B.A.L.

B.A.L. Holdings Limited

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

2010 ANNUAL REPORT

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.

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

Annual results for the five years from 2005

	period from 1 November 2008 to 31 March 2010	Results for the year ended 31 October 2008	31 October 2007	31 October 2006	31 October 2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**177,592**	272,078	170,822	146,381	101,664
(Loss)/profit from operations	**(54,760)**	(80,974)	22,334	20,842	20,208
(Loss)/profit attributable to the equity holders of the Company	**(58,193)**	(77,371)	15,931	17,052	17,030

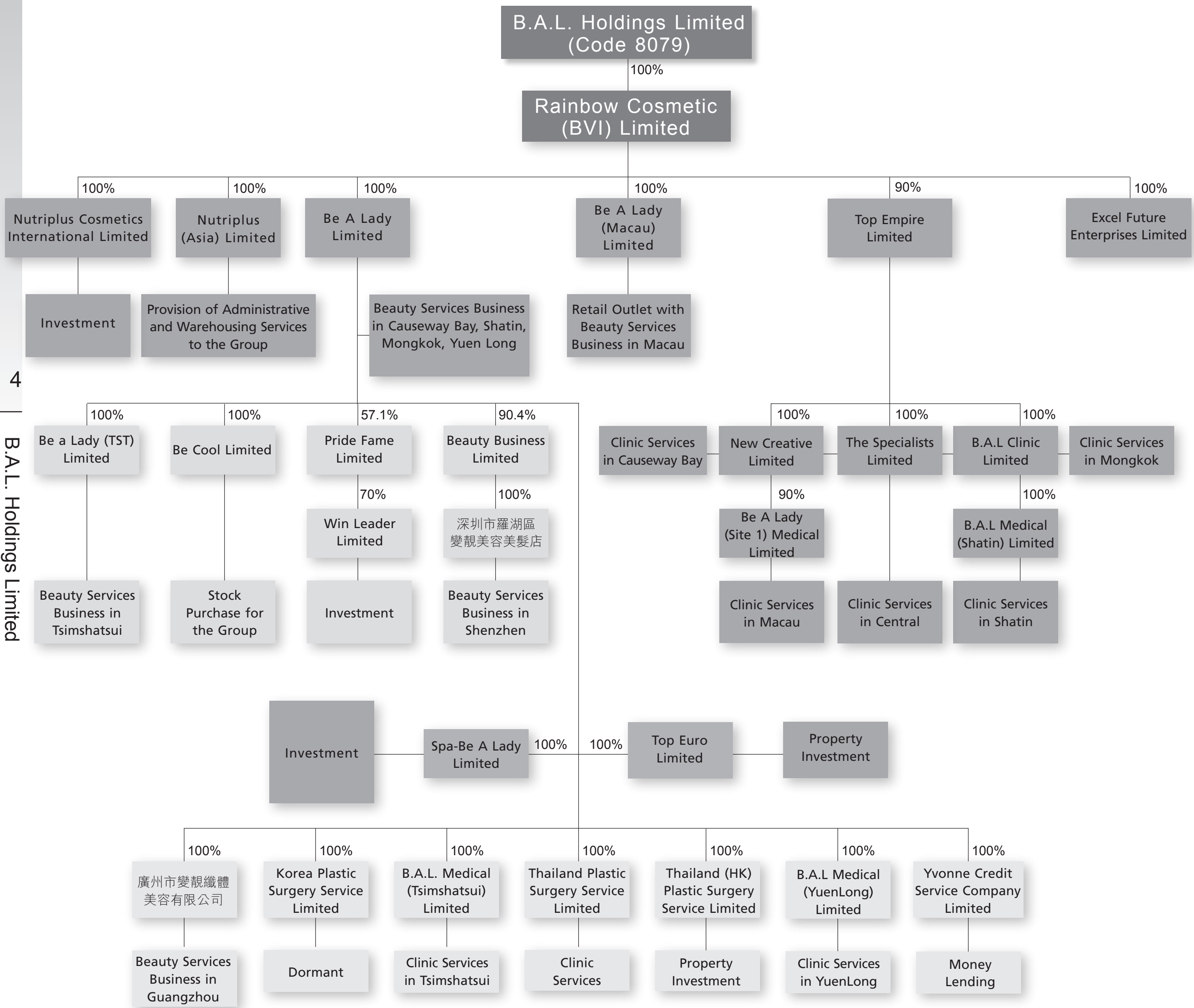
	As at 31 March 2010	As at 31 October 2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**161,789**	191,807	301,235	111,196	71,339
Total liabilities	**(28,355)**	(43,249)	(126,830)	(29,594)	(24,813)
	133,434	148,558	174,405	81,602	46,526

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 rental and also in the provision of beauty services and clinical services in Hong Kong, Macau and the Peoples’ Republic of China.

During the seventeen-month period, the Group have been operating eight beauty services centers/direct sales centers in Hong Kong, Macau and the Peoples’ Republic of China, seven medical clinics, two property investment Companies and one warehouse in Hong Kong.

As at 31 March 2010, the organisation chart of the Group is set out below:



Corporate Information

Directors

Executive Directors

Ms. SIU York Chee – 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

Qualified Accountant

Mr. LO Gun Yuen, Raymond, *CPA*

Authorised Representatives

Ms. SIU York Chee
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
Mr. LEUNG Kwok Kui

Legal Advisers on the Bermuda Law

Appleby

Auditors

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F., Gloucester Tower
The Landmark
11 Pedder Street, 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 seventeen-month ended 31 March 2010.

REVIEW OF OPERATIONS

During the period under review, competition within the beauty service industry was still keen. This has also been reflected in the financial results (substantial loss) of some of the other leading beauty service groups. The Group's turnover for the period was approximately HK$178 million and net loss was approximately HK$59 million.

The performance of our beauty service centres was unsatisfactory during the period. However, as aesthetics and clinical beauty services are becoming more popular in Hong Kong, turnover of approximately HK$79 million was achieved. Investment in financial instruments and quoted shares recorded a gross profit of approximately HK$9 million as a result of the recovery of the stock and financial markets.

In November 2009, we acquired 40% interest (at a consideration of HK$6 million) of a movies distribution company, One Dollar Distribution Limited, which is principally engaged in the business of movies distribution in the territories of South East Asia, mainly in Hong Kong and PRC. After the year-end date, we acquired a commercial property located at 1/F and 2/F, Morrison Plaza, No. 9 Morrison Hill Road at a consideration of HK$51 million for investment purpose.

With a view to broaden our business scope, we entered into a memorandum of understanding in respect of a possible acquisition of 65% equity interest in a PRC Mining Company at a consideration of not less than HK$144.5 million. We also entered into a memorandum of understanding with Shenzhen Peng'ai Hospital Investment Company in relation to a possible acquisition in Peng'ai Medical Aesthetic Hospital.

We have also been actively developing our money-lending business since about May 2010. We believe this business segment will be able to generate favourable income in the future. In the coming years, we plan to close down those beauty service centres with unsatisfactory performance upon the expiry of the lease terms.

DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the seventeen-month ended 31 March 2010 (for the year ended 31 October 2008: Nil)

PROSPECTS

As Hong Kong's economy is recovering, we are confident that the operating results of our Group will gradually improve. We will continue to seek new business opportunities when conditions justify.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere gratitude to our shareholders, clients and staff members for their support in the past seventeen months. I am confident that we could tackle future challenges successfully.

Ms. Siu York Chee
Chairperson

Hong Kong, 23 June 2010

Management Discussion and Analysis

Business Review

Revenue

Turnover for the seventeen months ended 31 March 2010 was approximately HK$178 million. During the period under review, as the Group did not have any properties held for resale, no turnover was recorded for this segment. Loss attributable to the equity holders of the Company for the period was approximately HK$58 million.

Beauty Services and Sale of Beauty Products Operations

The Group's turnover in relation to the operation of beauty services and sale of beauty products for the period under review was approximately HK$98 million. During the period, our Tsuen Wan Branch was closed while the Shatin and Tsimshatsui branches were relocated to new business locations with lower rental.

Our business strategy in 2010 will remain conservative. We plan to close down those branches with unsatisfactory performance in the coming years upon the expiry of the lease terms.

Clinical Services

There was an increase of the turnover of this segment for the period under review. Turnover from this segment amounted to approximately HK$79 million. We anticipate more customers will switch to this segment in the coming year as aesthetics and clinical beauty services has become more openly accepted by the public.

Beauty Course

Following the close of our Beauty Course Training Centre in 2008, turnover was not recorded for this segment during the period under review.

Sale of properties held for resale

No turnover for this segment was recorded during the period under review as the Group did not have any properties held for resale.

Our investment properties have been providing steady rental income to the Group.

Investment in financial instruments and quoted shares

As a result of the recovery of the stock market, this segment generated gross profits of approximately HK$9 million during the seventeen-month period.

Possible acquisitions

On 15 January 2010, we entered into a memorandum of understanding in respect of a possible acquisition of 65% equity interest in a PRC Mining Company at a consideration not less than HK$170 million (on 23 April changed to HK$144.5 million) but in any event will not be more than HK$227 million (on 23 April changed to HK$215 million). We consider that the acquisition will provide an opportunity for the Group to gain access to the copper ore mining industry with an aim to broaden the income base of the Group, and thereby enhancing the Group's future performance and profitability. As at 31 March 2010, no binding agreement has been entered.

The Company entered into a memorandum of understanding with Shenzhen Peng'ai Hospital Investment Company Limited on 19 December 2009 in relation to a possible acquisition in Peng'ai Medical Aesthetic Hospital. As at 31 March 2010, no binding agreement has been entered.

Investment in movies distribution

In November 2009, we acquired 40% interest of an associated company - One Dollar Distribution Limited which is principally engaged in the business of movies distribution.

We view the acquisition as a step towards expansion into the business of movies distribution and allow the Group to diversify its investment in South-East Asia.

Investment in commercial property

The Company has acquired a commercial property located at 1/F and 2/F, Morrison Plaza, No. 9 Morrison Hill Road together with the external wall area I, II and III at a consideration of HK$51,000,000 on 24 April 2010. The completion of the acquisition will take place on or before 29 October 2010.

Outlook

Apart from our beauty and clinical services, the Company is developing its businesses in movie distribution and money-lending in 2010. At present, the Group is financially strong. We are confident that the Group's performance will gradually improve in the coming year.

As at 31 March 2010, the Group have been operating eight beauty services centers/direct sales centers and seven 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	31
2.	Be A Lady Limited	Mongkok Beauty Services Center with Direct Sales Centre	Beauty Services & Direct Sales	25th Floor and 26th Floor, 655 Nathan Road, Kowloon	32
3.	Be A Lady Limited	Causeway Bay Beauty Services Center with Direct Sales Centre	Beauty Services & Direct Sales	25th Floor, Island Centre, 1 Great George Street, Causeway Bay, Hong Kong	18
4.	Be A Lady Limited	Shatin Beauty Services Center	Beauty Services & Direct Sales	G/F., 71 Chik Fu Street, Tai Wai, Shatin N.T.	7
5.	Be A Lady (TST) Limited	Tsimshatsui Beauty Services Centre	Beauty Services & Direct Sales	2nd Basement, Holiday Inn Golden Mile, 46-52, Nathan Road, Kowloon.	30
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 C, 14/F., Kwai Wan Industrial Building, No.2 Wing Kin Road, Kwai Chung N.T.	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	Yuen Long Beauty Services Centre	Beauty Services & Direct Sales	Room 4-9, 9th Floor, Kwong Wah Plaza, 11 Tai Tong Road, Yuen Long, N.T.	8
12. New Creative Limited	B.A.L. Medical Centre Causeway Bay	Non-surgical Beauty Services	25/F., Island Centre, No. 1 Great George Street, Causeway Bay Hong Kong	2
13. The Specialists Ltd	The Specialists	Surgical & medical Centre	2/F., New World Tower II, 18 Queen's Road Central, Hong Kong	17
14. Be A Lady (Macau) Limited	Macau Beauty Services Centre	Beauty Services & Direct Sales	AVENIDA DE ALMEIDA RIBEIRO N˚s. 89a 99. Edificio Commercial Nam Wa. 3˚ andar EM Macau	19
15. Be A Lady (site 1) Medical Limited	Macau Medical Centre	Non-surgical Beauty Services	AVENIDA DE ALMEIDA RIBEIRO N˚s. 89a 99. Edificio Commercial Nam Wa. 4˚ andar EM Macau	4
16. 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	47
17. 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	71
Total employees of the Group as at 31 March 2010				293

Financial Review

For the seventeen months ended 31 March 2010, the Group's consolidated turnover amounted to approximately HK$178 million.

