2008 Annual Report

安寧控股有限公司
ENM Holdings Limited

(Stock Code: 0128)

CONTENTS

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of ENM Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008.

RESULTS

For the year ended 31 December 2008, the Group recorded a turnover of HK$261,920,000, a slightly decrease of 1.5% on the year before. The recovery of the prior years' disputed service fees of HK$29,953,000 by the telecommunications operations offset an 11% drop in turnover of the fashion retail business which was due to the sharp decline in consumer sentiment arising from the global financial crisis.

The Group posted a loss attributable to shareholders of HK$66,376,000 as compared a profit of HK$52,426,000 for the previous year. The decline in financial results was mainly attributable to (i) fair value losses on the Group's equity and fund investments of HK$86,557,000 (2007: gain of HK$38,147,000); (ii) losses on disposal of the Group's equity investments of HK$7,443,000 (2007: gain of HK$4,626,000); and (iii) fair value losses and write-back of deficits on revaluation of the Group's properties of HK$23,688,000 (2007: HK$10,332,000) as a result of the recent adverse conditions of the global financial market.

However, the telecommunications operations recovered prior years' disputed service fees of HK$29,953,000 during the year, and the associates contributed a profit of HK$7,420,000 to the Group as compared a loss of HK$6,388,000 for last year. Moreover, the Group recorded gains on the disposal of 10% equity interest in an associate, Beijing Smartdot Technologies Co. Ltd, and the acquisition of additional 40% interest in a subsidiary, Kenmure Limited of HK$10,173,000 and HK$6,688,000, respectively.

FUTURE OUTLOOK

Looking ahead, both the fashion retail business and the club operation will be challenging due to the financial tsunami, which has a negative effect on economic conditions and consumer sentiment.

In Hong Kong, the Group currently has three THE SWANK shops and seven free-standing boutiques and points-of-sale in major department stores with a total shopping floor area of over 20,000 square feet. In April 2009, the Group has opened its first China THE SWANK flagship at Jinbao Place in Beijing.

Given the current volatile market conditions, the Group will exercise tight controls on its inventory position and cost structure, and adopt a prudent approach to new expansion plans. However, the Group will continue its strong commitment to the fashion retail industry by introducing more new brands and opening shops at prime locations.

For Hilltop Country Club, the Group has several facilities upgrade and renovation works in the pipeline in order to provide club members with better facilities as well as expansion of the club membership base.

The Group continues to look for investment opportunities with good potential in order to enhance the Group's value and profitability. The Group's strong balance sheet and net cash position also provide the flexibility to capitalise on investment opportunities when the circumstance arises.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to Mr. James C. NG, who will retire at the forthcoming annual general meeting, for his valuable contribution to the Company during his tenure of service.

I would also like to express my appreciation to the management team and staff for their dedication and contribution to the Group, and to thank all our shareholders, business partners and customers for all their ongoing trust and support.

Joseph Wing Kong LEUNG
Chairman

Hong Kong, 16 April 2009

CHIEF EXECUTIVE OFFICER'S STATEMENT

FINANCIAL REVIEW

For the year under review, the Group reported a turnover of HK$261,920,000 (2007: HK$266,027,000) which represents a decrease of 1.5% as compared to 2007. Consolidated loss attributable to equity holders of the Company amounted to HK$66,376,000 (2007: Profit of HK$52,426,000). Loss per share was HK4.02 cents (2007: Earnings of HK3.18 cents).

LIQUIDITY AND FINANCIAL POSITION

At 31 December 2008, the Group was in solid financial position with cash and non-pledged deposits held of HK$504,432,000 (2007: HK$542,285,000). At 31 December 2008, total borrowings stood at HK$18,354,000 (2007: HK$16,307,000) with HK$13,146,000 (2007: HK$12,731,000) repayment falling due within one year. The Group's gearing ratio (a comparison of total borrowings with equity attributable to equity holders of the Company) was 2.0% at the year end date (2007: 1.7%). The current ratio at 31 December 2008 was 15.6 times (2007: 13.9 times).

At 31 December 2008, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars and United States dollars. Exchange differences were reflected in the audited financial statements. Other than the fixed interest rate of 3% for the finance lease arrangement, all borrowings of the Group are either on a floating rate basis or interest free.

The Group's imported purchases are mainly denominated in Euros and United States dollars. The Group will from time to time review its foreign exchange position and market conditions to determine if any hedging arrangement is required.

PLEDGE OF ASSETS

Pledges of the Group's fixed deposits of US$44,000 (2007: US$44,000) were given to banks to secure general banking facilities to the extent of US$44,000 as of 31 December 2008 (2007: US$44,000).

EMPLOYEE AND REMUNERATION POLICIES

At the date of this report, the Group employs a total of 249 full time staff with its main workforce stationed in the Group's offices in Hong Kong. The Group's remuneration policies are performance based and are in line with salary trends in the respective locations. The Group provides employee benefits such as staff insurance schemes, provident and pension funds, discretionary performance bonus, external training support, and a performance based share option scheme.

BUSINESS REVIEW

2008 was a tumultuous year in which a global trend of asset deflation prevailed. Management held firm to the belief that financial markets were overheated, and as a result had not made any significant investments in the equity market over the year. With the global economic downturn proving to be larger and more far-reaching than previously anticipated, management believes the liquidity position we have maintained at over HK$500,000,000 will be a tremendous asset over the next two years as distressed asset opportunities arise.

As a result of the financial tsunami, several of our investments have suffered significant fair value loss of over HK$100,000,000. The Company's investment in China Motor Bus Co., Ltd., a real estate holding company, was marked down by HK$48,800,000, representing a 37% loss from last year's closing price. However, management believes that China Motor Bus Co., Ltd.'s underlying assets remain strong. The investment in AcrossAsia Ltd. suffered a mark down of HK$25,900,000, a loss of 90% from last year. The remaining value of the investment in AcrossAsia Ltd. of HK$2,900,000 will not have any major impact on our balance sheet.

Stocks, comprising mainly H-Shares, mostly acquired at IPO prices over the past 2 years incurred a loss of HK$19,400,000. The future value of these stock holdings will depend on the performance of H-Shares in the coming years.

The Shanghai real estate market has slowed down in 2008, causing the VivaSha Club Resort's market value to decrease by HK$22,600,000. However, as discussed in the following section under VivaSha, both the location and the neighborhood are improving. Management is proactively improving the club's services to take advantage of this positive change in surroundings. Management believes that in the long term, these enhancements and the expected recovery of the Shanghai real estate market will be positively reflected in the club's value.

RESORT AND RECREATIONAL CLUB OPERATIONS

VivaSha Club Resort ("VivaSha")

VivaSha, with a 10 acre site, is the largest clubhouse and convention center in the Putao district of Shanghai. The resort also boasts a 4-star hotel with 302 rooms.

The mobility of the local population has been greatly improved by the completion of the new Central Highway and will be further improved by the soon-to-be-completed Mass Transit No. 7. The neighborhood surrounding the resort is improving. Management has put in place programs to take advantage of these rapid changes and to provide better service to club members. A full range of new services have been introduced including a spa, massage treatments, a snacks & BBQ restaurant, a golf simulator, swimming classes and a interactive video games room.

VivaSha has performed satisfactorily during the year despite the effects of natural disasters and the economic slowdown in China. The number of memberships has been sustained at above 4,000.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Hong Kong Hilltop Country Club ("Hilltop")

Hilltop is one of Hong Kong's earliest private clubs. Situated in Tsuen Wan with a total area of over 400,000 square feet, it is ideally suited for members' recreational and outdoor activities, conferences and dining.

As the aging of the club premises has limited the club's ability to expand its membership base, management has decided to rejuvenate the club facilities and premises. The first phase of upgrading the club facilities was completed in 2008 and included improvements to the tennis court, lawn and car park. The second phase will focus on the main club house and guest rooms. Management believes that the renovation program will provide a strong platform for revitalizing the club and increasing membership.

While the renovation program is expected to have some short term adverse impact on club revenue, management believes the program will provide long term benefits to the club and its members. In the meantime, Hilltop is also undergoing certain organisation and management changes to better fit with its long term growth objectives.

TELECOMMUNICATIONS & TECHNOLOGIES

SinoPay.com Holdings Limited ("SinoPay")

The global financial crisis and the weak performance of the PRC stock market continue to affect the performance of the on-line mutual fund trading business of ChinaPay e-Payment Service Ltd (the "JV"), SinoPay's joint venture with China UnionPay. The JV recorded a turnover of RMB124,460,000 with a net profit of RMB8,510,000 in 2008, representing 24% and 60% declines in revenue and net profit respectively when compared with RMB164,500,000 turnover and RMB21,310,000 profit in 2007.

The proposed merger between ChinaPay e-Payment Service Ltd, Easylink (Guangzhou) Payment Network Co Ltd. and China UnionPay Merchant Services Co. Limited, which also engage in on-line and POS payment businesses, is proceeding. A new JV contract has been signed and approval is being sought from the government authority. The merger is targeted to be completed in 2009. Management believes that the merger will enhance the profitability of the new JV in its future development.

Beijing Smartdot Technologies Co. Ltd. ("Smartdot")

Smartdot is engaged in the development of software and solution projects in the PRC. Smartdot recorded revenue of RMB122,570,000 with an operating profit of RMB14,350,000 in 2008, representing a 25% increase in revenue and a 46% increase in operating profit when compared with 2007 results.

Smartdot has invited IBM Global Services (China) Co. Limited (9%) and China Soft Investments Corporation (10.45%) to be new strategic investors in the company. The management of Smartdot believes that the sound background of the new investors in PRC IT industry will bring synergies to Smartdot's future development.

After the disposal of a 10% equity interest in Smartdot in the first half of 2008, the Group maintains a 10% equity interest in Smartdot. Details of the disposal are set out in the first paragraph of "Material Acquisition and Disposal of Investments" section on page 8.

CHIEF EXECUTIVE OFFICER'S STATEMENT

RETAIL FASHION

The Swank Shop Limited ("Swank")

Total turnover for 2008 was HK$191,199,000, 11% down from 2007 and the gross profit margin was down by 3 percentage point to 48%. Tourist traffic has decreased but core customers continued to be well served by our staff and merchandise.

In 2008, we have increased our equity position in Swank to 100%. Details of the acquisition are set out in the second paragraph of "Material Acquisition and Disposal of Investments" section on page 8. The rebuilding of the brand is continuing. Our first shop in China has been opened in April 2009 in Beijing. Our mono brands, Roberto Cavilli, Kenzo, Brunello Cucinelli and Black & White continue to perform well. The Kenzo shop in IFC Mall is being remodelled, and a new Kenzo shop has been opened in Harbour City near the year end in 2007.

BIO-MEDICAL

Genovate Biotechnology Company Limited ("Genovate")

Genovate is a fully integrated specialty pharmaceutical company that encompasses new drug development and new formulation capabilities, clinical trials for local and international pharmaceutical companies, drug manufacturing, drug marketing and distribution in Taiwan and the region.

To facilitate the expansion of the CRO (Contract Research Organization) business to China, Genovate established a wholly owned subsidiary named Qualitix Clinical Research in July 2008 fully dedicated to the CRO business, which is expected to generate strong revenue growth in 2009.

