam Siu York Chee. Upon the incorporation of One Dollar Movies, the Group injected HK$4 for the shareholding. During the year, the Group made a shareholder's loan of HK$6,000,000 to One Dollar Movies.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

38.1 Major non-cash transactions

During the year, the Group entered into finance lease arrangement in respect of assets with a total capital value of the inception of the leases of HK$1,989,000 (2007: Nil).

38.2 BUSINESS COMBINATION

(a) Acquisition of Guangzhou Be A Lady Limited

On 14 November 2006, the Group acquired a 100% equity interest in Guangzhou Be A Lady Limited ("GZ BAL") from an independent third party (the "GZ Acquisition"). GZ BAL operates a beauty centre in the PRC. The purchase consideration for the GZ Acquisition was in cash of RMB1.9 million (equivalent to approximately HK$1,900,000).

GZ BAL contributed revenue of approximately HK$6,160,000 and net profit of approximately HK$888,000 to the Group for the period from 14 November 2006 to 31 October 2007. If the acquisition had occurred on 1 November 2006, the Group's revenue would have been approximately HK$171,018,000 and profit for the year ended 31 October 2007 would have been approximately HK$16,624,000.

Details of the net assets acquired and goodwill of GZ Acquisition are as follows:

	HK$'000
Cash paid	1,900
Fair value of net liabilities acquired	(608)
Goodwill	1,292

The assets and liabilities arising from the GZ Acquisition are as follows:

	Fair value *HK$'000*	**Acquiree's carrying amount** *HK$'000*
Property, plant and equipment	1,869	1,869
Trade and other receivables	1,621	1,621
Cash and cash equivalents	292	292
Trade and other payables	(3,174)	(3,174)
		608
Net assets acquired	608	
Total purchase consideration		(1,900)
Cash and cash equivalents in a subsidiary acquired		292
Cash outflow on acquisition		(1,608)

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

38.2 BUSINESS COMBINATION *(Continued)*

(b) Acquisition of B.A.L. Medical (Tsuen Wan) Limited (Formerly known as Focus Rich International Group Limited)

On 16 May 2007, the Group acquired a 100% equity interest in B.A.L. Medical (Tsuen Wan) Limited ("B.A.L. MED (TW)") from an independent third party (the "B.A.L. MED (TW) Acquisition"). B.A.L. MED (TW) was previously engaged in the beauty services related business. The directors of the Company are of the opinion that the acquisition of B.A.L. MED (TW) would have a synergy effect on the Group's performance in the beauty business.

B.A.L. MED (TW) had not contributed any revenue and profit to the Group for the period from 16 May 2007 to 31 October 2007. If the acquisition had occurred on 1 November 2006, the Group's revenue would have been approximately HK$171,177,000 and profit for the year ended 31 October 2007 would have been approximately HK$15,413,000.

Details of the net assets acquired and goodwill of the B.A.L. MED (TW) Acquisition are as follows-:

	HK$'000
Cash paid	300
Fair value of net liabilities acquired	(200)
Goodwill	100

The assets and liabilities arising from the B.A.L. MED (TW) Acquisition are as follows-:

	Fair value *HK$'000*	**Acquiree's carrying amount** *HK$'000*
Property, plant and equipment	8	8
Deferred tax assets	192	192
Amount due to a shareholder	(1,102)	(1,102)
	(902)	(902)
Acquisition of balance due to a former shareholder	1,102	
Net assets acquired	200	
Total purchase consideration		(300)
Cash and cash equivalents in a subsidiary acquired		–
Cash outflow on acquisition		(300)

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

38.2 BUSINESS COMBINATION *(Continued)*

(c) *Acquisition of B.A.L. Medical (Yuen Long) Limited (formerly known as Brava (Hong Kong) Limited)*

On 26 October 2007, the Group acquired a further 50% equity interest in its jointly controlled entity, B.A.L. Medical (Yuen Long) Limited ("B.A.L. MED (YL)"), from the joint venture partner (the "JV Partner"), an independent third party (the "B.A.L. MED (YL) Acquisition"). B.A.L. MED (YL) is mainly engaged in the sale of beauty products in Hong Kong. The purchase consideration for the B.A.L. MED (YL) acquisition was in cash of HK$1. As at the date of the B.A.L. MED (YL) Acquisition, B.A.L. MED (YL) was indebted to the JV Partner in the amount of HK$590,000 (the "B.A.L. MED (YL) Loan"). In connection with the B.A.L. MED (YL) Acquisition, on 26 October 2007, the JV Partner entered into a deed of assignment with the Group in which the JV Partner agreed to assign the B.A.L. MED (YL) Loan to the Group at a consideration of HK$590,000.