The Group recorded loss for the seventeen months ended 31 March 2010 amounted to approximately HK$59 million.

The Group's cash and bank balances as at 31 March 2010 was approximately HK$31 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 March 2010, the Group had cash and cash equivalents of approximately HK$31 million as compared to approximately HK$46 million as at 31 October 2008.

As at 31 March 2010 the Group had amounts due to minority shareholders of approximately HK$1 million and borrowings of approximately HK$9 million.

Gearing Ratio

As at 31 March 2010, the Group's gearing ratio, expressed as a percentage of total borrowings, (Comprising amounts due to minority shareholders, and borrowings) over total assets, was approximately 6%.

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 March 2010, the Group had significant investments in properties, listed securities and financial instruments.

Future plans for material investments or capital assets

The Company entered into a memorandum of understanding with Conder International Holdings Limited on 15 January 2010 in relation to a possible acquisition in a PRC mining company at a consideration not less than HK$170 million (on 23 April changed to HK$144.5 million) but in any event will not be more than HK$227 million (on 23 April changed to HK$215 million). As at 31 March 2010, no binding agreement has been entered.

The Company also entered into a memorandum of understanding with Shenzhen Peng'al hospital Investment Company Limited on 19 December 2009 in relation to a possible acquisition in Peng'al Medical Aestheticd Hospital. As at 31 March 2010 no binding agreement has been entered.

The Company has acquired a commercial property located at 1/F and 2/F, Morrison Plaza, No. 9 Morrison Hill Road together with the external wall area I, II and III at a consideration of HK$51,000,000 on 24 April 2010. The completion of the acquisition will take place on or before 29 October 2010.

Capital Structure

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

On 12 December 2008, 19 shares option were exercised at exercise price HK$0.283 per share.

With effect from 15 January 2009, the capital re-organisation was carried that (a) 170,441,300 shares of par value HK$0.05 each were consolidated on the basis of five shares into one share; (b) each of the issued and unissued shares of par value HK$0.25 each in the share capital of the Company is reduced to HK$0.01 each. After the completion of the capital re-organisation, 34,088,260 ordinary shares of HK$0.01 each were issued which are fully paid or credited as fully paid.

On 31 March 2009, 40,000,000 new placing shares at HK$0.09 per share 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$3.39 million and used for general working capital of the Company. After the completion of the new placing, 74,088,260 ordinary shares of HK$0.01 each were issued which are fully paid or credited as fully paid.

On 31 July 2009, 100,000,000 new placing shares (first tranche) at HK$0.10 per share 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$9.70 million and used for general working capital and business development of the Company. After the completion of the new placing, 174,088,260 ordinary shares of HK$0.01 each were issued which are fully paid or credited as fully paid.

On 8 September 2009, 300,000,000 new placing shares (second tranche) at HK$0.10 per share 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$29.39 million and used for general working capital and business development of the Company. After the completion of the new placing, 474,088,260 ordinary shares of HK$0.01 each were issued which are fully paid or credited as fully paid.

On 9 November 2009, 1,896,353,040 bonus shares on the basis of four bonus shares for every one share were allotted. The bonus issue was in recognition of the continual support of the shareholders and enhanced the liquidity of the shares in the market and thereby enlarging the Company's shareholders and capital base. After the completion of the bonus issue, 2,370,441,300 ordinary shares of HK$0.01 each were issued which are fully paid or credited as fully paid.

On 27 and 29 January 2010, the Company has repurchased a total of 7,100,000 ordinary shares of the Company on the Stock Exchange and all the repurchased shares have been cancelled. Details of the repurchased shares during the period are set out on page 22 of the annual report. After the completion of the repurchases, 2,363,341,300 ordinary shares of HK$0.01 each were issued which are fully paid or credited as fully paid.

Contingent Liabilities

As at 31 March 2010, the Company has executed corporate guarantees to third parties with respect to operating leases of approximately HK$2,300,000 (at 31 October 2008: HK$1,000,000), advertising contracts of certain subsidiaries of approximately HK$500,000 (at 31 October 2008: HK$500,000) and general banking facilities granted to certain subsidiaries of the Company of approximately HK$8,759,000 (at 31 October 2008: HK$10,868,000).

Apart from the above, the Group and the Company had no other material contingent liabilities as at 31 March 2010 and up to the date of the approval of the audited results of the Group for the seventeen months ended 31 March 2010.

Employees

As at 31 March 2010, the Group had 293 (at 31 October 2008: 351) full-time employees. The total of employee remuneration, including that of the Directors, for the seventeen months ended 31 March 2010 amounted to approximately HK$75 million (31 October 2008: HK$61 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 33 to the financial statements.

Directors and Senior Management of the Group

Executive Directors

Ms. SIU York Chee ("Ms. Siu"), aged 65, is the executive director since 16 June 2003 and being the chairperson of the Group since 17 September 2003. She has extensive professional knowledge and many years of experience in the commercial field. 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 in January 2002. Ms. Siu is the wife of Mr. Leung Kwok Kui.

Mr. LEUNG Kwok Kui ("Mr. Leung"), aged 67, is the executive director of the Group since 5 September 2003. Mr. Leung has over 30 years' experience in the commercial field. 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 chairman of Skynet (International Group) Holdings Limited (currently known as Paul Y. Engineering Group Ltd, code no. 577), which were listed companies in the Stock Exchange. Mr. Leung has resigned both positions on 31 January 2002.

Ms. LEUNG Ge Yau ("Ms. Leung"), *LL.B. (Hons), LL.M*, aged 32, 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. Ms. Leung is also an independent non-executive director of Dragonlott Entertainment Group Ltd, a company listed on the GEM Board of Stock Exchange.

Independent non-executive Directors

Mr. HUNG Anckes Yau Keung ("Mr. Hung"), *FCPA (Practising), FCCA, CICPA, CGA*, aged 57, 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 63, 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 35, 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. 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 seventeen months ended 31 March 2010. 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 *(Chairperson and member of Remuneration Committee)*
Mr. Leung Kwok Kui *(member of Remuneration Committee)*
Ms. Leung Ge Yau

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 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 all 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 seventeen months ended 31 March 2010, twenty four Board meetings (four of which were regular Board meetings) and six Audit Committee meetings were held.

The individual attendance record of each director at the meetings of the Board and Audit Committee during the seventeen months ended 31 March 2010 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 *(Chairperson and member of Remuneration Committee)*	24/24	N/A
– Mr. Leung Kwok Kui *(member of Remuneration Committee)*	23/24	N/A
– Ms. Leung Ge Yau	24/24	N/A
Independent Non-Executive Directors		
– Mr. Hung Anckes Yau Keung *(Chairman of Audit Committee and Remuneration Committee)*	23/24	6/6
– Mr. Siu Yim Kwan, Sidney *(member of Audit Committee and Remuneration Committee)*	21/24	6/6
– Mr. Tsui Pui Hung, Walter *(member of Audit Committee* and *Remuneration Committee)*	21/24	6/6

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 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 period under review, no meeting was 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 seventeen months ended 31 March 2010, 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 seventeen months ended 31 March 2010.

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 seventeen months ended 31 March 2010.

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 27.

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the seventeen-month ended 31 March 2010 amounted to HK$460,000.

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 period 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 2010 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 will attend the 2010 annual general meeting to answer questions at the meeting.

Separate resolutions were proposed at 2010 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 seventeen-month ended 31 March 2010.

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 in Hong Kong, Macau and the Peoples' Republic of China; property investment, financial instruments and quoted shares investment in Hong Kong.

An analysis of the Group's turnover and contribution to operating results of the Group by principal activities and geographical locations for the year ended 31 October 2008 and seventeen-month ended 31 March 2010 is set out in note 5 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the seventeen-month period, the five largest suppliers of the Group accounted for less than 30% of its operating costs for the period.

Sales to the Group's five largest customers accounted for less than 30% of the Group's turnover for the year ended 31 October 2008 and seventeen-month ended 31 March 2010.

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 seventeen-month ended 31 March 2010.

RESULTS AND APPROPRIATIONS

The results of the Group for the seventeen-month ended 31 March 2010 are set out in the consolidated income statement on page 28 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.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 12 to the financial statements.

ISSUED CAPITAL AND SHARE OPTIONS

Details of the movements in issued capital and share options of the Company during the seventeen-month period are set out in notes 32 and 33, respectively to the financial statements.

SHARE CAPITAL

At 31 March 2010, the number of issued shares is 2,363,341,300 ordinary shares.

RESERVES

Details of the movements in reserves of the Group and the Company during the period are set out in the consolidated statement of changes in equity and note 34 to the financial statements respectively.

DONATIONS

During the seventeen-month period, there was no donation made (for the year ended 31 October 2008: Nil).

DIRECTORS

The Directors who held office during the period are:

Executive Directors

Ms. Siu York Chee
Mr. Leung Kwok Kui
Ms. Leung Ge Yau, *LL.B. (Hons), LL.M*

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.

Ms. Leung Ge Yau has entered into a letter of appointment with the Company for a term of three years subject to termination by either party by 6 months' written notice.

The independent non-executive Directors have no fixed term of office and all the directors 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:

Type of grantee	At 31 October 2008	Granted	Adjustments*	Exercised/ Cancelled/ Lapsed	Outstanding	Adjustments**	Lapsed	At 31 March 2010	Date of grant	Exercise period of the share options	Exercise price per share
											HK$
Employees											
– In aggregate	619,516	–	–	(619,516)	–	–	–	–	20-Jun-05	22/6/05 – 21/12/08	2.7295
– In aggregate	379,296	–	(303,437)	(75,859)	–	–	–	–	27-Feb-07	27/2/07 – 26/2/09	14.2375 *
– In aggregate	1,399,180	–	(1,119,344)	(279,836)	–	–	–	–	27-Sep-07	27/9/07 – 26/9/09	6.5500 *
– In aggregate	1,424,412	–	(1,139,530)	–	284,882	1,139,528	(1,424,410)	–	1-Feb-08	6/2/2008 – 5/2/2010	1.0000 **
– In aggregate	3,400,000	–	(2,719,985)	(600,019)	79,996	319,984	–	399,980	5-May-08	5/5/2008 – 4/5/2010	0.2830 **
	7,222,404	–	(5,282,296)	(1,575,230)	364,878	1,459,512	(1,424,410)	399,980			
Other eligible person											
– In aggregate	126,432	–	(101,146)	(25,286)	–	–	–	–	14-Mar-07	14/3/07 – 13/3/09	21.7550 *
– In aggregate	263,400	–	(210,720)	(52,680)	–	–	–	–	4-Oct-07	17/10/07 – 16/10/09	6.6450 *
	7,612,236	–	(5,594,162)	(1,653,196)	364,878	1,459,512	(1,424,410)	399,980			

* *This reflects the adjusted exercise prices and number of share options which have been granted and are outstanding after the completion of share consolidation on 15 January 2009.*

** *This reflects the adjusted exercise prices and number of share options which have been granted and are outstanding after the completion of bonus issue on 9 November 2009.*

No option was granted during the period ended 31 March 2010. 19 options were exercised and 3,077,587 options lapsed during the period ended 31 March 2010.