The metabolic disorder drug project in collaboration with National Health Research Institute has successfully received government sponsorship for preclinical to Phase I development in two years time. Two new patented formulation drugs, namely Gra-patch for Antivomiting and PMR for Intermittent Claudication, were filed as IND (Investigatory New Drug) in Taiwan in December 2008 and January 2009 respectively.

CHIEF EXECUTIVE OFFICER'S STATEMENT

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

On 17 December 2007, Lion Dragon Limited, a wholly-owned subsidiary of the Company, entered into a share transfer agreement with Jiangxiaodan to dispose of a 10% equity interest in Smartdot at a consideration of RMB12,000,000 (equivalent to HK$13,320,000) (the "Disposal"). The Disposal was completed on 12 June 2008. At 31 December 2008, the Group still held a 10% equity interest in Smartdot.

On 21 January 2008, e-Media (Asia) Limited, a wholly-owned subsidiary of the Company, entered into agreements with Kenmure Limited's minority shareholders to acquire an aggregate additional 40% interest in Kenmure Limited at a total cash consideration of HK$22,000,000 (the "Acquisition"). Kenmure Limited owns the entire interest of Swank, the Fashion Business of the Group. The Acquisition constituted a major and connected transaction for the Company, details of which are set out in the Company's circular dated 14 April 2008. The Acquisition was approved by the Company's independent shareholders at the extraordinary general meeting held on 30 April 2008. The Acquisition was completed on 15 May 2008 and Kenmure Limited has become a wholly-owned subsidiary of the Company.

Save as disclosed above, the Group had no material acquisition and disposal of investments during the year ended 31 December 2008.

James C. Ng
Chief Executive Officer

Hong Kong, 16 April 2009

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Joseph Wing Kong LEUNG, 62, is the Chairman of the Group. Mr. Leung joined the Group in December 2000 as an Executive Director and has been the Chairman since March 2001. He is also the Chairman of the Remuneration Committee and the Investment Committee of the Company, and a director of all subsidiaries of the Company. Mr. Leung has over 30 years of experience in finance and management in property development. Mr. Leung is currently a director of Chinachem Group companies, the Chairman of Genovate Biotechnology Company Limited, a company whose shares are listed on the Gre Tai Securities Market in Taiwan, an independent non-executive director of Cheuk Nang (Holdings) Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, and a supervisor of Yang Ming Marine Transport Corporation, a company whose shares are listed on Taiwan Stock Exchange Corporation. He is a Vice President and a member of the executive committee of The Real Estate Developers Association of Hong Kong and a fellow of the Hong Kong Institute of Real Estate Administration. Mr. Leung is a director of Diamond Leaf Limited and Solution Bridge Limited, which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Future Ordinance.

Mr. James C. NG, 65, is the Chief Executive Officer of the Group. Mr. Ng joined the Group in March 2001. He is also a member of the Investment Committee of the Company and a director of certain subsidiaries of the Company. Mr. Ng has over 30 years of experience in the banking industry in Hong Kong and the United States. Prior to joining the Group, Mr. Ng served as the Chief Executive Officer of the former First Pacific Bank in Hong Kong and the Chief Executive Officer of United Savings Bank in California. He also held senior positions at Chase Manhattan Bank in Hong Kong and the Far East Region. Mr. Ng is currently a director of Chinachem Group companies, and an independent non-executive director of Build King Holdings Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Raymond Siu Wing CHAN, 44, joined the Group in December 2008. Mr. Chan is also a member of the Investment Committee of the Company. Mr. Chan has over 20 years of experience in the field of accounting, taxation, finance and trust. He is currently the Chief Operating Officer of the Chinachem Group. Mr. Chan also holds the position of independent non-executive director of each of Prosperity Investment Holdings Limited and Karce International Holdings Company Limited, both companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and Cardlink Technology Group Limited and Intelli-Media Group (Holdings) Limited, both companies whose shares are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange. Mr. Chan is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a Certified Practising Accountant of CPA Australia, and a founding member of the Macau Society of Certified Practising Accountants. Mr. Chan holds a Bachelor of Economics degree from the University of Sydney.

For the period from 18 June 2004 to 22 August 2006, Mr. Chan was an independent non-executive director of Core Healthcare Investment Holdings Limited (formerly known as Plasmagene Biosciences Limited), a company whose shares are listed on the GEM of the Stock Exchange.

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS (CONTINUED)

Mr. Derek Wai Choi LEUNG, 58, joined the Group in December 2000. Mr. Leung is also a member of the Investment Committee of the Company and a director of all subsidiaries of the Company. Mr. Leung currently holds a senior position with responsibility for the international investments in the Chinachem Group. He had been in the banking industry for 16 years and in charge of the treasury and capital markets division of a wholly owned banking subsidiary of one of the largest banks in the world for about ten years. Mr. Leung is a member of The Institute of Chartered Accountants of Scotland. Mr. Leung holds a BSc (Engineering) degree.

Mr. Wing Tung YEUNG, 54, joined the Group as Executive Vice President in October 2001 and has been a Director in November 2002. Mr. Yeung is also a member of the Investment Committee of the Company and a director of certain subsidiaries of the Company. He is responsible for the investments of the Group. Prior to joining the Group, Mr. Yeung was the Personal Assistant to the Managing Director of a listed company in Hong Kong for more than ten years, in charge of project investments and developments in Hong Kong, PRC and South East Asia. He had also worked in an American Bank as Manager of Commercial Banking and an international audit firm as Auditor. Mr. Yeung obtained his MBA from Indiana University, USA in 1978 and passed the board examination of the American Institute of Certified Public Accountants in the same year.

NON-EXECUTIVE DIRECTORS

Mr. Raymond Wai Pun LAU, 59, joined the Group in March 2001. Mr. Lau was an Independent Non-executive Director of the Company prior to his re-designation as a Non-executive Director of the Company in September 2005. He is also a member of the Audit Committee of the Company. Mr. Lau is presently a Senior Partner of Ford, Kwan & Co., Solicitors & Notaries. Mr. Lau is a solicitor of the High Court of Hong Kong and is also qualified to practise in the United Kingdom and the Australian Capital Territory. He is also a notary public and a China-appointed Attesting Officer.

Mr. Raymond Shing Loong WONG, 59, joined the Group in December 2008. Mr. Wong is also a member of the Audit Committee of the Company. Mr. Wong currently holds a senior position with responsibility for budgeting and planning in the Chinachem Group. He has engaged in financial posts in financial institutions, wholesale, investment, manufacturing and retail companies since early eighties. Mr. Wong has over 10 years of experience in the finance and administration in listed companies. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong holds a MBA degree from the Chinese University of Hong Kong and a BSc (Engineering) degree from the University of Hong Kong.

For the period from 1 April 1998 to 30 April 2007, Mr. Wong was an executive director of High Fashion International Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. For the period from 27 July 2000 to 30 April 2007, Mr. Wong was an executive director of Theme International Holdings Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cecil Sze Tsung CHAO, 72, joined the Group in September 2004. Dr. Chao is also a member of the Audit Committee and the Remuneration Committee of the Company. Dr. Chao is the founder and Executive Chairman of Cheuk Nang (Holdings) Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Dr. Chao obtained a Bachelor of architecture degree, with honours, from The University of Durham, England and subsequently worked in the field of property, investment, finance, architecture and construction for over forty years. He also worked for Hong Kong Government Building Department and Architectural Office and was a director of The Real Estate Developers Association of Hong Kong for consecutive 30 years. Dr. Chao is a Hong Kong registered architect and a member of the Royal Institute of British Architect. He holds a Honorary Doctor Degree (Ph. D.) from the U.S. Morrison University. Dr. Chao was awarded 2004's World Outstanding Chinese.

Dr. Jen CHEN, 54, joined the Group in February 2003. Dr. Chen is also a member of the Audit Committee of the Company. Dr. Chen is currently a director and general manager of Genovate Biotechnology Company Limited, a company whose shares are listed on the Gre Tai Securities Market in Taiwan. Prior to this appointment, Dr. Chen was a vice president of Asian Operation in Genelabs Technologies, Inc. in the US and had worked in Novartis Pharmaceuticals Corporation for eight years in areas of new drug discovery and research. Dr. Chen has extensive experience and professional knowledge in the biopharmaceutical industry and is the author or co-author of more than 30 papers and ten patents in the field. Dr. Chen holds a Ph.D. (Chemistry) from the University of Rochester in New York, USA.

Mr. Ian Grant ROBINSON, 69, joined the Group in September 2004. Mr. Robinson is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Robinson heads up Robinson Management Limited, a consulting and management company. Prior to setting up his own firm in 1995, he was a Senior Partner of Ernst and Young, one of the largest international accounting firms. Mr. Robinson has been based in Hong Kong since 1980, servicing the Asian region, and has accounting experience in major countries around the world. He is a member of the Supervisory Board and the Chairman of the Audit Committee of the Hong Kong Housing Society. Mr. Robinson is a member of the Hong Kong Institute of Certified Public Accountants.

Notes:

1) Directors' emoluments are determined by the Board with reference to the Group's remuneration policy. The details of the emoluments of the Directors on a named basis are disclosed in note 8 to the financial statements.

2) None of the Directors, except Mr. Wing Tung YEUNG, has signed a service contract with the Company. The Directors have not been appointed for a specified term but their directorships with the Company are subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Articles of Association of the Company.

3) Save as disclosed above, none of the Directors (i) holds any other position with the Company or any of its subsidiaries; (ii) held a directorship in any other listed public companies in the past three years; and (iii) has any relationships with any directors, senior management, substantial or controlling shareholders of the Company.

BIOGRAPHIES OF SENIOR MANAGEMENT

Mr. David Kin Hay HONG, 61, joined the Group in October 2003. Mr. Hong is the Managing Director of The Swank Shop Limited ("Swank"). Mr. Hong joined Swank in 1974 after his graduation from business studies in England. He had been in charge of the manufacturing arm in the first few years and moved on to the retail business unit in the early 1980's. Mr. Hong has headed Swank since 1991. He has valuable experience in the high-end fashion retailing.

Mr. Hong was awarded by the French President with the titles of *Chevalier de l'Ordre National du Merite* in July 1996 and *Chevalier de la Legion d'Honneur* in June 2003.

Mr. Kenneth Sai Lai WONG, 47, joined the Group as Vice President of Investments in July 2001. Prior to this appointment, Mr. Wong was the Vice President of Commercial Banking Business of the former First Pacific Bank, and Corporate Banking Officer of a major US bank where he gained international finance exposure in Chicago and New York. Before joining the banking industry, Mr. Wong had worked for an international accounting firm in performing project investment evaluation and feasibility study. Mr. Wong holds a Bachelor of Social Sciences Degree from the University of Hong Kong.