B.A.L. MED (YL) had not contributed any revenue and profit to the Group for the period from 26 October 2007 to 31 October 2007. If the acquisition had occurred on 1 November 2006, the Group's revenue would have been approximately HK$171,578,000 and profit for the year ended 31 October 2007 would have been approximately HK$16,103,000.

Details of the net assets acquired and goodwill of the B.A.L. MED (YL) Acquisition are as follows-:

	HK$'000
Cash paid	590
Fair value of net liabilities acquired	(299)
Goodwill	291

The assets and liabilities arising from the B.A.L. MED (YL) Acquisition are as follows-:

	Fair value *HK$'000*	**Acquiree's carrying amount** *HK$'000*
Inventories	165	165
Trade and other receivables	580	580
Cash and cash equivalents	139	139
Trade and other payables	(285)	(285)
Loan from shareholders	(1,180)	(1,180)
	(581)	(581)
Share of results before taking control	290	
Acquisition of loan from a former shareholder	590	
Net assets acquired	299	
Total purchase consideration		(590)
Cash and cash equivalents in a subsidiary acquired		139
Cash outflow on acquisition		(451)

39. OPERATING LEASE ARRANGEMENTS

(a) At 31 October 2008, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**13,289**	14,130
In the second to fifth year, inclusive	**11,036**	14,279
	24,325	28,409

The Group leases a number of properties under operating leases. The leases run for an initial period of two to seven years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors.

(b) At 31 October 2008, total future minimum sublease payments expected to be received by the Group under non-cancellable subleases by the Group are as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**204**	613
In the second to fifth year, inclusive	**–**	204
	204	817

(c) As at 31 October 2008, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**592**	84
In the second to fifth year, inclusive	**433**	81
	1,025	165

The Group leases its investment properties *(Note 14)* under operating lease arrangement which runs for an initial period of two years, without an option to renew the lease terms at the expiry date. The terms of the leases generally also require the tenants to pay security deposits.

40. GUARANTEES – COMPANY

As at 31 October 2008, the Company has executed corporate guarantees to third parties with respect to operating leases of approximately HK$1,000,000 (2007: HK$1,000,000), advertising contracts of certain subsidiaries of approximately HK$500,000 (2007: HK$500,000) and general banking facilities granted to certain subsidiaries of the Company of approximately HK$10,868,000 (2007: Nil). At the balance sheet date, no provision for the Company's obligation under guarantee contracts has been made as the directors considered that it was not probable that the repayments of the bank borrowings and other payments would be in default.

41. COMMITMENT – GROUP

Capital commitments of the Group are as follows:

	2008	2007
	HK$'000	*HK$'000*
Contracted but not provided for		
– Acquisitions of properties for trading and leasing purposes	**–**	97,600
– Injection to an associate	**3,600**	–
	3,600	97,600

During the year, the Group has agreed to lend shareholder's loan of HK$9,600,000 to One Dollar Movies. As at 31 October 2008, HK$6,000,000 has already been lent to One Dollar Movies. The Group does not have a plan for the settlement of the loan.

42. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Board of Directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

The Group identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the Board of Directors.

42. FINANCIAL RISK MANAGEMENT *(Continued)*

42.1 Categories of financial assets and liabilities

The carrying amounts presented in the balance sheets related to the following categories of financial assets and financial liabilities.