The fair values of options granted were determined using the Black-Scholes valuation model.

In total, HK$1,415,000 of employee compensation expense has been included in the consolidated income statement for the seventeen-month ended 31 March 2010 (for the year ended 31 October 2008: HK$1,655,000), the corresponding amount of which has been credited to share option reserve. 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

(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 March 2010, 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 March 2010
Ms. Siu York Chee	Beneficiary owner and family interests	406,430	1,430	–	7,705,580 *(Notes 1 and 2)*	8,113,440	0.34%
Mr. Leung Kwok Kui	Beneficiary owner and family interests	1,430	8,112,010 *(Note 3)*	–	–	8,113,440	0.34%

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

Mr. Ho Wai Sun 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$5.50 per Share (the "Convertible Notes").

The Company has requested and the noteholder has agreed for early redemption of the Convertible Notes of the Company at a consideration of HK$5,000,000 each (same as principal amount) in 2009 and 2010. The redemption process was completed on 19 January 2009 and 18 January 2010. No Convertible Notes remain outstanding as at 31 March 2010.

(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	Total	Approximate percentage to the issued share capital of the Company as at 31 March 2010
Mr. Shiu Yeuk Yuen	Beneficiary owner, Interested held by controlled corporation and family interests	51,460,000	97,016,700 *(Note 1)*	–	7,705,580 *(Note 2)*	156,182,280	6.61%
Ms. Hau Lai Mei	Beneficiary owner and family interests	97,016,700	59,165,580 *(Note 1)*	–	–	156,182,280	6.61%
Shikumen Special Situations Fund	Beneficiary owner	–	–	268,660,000 *(Note 3)*	–	268,660,000	11.37%

Notes:

1. Ms. Hau Lai Mei is the spouse of Mr. Shiu Yeuk Yuen.

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

3. Shikumen Special Situations Fund is independent of the Company and its connected persons.

Save as disclosed above, as at 31 March 2010, 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

During the period ended 31 March 2010, the Company repurchased its own shares through the Stock Exchange as follows:

Date of repurchase	Number of share repurchased	Aggregate Consideration paid	Price per share repurchased	
		HK$	Highest	Lowest
27 January 2010	5,100,000	918,700	HK$0.186	HK$0.177
29 January 2010	2,000,000	351,460	HK$0.177	HK$0.175
Total:	7,100,000	1,270,160		

The above shares were cancelled upon repurchase.

CONNECTED AND RELATED PARTY TRANSACTIONS

(A) Connected transactions

On 2 November 2009, Be A Lady Limited, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with One Dollar Productions Limited to acquire 4,000 shares of One Dollar Distribution Limited (representing 40% of issued capital) at a consideration of HK$4,800,000 and a shareholder's loan (principal amount of HK$1,200,000) at a consideration of HK$1,200,000. The total consideration of the acquisition is HK$6,000,000. One Dollar Distribution Limited is principally engaged in the business of movies distribution in the territories of the South-East Asia, mainly in Hong Kong and PRC.

(B) Related party transactions

Details of the related party transactions for the period are set out in note 35 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 period ended 31 March 2010.

As of the date of this announcement, the Board of Directors of the Company comprises, Ms. Siu York Chee, Mr. Leung Kwok Kui and Ms. Leung Ge Yau, Executive Director; Mr. Hung Anckes Yau Keung, Mr. Siu Yim Kwan, Sidney and Mr. Tsui Pui Hung, Walter, Independent Non-Executive Director of the Company.

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 seventeen-month ended 31 March 2010, 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 six times during the period 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 16 to 17 of this annual report.

APPOINTMENT OF PROFESSIONAL ADVISER AND COMPLIANCE ADVISER

Reference is made to the press release published by the GEM Listing Committee of the Stock Exchange to the Company on 19 January 2009 regarding the breaches of the GEM Listing Rules by the Company.

The Company has admitted breaching Rules 17.56, 19.34, 19.37, 19.38 and 19.40 of the GEM Listing Rules. Accordingly, against the facts and circumstances outlined and the admitted breaches, the Stock Exchange criticised the Company for its breaches of Rules 17.56, 19.34, 19.37, 19.38 and 19.40 of the GEM Listing Rules.

The Stock Exchange, having regard to the compliance history of the Company and the number and frequency of further breaches, (i) directs that the Company appoint a professional adviser to conduct a thorough review of and make recommendations to improve the Company's internal control and compliance systems to ensure the Company's GEM Listing Rules compliance including in particular the internal controls for compliance with Chapter 19 of the GEM Listing Rules; and (ii) directs the Company to appoint a compliance adviser for consultation on compliance matters including the GEM Listing Rules compliance and corporate governance matters on an ongoing basis for a duration of two years.

In this regard, the board of directors of the Company has appointed Guangdong Securities Limited as its professional adviser and compliance adviser for a term of two years with effect from 16 February 2009 to 15 February 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

As updated and notified by the Company's compliance adviser, Guangdong Securities Limited (the "Compliance Adviser"), none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2010 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to an agreement dated 10 February 2009 entered into between the Company and the Compliance Adviser, the Compliance Adviser will receive a fee for acting as the Company's compliance adviser for the period from 16 February 2009 to 15 February 2011 or until the agreement is terminated in accordance with the terms and conditions set out therein.

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 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 seventeen-month ended 31 March 2010 were audited by HLB Hodgson Impey Cheng, who will retire and a resolution to re-appoint HLB Hodgson Impey Cheng as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Grant Thornton had been Auditors of our Company for the financial years ended 31 October, 2006 to 31 October 2008 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
Chairperson

Hong Kong, 23 June 2010

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

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") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 96, which comprise the consolidated and company balance sheets as at 31 March 2010, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the seventeen-month period ended 31 March 2010, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's loss and cash flows for the seventeen-month period ended 31 March 2010 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.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong, 23 June 2010

Consolidated Income Statement

For the period ended 31 March 2010

	Notes	Period ended 31 March 2010 HK$'000	Year ended 31 October 2008 HK$'000
Revenue	*4*	**177,592**	272,078
Cost of sales		**(42,163)**	(145,759)
Gross profit		**135,429**	126,319
Other revenue and gains	*4*	**17,007**	6,541
Servicing, selling and distribution costs		**(125,920)**	(112,053)
Administrative expenses		**(53,754)**	(46,329)
Other operating expenses		**(27,522)**	(55,452)
Operating loss		**(54,760)**	(80,974)
Finance costs	*7*	**(919)**	(991)
Share of (losses)/profits of associates	*16*	**(245)**	3,884
Loss before income tax	*6*	**(55,924)**	(78,081)
Income tax (expense)/credit	*8*	**(2,736)**	360
Loss for the period/year		**(58,660)**	(77,721)
Loss attributable to:			
Equity holders of the Company	*9*	**(58,193)**	(77,371)
Minority interests		**(467)**	(350)
		(58,660)	(77,721)
Loss per share for loss attributable to equity holders of the Company during the period/year			
– Basic and diluted	*10*	**HK$(0.05)**	HK$(2.67)

Consolidated Balance Sheet

At 31 March 2010

	Notes	At 31 March 2010 HK$'000	At 31 October 2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**21,830**	33,158
Investment properties	13	**16,390**	11,820
Intangible assets	14	**–**	4,528
Interests in associates	16	**15,336**	5,994
Held-to-maturity investments	17	**2,669**	708
Prepayments, deposits and other receivables	20	**7,591**	6,567
Restricted bank deposits	25	**1,300**	449
Deferred tax assets	31	**–**	1,704
		65,116	64,928
Current assets			
Intangible assets	14	**–**	1,500
Inventories	22	**1,727**	2,307
Trade receivables	21	**7,294**	21,121
Prepayments, deposits and other receivables	20	**19,933**	30,910
Financial assets at fair value through profit or loss	23	**30,903**	13,397
Held-to-maturity investments	17	**180**	79
Available-for-sale financial assets	18	**5,034**	3,025
Derivative financial instruments	19	**16**	2,746
Amounts due from related companies	24	**875**	2,038
Restricted bank deposits	25	**–**	3,573
Cash and cash equivalents	26	**30,626**	46,177
Tax recoverable		**85**	6
		96,673	126,879
Current liabilities			
Trade payables	27	**103**	190
Accruals, receipts in advance and other payables	28	**13,625**	18,786
Amounts due to minority interests	29	**1,077**	1,077
Derivative financial instruments	19	**4**	5,671
Borrowings	30	**513**	1,431
Provision for tax		**3,396**	3,570
		18,718	30,725
Net current assets		**77,955**	96,154
Total assets less current liabilities		**143,071**	161,082

Consolidated Balance Sheet *(Continued)*

At 31 March 2010

	Notes	**At 31 March 2010 HK$'000**	At 31 October 2008 HK$'000
Non-current liabilities			
Borrowings	*30*	**8,246**	10,973
Derivative financial instruments	*19*	**–**	1,230
Deposits	*28*	**251**	212
Deferred tax liabilities	*31*	**1,140**	109
		9,637	12,524
Net assets		**133,434**	148,558
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*32*	**23,633**	8,522
Reserves		**109,801**	139,569
		133,434	148,091
Minority interests		**–**	467
Total equity		**133,434**	148,558

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 June 2010 and were signed on its behalf:

Siu York Chee
Director

Leung Kwok Kui
Director

Balance Sheet

At 31 March 2010

	Notes	At 31 March 2010 HK$'000	At 31 October 2008 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	15	**1,097**	1,097
Prepayments	20	**2,942**	–
		4,039	1,097
Current assets			
Amounts due from subsidiaries	15	**110,967**	135,022
Prepayments and deposits	20	**3,666**	–
Financial assets at fair value through profit or loss	23	**16,750**	2,306
Cash and cash equivalents	26	**3,132**	3,751
		134,515	141,079
Current liabilities			
Accruals	28	**114**	74
Amounts due to subsidiaries	15	**5,288**	5,294
Provision for tax		**117**	117
		5,519	5,485
Net current assets		**128,996**	135,594
Total assets less current liabilities		**133,035**	136,691
Non-current liabilities			
Borrowings	30	**–**	1,622
Net assets		**133,035**	135,069
EQUITY			
Share capital	32	**23,633**	8,522
Reserves	34	**109,402**	126,547
Total equity		**133,035**	135,069

Siu York Chee
Director

Leung Kwok Kui
Director

Consolidated Statement of Changes in Equity

For the period ended 31 March 2010

	Equity attributable to the equity holders of the Company											
	Share capital	Share premium*	Capital redemption reserve*	Exchange reserve*	Retained profits/ (accumulated losses)*	Capital reserves*	Investment revaluation reserve*	Share option reserve*	Contributed surplus*	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 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
Transfer to profit or loss on disposals of available-for-sale financial assets	–	–	–	–	–	–	(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	–	–	–
Balance 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
Balance at 1 November 2008	8,522	22,300	278	17	(47,721)	28,327	(2,179)	3,228	135,319	148,091	467	148,558
Changes in fair value of available-for-sale financial assets	–	–	–	–	–	–	749	–	–	749	–	749
Loss for the period	–	–	–	–	(58,193)	–	–	–	–	(58,193)	(467)	(58,660)
Total recognised income and expense for the period	–	–	–	–	(58,193)	–	749	–	–	(57,444)	(467)	(57,911)
Equity-settled share option arrangement	–	–	–	–	–	–	–	1,415	–	1,415	–	1,415
Options forfeited	–	–	–	–	4,554	–	–	(4,554)	–	–	–	–
Bonus issue	18,963	(18,963)	–	–	–	–	–	–	–	–	–	–
Repurchase of shares	(71)	(1,204)	–	–	–	–	–	–	–	(1,275)	–	(1,275)
Allotment of shares	4,400	38,247	–	–	–	–	–	–	–	42,647	–	42,647
Capital reduction	(8,181)	–	–	–	–	–	–	–	8,181	–	–	–
Balance at 31 March 2010	**23,633**	**40,380**	**278**	**17**	**(101,360)**	**28,327**	**(1,430)**	**89**	**143,500**	**133,434**	**–**	**133,434**