Mr. Victor Yiu Keung CHIANG, 44, joined the Group in November 2003. Mr. Chiang is the Chief Financial Officer of the Group overseeing the financial management of the Group. He has over 16 years' experience in professional accountancy practice and financial management experience with listed companies. Mr. Chiang is an associate member of the Institute of Chartered Accountants in England & Wales, and a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a Certified Public Accountant practising in Hong Kong. Mr. Chiang holds a bachelor's degree in business administration from the Chinese University of Hong Kong.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and securities trading. The principal activities of the subsidiaries comprise the wholesale and retail of fashion wear and accessories, telecommunications operations, resort and recreational club operations, investment holding and securities trading. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2008 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 32 to 113.

The directors do not recommend the payment of any dividend for the year ended 31 December 2008.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 115. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements, respectively.

Further details of the Group's investment properties are set out on page 114.

DEBENTURES

Particulars of the club debentures of the Group are set out in note 30 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. There were no movements in the Company's share options during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35(b) to the financial statements and in the consolidated statement of changes in equity on pages 35 and 36, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2008, the Company had no reserves available for distribution as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers accounted for less than 30% of the Group's total turnover for the year. The five largest suppliers and the largest supplier accounted for approximately 51% and 16% of the Group's total purchases for the year, respectively.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

EXECUTIVE DIRECTORS:

Mr. Joseph Wing Kong LEUNG *(Chairman)*
Mr. James C. NG *(Chief Executive Officer)*
Mr. Raymond Siu Wing CHAN (appointed on 12 December 2008)
Mr. Derek Wai Choi LEUNG
Mr. Wing Tung YEUNG

NON-EXECUTIVE DIRECTORS:

Mr. Raymond Wai Pun LAU
Mr. Raymond Shing Loong WONG (appointed on 12 December 2008)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Cecil Sze Tsung CHAO
Dr. Jen CHEN
Mr. Ian Grant ROBINSON

DIRECTORS (CONTINUED)

In accordance with article 101 of the Company's articles of association, Mr. Joseph Wing Kong LEUNG, Mr. James C. NG and Mr. Wing Tung YEUNG will retire by rotation at the forthcoming annual general meeting. Mr. James C. NG has decided not to stand for re-election. All the other retiring directors, being eligible, will offer themselves for re-election.

In accordance with article 92 of the Company's articles of association, Mr. Raymond Siu Wing CHAN and Mr. Raymond Shing Loong WONG, having been appointed to the Board since the date of the last annual general meeting, will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2008, the interest of a director in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, was as follows:

Long position in ordinary shares of HK$0.01 each of the Company:

Name of director	**Number of shares held through a controlled corporation**	**Percentage of the Company's issued share capital**
Mr. Joseph Wing Kong LEUNG	200,000	0.012%

Save as disclosed above, as at 31 December 2008, none of the directors had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Details of the Company's share option scheme are disclosed in note 34 to the financial statements.

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of the merit, qualifications and competence of the employees.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, the directors' individual performance and comparable market statistics.

The Company has adopted a share option scheme to provide incentives to executive directors and employees. The details of the scheme are set out in note 34 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

At 31 December 2008, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of HK$0.01 each of the Company:

Name	**Direct interest**	**Indirect interest**	**Number of shares held**	**Percentage of the Company's issued share capital**
Diamond Leaf Limited	162,216,503	—	162,216,503	9.8%
Solution Bridge Limited	408,757,642	—	408,757,642	24.8%
Ms. Nina KUNG (deceased) *(note)*	—	570,974,145	570,974,145	34.6%

Note: The interest disclosed under Ms. Nina KUNG (deceased) represents her deemed interest in the shares of the Company by virtue of her interests in Diamond Leaf Limited and Solution Bridge Limited.

Save as disclosed above, as at 31 December 2008, no person had registered an interest in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

The Company and the Group have entered into the following connected transactions during the year and up to the date of this report:

(A) ACQUISITION OF KENMURE LIMITED

On 21 January 2008, e-Media (Asia) Limited ("e-Media Asia"), a wholly-owned subsidiary of the Company, entered into a share purchase agreement (the "Apex Agreement") with Apex Ocean Investments Limited ("Apex") to acquire from Apex 30% of the shareholding in Kenmure Limited ("Kenmure") at a cash consideration of HK$16,500,000.

On 21 January 2008, e-Media Asia also entered into a share purchase agreement (the "Kosin Agreement") with Kosin Limited ("Kosin") to acquire from Kosin 10% of the shareholding in Kenmure at a cash consideration of HK$5,500,000.

As at the date of the Apex Agreement, Apex was a connected person of the Company by virtue of it being a 30% shareholder of Kenmure and the Apex Agreement was therefore a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

As at the date of the Kosin Agreement, Kosin was a connected person of the Company by virtue of it being a 10% shareholder of Kenmure and the Kosin Agreement was therefore a connected transaction of the Company under Chapter 14A of the Listing Rules.

The Apex Agreement and the Kosin Agreement (in aggregate) constituted a major transaction of the Company under Chapter 14 of the Listing Rules.

The details of the Apex Agreement and the Kosin Agreement are set out in the Company's circular dated 14 April 2008. The entering into of the Apex Agreement and the Kosin Agreement was approved by the Company's independent shareholders at the extraordinary general meeting held on 30 April 2008. Both the Apex Agreement and the Kosin Agreement were completed on 15 May 2008 and Kenmure Limited has become an indirect wholly-owned subsidiary of the Company.

CONNECTED TRANSACTIONS (CONTINUED)

(B) TENANCY AGREEMENTS FOR OFFICE PREMISES

On 30 April 2007, the Company entered into a tenancy agreement (the "Chinachem Golden Plaza Tenancy Agreement I") with Hollywood Palace Company Limited ("Hollywood Palace") in respect of the renewal of leases of Suites 1502 and 1521 on 15th Floor, Chinachem Golden Plaza, 77 Mody Road, Tsimshatsui, Kowloon for a term of one year, which commenced on 1 May 2007 at a monthly rent of HK$177,980 with a 45 days' rent-free period over the lease term.

On 15 April 2008, the Company entered into another tenancy agreement (the "Chinachem Golden Plaza Tenancy Agreement II") with Hollywood Palace in respect of the renewal of leases of the same premises under the Chinachem Golden Plaza Tenancy Agreement I for a term of one year, which commenced on 1 May 2008 at a monthly rent of HK$202,250 with a 45 days' rent-free period over the lease term.

Hollywood Palace is a company controlled by the estate of Ms. Nina KUNG, a controlling shareholder of the Company; therefore, both the Chinachem Golden Plaza Tenancy Agreement I and the Chinachem Golden Plaza Tenancy Agreement II were continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(C) TENANCY AGREEMENT FOR A SHOP

On 20 January 2009, The Swank Shop Limited, a wholly owned subsidiary of the Company, entered into a tenancy agreement (the "Nina Tower Tenancy Agreement") with Ying Ho Company Ltd., Cheong Ming Investment Company Ltd., Dorfolk Investments Ltd., Kwong Fook Investors & Developers Ltd., The World Realty Ltd., On Lee Investment Company Ltd., Yau Fook Hong Company Ltd., and Tsing Lung Investment Company Ltd., (collectively the "Nina Tower Landlords") to lease Shop Nos. 222 & 223 on 2/F (Level 3), Nina Tower, Tsuen Wan, the New Territories (the "Premises") for a term of three years which commenced on 1 January 2009 at a monthly rent equal to 10% of the monthly gross sales turnover from the Premises.

The Nina Tower Landlords are companies controlled by the estate of Ms. Nina KUNG, a controlling shareholder of the Company; therefore, the Nina Tower Tenancy Agreement was a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The continuing connected transactions mentioned in paragraph (B) above have been reviewed by the independent non-executive directors of the Company who have confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of business of the Company;

(ii) on normal commercial terms; and

(iii) in accordance with the terms of the relevant agreements that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONNECTED TRANSACTIONS (CONTINUED)

The Company has received from the auditors a letter reporting that the continuing connected transactions mentioned in paragraph (B) above:

(i) have been approved by the Company's board of directors; and

(ii) have been entered into in accordance with the relevant agreements.

Save as disclosed above, there were no discloseable non-exempted connected transactions or non-exempted continuing connected transactions of the Company or the Group under the Listing Rules during the year.

The Company confirms that it has complied with the disclosure requirements, where appropriate, in accordance with Chapter 14A of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules based on the information that is publicly available to the Company and within the knowledge of the directors.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Joseph Wing Kong LEUNG
Chairman

Hong Kong, 16 April 2009

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code Provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2008, except for the deviation in respect of the service term of Directors under Code Provision A.4.1 of the CG Code.

Under Code Provision A.4.1 of the CG Code, Non-executive Directors should be appointed for a specific term and subject to re-election. None of the existing Non-executive and Independent Non-executive Directors of the Company is appointed for a specific term. However, all of the Non-executive and Independent Non-executive Directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

BOARD OF DIRECTORS

(A) BOARD COMPOSITION

The Board currently comprises five Executive Directors, two Non-executive Directors and three Independent Non-executive Directors, serving the important function of guiding the management.

The Board members for the year ended 31 December 2008 were:

Executive Directors
Mr. Joseph Wing Kong LEUNG (Chairman)
Mr. James C. NG (Chief Executive Officer)
Mr. Raymond Siu Wing CHAN (appointed on 12 December 2008)
Mr. Derek Wai Choi LEUNG
Mr. Wing Tung YEUNG

Non-executive Directors
Mr. Raymond Wai Pun LAU
Mr. Raymond Shing Loong WONG (appointed on 12 December 2008)

Independent Non-executive Directors
Dr. Cecil Sze Tsung CHAO
Dr. Jen CHEN
Mr. Ian Grant ROBINSON

BOARD OF DIRECTORS (CONTINUED)

(A) BOARD COMPOSITION (CONTINUED)

The composition of the Board is reviewed regularly to ensure that it has a good balance of expertise, skills and experience, which can meet the requirements of the business of the Group. The Directors' biographical information is set out on pages 9 to 11.

The composition of the Board, by category of Directors, including names of Chairman, Executive Directors, Non-executive Directors and Independent Non-executive Directors, is disclosed in all corporate communications.

To the best knowledge of the Directors, there is no financial, business, family relationship among our Directors. All of them are free to exercise their independent judgment.

(B) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Joseph Wing Kong LEUNG serves as the Chairman of the Board and Mr. James C. NG serves as the Chief Executive Officer of the Group.

The Chairman's responsibility is to manage the Board and the Chief Executive Officer's responsibility is to manage the Company's business. The division of responsibility between the Chairman and the Chief Executive Officer is clearly defined.

The Chairman is also responsible for ensuring that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

(C) INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three Independent Non-executive Directors, of whom Mr. Ian Grant Robinson has appropriate professional qualifications and experience in financial matters.

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors to be independent.

(D) APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board as a whole is responsible for the selection and approval of candidates for appointment to the Board, and does not therefore establish a nomination committee. During the year, the Board has reviewed the composition of the Board, and considered and approved the appointment of Mr. Raymond Siu Wing CHAN as an Executive Director and Mr. Raymond Shing Loong WONG as a Non-executive director at the regular board meeting.