Financial assets

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Held-to-maturity investments	**787**	70	**–**	–
Available-for-sale financial assets	**3,025**	2,352	**–**	–
Financial assets at fair value through profit or loss				
– Held for trading	**13,397**	12,263	**2,306**	5
– Derivative financial instruments	**2,746**	7,540	**–**	–
Loans and receivables				
– Trade receivables	**21,121**	42,614	**–**	–
– Other receivables	**24,454**	15,047	**–**	1
– Due from related companies	**2,038**	4,154	**–**	–
– Due from subsidiaries	**–**	–	**135,022**	117,637
– Restricted bank deposits	**4,022**	–	**–**	–
– Cash and bank balances	**46,177**	15,873	**3,751**	235
	117,767	99,913	**141,079**	117,878

Financial liabilities

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Derivative financial instruments	**6,901**	–	**–**	–
Financial liabilities measured at amortised cost				
– Trade payables	**190**	577	**–**	–
– Accruals and other payables	**9,154**	11,723	**74**	300
– Due to subsidiaries	**–**	–	**5,294**	3,010
– Due to an associate	**–**	30	**–**	–
– Due to minority interests	**1,077**	1,291	**–**	–
– Borrowings	**12,404**	98,768	**1,622**	–
	29,726	112,389	**6,990**	3,310

42. FINANCIAL RISK MANAGEMENT *(Continued)*

42.2 Foreign currency risk

Transactions in foreign currencies and the Group's risk management policies

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from investments in equity and debt securities, which are primarily denominated in RMB, Taiwan Dollar ("NT$") and United States dollars ("US$"). These are not the functional currencies of the Group entities to which these transactions relate. The Group currently does not have a foreign currency hedging policy.

Summary of exposure

Foreign currency denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	2008			2007		
	Financial assets	**Financial liabilities**	**Net exposure**	Financial assets	Financial liabilities	Net exposure
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
RMB	**5,914**	**–**	**5,914**	149	–	149
NT$	**1,331**	**–**	**1,331**	–	–	–
US$	**24,618**	**(2,496)**	**22,122**	15,259	–	15,229

The Company does not have any exposures to foreign currencies at the balance sheet date (2007: Nil).

Sensitivity analysis

At 31 October 2008, if a general appreciation of 1% in HK$ against NT$ and US$ respectively and 8% against RMB is estimated, with all other variable held constant, each of profit after tax for the year and other components of equity would decrease by approximately HK$560,000 (2007: HK$135,000) and HK$85,000 (2007: HK$29,000) respectively.

The sensitivity analysis of the Group's exposure to foreign currency risk at the balance sheet date has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year consistently. The percentage increase or decrease represents management's assessment of a reasonably possible change in currency exchange rates over the period until in the next annual balance sheet date.

A general depreciation in the group entities' functional currencies against the respective foreign currencies would have the same magnitude on the Group's (loss)/profit for the year and equity but of opposite effect.

These are the same method and assumption used in preparing the sensitivity analysis included in the financial statements of the year ended 31 October 2007.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

42. FINANCIAL RISK MANAGEMENT *(Continued)*

42.3 Interest rate risk

Exposures to interest rate risk and the Group's risk management policies

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from certain derivative financial instruments (note 20.2) bank deposits *(notes 27 and 28)* and borrowings *(note 32)*. Borrowings bearing variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk. The Group and the Company has not used any interest rate swaps in order to mitigate its exposure associated with the cash flow interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Sensitivity analysis

The following table illustrates the sensitivity of the Group's (loss)/profit for the year and other components of equity to a possible change in interest rates of +/-0.5% (2007: +/-0.5%), with effect from the beginning of the year. The calculations are based on the Group's financial assets and liabilities held at the balance sheet date. All other variables are held constant. The assumed changes have no significant impact on the Group's other components of equity.

	Group (Loss)/profit for the year *HK$'000*		**Company (Loss)/profit for the year *HK$'000***	
	+0.5%	**-0.5%**	**+0.5%**	**-0.5%**
31 October 2008	**201**	**(252)**	**19**	**(19)**
31 October 2007	(417)	417	1	(1)

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents the management's assessment of a reasonably possible change in interest rate over the period until the next annual balance sheet date.