* *These reserve accounts comprise the consolidated reserves of HK$109,801,000 (at 31 October 2008: HK$139,569,000) in the consolidated balance sheet.*

Consolidated Statement of Cash Flows

For the period ended 31 March 2010

	Period ended 31 March 2010 HK$'000	Year ended 31 October 2008 HK$'000
Cash flows from operating activities		
Loss before income tax	**(55,924)**	(78,081)
Adjustments for:		
Dividend income from listed investments	**(948)**	(611)
Fair value (gains)/losses on financial assets at fair value through profit or loss	**(8,499)**	24,225
Fair value (gains)/losses on investment properties	**(2,607)**	2,347
Gains on disposals of investment properties	**–**	(30)
Interest income	**(2,321)**	(2,450)
Net surplus of sale proceeds over carrying amounts of net assets in subsidiaries disposed of	**–**	(683)
Amortisation of intangible assets	**1,500**	1,500
Depreciation	**15,720**	12,907
Equity-settled share option expense	**1,415**	1,655
Fair value losses on derivative financial instruments	**797**	11,335
Losses on disposals of available-for-sale financial assets	**–**	243
Losses on disposals of property, plant and equipment	**844**	775
Losses on disposals of an associate	**–**	1,241
Impairment of goodwill	**4,528**	291
Provision for impairment of other receivables	**10,205**	1,950
Provision for impairment of trade receivables	**10,328**	12,595
Provision for impairment of amount due from a related company	**699**	–
Equity-settled transactions with cash alternative	**2,820**	1,622
Interest expenses	**919**	991
Share of losses/(profits) of associates	**245**	(3,884)
Operating cash flows before changes in working capital	**(20,279)**	(12,062)
Decrease in inventories	**580**	2,810
Decrease in trade and other receivables	**7,341**	112,863
Decrease in trade and other payables	**(5,209)**	(2,798)
Decrease in amounts due from related companies	**464**	2,116
Increase/(decrease) in amount due to an associate	**13**	(30)
Net cash outflow of financial assets at fair value through profit or loss	**(9,007)**	(25,359)
Net cash (outflow)/inflow of derivative financial instrument	**(4,964)**	360
Dividend received	**948**	611
Cash generated from operations	**(30,113)**	78,511
Interest received	**2,321**	2,450
Income tax paid	**(254)**	(1,731)
Net cash (used in)/generated from operating activities	**(28,046)**	79,230

Consolidated Statement of Cash Flows *(Continued)*

For the period ended 31 March 2010

	Period ended 31 March 2010 HK$'000	Year ended 31 October 2008 HK$'000
Cash flows from investing activities		
Purchase of intangible assets	–	(3,000)
Purchase of held-to-maturity financial assets	(2,062)	(717)
Purchase of available-for-sale financial assets	(1,260)	(3,106)
Investment in an associates	(9,600)	(6,000)
Purchase of investment properties	(1,963)	(14,367)
Purchase of property, plant and equipment	(5,357)	(10,554)
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	121	68
Net cash used in investing activities	(20,121)	(5,316)
Cash flows from financing activities		
Interest paid	(919)	(991)
Proceeds from allotment of shares, net of expenses	42,647	51,592
Proceeds from exercise of share options	–	–
Repayments of amounts due to minority interests	–	(214)
Repurchase of shares	(1,275)	–
Repayments of convertible notes	(10,000)	–
Repayments of loans	(2,522)	(98,999)
Drawdown of loans	1,963	9,695
Capital element of finance lease liabilities	–	(671)
Decrease/(increase) in restricted bank deposits	2,722	(4,022)
Net cash generated from/(used in) financing activities	32,616	(43,610)
Net (decrease)/increase in cash and cash equivalents	(15,551)	30,304
Cash and cash equivalents at beginning of the period/year	46,177	15,873
Cash and cash equivalents at end of the period/year	30,626	46,177
Analysis of balances of cash and cash equivalents		
Cash and bank balances	30,626	46,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period ended 31 March 2010

1. GENERAL INFORMATION

B.A.L. Holdings Limited (the “Company”) was an exempted company continued into Bermuda with limited liability. The address of its registered office is situated at Canon’s Court, 22 Victoria Street, Hamilton HM12, 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 (the “PRC”). The Company’s shares are listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

The Company announced on 16 October 2009 that the financial year end date of the Company was changed from 31 October to 31 March commencing from the financial year 2009. Accordingly, the financial statements for the current period cover the seventeen-month period from 1 November 2008 to 31 March 2010. The corresponding amounts shown for the consolidated income statement, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes cover the twelve-month period from 1 November 2007 to 31 October 2008 and therefore may not be comparable with the amounts shown for the current period. Certain comparative figures have been adjusted to conform with the current presentation.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$’000), unless otherwise stated. These consolidated financial statements were approved and authorised for issue by the Board of Directors on 23 June 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Standards, amendments and interpretations effective in 2008

In the current period, the Group had applied the following amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

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

2.1 Basis of preparation *(Continued)*

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 24 (Revised)	Related Party Disclosures[10]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 32 (Amendment)	Classification of Rights Issues[8]
HKAS 39 (Amendment)	Eligible Hedged Items[5]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRS[5]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[7]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[3]
HKFRS 9	Financial Instruments (relating to the classification and measurement of financial assets)[11]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement[10]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[5]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[9]

[1] Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

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

[4] Effective for annual periods ending on or after 30 June 2009

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

[6] Effective for transfers of assets from customers received on or after 1 July 2009

[7] Effective for annual periods beginning on or after 1 January 2010

[8] Effective for annual periods beginning on or after 1 February 2010

[9] Effective for annual periods beginning on or after 1 July 2010

[10] Effective for annual periods beginning on or after 1 January 2011

[11] Effective for annual periods beginning on or after 1 January 2013

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

2.1 Basis of preparation *(Continued)*

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of improvements to HKFRSs (2009), HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated balance sheet. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

The Group is in the process of making an assessment of the impact of the other new and revised standards, amendments and interpretations upon initial application. So far, it has concluded that the other new and revised standards, amendments and interpretations are unlikely to have significant impact on the Group's results of operations and financial position.

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

2.2 Consolidation *(Continued)*

(a) Subsidiaries (Continued)

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

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's interest in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

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

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

2.3 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.

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

2.3 Segment reporting *(Continued)*

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.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the investment revaluation reserve in equity.

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

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

2.4 Foreign currency translation *(Continued)*

(c) Group companies (Continued)

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

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.6 Investment properties

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.

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

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Non-competition arrangement

Separately acquired non-competition arrangement is shown at historical cost. Non-competition arrangement has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of non-competition arrangement over their estimated useful lives of 18 months.

2.8 Impairment of investments in subsidiaries, associates and non-financial assets

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

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

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories: held-to-maturity, at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

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

2.9 Financial assets *(Continued)*

2.9.1 Classification *(Continued)*

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "other receivables", "amounts due from related companies", "restricted bank deposits" and "cash and cash equivalents" in the consolidated balance sheet.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date (the date on which the Group commits to purchase or sell the asset). Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within other gains, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidation income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as "gains and losses from investment securities".

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

2.9 Financial assets *(Continued)*

2.9.2 Recognition and measurement *(Continued)*

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

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

2.11 Impairment of financial assets *(Continued)*

(a) Assets carried at amortised cost (Continued)

The Group first assesses whether objective evidence of impairment exists.

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. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

2.12 Inventories

Inventories are stated 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 applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.18 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.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

2.19 Current and deferred income tax *(Continued)*

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

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

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

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

2.20 Retirement benefit costs and short term employee benefits

(a) 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.

(b) 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.

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

2.21 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.

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) 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.

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

2.23 Revenue recognition *(Continued)*

(b) 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.

(c) 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.

(d) Tuition fee income is recognised when beauty courses are provided.

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

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

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

(h) Dividend is recognised when the right to receive payment is established.

2.24 Leases

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

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.25 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.

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

2.25 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.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. 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.

3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.8. 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. At 31 March 2010, the carrying amount of goodwill was HK$Nil (at 31 October 2008: HK$4,528,000). Details of the impairment assessment are disclosed in note 14.

(b) Estimated 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.

(c) 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 consolidated income statement and share option reserve.

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

3.1 Critical accounting estimates and assumptions *(Continued)*

(d) 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 are made.

(e) 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 2.6. The fair value of the investment properties are determined by RHL Appraisal Limited ("RHL"), an independent qualified professional valuers. The 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.

(f) 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.

(g) Valuation for derivative financial instruments

The fair values of the derivative financial instruments are determined by RHL. 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 19.

3.2 Critical judgements in applying the entity's accounting policies

(a) 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 2.8. 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.

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

3.2 Critical judgements in applying the entity's accounting policies *(Continued)*

(b) 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. REVENUE AND OTHER REVENUE AND GAINS

Revenue, which is also the Group's turnover, represents total invoiced value of beauty products and properties 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.

	Period ended 31 March 2010	Year ended 31 October 2008
	HK$'000	*HK$'000*
Revenue		
Beauty services and sale of beauty products	**97,667**	92,965
Clinical services	**79,153**	53,428
Tuition fees of beauty courses	**–**	861
Rental income from investment properties	**772**	597
Sales of properties held for resale	**–**	124,227
	177,592	272,078
Other revenue and gains		
Dividend income from listed investments	**948**	611
Fair value gains on financial assets at fair value through profit or loss	**8,499**	–
Fair value gains on investment properties	**2,607**	–
Franchise fee income	**839**	569
Gains on disposals of investment properties	**–**	30
Interest income	**2,321**	2,450
Net surplus of sale proceeds over carrying amounts of net assets in subsidiaries disposed of	**–**	683
Rental income from sublet of office premises	**1,604**	937
Others	**189**	1,261
	17,007	6,541

5. SEGMENT INFORMATION

Primary reporting format – business segments

The Group is organised into five (for the year ended 31 October 2008: five) main business segments:

- Provision of beauty services and sale of beauty products;
- Provision of clinical services;
- Operation of beauty courses;
- Property investment; and
- Securities investment.

There were no inter-segment sales and transfers during the period ended 31 March 2010 (for the year ended 31 October 2008: Nil).