None of the existing Non-executive and Independent Non-executive Directors of the Company is appointed for a specific term. However, all of the Non-executive and Independent Non-executive Directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

According to the Articles of Association of the Company, any Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

BOARD OF DIRECTORS (CONTINUED)

(D) APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS (CONTINUED)

At each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation but shall be eligible for re-election, provided that every Director shall be subject to retirement at least once every three years. The Directors (including those appointed for a special term) to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

(E) RESPONSIBILITIES OF DIRECTORS

The Directors fully appreciate their role and duties as Directors of the Company.

New Directors will be given an introduction to the Group's major business activities, induction into their responsibilities and duties, and other regulatory requirements.

The Company Secretary is responsible for keeping all Directors updated on the Listing Rules and other relevant regulatory requirements.

(F) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2008.

(G) BOARD MEETINGS

The Board held four regular Board meetings for the year ended 31 December 2008. The following was an attendance record of the regular Board meetings for the year ended 31 December 2008:

	Attendance
Executive Directors	
Mr. Joseph Wing Kong LEUNG (Chairman)	4/4
Mr. James C. NG (Chief Executive Officer)	4/4
Mr. Raymond Siu Wing CHAN (appointed on 12 December 2008)	0/4
Mr. Derek Wai Choi LEUNG	3/4
Mr. Wing Tung YEUNG	4/4
Non-executive Directors	
Mr. Raymond Wai Pun LAU	4/4
Mr. Raymond Shing Loong WONG (appointed on 12 December 2008)	0/4
Independent Non-executive Directors	
Dr. Cecil Sze Tsung CHAO	1/4
Dr. Jen CHEN	4/4
Mr. Ian Grant ROBINSON	4/4

BOARD OF DIRECTORS (CONTINUED)

(G) BOARD MEETINGS (CONTINUED)

The Directors can attend Board meetings in persons or through other means of electronic communication in accordance with the Company's Articles of Association.

The Directors are consulted to include matters for discussion in the agenda of Board meetings.

The Company gives notice of regular Board meetings at least 14 days in advance and reasonable notice for all other Board meetings.

The agenda and accompanying board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings.

The Directors have full access to the advice and services of the Company Secretary, who is responsible for providing Directors with board papers and related materials and ensuring that Board procedures, and all applicable rules and regulations, are followed.

The Company Secretary is responsible for taking minutes of Board meetings. The minutes would be sent to all Directors within a reasonable time after each meeting and generally be made available for inspection by Directors. The minutes record the matters discussed and decisions resolved at Board meetings.

Should a potential conflict of interest involving a substantial shareholder or director arise, the matter is discussed in an actual Board meeting, as opposed to being dealt with by written resolution. Independent non-executive Directors are present at Board meetings dealing with conflict issues.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company established the Remuneration Committee in April 2002. The terms of reference of the Remuneration Committee were revised on 15 April 2005 to align with the provisions set out in the Code Provisions of the CG Code. The revised terms of reference of the Remuneration Committee are available on the Company's website.

The existing Remuneration Committee of the Company comprises the Chairman of the Company, Mr. Joseph Wing Kong LEUNG and two Independent Non-executive Directors, namely, Dr. Cecil Sze Tsung CHAO and Mr. Ian Grant ROBINSON. It is chaired by Mr. Joseph Wing Kong LEUNG.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all Executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time. No Director is involved in deciding his own remuneration.

The Remuneration Committee shall consult the Chairman and/or the Chief Executive Officer about their proposals relating to remuneration of other Directors and senior management.

The Remuneration Committee is provided with sufficient resources to discharge its duties and can take independent professional advice at the Company's expenses if considered necessary.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

The Remuneration Committee held one meeting for the year ended 31 December 2008. The following was an attendance record of the Remuneration Committee meeting for the year ended 31 December 2008:

	Attendance
Mr. Joseph Wing Kong LEUNG	1/1
Dr. Cecil Sze Tsung CHAO	0/1
Mr. Ian Grant ROBINSON	1/1

During 2008, the Remuneration Committee's work included:

(i) Review of remuneration policy of Directors and senior management; and

(ii) Recommendation to the Board of the Directors' fee.

ACCOUNTABILITY AND AUDIT

(A) FINANCIAL REPORTING

The Board is responsible for presenting a balanced, clear and comprehensive, assessment of the Group's performance, position and prospects in all corporate communications.

The Directors shall have full access Management for enquiries and to obtain information on the Group when necessary. The Directors are able to obtain independent professional advice at the Company's expenses whenever deemed necessary by the Directors.

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The statement of the Auditors of the Company about their responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 30 and 31.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(B) INTERNAL CONTROLS

The Board has overall responsibilities for maintaining a sound and effective internal control system to safeguard the shareholders' investment and the Company's assets.

During 2008, the Board has conducted a review on the Group's internal control handbook covering all material controls, including financial, operational, compliance controls, and risk management functions. The Board considered the internal control system of the Group to be adequate and effective.

ACCOUNTABILITY AND AUDIT (CONTINUED)

(C) AUDIT COMMITTEE

The Company established the Audit Committee in January 1999. The terms of reference of the Audit Committee were revised on 15 April 2005 and on 12 December 2008 respectively to align with the provisions set out in the Code Provisions of the CG Code. The revised terms of reference of the Audit Committee are available on the Company's website.

The existing Audit Committee of the Company comprises two Non-executive Directors, namely Mr. Raymond Wai Pun LAU and Mr. Raymond Shing Loong WONG, and three Independent Non-executive Directors, namely Dr. Cecil Sze Tsung CHAO, Dr. Jen CHEN and Mr. Ian Grant ROBINSON. It is chaired by an Independent Non-executive Director, Mr. Ian Grant ROBINSON.

None of the five Audit Committee members is a former partner of the external auditors one year before joining the Company.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information, and oversight of the relationship with the Auditors of the Company.

The Audit Committee is provided with sufficient resources to discharge its duties and can take independent professional advice at the Company's expenses if considered necessary.

For the year ended 31 December 2008, the Audit Committee held two meetings, in which the external auditors were in attendance. The following was an attendance record of the Audit Committee meetings for the year ended 31 December 2008:

	Attendance
Mr. Ian Grant ROBINSON	2/2
Dr. Cecil Sze Tsung CHAO	1/2
Dr. Jen CHEN	2/2
Mr. Raymond Wai Pun LAU	2/2
Mr. Raymond Shing Loong WONG (appointed on 12 December 2008)	0/2

ACCOUNTABILITY AND AUDIT (CONTINUED)

(C) AUDIT COMMITTEE (CONTINUED)

During 2008, the Audit Committee's work included:

(i) Review of the Group's interim and annual financial statements;

(ii) Review of the non-audit services provided by the external auditors; and

(iii) Recommendation to the Board of the reappointment of Ernst & Young as the Company's Auditors.

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

The Company Secretary is responsible for taking minutes of Audit Committee meetings and the minutes would be sent to all committee members within a reasonable time after each meeting.

(D) AUDITORS' REMUNERATION

For the year ended 31 December 2008, the Group's external auditors provided the following services to the Group:-

	HK$'000
Audit services	1,500
Non-audit services	
Taxation services	154
Agreed-upon procedures on continuing connected transactions	15
Accountants' report in relation to a major and connected transaction	680
Other services	322
	2,671

DELEGATION BY THE BOARD

(A) MANAGEMENT FUNCTIONS

The Board, led by the Chairman, is responsible for formulating overall group strategies and overseeing the management's performance. Management is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

Matters reserved for Board decision include:

(i) Formulation of long-term strategy;

(ii) Approving public announcements;

(iii) Approving material bank facilities;

(iv) Committing to material acquisitions and disposals;

(v) Committing to material connected transactions; and

(vi) Reviewing internal control system.

(B) BOARD COMMITTEES

The Board currently has three Board Committees, including two corporate governance related committees (being the Audit Committee and the Remuneration Committee) and the Investment Committee. All Board Committees have clear written terms of reference. Board Committees report regularly to the Board on their work and findings.

COMMUNICATION WITH SHAREHOLDERS

(A) EFFECTIVE COMMUNICATION

In order to develop and maintain continuing relationships with the shareholders of the Company, the Company establishes various communication channels to facilitate and enhance communication:

(i) interim and annual reports are sent to shareholders of the Company;

(ii) the annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board;

(iii) updated and key information of the Group is available on the Company's website; and

(iv) the Company's website offers a communication channel between the Company and its shareholders.

The Chairman and the Directors are available at annual general meetings to answer questions raised by shareholders of the Company. To facilitate enforcement of shareholders' rights, separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors.

The Chairman of the Board, Executive Directors, and the Company's Auditors attended the 2008 Annual General Meeting of the Company to answer questions at the meeting.

(B) VOTING BY POLL

The procedures for demanding and conducting a poll is disclosed in all the Company's circulars to shareholders accompanying the notice of general meetings. These procedures are also explained by the chairman of general meetings at the commencement of the meetings.

Votes cast for each resolution dealt in general meetings are properly counted and recorded.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安　永

To the shareholders of ENM Holdings Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of ENM Holdings Limited set out on pages 32 to 113, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

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

Ernst & Young
Certified Public Accountants
18/F Two International Finance Centre
8 Finance Street, Central
Hong Kong
16 April 2009

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	5	**261,920**	266,027
Cost of sales		**(104,055)**	(109,266)
Gross profit		**157,865**	156,761
Other income and gains	5	**6,103**	6,558
Selling and distribution costs		**(77,809)**	(81,967)
Administrative expenses		**(66,850)**	(66,651)
Other operating income/(expenses), net	6	**(89,967)**	58,565
Excess over cost on acquisition of an additional interest in a subsidiary	40(c)	**6,688**	—
Gain on disposal of partial interest in an associate		**10,173**	—
Fair value losses and write-back of deficits on revaluation of properties, net		**(23,688)**	(10,332)
Finance costs	7	**(820)**	(1,291)
Share of profits and losses of associates		**7,420**	(6,388)
PROFIT/(LOSS) BEFORE TAX	6	**(70,885)**	55,255
Tax	10	**4,413**	—
PROFIT/(LOSS) FOR THE YEAR		**(66,472)**	55,255
Attributable to:			
Equity holders of the Company	11	**(66,376)**	52,426
Minority interests		**(96)**	2,829
		(66,472)	55,255
DIVIDENDS		**Nil**	Nil
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**(4.02 cents)**	3.18 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**80,864**	77,303
Investment properties	14	**95,700**	113,900
Prepaid land premiums	15	**2,909**	2,986
Goodwill	16	**—**	6,610
Interests in associates	18	**20,683**	17,258
Available-for-sale equity investments	19	**39,434**	35,448
Available-for-sale debt investments - convertible bonds	20	**24,746**	—
Held-to-maturity investments	21	**13,578**	—
Total non-current assets		**277,914**	253,505
CURRENT ASSETS			
Inventories	22	**44,676**	41,359
Trade receivables	23	**2,604**	7,161
Prepayments, deposits and other receivables	24	**34,014**	33,656
Prepaid land premiums	15	**77**	77
Financial assets at fair value through profit or loss	25	**102,707**	197,894
Option derivatives - convertible bonds	20	**2,812**	—
Pledged deposits	26	**342**	342
Time deposits	26	**475,622**	495,798
Cash and bank balances	26	**28,810**	46,487
Total current assets		**691,664**	822,774
CURRENT LIABILITIES			
Trade and other payables	27	**31,172**	40,973
Interest-bearing bank and other borrowings	28	**7,317**	4,712
Current portion of debentures	30	**402**	2,670
Other loans	31	**5,427**	5,349
Tax payable		**—**	5,497
Total current liabilities		**44,318**	59,201
NET CURRENT ASSETS		**647,346**	763,573
TOTAL ASSETS LESS CURRENT LIABILITIES		**925,260**	1,017,078