The sensitivity analysis included in the financial statements of the year ended 31 October 2007 has been prepared on the same basis.

42.4 Equity and debt security price risk

Equity and debt security price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to equity and debt security price risk arising from individual equity investments classified as financial assets at fair value through profit or loss *(note 25)*, available-for-sale investments *(note 19)* and derivative financial instruments *(note 20)* as at 31 October 2008.

The Group's listed investments are primarily listed in Hong Kong, the United States and Taiwan. Listed investments held in the available-for-sale portfolio have been chosen based on their long term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

The following table indicates the approximate change in the Group's (loss)/profit after tax and other components of equity in response to the reasonably possible changes in the relevant stock market prices, to which the Group has significant exposure at the balance sheet date.

42. FINANCIAL RISK MANAGEMENT *(Continued)*

42.4 Equity and debt security price risk *(Continued)*

In response to the reasonably possible change in the market price of the listed securities and the underlying shares, the Group's investment in equity and debt securities has the following exposures:

The Group

2008			2007		
Increase/ (decrease) in securities market price	**Effect on loss after tax *(Note)***	**Effect on other components of equity**	Increase/ (decrease) in securities market price	Effect on profit after tax	Effect on other components of equity
%	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
10	**2,479**	**303**	10	1,361	235
(10)	**(2,479)**	**(303)**	(10)	(1,361)	(235)

The Company

2008			2007		
Increase/ (decrease) in securities market price	**Effect on loss after tax *(Note)***	**Effect on other components of equity**	Increase/ (decrease) in securities market price	Effect on profit after tax	Effect on other components of equity
%	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
10	**231**	**N/A**	10	1	N/A
(10)	**(231)**	**N/A**	(10)	(1)	N/A

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market price or other relevant risk variables had occurred at the balance sheet date and had been applied to the exposure to equity and debt security price risk in existence at that date. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual balance sheet date.

Note: The financial effect resulting from changes in underlying equity and debt securities' prices represented the theoretical change in fair value of all underlying equity and debt securities under the outstanding derivative financial instruments as if all these equity and debt securities were acquired as at 31 October 2008. These pro forma information is for illustrative purposes only and is not necessarily as indication of the fair value change in these equity securities and results of operation of the Group that actually would have been achieved had the acquisition of these equity securities been completed at the balance sheet date, nor is it intended to be a projection of future result.

42.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheets which are summarised in note 42.1 above. None of the financial assets of the Group and the Company are secured by collateral or other credit enhancements.

All the Group's bank balances are deposited with major banks located in Hong Kong, Macau, Taiwan and the PRC.

Sales to customers are made in cash or via major credit cards. The maximum exposure to credit risk is represented by the carrying amount of each trade receivables in the balance sheet date after deducting any provision for impairment of trade receivables, if any. The Group's exposure of credit risk arising from trade receivables is set out in note 23 to the financial statements.

42. FINANCIAL RISK MANAGEMENT *(Continued)*

42.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group manages its liquidity needs on a consolidated basis by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecast cash inflows and outflows due in day to day business.

The Group maintains cash and marketable securities to meet its liquidity requirements for up to 30-days periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell longer-term financial assets.

Analysed below is the Group's and Company's remaining contractual maturities for its non-derivative and derivative financial liabilities as at 31 October 2008 and 31 October 2007. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The analysis is based on the undiscounted cash flows of the financial liabilities.

Group

	On demand *HK$'000*	Within one year *HK$'000*	Over one year *HK$'000*	Carrying amount *HK$'000*
At 31 October 2008				
Non-derivative financial instruments				
– Trade payables	–	190	–	190
– Accruals and other payables	9,154	–	–	9,154
– Due to minority interests	1,077	–	–	1,077
– Borrowings	–	1,431	10,973	12,404
– Commitment on shareholder's loan to an associate	–	3,600	–	3,600
	10,231	**5,221**	**10,973**	**26,425**