	Period ended 31 March 2010					
	Beauty services and sale of beauty products *HK$'000*	**Clinical services** *HK$'000*	**Beauty courses** *HK$'000*	**Property investment** *HK$'000*	**Securities investment** *HK$'000*	**Total** *HK$'000*
Segment revenue:						
Revenue from external customers	**97,667**	**79,153**	**–**	**772**	**–**	**177,592**
Other revenue	**–**	**–**	**–**	**2,607**	**9,457**	**12,064**
	97,667	**79,153**	**–**	**3,379**	**9,457**	**189,656**
Segment results	**(38,408)**	**6,390**	**–**	**2,297**	**8,660**	**(21,061)**
Unallocated income						**4,943**
Unallocated expenses						**(38,642)**
Operating loss						**(54,760)**
Finance costs						**(919)**
Share of losses of associates						**(245)**
Loss before income tax						**(55,924)**
Income tax expense						**(2,736)**
Loss for the period						**(58,660)**

5. SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	Period ended 31 March 2010					
	Beauty services and sale of beauty products	**Clinical services**	**Beauty courses**	**Property investment**	**Securities investment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Segment assets	**23,377**	**14,439**	**–**	**16,402**	**38,803**	**93,021**
Associates						**15,336**
Unallocated assets						**53,432**
Total assets						**161,789**
Segment liabilities	**6,881**	**4,548**	**–**	**135**	**4**	**11,568**
Unallocated liabilities						**16,787**
Total liabilities						**28,355**
Capital expenditure	**4,205**	**622**	**–**	**1,963**	**–**	**6,790**
Unallocated portion						**530**
Total capital expenditure						**7,320**
Depreciation and amortisation	**9,867**	**6,738**	**–**	**–**	**–**	**16,605**
Unallocated portion						**615**
Total depreciation and amortisation						**17,220**
Impairment of goodwill	**4,528**	**–**	**–**	**–**	**–**	**4,528**
Other non-cash expenses other than deprecation and amortisation	**9,062**	**2,110**	**–**	**–**	**3,079**	**14,251**
Unallocated portion						**12,319**
Total other non-cash expenses other than depreciation and amortisation						**26,570**

5. SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	Year ended 31 October 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$'000*	Total *HK$'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 profits of associates						3,884
Loss before income tax						(78,081)
Income tax credit						360
Loss for the year						(77,721)

5. SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments *(Continued)*

	Year ended 31 October 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$'000*	Total *HK$'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
Impairment of goodwill	291	–	–	–	–	291
Other non-cash expenses other than depreciation and amortisation	6,147	2,147	6,698	2,347	35,803	53,142
Unallocated portion						4,846
Total other non-cash expenses other than deprecation and amortisation						57,988

5. SEGMENT INFORMATION *(Continued)*

Secondary reporting 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:

	Period ended 31 March 2010	Year ended 31 October 2008
	HK$'000	*HK$'000*
Hong Kong	**130,505**	236,618
Macau	**21,286**	15,454
PRC	**25,801**	20,006
	177,592	272,078

No customer accounted for 10% or more of the total revenue during the period/year ended 31 March 2010/31 October 2008.

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.

	At 31 March 2010		At 31 October 2008	
	Segment assets	**Capital expenditures**	Segment assets	Capital expenditures
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Hong Kong	**95,995**	**5,850**	135,934	23,257
Macau	**6,440**	**336**	9,383	3,015
PRC	**13,260**	**1,134**	18,661	638
Unallocated assets	**46,094**	**–**	27,829	–
	161,789	**7,320**	191,807	26,910

6. LOSS BEFORE INCOME TAX

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

	Period ended 31 March 2010	Year ended 31 October 2008
	HK$'000	*HK$'000*
Auditors' remuneration		
Current period/year	**460**	600
Less: Underprovision in prior year	**–**	10
	460	610
Amortisation of intangible assets	**1,500**	1,500
Cost of inventories recognised as expense	**5,600**	112,561
Depreciation	**15,720**	12,907
Net exchange losses	**120**	192
Fair value losses on derivative financial instruments	**797**	11,335
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
Losses on disposals of property, plant and equipment	**844**	775
Minimum lease payments under operating leases in respect of land and buildings	**23,021**	16,847
Impairment of goodwill	**4,528**	291
Provision for impairment of other receivables	**10,205**	1,950
Provision for impairment of amount due from a related company	**699**	–
Provision for impairment of trade receivables	**10,328**	12,595
Rental income net of outgoings in respect of investment properties	**(351)**	(493)
Employee benefit expense (including directors' remuneration) *(note 11)*		
Basic salaries and allowances	**72,387**	60,331
Equity-settled share option expense	**1,415**	1,655
Equity-settled transactions with cash alternative	**2,820**	1,622
Retirement benefit scheme contributions	**2,646**	1,876
Total employee benefit expense	**79,268**	65,484

7. FINANCE COSTS

	Period ended 31 March 2010	Year ended 31 October 2008
	HK$'000	*HK$'000*
Interest expense on:		
– bank borrowings wholly repayable within five years	**–**	131
– bank borrowings not wholly repayable within five years	**318**	113
– bank overdrafts	**5**	1
– other loans wholly repayable within five years	**539**	708
– finance lease liabilities	**57**	38
	919	991

8. INCOME TAX EXPENSE/(CREDIT)

Hong Kong Profits Tax has been provided at the rate of 16.5% (for the year ended 31 October 2008: 16.5%) on the estimated assessable profit for the period/year. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period/year at the rates of taxation prevailing in the countries in which the Group operates.

	Period ended 31 March 2010	Year ended 31 October 2008
	HK$'000	*HK$'000*
Current tax		
Hong Kong		
– Charge for the period/year	**–**	296
– Under/(Over)provision in prior years	**1**	(121)
Overseas		
– Charge for the period/year	**–**	513
	1	688
Deferred tax: *(note 31)*		
– Current period/year	**1,031**	(1,430)
– Underprovision in respect of prior years	**1,704**	350
– Attributable to reduction in tax rate	**–**	32
	2,735	(1,048)
Income tax expense/(credit)	**2,736**	(360)

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

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the Hong Kong Profits Tax rate of 16.5% (for the year ended 31 October 2008: 16.5%) as follows:

	Period ended 31 March 2010 *HK$'000*	Year ended 31 October 2008 *HK$'000*
Loss before income tax	**(55,924)**	(78,081)
Tax on loss before income tax, calculated at the rate applicable to loss in the tax jurisdiction concerned	**(10,048)**	(13,804)
Tax effect of non-taxable revenue	**(690)**	(974)
Tax effect of non-deductible expenses	**2,184**	5,721
Tax effect of prior years' unrecognised tax losses utilised this period/year	**(127)**	(43)
Tax effect of unused tax loss not recognised	**8,483**	7,601
Tax effect of unrecognised deferred tax items	**1,229**	861
Effect on opening deferred tax balances resulting from a reduction in tax rate during the period/year	**–**	32
Underprovision of deferred tax in prior years	**1,704**	350
Under/(Over)provision of current tax in prior years	**1**	(121)
Others	**–**	17
Tax charge/(credit)	**2,736**	(360)

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$44,821,000 (for the year ended 31 October 2008: HK$33,824,000).

10. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period/year attributable to equity holders of the Company of approximately HK$58,193,000 (for the year ended 31 October 2008: HK$77,371,000) and on the weighted average number of 1,143,895,562 (for the year ended 31 October 2008: 29,016,767) ordinary shares in issue during the period/year.

The computation of diluted loss per share did not assume the exercise of the Company's potential ordinary shares granted under the Company's share option scheme since their exercise would have an anti-dilutive effect.

11. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

	For the period ended 31 March 2010				
	Fees	**Discretionary bonus**	**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	**–**	**–**	**1,669**	**11**	**1,680**
– Mr. Leung Kwok Kui	**–**	**–**	**598**	**26**	**624**
– Ms. Leung Ge Yau	**–**	**–**	**540**	**6**	**546**
	–	**–**	**2,807**	**43**	**2,850**
Independent non-executive directors:					
– Mr. Hung Yau Keung, Anckes	**50**	**–**	**–**	**–**	**50**
– Mr. Siu Yim Kwan, Sidney	**200**	**–**	**–**	**–**	**200**
– Mr. Tsui Pui Hung	**50**	**–**	**–**	**–**	**50**
	300	**–**	**–**	**–**	**300**
	300	**–**	**2,807**	**43**	**3,150**

	For the year ended 31 October 2008				
	Fees	Discretionary bonus	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

Except as disclosed above, there were no remuneration paid to the other directors for each of the period/year ended 31 March 2010 and 31 October 2008.

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

Directors' emoluments *(Continued)*

During the period/year, no emolument were paid by the Group to its directors as an inducement to join or upon joining the Group or as compensation for loss of office (for the year ended 31 October 2008: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the period (for the year ended 31 October 2008: Nil).

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the period include two directors (for the year ended 31 October 2008: one director) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (for the year ended 31 October 2008: four) individuals during the period are as follows:

	Period ended 31 March 2010	Year ended 31 October 2008
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**13,632**	8,799
Retirement benefit scheme contributions	**50**	41
Inducement fees paid during the period/year	**2,492**	2,025
Equity-settled share option expense	**138**	80
Equity-settled transactions with cash alternative	**2,820**	1,622
	19,132	12,567

The emoluments fell within the following bands:

	Number of individuals	
	Period ended 31 March 2010	Year ended 31 October 2008
Emoluments bands		
Nil – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**1**	2
HK$3,000,001 – HK$3,500,000	**1**	–
HK$9,000,001 – HK$9,500,000	**–**	1
HK$15,000,001 – HK$15,500,000	**1**	–
	3	4

12. 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 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	(296)	(464)	(83)	–	(843)
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
Period ended 31 March 2010					
Opening net book amount	**12,085**	**19,539**	**891**	**643**	**33,158**
Additions	**2,468**	**2,500**	**59**	**330**	**5,357**
Disposals	**(539)**	**(263)**	**(53)**	**(110)**	**(965)**
Depreciation	**(6,064)**	**(9,015)**	**(362)**	**(279)**	**(15,720)**
Closing net book amount	**7,950**	**12,761**	**535**	**584**	**21,830**
At 31 March 2010					
Cost	**20,912**	**36,158**	**1,401**	**1,177**	**59,648**
Accumulated depreciation	**(12,962)**	**(23,397)**	**(866)**	**(593)**	**(37,818)**
Net book amount	**7,950**	**12,761**	**535**	**584**	**21,830**

At 31 October 2008, equipment of net book value of approximately HK$1,816,000 was held under finance lease.

13. INVESTMENT PROPERTIES – GROUP

	At 31 March 2010 HK$'000	At 31 October 2008 HK$'000
Beginning of the period/year	**11,820**	1,630
Additions	**1,963**	14,367
Disposals	**–**	(1,830)
Net gains/(losses) from fair value adjustments	**2,607**	(2,347)
End of the period/year	**16,390**	11,820

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 under medium-term lease.

Investment properties were revalued at 31 March 2010 by RHL based on market evidence of transaction price for similar properties.

The investment properties held by the Group are leased to third parties under operating leases, further summary details of which are included in note 36(c) to the financial statements.

The Group has pledged its investment properties with carrying value of approximately HK$16,390,000 (at 31 October 2008: HK$11,820,000) to banks to secure the Group's bank borrowings (note 30(i)).

14. INTANGIBLE ASSETS – GROUP

	At 31 March 2010 HK$'000	At 31 October 2008 HK$'000
Goodwill *(note (i))*	**–**	4,528
Non-competition arrangement *(note (ii))*	**–**	1,500
	–	6,028
Non-current portion	**–**	(4,528)
Current portion	**–**	1,500

14. INTANGIBLE ASSETS – GROUP *(Continued)*

Notes:

(i) Goodwill

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

	At 31 March 2010 *HK$'000*	At 31 October 2008 *HK$'000*
Beginning of the period/year		
Cost	**4,819**	4,819
Accumulated impairment	**(291)**	–
Net book amount at beginning of the period/year	**4,528**	4,819
Net book amount at beginning of the period/year	**4,528**	4,819
Impairment	**(4,528)**	(291)
Net book amount at end of the period/year	**–**	4,528
End of the period/year		
Cost	**4,819**	4,819
Accumulated impairment	**(4,819)**	(291)
Net book amount at end of the period/year	**–**	4,528

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

The recoverable amounts for the cash-generating unit ("CGU") given above were determined based on value-in-use calculations, covering a detailed 3-year period budget plan approved by the management, 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 CGU.

The key assumptions used for value-in-use calculations

	Period ended 31 March 2010	Year ended 31 October 2008
Growth rates	**–**	8% – 10%
Discount rates	**2.4%**	2.7%

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 2010 due to decline in the market and the Group close down the branch under this CGU during the period. Therefore, the directors expect there are no future cash inflow from this CGU with the use of a zero growth rate. Impairment testing taking into account these latest developments resulted in the reduction of goodwill associated with this segment.