CONSOLIDATED BALANCE SHEET (CONTINUED)
31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**925,260**	1,017,078
NON-CURRENT LIABILITIES			
Debentures	30	**5,185**	3,462
Interest-bearing bank and other borrowings	28	**23**	114
Deferred revenue		**19,974**	23,015
Total non-current liabilities		**25,182**	26,591
Net assets		**900,078**	990,487
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	33	**16,507**	16,507
Reserves	35(a)	**882,716**	943,433
		899,223	959,940
Minority interests		**855**	30,547
Total equity		**900,078**	990,487

Joseph Wing Kong LEUNG
Chairman

James C. NG
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Attributable to equity holders of the Company										
	Issued capital	Share premium account	Capital redemption reserve	Special reserve	Property revaluation reserve	Available-for-sale investment revaluation reserve	Exchange fluctuation reserve	Accumulated losses	Total	Minority interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (note 33(b)(ii))	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	16,507	1,189,721	478	808,822	4,121	–	2,633	(1,120,378)	901,904	27,513	929,417
Disposal of land and buildings	–	–	–	–	(4,121)	–	–	4,121	–	–	–
Changes in fair value of an available-for-sale equity investment	–	–	–	–	–	(55)	–	–	(55)	–	(55)
Impairment loss recognised in the income statement	–	–	–	–	–	55	–	–	55	–	55
Exchange realignment	–	–	–	–	–	–	5,610	–	5,610	205	5,815
Total income and expense recognised directly in equity	–	–	–	–	(4,121)	–	5,610	4,121	5,610	205	5,815
Profit for the year	–	–	–	–	–	–	–	52,426	52,426	2,829	55,255
Total income and expense for the year	–	–	–	–	(4,121)	–	5,610	56,547	58,036	3,034	61,070
At 31 December 2007	16,507	1,189,721	478	808,822	–	–	8,243	(1,063,831)	959,940	30,547	990,487

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2008

	Attributable to equity holders of the Company										
	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Special reserve HK$'000 (note 33(b)(ii))	Property revaluation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008	16,507	1,189,721	478	808,822	–	–	8,243	(1,063,831)	959,940	30,547	990,487
Surplus on revaluation	–	–	–	–	2,659	–	–	–	2,659	–	2,659
Changes in fair value of available-for-sale debt investments	–	–	–	–	–	2,316	–	–	2,316	–	2,316
Changes in fair value of an available- for- sale equity investment	–	–	–	–	–	(56)	–	–	(56)	–	(56)
Impairment loss recognised in the income statement	–	–	–	–	–	56	–	–	56	–	56
Exchange realignment	–	–	–	–	–	–	1,579	–	1,579	113	1,692
Total income recognised directly in equity	–	–	–	–	2,659	2,316	1,579	–	6,554	113	6,667
Released upon disposal of an associate	–	–	–	–	–	–	(895)	–	(895)	–	(895)
Loss for the year	–	–	–	–	–	–	–	(66,376)	(66,376)	(96)	(66,472)
Total income and expense for the year	–	–	–	–	2,659	2,316	684	(66,376)	(60,717)	17	(60,700)
Acquisition of an additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(29,709)	(29,709)
At 31 December 2008	16,507	1,189,721*	478*	808,822*	2,659*	2,316*	8,927*	(1,130,207)*	899,223	855	900,078

* These reserve accounts comprise the consolidated reserves of HK$882,716,000 (2007: HK$943,433,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(70,885)**	55,255
Adjustments for:			
Depreciation	6	**6,499**	9,710
Amortisation of deferred revenue	6	**(3,255)**	(3,335)
Recognition of prepaid land premiums	6	**77**	77
Finance costs	7	**820**	1,291
Dividend income from listed equity investments	5	**(5,340)**	(5,122)
Dividend income from an unlisted fund investment	5	**(57)**	—
Impairment of goodwill	6	**6,610**	—
Gain on disposal of partial interest in an associate		**(10,173)**	—
Excess over cost on acquisition of an additional interest in a subsidiary	40(c)	**(6,688)**	—
Write-down of inventories to net realisable value	6	**8,973**	1,000
Interest income	5	**(17,595)**	(26,068)
Share of profits and losses of associates		**(7,420)**	6,388
Fair value losses on revaluation of investment properties, net	6	**24,200**	18,600
Write-back of deficits on revaluation of resort and recreational club properties	6	**(512)**	(8,268)
Write-back of accrued payables	6	**(5,997)**	(12,570)
Impairment/(reversal of impairment) of trade receivables, net	6	**(725)**	206
Loss/(gain) on disposal of items of property, plant and equipment	6	**257**	(5,168)
Impairment of an available-for-sale equity investment (transfer from equity)	6	**56**	55
Fair value losses/(gains), net:			
Financial assets at fair value through profit or loss	6	**86,557**	(38,147)
Derivative instrument - a transaction not qualifying as a hedge	6	**—**	104
Option derivatives - convertible bonds	6	**(95)**	—
Loss/(gain) on disposal of financial assets at fair value through profit or loss, net	6	**7,443**	(4,626)
Foreign exchange gains, net		**(5,702)**	(4,516)
		7,048	(15,134)
Increase in inventories		**(12,290)**	(4,878)
Decrease in trade receivables		**5,282**	1,334
Decrease/(increase) in prepayments, deposits and other receivables		**5,899**	(955)
Increase/(decrease) in trade and other payables		**(4,876)**	4,086
Cash generated from/(used in) operations		**1,063**	(15,547)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Cash generated from/(used in) operations		**1,063**	(15,547)
Interest received		**16,019**	27,048
Dividends received from listed investments		**5,340**	4,708
Hong Kong profits tax paid		**(1,084)**	—
Net cash inflow from operating activities		**21,338**	16,209
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(4,440)**	(1,924)
Additions to investment properties		**—**	(586)
Purchases of financial assets at fair value through profit or loss		**(4,300)**	(11,527)
Purchases of convertible bonds		**(24,625)**	—
Purchases of held-to-maturity investments		**(13,293)**	—
Acquisition of an additional interest in a subsidiary (including transaction costs)		**(23,021)**	—
Instalment proceeds received from disposal of partial interest in an associate		**5,981**	1,908
Advances to associates, net		**(3,442)**	(1,063)
Dividend received from an associate		**202**	—
Proceeds from disposal of items of property, plant and equipment		**303**	13,000
Proceeds from disposal of financial assets at fair value through profit or loss		**5,487**	11,018
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		**209,688**	224,365
Net cash inflow from investing activities		**148,540**	235,191

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**49,870**	55,153
Repayment of bank loans		**(47,264)**	(59,710)
New issue of debenture		**40**	—
Redemption of debentures		**(640)**	(1,650)
Capital element of finance lease rental payments		**(92)**	(91)
Interest paid		**(556)**	(935)
Interest element of finance lease rental payments		**(14)**	(14)
Net cash inflow/(outflow) from financing activities		**1,344**	(7,247)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**171,222**	244,153
Cash and cash equivalents at beginning of year		**271,576**	27,148
Effect of foreign exchange rate changes, net		**613**	275
CASH AND CASH EQUIVALENTS AT END OF YEAR		**443,411**	271,576
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**28,810**	46,487
Non-pledged time deposits with original maturity of less than three months when acquired		**414,601**	225,089
		443,411	271,576

BALANCE SHEET

31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,194**	324
Investment properties	14	**110,800**	128,400
Interests in subsidiaries	17	**276,180**	225,610
Interests in an associate	18	**—**	347
Available-for-sale debt investments - convertible bonds	20	**24,746**	—
Held-to-maturity investments	21	**13,578**	—
Total non-current assets		**428,498**	354,681
CURRENT ASSETS			
Prepayments, deposits and other receivables	24	**6,895**	6,145
Financial assets at fair value through profit or loss	25	**92,885**	177,201
Option derivatives - convertible bonds	20	**2,812**	—
Pledged deposits	26	**342**	342
Time deposits	26	**462,678**	495,798
Cash and bank balances	26	**2,670**	6,070
Total current assets		**568,282**	685,556
CURRENT LIABILITIES			
Other payables	27	**5,090**	4,205
Due to a subsidiary	17	**73,835**	45,275
Total current liabilities		**78,925**	49,480
NET CURRENT ASSETS		**489,357**	636,076
Net assets		**917,855**	990,757
EQUITY			
Issued capital	33	**16,507**	16,507
Reserves	35(b)	**901,348**	974,250
Total equity		**917,855**	990,757

Joseph Wing Kong LEUNG
Chairman

James C. NG
Chief Executive Officer

NOTES TO FINANCIAL STATEMENTS

31 December 2008

1. CORPORATE INFORMATION

ENM Holdings Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Suite 1502, 15/F, Chinachem Golden Plaza, 77 Mody Road, Tsimshatsui East, Kowloon, Hong Kong.

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

- wholesale and retail of fashion wear and accessories
- telecommunications operations
- resort and recreational club operations
- investment holding and securities trading

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, land and buildings, resort and recreational club properties, certain available-for-sale equity and debt investments, derivative financial instruments and financial assets at fair value through profit or loss, which have been measured at fair value as further explained in note 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill. Any excess over cost on acquisition of minority interests is recognised immediately in the consolidated income statement.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures - Reclassification of Financial Assets*
HK(IFRIC)-Int 11	*HKFRS 2 - Group and Treasury Share Transactions*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	*First-time Adoption of HKFRSs* [2]
HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 7 Amendments	*Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]

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

HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items* [2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement - Embedded Derivatives*[5]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers*[2]

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, the amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods beginning on or after 30 June 2009

* Improvements to HKFRSs contain amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

ASSOCIATES

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

The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT VENTURES

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOODWILL

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

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

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

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

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

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

Goodwill previously eliminated against consolidated capital reserves

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated capital reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated capital reserves and is not recognised in the consolidated income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EXCESS OVER THE COST OF BUSINESS COMBINATIONS

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the consolidated income statement.

IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED PARTIES

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

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

(b) the party is an associate;

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits/accumulated losses as a movement in reserves.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (CONTINUED)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item of property, plant and equipment to its residual value over its estimated useful life:

Land and buildings *(note)*	Over the remaining lease terms
Resort and recreational club properties	Over the remaining lease terms
Leasehold improvements	Over the shorter of the remaining lease terms and 5 to 6 years
Furniture, fixtures and equipment	2 to 7 years
Communications equipment	6 years
Motor vehicles	3 to 5 years

Note: These represent buildings situated on leasehold land whereby the fair values of the leasehold interests in the land and buildings elements cannot be allocated reliably at the inception of the respective leases.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

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

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES

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

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

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

Prepaid land premiums under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

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

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively, and are recognised in the income statement in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement and are transferred from the available-for-sale investment revaluation reserve.