Group

	On demand *HK$'000*	Within one year *HK$'000*	Over one year *HK$'000*	Carrying amount *HK$'000*
At 31 October 2008				
Derivative financial liabilities				
– Equity forward contracts	–	4,405	–	4,405
– Market-linked instruments with interest swap arrangements	–	1,266	1,230	2,496
	–	**5,671**	**1,230**	**6,901**

42. FINANCIAL RISK MANAGEMENT *(Continued)*

42.6 Liquidity risk *(Continued)*

Group

	On demand *HK$'000*	Within one year *HK$'000*	Over one year *HK$'000*	Carrying amount *HK$'000*
At 31 October 2007				
Non-derivative financial instruments				
– Trade payables	–	577	–	577
– Accruals and other payables	11,723	–	–	11,723
– Due to an associate	30	–	–	30
– Amounts due to minority interests	1,291	–	–	1,291
– Borrowings	150	98,618	–	98,768
	13,194	99,195	–	112,389

Company

	On demand ***HK$'000***	**Within one year** ***HK$'000***	**Over one year** ***HK$'000***	**Carrying amount** ***HK$'000***
At 31 October 2008				
Non-derivative financial instruments				
– Accruals	**74**	**–**	**–**	**74**
– Due to subsidiaries	**5,294**	**–**	**–**	**5,294**
– Borrowings	**–**	**–**	**1,622**	**1,622**
	5,368	**–**	**1,622**	**6,990**

	On demand *HK$'000*	Within one year *HK$'000*	Over one year *HK$'000*	Carrying amount *HK$'000*
At 31 October 2007				
Non-derivative financial instruments				
– Accruals	300	–	–	300
– Due to subsidiaries	3,010	–	–	3,010
	3,310	–	–	3,310

42.7 Fair value

The fair values of the Group's current financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity. The fair values of non-current financial assets and liabilities are disclosed in their respective notes in these financial statements.

43. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to adjusted capital ratio. For this purpose net debt is defined as borrowings less cash and cash equivalents. Adjusted capital comprises all components of equity other than amounts recognised in equity. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The net debt to adjusted capital ratio at the balance sheet date was:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Borrowings				
– Current	**1,431**	98,768	**–**	–
– Non-current	**10,973**	–	**1,622**	–
Cash and cash equivalents	**(46,177)**	(15,873)	**(3,751)**	(235)
Net debt	**(33,773)**	82,895	**(2,129)**	(235)
Adjusted capital	**148,091**	174,405	**135,069**	115,646
Total debt to capital ratio	**(22.8%)**	47.5%	**(1.6%)**	N/A

44. POST BALANCE SHEET EVENTS

On 15 January 2009, authorised share capital for ordinary shares of HK$0.05 each was consolidated on the basis of five into one from 6,000,000,000 ordinary shares of HK$0.05 each to 1,200,000,000 ordinary shares of HK$0.25 each. The issued share capital was consolidated on the basis of five into one from 170,441,300 ordinary shares of HK$0.05 each to 34,088,260 ordinary shares of HK$0.25 each. The nominal value of each share in issue was reduced from HK$0.25 to HK$0.01 by cancelling paid up capital to the extent of HK$0.24 on each issued share and the issued share capital of the Company was reduced by HK$8,181,000 from HK$8,522,000 divided into 34,088,256 ordinary shares of HK$0.25 each to HK$341,000 divided into 34,088,260 ordinary shares of HK$0.01 each. Authorised share capital for ordinary shares of HK$0.25 each were subdivided on the basis of one to twenty-five from 1,200,000,000 ordinary shares of HK$0.25 each to 30,000,000,000 ordinary shares of HK$0.01 each.

On 18 December 2008, the Company has requested for early redemption of half of the convertible notes of the Company, representing principal amount of HK$5,000,000, for a consideration of HK$5,000,000 from the noteholder and the noteholder has agreed for the early redemption. The redemption process was completed on 19 January 2009.

45. COMPARATIVES

During the year, the Group has determined that securities investment is one of its principal activities and therefore, securities investment is presented as a reportable segment. Segment information for the year ended 31 October 2007 has been restated to conform with this change. The management of the Group believes that the corresponding reclassification in the consolidated cash flow statement is a fairer presentation of the financial statements.