The related goodwill impairment loss of approximately HK$4,528,000 (for the year ended 31 October 2008: HK$291,000) was included under "other operating expenses" in the consolidated income statement (note 6).

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

(ii) Non-competition Arrangement

During the year ended 31 October 2008, 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 period ended 31 March 2010, HK$1,500,000 (for the year ended 31 October 2008: HK$1,500,000) has been amortised to the consolidated income statement (note 6).

15. INVESTMENTS IN SUBSIDIARIES – COMPANY

	At 31 March 2010	At 31 October 2008
	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.

Particulars of the principal subsidiaries at 31 March 2010 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**		**Principal activities and place of operations**
			Directly	**Indirectly**	
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 securities investment, 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

15. 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	
B.A.L. Medical (Shatin) Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	–	90%	Provision of clinical services, Hong Kong
Spa-Be A Lady Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	–	100%	Provision of securities investment, Hong Kong
Korea Plastic Surgery Service Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	–	100%	Dormant, Hong Kong
B.A.L Medical (Tsimshatsui) 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%	Dormant, 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
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 (YuenLong) 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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period 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.*

16. INTERESTS IN ASSOCIATES – GROUP

	At 31 March 2010 HK$'000	At 31 October 2008 HK$'000
Beginning of the period/year	**5,994**	26,351
Acquisition of an associate	**1,200**	–
Loans to associates	**8,400**	6,000
Advances from an associate	**(13)**	–
Share of results of associates		
– (loss)/profit before income tax	**(245)**	4,673
– income tax expense	**–**	(789)
Disposal of an associate	**–**	(30,241)
End of the period/year	**15,336**	5,994

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

Particulars of the associates at 31 March 2010 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 ("One Dollar Movies")	10 ordinary shares of HK$1 each	Hong Kong	40%	Movies production
One Dollar Distribution Limited ("One Dollar Distribution")	10,000 ordinary shares of HK$1 each	Hong Kong	40%	Movies distribution

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

	At 31 March 2010 HK$'000	At 31 October 2008 HK$'000
Assets	**15,406**	23,986
Liabilities	**17,284**	24,000
Revenue	**–**	–
Loss	**(612)**	(14)

17. HELD-TO-MATURITY INVESTMENTS – GROUP

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
Debt securities listed outside Hong Kong		
Non-current portion	**2,669**	708
Current portion	**180**	79
	2,849	787

The debt securities represent bonds with fixed interest rates from 2.25% to 5.625% per annum (for the year ended 31 October 2008: 3.05% to 3.40% per annum) and mature on 29 July 2010, 23 July 2011, 4 September 2011, 27 October 2011 and 27 August 2012 respectively (at 31 October 2008: 24 August 2009, 28 September 2009, 29 July 2010 and 4 September 2011). The Group receives related interest payments semi-annually. The Group's management does not identify any potentially significant financial risk exposure.

At 31 March 2010, the amount of approximately HK$2,034,000 (at 31 October 2008: HK$787,000) 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.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
Investment funds listed outside Hong Kong, at market value		
Current portion	**5,034**	3,025

The amounts presented for the 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.

19. DERIVATIVE FINANCIAL INSTRUMENTS – GROUP

	At 31 March 2010		At 31 October 2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial instruments held-for-trading				
Equity forward contracts *(note (i))*	**16**	**4**	–	4,405
Market-linked instruments with interest swap arrangements *(note (ii))*	**–**	**–**	–	2,496
Financial instruments designated as financial assets at fair value through profit or loss				
Market-linked instruments with initial investments *(note (iii))*	**–**	**–**	2,746	–
Total	**16**	**4**	2,746	6,901
Less: Non-current portion				
Market-linked instruments with interest swap arrangements	**–**	**–**	–	(1,230)
Non-current portion	**–**	**–**	–	(1,230)
Current portion	**16**	**4**	2,746	5,671

Notes:

(i) Equity forward contracts

At 31 March 2010, the major terms of the equity forward contracts are as follows:

	Underlying stock	**Maturity**	**Notional principal amount outstanding** ***HK$'000***
1.	Hong Kong Exchanges and Clearing Limited ("A")	6 May 2010	805
2.	Henderson Land Development Company Limited ("B")	21 July 2010	440

Under the terms of the contracts, the Group is obligated to sell 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 sold 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 sell double of the pre-determined daily number of shares.

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

Notes: (Continued)

***(i) Equity Forward Contracts** (Continued)*

The forward contracts are measured at fair value at the end of the reporting period. Their fair values are determined by RHL using the Binomial Model. The significant input into the model, which was based on market related data at the balance sheet date, was as follows:

	Share price	Forward price	Time to maturity	Volatility	Risk-free rate	Dividend yield	Fair value at 31 March 2010
	HK$	*HK$*	*Year*				*HK$'000*
A	129.60	129.00	0.09	38.65%	0.055%	3.446%	16
B	54.70	61.07	0.31	43.43%	0.112%	3.696%	(4)

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

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

At 31 October 2008, the fair values for the forward contracts have been determined by Vigers Appraisal and Consulting Limited ("Vigers"), using the Binomial Model. The significant inputs into the model, which were based on market related data at 31 October 2008, were as follows:

	Share price	Forward price	Time to maturity	Volatility	Risk-free rate	Dividend yield	Fair value at 31 October 2008
	HK$	*HK$*	*Year*				*HK$'000*
C	41.00	74.76	0.02	45%	0.6%	4.22%	63
D	5.70	12.96	0.10	69%	0.6%	5.74%	609
E	72.55	119.28	0.20	54%	0.6%	3.38%	819
F	75.75	124.02	0.30	57%	0.6%	7.78%	1,452
G	75.75	109.85	0.54	57%	0.6%	7.78%	1,462
							4,405

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

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

Notes: (Continued)

(ii) Market-linked instruments with interest swap arrangements

At 31 October 2008, the Group held two interest rate swap arrangements with aggregate nominal amount of approximately HK$4,290,000. The contracts were expired 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 were 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.

At 31 October 2008, the fair value of these derivative financial instruments were measured at fair value as determined by Vigers 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 31 October 2008.

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

(iii) Market-linked instruments with initial investments

At 31 October 2008, the Group held five 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 approximately HK$7,830,000. 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.

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. At 31 October 2008, the fair values of these financial instruments were determined by Vigers 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 31 October 2008.

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

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

	Group		Company	
	At 31 March 2010	At 31 October 2008	**At 31 March 2010**	At 31 October 2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**9,862**	6,983	**6,208**	–
Deposits	**5,017**	6,040	**400**	–
Other receivables	**12,645**	24,454	**–**	–
	27,524	37,477	**6,608**	–
Less: Non-current portion				
Prepayments	**(4,226)**	(2,275)	**(2,942)**	–
Deposits	**(2,141)**	(3,795)	**–**	–
Other receivables	**(1,224)**	(497)	**–**	–
Non-current portion	**(7,591)**	(6,567)	**(2,942)**	–
Current portion	**19,933**	30,910	**3,666**	–

21. TRADE RECEIVABLES – GROUP

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
Trade receivables	**10,058**	34,514
Less: Provision for impairment of trade receivables	**(2,764)**	(13,393)
Trade receivables – net	**7,294**	21,121

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

	At 31 March 2010	At 31 October 2008
Renminbi ("RMB")	**RMB1,481,000**	RMB2,539,000
Macao Pataca ("MOP")	**MOP1,405,000**	MOP2,088,000

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

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
Within three months	**4,925**	14,831
Over three months but within six months	**2,369**	4,348
Over six months and within one year	**–**	1,942
Over one year	**2,764**	13,393
	10,058	34,514

21. TRADE RECEIVABLES – GROUP *(Continued)*

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

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
Balance at beginning of the period/year	**13,393**	798
Provision for impairment recognised during the period/year	**10,328**	12,595
Receivables written off during the period/year	**(20,957)**	–
Balance at end of the period/year	**2,764**	13,393

At each balance sheet date, the Group reviews trade receivables for evidence of impairment on both an individual and collective basis. At 31 March 2010, the Group has determined trade receivables of approximately HK$2,764,000 (at 31 October 2008: HK$13,393,000) as individually impaired. Based on this assessment, impairment loss of approximately HK$10,328,000 (for the year ended 31 October 2008: HK$12,595,000) has been recognised. 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.

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:

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**2,625**	9,282
Within three months past due	**2,675**	5,549
Over three months but within six months past due	**1,994**	4,348
Over six months but within one year past due	**–**	1,942
	7,294	21,121

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.

22. INVENTORIES – GROUP

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
Merchandise for sale	**1,223**	1,028
Consumable store	**504**	1,279
	1,727	2,307

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

	Group		Company	
	At 31 March	At 31 October	**At 31 March**	At 31 October
	2010	2008	**2010**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity securities – held-for-trading				
– Hong Kong	**24,961**	9,565	**14,804**	1,061
– Overseas	**5,942**	3,832	**1,946**	1,245
	30,903	13,397	**16,750**	2,306

Changes in fair value of financial assets at fair value through profit or loss are recorded in "other revenue and gains" (for the year ended 31 October 2008: other operating expenses) in the consolidated income statement.

The fair value of all equity securities is based on their current bid prices in an active market.

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

24. AMOUNTS DUE FROM RELATED COMPANIES – GROUP

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

	Highest balance outstanding during the period	**At 31 March**	At 31 October
		2010	2008
	HK$'000	***HK$'000***	*HK$'000*
Name			
One Dollar Productions Limited	**1,929**	**1,574**	1,929
Less: Provision for impairment loss		**(699)**	–
		875	1,929
Runway Models Limited	**109**	**–**	109
		875	2,038

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.

25. RESTRICTED BANK DEPOSITS – GROUP

At 31 March 2010, restricted bank deposits of approximately HK$1,300,000 in aggregate represented guaranteed deposits place in a bank in Hong Kong to secure the credit card processing transaction facility granted by the bank.

At 31 October 2008, restricted bank deposits of approximately HK$4,022,000 in aggregate represented guaranteed deposits place in banks in Hong Kong to secure settlement for the equity forward contracts and market-linked instruments with interest swap arrangements.

26. CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group		Company	
	At 31 March 2010	At 31 October 2008	**At 31 March 2010**	At 31 October 2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at banks and in hand	**28,171**	18,092	**3,132**	3,751
Short-term time deposits	**2,455**	28,085	**–**	–
	30,626	46,177	**3,132**	3,751

Cash at banks carry interest at floating rates based on daily bank deposit rates. The effective interest rate on short-term time deposits ranged from 0.65% to 3.24% (at 31 October 2008: 1.75% to 3.28%) per annum. The deposits had a maturity of 90 days (at 31 October 2008: 90 days).

At 31 March 2010, the Group had cash and bank balances of approximately HK$3,446,000 (at 31 October 2008: HK$7,789,000) are denominated in RMB and 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.

At 31 March 2010, cash and cash equivalents with aggregate amount of approximately HK$1,789,000 (at 31 October 2008: HK$5,408,000) were held on trust for the Group by Madam Siu York Chee, Mr. Leung Kwok Kui and Ms. Leung Ge Yau.