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

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

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

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

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

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets

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

Impairment losses on debt investments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

DERECOGNITION OF FINANCIAL ASSETS

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL LIABILITIES AT AMORTISED COST (INCLUDING INTEREST-BEARING LOANS AND BORROWINGS)

Financial liabilities are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

The Group uses derivative financial instruments such as foreign exchange option contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of foreign exchange option contracts is determined by reference to current forward exchange rates for contracts with similar maturity profiles.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis or the actual basis and comprises invoiced value of purchases, and where applicable, freight, insurance and delivery charges. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to make the sale.

CASH AND CASH EQUIVALENTS

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

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

PROVISIONS

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

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

(a) Wholesale and retail of fashion wear and accessories

Revenue from the sale of fashion wear and accessories is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Telecommunications operations

Telecommunications operations include the provision of telecommunications services and the marketing and distribution of network cards and accessories:

Provision of telecommunications services

Revenue from the provision of telecommunications services, comprising proprietary services and carrier operations, is recognised when the services are rendered on the basis of traffic statistics agreed with international telecommunications carriers to the extent of the amounts expected to be received.

Marketing and distribution of network cards and accessories

Revenue from the marketing and distribution of network cards and accessories is recognised when the services are rendered and the Group's right to receive payment has been established.

(c) Resort and recreational club operations

Entrance fee income is recognised when the application for club membership is accepted and no significant uncertainty as to collectability exists. Annual subscription fee income is recognised over the relevant period of the membership. Revenue from the provision of resort and club facilities, catering and other services is recognised when goods are delivered or services are rendered.

(d) Dividend income

Dividend income is recognised when the shareholders' right to receive payment has been established.

(e) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

(f) Rental income

Rental income is recognised on a time proportion basis over the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Contingent rental is recognised in the income statement for the period in which it is earned.

(g) Consultancy, management and other services

Revenue from the provision of consultancy, management and other services is recognised when the relevant services have been provided and the Group's right to receive payment has been established.

EMPLOYEE BENEFITS

Pension schemes

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.

In parallel with the MPF Scheme, the Group also operates separate defined contribution retirement benefits schemes under the Occupational Retirement Schemes Ordinance for those employees who are eligible to participate. These separate schemes operate in a similar way to the MPF Scheme, except when an employee leaves the schemes before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group will be reduced by the relevant amount of the forfeited employer contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFITS (CONTINUED)

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a generally accepted option pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has adopted the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested by 1 January 2005 and to those granted on or after 1 January 2005.

BORROWING COSTS

Borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on certain of its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The key assumptions used for impairment assessment of goodwill are included in note 16 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated income statement. At 31 December 2008, an impairment loss of HK$56,000 (2007: HK$55,000) has been recognised for an available-for-sale equity investment. The carrying amount of the available-for-sale equity investment was HK$14,000 (2007: HK$70,000).

Write-down of inventories to net realisable value

Management reviews the aging analysis of inventories at each balance sheet date and makes provision for obsolete and slow-moving inventory items identified that are either expected to be sold below cost or no longer suitable for sale. This assessment process involves estimates. Management is satisfied that sufficient provision for obsolete and slow-moving inventories has been made as at 31 December 2008.

Estimation of fair value of properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

4. SEGMENT INFORMATION

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

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Business segments	***Nature of operations***
Wholesale and retail of fashion wear and accessories	The trading of fashion wear and accessories
Telecommunications operations	The provision of telecommunications services and the marketing and distribution of network cards and accessories
Resort and recreational club operations	The provision of resort and recreational facilities and catering services
Investments and treasury	Treasury operations and the holding and trading of investments for short term and long term investment returns

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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

4. SEGMENT INFORMATION (CONTINUED)

(a) BUSINESS SEGMENTS

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Group

	Wholesale and retail of fashion wear and accessories		Telecommunications operations		Resort and recreational club operations		Investments and treasury		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**191,433**	214,168	**30,860**	3,535	**16,635**	17,134	**22,992**	31,190	**261,920**	266,027
Other revenue	**1,471**	1,574	**65**	90	**4,556**	4,867	**11**	27	**6,103**	6,558
Total	**192,904**	215,742	**30,925**	3,625	**21,191**	22,001	**23,003**	31,217	**268,023**	272,585
Segment results	**(13,029)**	8,040	**26,377**	6,999	**4,715**	4,723	**(86,196)**	56,333	**(68,133)**	76,095
Unallocated expenses									**(2,525)**	(2,829)
Excess over cost on acquisition of an additional interest in a subsidiary	**6,688**	–	**–**	–	**–**	–	**–**	–	**6,688**	–
Gain on disposal of partial interest in an associate	**–**	–	**–**	–	**–**	–	**10,173**	–	**10,173**	–
Fair value gains/(losses) on revaluation of investment properties, net	**–**	–	**–**	–	**(22,600)**	(24,100)	**(1,600)**	5,500	**(24,200)**	(18,600)
Write-back of deficits on revaluation of resort and recreational club properties	**–**	–	**–**	–	**512**	8,268	**–**	–	**512**	8,268
Finance costs									**(820)**	(1,291)
Share of profits and losses of associates	**–**	–	**–**	–	**8,332**	(3,087)	**(912)**	(3,301)	**7,420**	(6,388)
Profit/(loss) before tax									**(70,885)**	55,255
Tax									**4,413**	–
Profit/(loss) for the year									**(66,472)**	55,255

4. SEGMENT INFORMATION (CONTINUED)

(a) BUSINESS SEGMENTS (CONTINUED)

Group

	Wholesale and retail of fashion wear and accessories		Telecommunications operations		Resort and recreational club operations		Investments and treasury		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**90,351**	101,732	**19,560**	24,065	**167,446**	178,765	**671,538**	754,459	**948,895**	1,059,021
Interests in associates	**–**	–	**–**	–	**20,683**	8,304	**–**	8,954	**20,683**	17,258
Total assets									**969,578**	1,076,279
Segment liabilities	**15,675**	16,090	**1,955**	10,233	**38,978**	42,359	**5,552**	6,787	**62,160**	75,469
Unallocated liabilities									**7,340**	10,323
Total liabilities									**69,500**	85,792
Other segment information:										
Depreciation and amortisation	**4,333**	7,757	**29**	40	**2,084**	1,883	**130**	107	**6,576**	9,787
Impairment losses recognised/ (reversed) in the income statement, net	**5,873**	–	**(4)**	–	**16**	206	**56**	55	**5,941**	261
Write-back of accrued payables	**–**	–	**5,997**	12,570	**–**	–	**–**	–	**5,997**	12,570
Write-down of inventories to net realisable value	**8,973**	1,000	**–**	–	**–**	–	**–**	–	**8,973**	1,000
Fair value loss/(gain) on financial assets at fair value through profit or loss, net	**–**	–	**–**	–	**–**	–	**86,557**	(38,147)	**86,557**	(38,147)
Loss/(gain) on disposal of financial assets at fair value through profit or loss, net	**–**	–	**–**	–	**–**	–	**7,443**	(4,626)	**7,443**	(4,626)
Loss/(gain) on disposal of items of property, plant and equipment	**257**	(5,168)	**–**	–	**–**	–	**–**	–	**257**	(5,168)
Capital expenditure on:										
Property, plant and equipment	**2,412**	1,687	**–**	–	**5,028**	78	**–**	159	**7,440**	1,924
Investment properties	**–**	–	**–**	–	**–**	586	**–**	–	**–**	586
Surplus on revaluation of resort and recreational club properties recognised directly in equity attributable to equity holders of the Company	**–**	–	**–**	–	**2,659**	–	**–**	–	**2,659**	–

4. SEGMENT INFORMATION (CONTINUED)

(b) GEOGRAPHICAL SEGMENTS

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

Group

	Hong Kong		Mainland China		Other Asia Pacific regions		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**230,878**	262,413	**1,089**	1,234	**1,027**	–	**28,926**	2,380	**261,920**	266,027
Other segment information:										
Segment assets	**796,586**	906,532	**143,236**	138,334	**27,429**	30,946	**2,327**	467	**969,578**	1,076,279
Capital expenditure on:										
Property, plant and equipment	**7,440**	1,924	**–**	–	**–**	–	**–**	–	**7,440**	1,924
Investment properties	**–**	–	**–**	586	**–**	–	**–**	–	**–**	586

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue (which is also the Group's turnover), other income and gains is as follows:

	2008 HK$'000	2007 HK$'000
Revenue		
Wholesale and retail of fashion wear and accessories	**191,433**	214,168
Telecommunications operations	**30,860**	3,535
Resort and recreational club operations	**16,635**	17,134
Dividend income from listed equity investments	**5,340**	5,122
Dividend income from an unlisted fund investment	**57**	—
Interest income	**17,595**	26,068
	261,920	266,027
Other income and gains		
Rental income	**1,209**	894
Management fees	**1,143**	1,014
Others	**3,751**	4,650
	6,103	6,558

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	**2008** **HK$'000**	2007 *HK$'000*
Cost of inventories sold		**103,788**	108,988
Depreciation*	13	**6,499**	9,710
Impairment of goodwill*	16	**6,610**	—
Auditors' remuneration for audit services		**1,500**	1,398
Recognition of prepaid land premiums*	15	**77**	77
Operating lease payments for land and buildings:			
Minimum lease payments		**42,997**	44,884
Contingent rentals		**2,630**	3,182
Write-down of inventories to net realisable value		**8,973**	1,000
Impairment of an available-for-sale equity investment (transfer from equity)*		**56**	55
Fair value losses/(gains), net:			
Financial assets at fair value through profit or loss*		**86,557**	(38,147)
Derivative instrument - a transaction not qualifying as a hedge*		**—**	104
Option derivatives - convertible bonds*		**(95)**	—
Fair value losses on revaluation of investment properties, net	14	**24,200**	18,600
Loss/(gain) on disposal of financial assets at fair value through profit or loss, net*		**7,443**	(4,626)
Loss/(gain) on disposal of items of property, plant and equipment*		**257**	(5,168)
Employee benefits expense (including directors' remunerations *(note 8)*):			
Salaries, wages and other benefits		**55,792**	57,009
Pension scheme contributions under defined contribution schemes		**1,819**	1,940
		57,611	58,949
Amortisation of deferred revenue		**(3,255)**	(3,335)
Write-back of accrued payables*		**(5,997)**	(12,570)
Net rental income		**(1,209)**	(890)
Exchange gains, net*		**(11,440)**	(8,579)
Impairment/(reversal of impairment) of trade receivables, net	23	**(725)**	206
Write-back of deficits on revaluation of resort and recreational club properties		**(512)**	(8,268)

* The balances are included in "Other operating income/(expenses), net" on the face of the consolidated income statement.

7. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**556**	935
Interest on a finance lease	**14**	14
Accretion of interest on debentures	**250**	342
	820	1,291

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Fees	**402**	400
Other emoluments:		
Salaries, allowances and benefits in kind	**5,962**	5,869
Performance related bonuses	**1,115**	242
Pension scheme contributions	**36**	36
	7,113	6,147
	7,515	6,547

No share options or any other forms of share-based payments were granted to directors during the year (2007: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) INDEPENDENT NON-EXECUTIVE DIRECTORS

The fees paid to independent non-executive directors during the year were as follows:

	2008	2007
	HK$'000	*HK$'000*
Dr. Cecil Sze Tsung CHAO	**20**	20
Dr. Jen CHEN	**20**	20
Mr. Ian Grant ROBINSON	**240**	240
	280	280

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Performance related bonuses HK$'000	Total remuneration HK$'000
2008					
Executive directors:					
Mr. Joseph Wing Kong LEUNG	**40**	**288**	**12**	**48**	**388**
Mr. James C. NG	**20**	**3,958**	**12**	**660**	**4,650**
Mr. Raymond Siu Wing CHAN *(Note)*	**1**	**–**	**–**	**–**	**1**
Mr. Derek Wai Choi LEUNG	**20**	**–**	**–**	**–**	**20**
Mr. Wing Tung YEUNG	**20**	**1,716**	**12**	**407**	**2,155**
	101	**5,962**	**36**	**1,115**	**7,214**
Non-executive directors:					
Mr. Raymond Wai Pun LAU	**20**	**–**	**–**	**–**	**20**
Mr. Raymond Shing Loong WONG *(Note)*	**1**	**–**	**–**	**–**	**1**
	122	**5,962**	**36**	**1,115**	**7,235**
2007					
Executive directors:					
Mr. Joseph Wing Kong LEUNG	40	288	12	12	352
Mr. James C. NG	20	3,958	12	165	4,155
Mr. Derek Wai Choi LEUNG	20	–	–	–	20
Mr. Wing Tung YEUNG	20	1,623	12	65	1,720
	100	5,869	36	242	6,247
Non-executive director:					
Mr. Raymond Wai Pun LAU	20	–	–	–	20
	120	5,869	36	242	6,267

Note: Mr. Raymond Siu Wing CHAN and Mr. Raymond Shing Loong WONG were appointed as an executive director and a non-executive director, respectively, on 12 December 2008.

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2007: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2007: three) non-director, highest paid employees for the year are as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**4,341**	4,281
Performance related bonuses	**409**	76
Pension scheme contributions	**36**	126
	4,786	4,483

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

	Number of employees	
	2008	2007
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
	3	3

No share options or any other forms of share-based payments were granted to the five highest paid employees during the year (2007: Nil).

10. TAX

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2008 (2007: Nil) as the Company and its subsidiaries either did not generate any assessable profits for the year or have available tax losses brought forward from prior years to offset against any assessable profits generated during the year. The current year tax credit represents an overprovision for Hong Kong profits tax in prior years.

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax using the applicable rate for the countries/jurisdictions in which the Company and its subsidiaries are domiciled to the tax credit at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	Group			
	2008		2007	
	HK$'000	**%**	*HK$'000*	*%*
Profit/(loss) before tax	**(70,885)**		55,255	
Tax charge/(credit) at the applicable tax rate	**(12,941)**	**(18.3)**	10,346	18.7
Income not subject to tax	**(12,159)**	**(17.1)**	(8,347)	(15.1)
Expenses not deductible for tax	**7,150**	**10.1**	3,747	6.8
Tax losses not recognised	**19,437**	**27.4**	3,946	7.1
Overprovision in prior years	**(4,413)**	**(6.2)**	—	—
Tax losses utilised from previous periods	**(1,487)**	**(2.1)**	(9,692)	(17.5)
Tax credit at the Group's effective rate	**(4,413)**	**(6.2)**	—	—

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

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2008 includes a loss of HK$75,218,000 (2007: profit of HK$44,861,000) which has been dealt with in the financial statements of the Company (note 35(b)).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of HK$66,376,000 (2007: profit of HK$52,426,000), and 1,650,658,676 (2007: 1,650,658,676) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 December 2008 and 2007 have not been disclosed as there were no diluting events during these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Resort and recreational club properties *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Communications equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2008						
Cost or valuation:						
At 1 January 2008	69,000	1,997	40,614	37,552	3,528	152,691
Additions	1,766	3,000	2,674	–	–	7,440
Disposals	–	–	(4,629)	–	–	(4,629)
Surplus on revaluation	3,171	–	–	–	–	3,171
Elimination of accumulated depreciation	(1,837)	–	–	–	–	(1,837)
Exchange realignment	–	23	(69)	(3,030)	(6)	(3,082)
At 31 December 2008	72,100	5,020	38,590	34,522	3,522	153,754
Accumulated depreciation and impairment:						
At 1 January 2008	–	1,774	32,917	37,552	3,145	75,388
Depreciation provided during the year	1,837	57	4,489	–	116	6,499
Write-back on revaluation	(1,837)	–	–	–	–	(1,837)
Disposals	–	–	(4,069)	–	–	(4,069)
Exchange realignment	–	25	(71)	(3,030)	(15)	(3,091)
At 31 December 2008	–	1,856	33,266	34,522	3,246	72,890
Net carrying amount:						
At 31 December 2008	72,100	3,164	5,324	–	276	80,864
Analysis of cost or valuation:						
At cost	–	5,020	38,590	34,522	3,522	81,654
At 31 December 2008 valuation	72,100	–	–	–	–	72,100
	72,100	5,020	38,590	34,522	3,522	153,754

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Land and buildings HK$'000	Resort and recreational club properties HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Com-munications equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2007							
Cost or valuation:							
At 1 January 2007	9,200	62,300	1,875	47,959	37,552	3,493	162,379
Additions	—	—	100	1,824	—	—	1,924
Disposals	(9,200)	—	—	(9,201)	—	—	(18,401)
Surplus on revaluation	—	8,268	—	—	—	—	8,268
Elimination of accumulated depreciation	—	(1,568)	—	—	—	—	(1,568)
Exchange realignment	—	—	22	32	—	35	89
At 31 December 2007	—	69,000	1,997	40,614	37,552	3,528	152,691
Accumulated depreciation and impairment:							
At 1 January 2007	—	—	1,662	35,532	37,552	2,995	77,741
Depreciation provided during the year	1,368	1,568	94	6,557	—	123	9,710
Write-back on revaluation	—	(1,568)	—	—	—	—	(1,568)
Disposals	(1,368)	—	—	(9,201)	—	—	(10,569)
Exchange realignment	—	—	18	29	—	27	74
At 31 December 2007	—	—	1,774	32,917	37,552	3,145	75,388
Net carrying amount:							
At 31 December 2007	—	69,000	223	7,697	—	383	77,303
Analysis of cost or valuation:							
At cost	—	—	1,997	40,614	37,552	3,528	83,691
At 31 December 2007 valuation	—	69,000	—	—	—	—	69,000
	—	69,000	1,997	40,614	37,552	3,528	152,691

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
31 December 2008			
Cost:			
At 1 January 2008	**283**	**224**	**507**
Additions	**3,000**	**—**	**3,000**
At 31 December 2008	**3,283**	**224**	**3,507**
Accumulated depreciation:			
At 1 January 2008	**63**	**120**	**183**
Depreciation provided during the year	**56**	**74**	**130**
At 31 December 2008	**119**	**194**	**313**
Net carrying amount:			
At 31 December 2008	**3,164**	**30**	**3,194**
31 December 2007			
Cost:			
At 1 January 2007	183	164	347
Additions	100	60	160
At 31 December 2007	283	224	507
Accumulated depreciation:			
At 1 January 2007	25	51	76
Depreciation provided during the year	38	69	107
At 31 December 2007	63	120	183
Net carrying amount:			
At 31 December 2007	220	104	324

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of a motor vehicle held under a finance lease included in the total amount of the Group's motor vehicles at 31 December 2008 amounted to HK$155,000 (2007: HK$248,000).

The Group's resort and recreational club properties are situated in Hong Kong and are held under medium term leases.

The Group's resort and recreational club properties were revalued at 31 December 2008 and 2007 by independent professionally qualified valuers, DTZ Debenham Tie Leung Limited ("DTZ"), on a depreciated replacement cost basis. A revaluation surplus of HK$512,000 (2007: HK$8,268,000) for the year ended 31 December 2008 has been credited to the consolidated income statement to write-back deficits on previous revaluations.

Had the Group's resort and recreational club properties been carried at historical cost less accumulated depreciation and impairment losses as at 31 December 2008, their aggregate carrying amount would have been approximately HK$28,525,000 (2007: HK$27,454,000).

14. INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Carrying amount at 1 January	**113,900**	123,900
Additions	**–**	586
Net loss from a fair value adjustment	**(24,200)**	(18,600)
Exchange realignment	**6,000**	8,014
Carrying amount at 31 December	**95,700**	113,900

At 31 December 2008, the Group's investment properties comprised industrial property units situated in Hong Kong of HK$9,800,000 (2007: HK$11,400,000) and resort and recreational club properties situated in Mainland China of HK$85,900,000 (2007: HK$102,500,000). These properties are held under medium term leases.

The Group's industrial property units are held for capital appreciation purpose whereas its resort and recreational club properties are held for leasing to an associate of the Group, Shanghai Landis Hospitality Management Co. Ltd., under an operating lease arrangement for resort and recreational club operations. Further summary details of the operating lease arrangement are included in note 38(a) to the financial statements.

14. INVESTMENT PROPERTIES (CONTINUED)

	Company	
	2008	2007
	HK$'000	*HK$'000*
Carrying amount at 1 January	**128,400**	127,900
Net profit/(loss) from a fair value adjustment	**(17,600)**	500
Carrying amount at 31 December	**110,800**	128,400

At 31 December 2008, the Company's investment properties comprised industrial property units of HK$9,800,000 (2007: HK$11,400,000) and resort and recreational club properties of HK$101,000,000 (2007: HK$117,000,000) which are situated in Hong Kong and are held under medium term leases.

The Company's industrial property units are held for capital appreciation purpose whereas its resort and recreational club properties are leased to its wholly-owned subsidiary, Hill Top Country Club Limited, for resort and recreational club operations.

The Group's and the Company's investment properties were revalued individually at 31 December 2008 and 2007 by independent professionally qualified valuers, DTZ, on an open market, existing use basis.

Further particulars of the Group's investment properties are included on page 114.

15. PREPAID LAND PREMIUMS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Carrying amount at 1 January	**3,063**	3,140
Recognised during the year	**(77)**	(77)
Carrying amount at 31 December	**2,986**	3,063
Current portion	**(77)**	(77)
Non-current portion	**2,909**	2,986

The leasehold land is held under a medium term lease and is situated in Hong Kong.

16. GOODWILL

	Group HK$'000
31 December 2008	
Cost:	
At 1 January 2008 and 31 December 2008	8,045
Accumulated impairment:	
At 1 January 2008	(1,435)
Impairment during the year	(6,610)
At 31 December 2008	(8,045)
Net carrying amount:	
At 31 December 2008	–
31 December 2007	
Cost:	
At 1 January 2007 and 31 December 2007	8,045
Accumulated impairment:	
At 1 January 2007 and 31 December 2007	(1,435)
Net carrying amount:	
At 31 December 2007	6,610

IMPAIRMENT TESTING OF GOODWILL

Goodwill capitalised as an asset in the consolidated balance sheet arose from the acquisition of subsidiaries of the Group's wholesale and retail of fashion wear and accessories business (the "Fashion Business").