27. TRADE PAYABLES – GROUP

The Group was granted by its suppliers credit periods ranging from one to three months. At balance sheet date, the ageing analysis of the trade payables based on the invoice dates is as follows:

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
Within three months	**103**	190

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

	Group		Company	
	At 31 March 2010	At 31 October 2008	**At 31 March 2010**	At 31 October 2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accruals	**6,747**	6,780	**114**	74
Receipts in advance	**4,242**	9,844	**–**	–
Deposits and other payables	**2,887**	2,374	**–**	–
	13,876	18,998	**114**	74
Non-current portion	**(251)**	(212)	**–**	–
Current portion	**13,625**	18,786	**114**	74

29. AMOUNTS DUE TO MINORITY INTERESTS – GROUP

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

30. BORROWINGS – GROUP AND COMPANY

		Group		Company	
		At 31 March	At 31 October	**At 31 March**	At 31 October
		2010	2008	**2010**	2008
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current					
Bank borrowings	*i*	**8,246**	8,978	**–**	–
Convertible notes	*ii*	**–**	1,622	**–**	1,622
Finance lease liabilities	*iii*	**–**	373	**–**	–
		8,246	10,973	**–**	1,622
Current					
Bank borrowings	*i*	**513**	486	**–**	–
Finance lease liabilities	*iii*	**–**	945	**–**	–
		513	1,431	**–**	–
Total borrowings		**8,759**	12,404	**–**	1,622

Notes:

(i) Bank borrowings

At 31 March 2010, the bank borrowings of the Group were secured by the charges over the Group's entire investment properties (note 13) and corporate guarantees executed by the Company (note 37). At 31 March 2010, the Group's entire bank borrowings are denominated in HK$, bearing floating interest rate of 2.45% (at 31 October 2008: 2.70%) per annum.

The maturity of the Group's bank borrowings is as follows:

	At 31 March	At 31 October
	2010	2008
	HK$'000	*HK$'000*
Within one year	**513**	486
In the second year	**524**	504
In the third to fifth year	**1,654**	1,571
	2,691	2,561
After the fifth year	**6,068**	6,903
	8,759	9,464

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

Notes: (Continued)

(ii) ***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 ended 31 October 2008, 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, at an amount of approximately 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, approximately HK$2,820,000 of equity-settled transactions with cash alternative has been included in the consolidated income statement for the period (for the year ended 31 October 2008: HK$1,622,000), the corresponding amount of which has been credited to the Notes.

On 18 December 2008, the Company was requested for early redeemed half of the convertible notes, 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.

The Group has redeemed the rest of the convertible notes of the Group, representing principal amount of HK$5,000,000 from the Doctor at Maturity Date.

(iii) ***Finance lease liabilities***

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
Gross finance lease liabilities – minimum lease payments		
No later than one year	**–**	1,000
Later than one year and no later than five 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:

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
No later than one year	**–**	945
Later than one year and no later than five years	**–**	373
	–	1,318

During the year ended 31 October 2008, the Group has entered into finance leases for certain items of equipment. The lease periods were 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.

31. DEFERRED TAX – GROUP

The gross movement on deferred income tax account is as follows:

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
Beginning of the period/year	**1,595**	547
Income statement (charged)/credited	**(1,031)**	1,430
Underprovision in prior years	**(1,704)**	(350)
Attributable to reduction in tax rate	**–**	(32)
End of the period/year	**(1,140)**	1,595

The movement in deferred tax assets and liabilities during the period/year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
Beginning of the period/year	**(109)**	–
Charged to the income statement	**(1,031)**	(109)
End of the period/year	**(1,140)**	(109)

Deferred tax assets

	Accelerated tax depreciation		**Tax losses**		**Total**	
	2010	2008	**2010**	2008	**2010**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Beginning of the period/year	**(970)**	(814)	**2,674**	1,361	**1,704**	547
(Charged)/credited to the income statement	**–**	(179)	**–**	1,718	**–**	1,539
Over/(Under)provision in prior years	**399**	(24)	**(2,103)**	(326)	**(1,704)**	(350)
Attributable to reduction in tax rate	**–**	47	**–**	(79)	**–**	(32)
End of the period/year	**(571)**	(970)	**571**	2,674	**–**	1,704

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 the realisation of the related tax benefit through the future taxable profits is probable. The Group has estimated tax losses of approximately HK$121,947,000 (for the year ended 31 October 2008: HK$48,146,000) arising in subsidiaries that have been loss-making for some time which will be carried forward against future taxable income.

32. SHARE CAPITAL – GROUP AND COMPANY

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$0.05 each		
At 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
Ordinary shares of HK$0.01 each		
Share subdivision	24,000,000,000	–
At 31 March 2010	**30,000,000,000**	**300,000**
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
At 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 of shares	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
Ordinary shares of HK$0.05 each		
Share options exercised	19	–
Share consolidation	(136,353,040)	–
Capital reduction	–	(8,181)
Ordinary shares of HK$0.01 each		
Allotment of shares	440,000,000	4,400
Bonus issue	1,896,353,040	18,963
Repurchase of shares	(7,100,000)	(71)
At 31 March 2010	**2,363,341,300**	**23,633**

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

Notes:

(i) 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.

(ii) 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.

(iii) 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 approximately HK$135,319,000 from approximately HK$142,441,000 divided into 712,206,405 ordinary shares of HK$0.20 each to approximately 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.

(iv) 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.

(v) 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.

(vi) For the year ended 31 October 2008, the premium totalling approximately HK$2,712,000 arising from the subscription of shares and rights issues during the year, net of share issue expenses of approximately HK$1,628,000, has been credited directly to the share premium account.

(vii) 19 new ordinary shares of HK$0.05 each were issued upon the exercise of 19 units of share option on 12 December 2008.

(viii) By a special resolution dated 14 January 2009, the nominal value of each share in issue was reduced from HK$0.05 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 170,441,300 ordinary shares of HK$0.05 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$0.05 each were subdivided on the basis of one to twenty-five from 6,000,000,000 ordinary shares of HK$0.05 each to 30,000,000,000 ordinary shares of HK$0.01 each.

(ix) By an ordinary resolution dated 25 February 2009, 40,000,000 ordinary shares of the Company of HK$0.01 each were allotted at a subscription price of HK$0.09 each. Funds raised from the allotment were approximately HK$3,488,000, net of share issue expenses.

(x) By an ordinary resolution dated 21 July 2009, 400,000,000 ordinary shares of the Company of HK$0.01 each were allotted at a subscription price of HK$0.10 each. Funds raised from the allotment were approximately HK$39,160,000, net of share issue expenses.

(xi) On 2 November 2009, the Company approved the issue of 1,896,353,040 bonus shares on the basis of 4 bonus shares for every 1 ordinary share held. The bonus shares are issued and credited as fully paid upon issue and rank pari passu in all respects with the existing shares with effect from the date of issue.

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

Notes: (Continued)

(xii) During the period ended 31 March 2010, the Company repurchased its own shares through the Stock Exchange as follows:

Date of repurchase	Number of share repurchased	Aggregate consideration	Price per share repurchased Highest	Lowest
27 January 2010	5,100,000	918,700	HK$0.186	HK$0.177
29 January 2010	2,000,000	351,460	HK$0.177	HK$0.175
	7,100,000	1,270,160		

The above shares were cancelled upon repurchase.

(xiii) For the period ended 31 March 2010, the premium totally approximately HK$818,080,000 of bonus shares arise from the subscription issue and repurchase of shares, net of share issue expenses of approximately HK$18,963,000 has been credited directly to the share premium account.

33. 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.

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

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

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

2010

Type of grantee	At 1 November 2008	Granted	Adjustments**	Exercised/ Cancelled/ Lapsed	Outstanding	Adjustments***	Exercised/ Cancelled/ Lapsed	At 31 March 2010	Date of grant	Exercise period of the share options	Exercise price per share
											HK$
Employees											
– In aggregate	619,516	–	–	(619,516)	–	–	–	–	20 June 2005	22 June 2005 to 21 December 2008	2.7295
– In aggregate	379,296	–	(303,437)	(75,859)	–	–	–	–	27 February 2007	27 February 2007 to 26 February 2009	14.2375**
– In aggregate	1,399,180	–	(1,119,344)	(279,836)	–	–	–	–	27 September 2007	27 September 2007 to 26 September 2009	6.5500**
– In aggregate	1,424,412	–	(1,139,530)	–	284,882	1,139,528	(1,424,410)	–	1 February 2008	6 February 2008 to 5 February 2010	1.0000***
– In aggregate	3,400,000	–	(2,719,985)	(600,019)	79,996	319,984	–	399,980	5 May 2008	5 May 2008 to 4 May 2010	0.2830***
	7,222,404	–	(5,282,296)	(1,575,230)	364,878	1,459,512	(1,424,410)	399,980			
Other eligible persons											
– In aggregate	126,432	–	(101,146)	(25,286)	–	–	–	–	14 March 2007	14 March 2007 to 13 March 2009	21.7550**
– In aggregate	263,400	–	(210,720)	(52,680)	–	–	–	–	4 October 2007	17 October 2007 to 16 October 2009	6.6450**
	389,832	–	(311,866)	(77,966)	–	–	–	–			
	7,612,236	–	(5,594,162)	(1,653,196)	364,878	1,459,512	(1,424,410)	399,980			

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

2008

Type of grantee	At 1 November 2007	Granted	Lapsed	Adjustments*	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			

\# 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 on August 2007.

** This reflects the adjusted exercise prices and number of share options which have been granted and are outstanding after the completion of share consolidation on 15 January 2009.

*** This reflects the adjusted exercise prices and number of share options which have been granted and are outstanding after the completion of bonus issue on 9 November 2009.

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.

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

In total, approximately HK$1,415,000 of employee compensation expense has been included in the consolidated income statement for the period ended 31 March 2010 (for the year ended 31 October 2008: HK$1,655,000), the corresponding amount of which has been credited to share option reserve (note 34). No liabilities were recognised due to these share-based payment transactions.

During the year ended 31 October 2008, the Notes issued to the Doctor were an equity-settled with cash alternative share-based payment (note 30(ii)). During the period, HK$2,820,000 of equity-settled transactions with cash alternative has been included in the consolidated income statement (for the year ended 31 October 2008: HK$1,622,000). At 31 October 2008, a liability of approximately HK$1,622,000 was recognised due to these share-based payment transactions.

34. RESERVES – GROUP AND COMPANY

Group

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

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 therefore.

Company

	Share premium *HK$'000*	**Capital redemption reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Share option reserve** *HK$'000*	**Contributed surplus** *HK$'000* *(Notes (i) & (ii))*	**Total** *HK$'000*
At 1 November 2007	19,588	278	(754)	1,573	–	20,685
Loss for the year	–	–	(33,824)	–	–	(33,824)
Rights issue	(1,447)	–	–	–	–	(1,447)
Allotment of shares	4,159	–	–	–	–	4,159
Capital reduction	–	–	–	–	135,319	135,319
Equity-settled share option arrangement	–	–	–	1,655	–	1,655
At 31 October 2008	22,300	278	(34,578)	3,228	135,319	126,547
Loss for the period	–	–	(44,821)	–	–	(44,821)
Equity-settled share option arrangement	–	–	–	1,415	–	1,415
Options forfeited	–	–	4,554	(4,554)	–	–
Bonus issue	(18,963)	–	–	–	–	(18,963)
Repurchase of shares	(1,204)	–	–	–	–	(1,204)
Allotment of shares	38,247	–	–	–	–	38,247
Capital reduction	–	–	–	–	8,181	8,181
At 31 March 2010	**40,380**	**278**	**(74,845)**	**89**	**143,500**	**109,402**

34. RESERVES – GROUP AND COMPANY *(Continued)*

Notes:

(i) 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 32) and transferred the same amount to the contributed surplus account of the Company.

(ii) Pursuant to a special resolution passed at the extraordinary general meeting of the Company on 2 November 2009, the Company reduced its issued share capital by an amount of approximately HK$8,181,000 (note 32) and transferred the same amount to the contributed surplus account of the Company.

35. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period/year:

	Notes	**Period ended 31 March 2010** ***HK$'000***	Year ended 31 October 2008 *HK$'000*
Consultancy fee paid	*(b)*	**–**	150
Consultancy fee income	*(b)*	**–**	72
Service fee income	*(a)*	**–**	104
Rental income	*(a)*	**96**	72
Advertising fee paid	*(b)*	**280**	617

Notes:

(a) During the period ended 31 March 2010, rental income of HK$51,000 (for the year ended 31 October 2008: rental income of HK$36,000 and service fee income of HK$104,000) was received from a company controlled by Madam Siu York Chee.

(b) During the period ended 31 March 2010, rental income of HK$45,000 (for the year ended 31 October 2008: entire consultancy fee, commission income and advertising fee and rental income of HK$36,000) were paid to/received from a company controlled by Messrs. Siu Yeuk Yuen and Siu. Stephen Junior, brother and nephew of Madam Siu York Chee respectively.

(ii) Key management compensation

	Period ended 31 March 2010 ***HK$'000***	Year ended 31 October 2008 *HK$'000*
Short term employee benefits	**17,621**	9,283
Other long term benefits	**51**	72
	17,672	9,355

(iii) At 31 March 2010, certain financial assets, including Held-to-maturity investments of HK$2,034,000 (at 31 October 2008: HK$787,000) and Cash and cash equivalents of HK$1,789,000 (at 31 October 2008: HK$5,408,000) 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.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(d) During the year ended 31 October 2008, 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 period, the Group made an additional shareholder's loan of HK$3,600,000 (for the period ended 31 October 2008: HK$6,000,000) to One Dollar Movies. The Group does not have a plan for the settlement of the loan.

(e) During the period, One Dollar Distribution was incorporated in Hong Kong. One Dollar Distribution is owned as to 40% by the Group and 25% by One Dollar Productions Limited, 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 Distribution, the loan of HK$4,800,000 to One Dollar Distribution and the loan is unsecured, interest free and repayable on demand. The Group does not have a plan for the settlement of the loan.

36. COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
Contracted but not provided for		
– Acquisition of a PRC company	**1,671**	–
– Injection to an associate	**–**	3,600

(b) Operating lease commitments – where the Group is the lessee

At 31 March 2010, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
Within one year	**15,224**	13,289
In the second to fifth year, inclusive	**5,364**	11,036
	20,588	24,325

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.

At 31 March 2010, total future minimum sublease payments expected to be received by the Group under non-cancellable subleases by the Group are as follows:

	At 31 March 2010	At 31 October 2008
	HK$'000	*HK$'000*
Within one year	**674**	204

36. COMMITMENTS *(Continued)*

(c) Operating lease commitments – where the Group is the lessor

At 31 March 2010, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	At 31 March 2010 *HK$'000*	At 31 October 2008 *HK$'000*
Within one year	**405**	592
In the second to fifth year, inclusive	**81**	433
	486	1,025

The Group leases its investment properties (note 13) 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.

37. CORPORATE GUARANTEES – COMPANY

At 31 March 2010, the Company has executed corporate guarantees to third parties with respect to operating leases of approximately HK$2,300,000 (at 31 October 2008: HK$1,000,000), advertising contracts of certain subsidiaries of approximately HK$500,000 (at 31 October 2008: HK$500,000) and general banking facilities granted to certain subsidiaries of the Company to the extent of approximately HK$10,868,000 (at 31 October 2008: HK$10,868,000).

In the opinion of the directors, no material liabilities will arise from the above guarantees which arose in the ordinary course of business and the fair value of the corporate guarantees granted by the Group is immaterial.

38. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 October 2008, the Group entered into finance lease arrangement in respect of assets with a total capital value of the inception of the leases of approximately HK$1,989,000.

39. FINANCIAL RISK MANAGEMENT

39.1 Financial instruments by category

	Held-to-maturity investments HK$'000	Available-for-sale financial assets HK$'000	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
At 31 March 2010					
Financial assets as per consolidated balance sheet					
Held-to-maturity investments	2,849	–	–	–	2,849
Available-for-sale financial assets	–	5,034	–	–	5,034
Derivative financial instruments	–	–	–	16	16
Trade receivables	–	–	7,294	–	7,294
Deposits and other receivables	–	–	17,662	–	17,662
Held for trading investments	–	–	–	30,903	30,903
Amounts due from related companies	–	–	875	–	875
Restricted bank deposits	–	–	1,300	–	1,300
Cash and bank balances	–	–	30,626	–	30,626
	2,849	**5,034**	**57,757**	**30,919**	**96,559**

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities measured at amortised cost HK$'000	Total HK$'000
At 31 March 2010			
Financial liabilities as per consolidated balance sheet			
Derivative financial instruments	4	–	4
Trade payables	–	103	103
Accruals and other payables	–	9,634	9,634
Amounts due to minority interests	–	1,077	1,077
Borrowings	–	8,759	8,759
	4	**19,573**	**19,577**

39. FINANCIAL RISK MANAGEMENT *(Continued)*

39.1 Financial instruments by category *(Continued)*

	Held-to-maturity investments HK$'000	Available-for-sale financial assets HK$'000	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
At 31 October 2008					
Financial assets as per consolidated balance sheet					
Held-to-maturity investments	787	–	–	–	787
Available-for-sale financial assets	–	3,025	–	–	3,025
Derivative financial instruments	–	–	–	2,746	2,746
Trade receivables	–	–	21,121	–	21,121
Deposits and other receivables	–	–	24,454	–	24,454
Held for trading investments	–	–	–	13,397	13,397
Amounts due from related companies	–	–	2,038	–	2,038
Restricted bank deposits	–	–	4,022	–	4,022
Cash and bank balances	–	–	46,177	–	46,177
	787	3,025	97,812	16,143	117,767

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities measured at amortised cost HK$'000	Total HK$'000
At 31 October 2008			
Financial liabilities as per consolidated balance sheet			
Derivative financial instruments	6,901	–	6,901
Trade payables	–	190	190
Accruals and other payables	–	9,154	9,154
Amounts due to minority interests	–	1,077	1,077
Borrowings	–	12,404	12,404
	6,901	22,825	29,726

39.2 Financial risk factors

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 foreign currency risk, interest rate 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.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

39.2 Financial risk factors *(Continued)*

(a) Market risk

(i) Foreign currency risk

Foreign 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 foreign 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:

	At 31 March 2010			At 31 October 2008		
	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	**6,961**	**–**	**6,961**	5,914	–	5,914
NT$	**1,946**	**–**	**1,946**	1,331	–	1,331
US$	**5,849**	**–**	**5,849**	24,618	(2,496)	22,122

Sensitivity analysis

In view of the fact that the HK$ is pegged to the US$, the Group's exposure of foreign currency risk is minimal.

At 31 March 2010, if a general appreciation/depreciation of 1% in HK$ against NT$ and 8% against RMB is estimated, with all other variable held constant, each of profit after income tax for the year and other components of equity would decrease/increase by approximately HK$20,000 (for the year ended 31 October 2008: HK$13,000) and HK$557,000 (for the year ended 31 October 2008: HK$473,000) respectively.

(ii) Cash flow and fair value interest rate risk

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, bank deposits and borrowings. Borrowings bearing variable rates expose the Group to cash flow interest rate risk and fair value interest rate risk. The Group 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.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

39.2 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk *(Continued)*

Sensitivity analysis

The following table illustrates the sensitivity of the Group's loss after income tax and other components of equity to a possible change in interest rates of +/-0.5% (for the year ended 31 October 2008: +/-0.5%) higher/lower, with effect from the beginning of the period. The calculations are based on the Group's financial assets and liabilities held at the balance sheet date. All other variables are held constant.

	Higher/ (lower) in interest rate *%*	Increase/ (decrease) in profit after income tax *HK$'000*	Increase/ (decrease) in equity *HK$'000*
Period ended 31 March 2010			
	0.5	**144**	**144**
	(0.5)	**(144)**	**(144)**
Year ended 31 October 2008			
	0.5	201	201
	(0.5)	(252)	(252)

(iii) 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 23), available-for-sale financial assets (note 18) and derivative financial instruments (note 19) at 31 March 2010.

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.

Sensitivity analysis

The following table indicates the approximate change in the Group's loss after income 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.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

39.2 Financial risk factors *(Continued)*

(a) Market risk (Continued)

(iii) Price risk *(Continued)*

Sensitivity analysis (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:

Period ended 31 March 2010			Year ended 31 October 2008		
Increase/ (decrease) in securities market price	**Effect on profit/loss after income tax**	**Effect on other components of equity**	Increase/ (decrease) in securities market price	Effect on profit/loss after income tax	Effect on other components of equity
%	***HK$'000***	***HK$'000***	*%*	*HK$'000*	*HK$'000*
10	**3,374**	**503**	10	2,479	303
(10)	**(3,374)**	**(503)**	(10)	(2,479)	(303)

(b) 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 consolidated balance sheet which are summarised in note 39.1. None of the financial assets of the Group 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 21 to the financial statements.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

39.2 Financial risk factors *(Continued)*

(c) 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 remaining contractual maturities for its non-derivative and derivative financial liabilities at 31 March 2010 and 31 October 2008. 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 contractual undiscounted cash flows of the financial liabilities.

	On demand *HK$'000*	Within one year *HK$'000*	Over one year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 March 2010					
Non-derivative financial instruments					
– Trade payables	–	103	–	103	103
– Accruals and other payables	9,634	–	–	9,634	9,634
– Amounts due to minority interests	1,077	–	–	1,077	1,077
– Borrowings	–	722	9,902	10,624	8,759
	10,711	825	9,902	21,438	19,573

	On demand *HK$'000*	Within one year *HK$'000*	Over one year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 March 2010					
Derivative financial instruments					
– Equity forward contracts	–	4	–	4	4

39. FINANCIAL RISK MANAGEMENT *(Continued)*

39.2 Financial risk factors *(Continued)*

(c) Liquidity risk (Continued)

	On demand *HK$'000*	Within one year *HK$'000*	Over one year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 October 2008					
Non-derivative financial instruments					
– Trade payables	–	190	–	190	190
– Accruals and other payables	9,154	–	–	9,154	9,154
– Amounts due to minority interests	1,077	–	–	1,077	1,077
– Borrowings	–	1,806	12,838	14,644	12,404
– Commitment on shareholder's loan to an associate	–	3,600	–	3,600	3,600
	10,231	5,596	12,838	28,665	26,425

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

39. FINANCIAL RISK MANAGEMENT *(Continued)*

39.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying values less impairment provision of trade receivable and payable are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

39.4 Capital risk 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:

	At 31 March 2010 *HK$'000*	At 31 October 2008 *HK$'000*
Borrowings		
– Current	**513**	1,431
– Non-current	**8,246**	10,973
Cash and cash equivalents	**(30,626)**	(46,177)
Net debt	**(21,867)**	(33,773)
Adjusted capital	**133,434**	148,091
Total debt to capital ratio	**N/A**	N/A

40. POST BALANCE SHEET EVENTS

Save as disclosed elsewhere in these consolidated financial statements, subsequent to the balance sheet date, the Group had the following material events:

(a) Acquisition of a PRC Company

On 15 January 2010, the Company entered into a memorandum of understanding in respect of a possible acquisition with a third party in which to acquire a mining company at an indication aggregate consideration not exceeding of HK$227,000,000.

(b) Placing of new shares

On 14 April 2010, the Company entered into a placing agreement with the placing agent, pursuant to which, the Company conditionally agreed to place, through the placing agent, a maximum number of 4,000,000,000 new shares by a maximum of four tranches to independent investors at a price of HK$0.05 per new share.

On 9 June 2010, the first tranche of the placing was completed in which 1,200,000,000 new shares of HK$0.05 each was placed to independent investors.

(c) Acquisition of investment property

On 24 April 2010, an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with a third party to acquire a property located in Hong Kong at a total cash consideration of HK$51,000,000.