The recoverable amount of the Group's Fashion Business has been determined based on a value in use calculation, using cash flow projections based on financial budgets approved by management that cover a 15-year period. Assumptions have been made by management that the cash flows from the Group's Fashion Business will continue beyond at least the forecast period in view of management's long term experience in running the business. The discount rate applied to the cash flow projections is 5%. Cash flows beyond the three-year period and seven-year period are extrapolated using a growth rate of 5% and 3%, respectively.

Management of the Group has considered the assumptions used in the cash flow projections, taking into account the significant downturn in the economic environment and weakened consumer spending power since the last quarter of 2008, and believes that the growth rates and discount rate applied are justified. In light of the expected slowdown of business growth, the Group recognised an impairment loss on goodwill of HK$6,610,000 (2007: Nil) in the consolidated income statement with reference to the assessed recoverable amount of the Fashion Business.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	**12,700**	12,700
Due from subsidiaries	**1,358,969**	1,308,746
	1,371,669	1,321,446
Provision for impairment	**(1,095,489)**	(1,095,836)
	276,180	225,610

Impairment losses were recognised for investments in the unlisted shares of subsidiaries and amounts due from subsidiaries with carrying amounts (before deducting the impairment losses) of HK$12,700,000 and HK$1,082,789,000, respectively, as at 31 December 2008 because these subsidiaries have insufficient assets to be realised for the Company to recover its interests therein. During the year ended 31 December 2008, there was no movement in the impairment recognised for the investments in unlisted shares (2007: Nil) and the decrease in impairment for amounts due from subsidiaries was HK$347,000 (2007: increase of HK$25,812,000).

The amounts due from subsidiaries are unsecured, interest-free and not due for settlement within one year. The amount due to a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

The carrying amounts of all balances with subsidiaries approximate to their fair values.

17. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Asia Pacific Telecommunications Limited	Hong Kong	HK$2,000	—	100	Provision of telecom-munications services
e-New Media Technology Limited	British Virgin Islands/ Hong Kong	US$1	100	—	Investment holding
e-Media (Asia) Limited	Cayman Islands/ Hong Kong	US$1	100	—	Investment holding
ENM Investments Limited	Cayman Islands/ Hong Kong	US$1	100	—	Investment holding
Fortress Global Limited	Hong Kong	HK$2	—	100	Investment holding
Hill Top Country Club Limited	Hong Kong	HK$10,000,000	100	—	Recreational club operations
Jackpot International Business Inc.	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Kenmure Limited	Hong Kong	HK$55,000,000	—	100	Investment holding
Lion Dragon Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
New Media Corporation	Cayman Islands/ Hong Kong	US$2,227,280	—	100	Investment holding
Powerbridge Limited	British Virgin Islands/ Hong Kong	US$600,000	—	75	Investment holding

17. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Richtime Management Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Shanghai ENM Telecom & Technology Limited*#	People's Republic of China ("PRC")/ Mainland China	US$1,000,000	—	75	Marketing and distribution of network cards and accessories
Shanghai Hilltop Resort Hotel Ltd. ("Shanghai Hilltop")**#	PRC/ Mainland China	US$7,200,000	—	80	Property investment in a resort and recreational club
The Swank Shop Limited	Hong Kong	HK$104,500,000	—	100	Retail and wholesale of fashion wear and accessories
Ventures Triumph Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Voice Information Systems Limited	Hong Kong	Ordinary "A" HK$3,000,000 Ordinary "B" HK$2,000,000	—	100	Provision of telecom-munications services
Wintalent International Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding

* Registered as a wholly-foreign-owned enterprise established in the PRC
** Registered as a Sino-foreign co-operation joint venture established in the PRC
\# The English names are direct translations of the Chinese names of the entities

17. INTERESTS IN SUBSIDIARIES (CONTINUED)

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

18. INTERESTS IN ASSOCIATES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**–**	1
Share of net assets	**15,389**	15,406	**–**	–
Goodwill on acquisition	**467**	14,986	**–**	–
	15,856	30,392	**–**	1
Due from associates	**4,827**	1,385	**–**	346
	20,683	31,777	**–**	347
Provision for impairment	**–**	(14,519)	**–**	–
	20,683	17,258	**–**	347

The amounts due from associates are unsecured, interest-free and not due for settlement within one year, except for an amount of US$480,000 (equivalent to HK$3,735,000) which bears interest at London interbank offered rate. The carrying amounts of all balances with associates approximate to their fair values.

Included in goodwill on acquisition as at 31 December 2007 was a fully impaired amount of HK$14,519,000 which arose from the Group's acquisition of a 20% equity interest in Beijing Smartdot Technologies Co. Ltd.

18. INTERESTS IN ASSOCIATES (CONTINUED)

Particulars of the principal associates are as follows:

Name	Particulars of registered capital	Place of registration	Percentage of ownership interest attributable to the Group 2008	2007	Principal activity
Shanghai Landis Hospitality Management Co. Ltd. ("Shanghai Landis")#	US$8,000,000	PRC	**35**	35	Resort and recreational club management
Beijing Smartdot Technologies Co. Ltd. ("Smartdot")	RMB37,742,000	PRC	**–***	20	Software development and provision of project solutions

The English name is a direct translation of the Chinese name of the company.

* On 12 June 2008, the Group completed the disposal of a 10% equity interest in Smartdot, a 20%-owned associate of the Group prior to the disposal, to another shareholder of Smartdot. The Group's remaining 10% equity interest therein has been accounted for as an available-for-sale equity investment thereafter.

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

The following table illustrates the summarised financial information of the Group's principal associates extracted from their financial statements:

	2008	2007
	HK$'000	*HK$'000*
Assets	**95,841**	174,490
Liabilities	**(48,117)**	(110,757)
Revenues	**63,353**	122,864
Profit/(Loss)	**23,806**	(20,211)

19. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Overseas listed equity investment, at fair value	**14**	70
Unlisted equity investments, at cost less impairment loss	**39,420**	35,378
	39,434	35,448

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The fair value of listed equity investment is based on quoted market price. The unlisted equity investments are carried at cost less impairment loss because the directors are of the opinion that the range of reasonable fair value estimates is so significant that their fair values cannot be measured reliably. Such investments are non-derivative and mainly represent investments in the shares of entities principally involved in medical drug development, manufacturing and distribution, electronic payment and intra-bank fund transfer services, software development and project solution services. The Group does not intend to dispose of them in the near future.

There has been a significant decline in the market value of the overseas listed equity investment during the year. The directors consider that such a decline indicates that the overseas listed equity investment has been impaired and an impairment loss of HK$56,000 (2007: HK$55,000), which included a transfer from the available-for-sale investment revaluation reserve of HK$56,000 (2007: HK$55,000), has been recognised in the consolidated income statement for the year.

20. CONVERTIBLE BONDS

	Group and Company	
	2008	2007
	HK$'000	*HK$'000*
Listed convertible bonds*:		
Available-for-sale debt investments, at fair value	**24,746**	—
Option derivatives, at fair value	**2,812**	—
	27,558	—

At 31 December 2008, the Company held listed convertible bonds with an aggregate principal amount of HK$36,000,000, which were either issued or guaranteed by a company listed on The Stock Exchange of Hong Kong Limited. The convertible bonds confer rights on the bearers to convert the whole or part of the outstanding principal amount into shares of the relevant listed companies and are early redeemable at the option of the Company and/or issuers under certain conditions. The convertible bonds have maturity dates ranging from 22 February 2012 to 4 June 2014 and are redeemable at rates ranging from 117.203% to 128.3716% at maturity dates.

The fair values of the convertible bonds and their components are determined with reference to the valuation performed by Asset Appraisal Limited, a firm of independent professional valuers, by using the trinomial tree pricing model. Interest income from the convertible bonds is recognised based on effective interest rates ranging from 12.51% to 28.81% per annum.

* Listed as selectively marketed securities on The Stock Exchange of Hong Kong Limited or the Singapore Exchange Securities Trading Limited.

21. HELD-TO-MATURITY INVESTMENTS

	Group and Company	
	2008	2007
	HK$'000	*HK$'000*
Listed held-to-maturity investments*, at amortised cost	**13,578**	—

The held-to-maturity investments are notes guaranteed by a company listed on The Stock Exchange of Hong Kong Limited, denominated in United States dollars, bear interest at a fixed rate of 6.25% per annum payable semi-annually, and will mature on 15 July 2011. The maximum exposure to credit risk as at 31 December 2008 was the carrying amount of the held-to-maturity investments. The fair value of the Group's held-to-maturity investments at the balance sheet date was approximately HK$8,216,000 with reference to over-the-counter quoted prices.

* Listed as selectively marketed securities on the Singapore Exchange Securities Trading Limited.

22 INVENTORIES

As at 31 December 2008 and 2007, all of the Group's inventories represented finished goods.

23. TRADE RECEIVABLES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**2,942**	9,098
Impairment	**(338)**	(1,937)
	2,604	7,161

The Group maintains a defined credit policy for its trade customers and the credit terms given vary according to the business activities. The financial strength of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. Overdue balances are reviewed regularly by management.

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 1 month	**2,317**	4,128
2 to 3 months	**276**	844
Over 3 months	**11**	2,189
	2,604	7,161

23. TRADE RECEIVABLES (CONTINUED)

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
At 1 January	**1,937**	1,866
Amount written off as uncollectible	**(874)**	(135)
Impairment losses recognised/(reversed), net *(note 6)*	**(725)**	206
At 31 December	**338**	1,937

Included in the above provision for impairment of trade receivables was a provision for individually impaired trade receivables of HK$338,000 (2007: HK$1,937,000) with a carrying amount of HK$338,000 (2007: HK$1,937,000). The individually impaired trade receivables relate to customers that have been in default for prolonged periods and there is significant uncertainty over the recovery of the balances. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**2,317**	4,160
Less than 1 month past due	**253**	290
1 to 3 months past due	**27**	522
Over 3 months past due	**7**	2,189
	2,604	7,161

Receivables that were neither past due nor impaired relate to a number of debtors for whom there was no recent history of default.

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits	**18,635**	17,463	**494**	446
Prepayments and other receivables	**15,379**	16,193	**6,401**	5,699
	34,014	33,656	**6,895**	6,145

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default and their carrying amounts approximate to their fair values.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments, at market value:				
Hong Kong	**98,766**	197,497	**90,189**	177,201
Elsewhere	**1,245**	397	**—**	—
Unlisted fund investment, at fair value:				
Hong Kong	**2,696**	—	**2,696**	—
	102,707	197,894	**92,885**	177,201

The above equity and fund investments at 31 December 2008 and 2007 were classified as held for trading. The fair value of the unlisted fund investment is based on the price quoted by the issuer. The directors believe that the estimated fair value quoted by the issuer is reasonable, and that it is the most appropriate value at the balance sheet date.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

As at 31 December 2008 and 2007, the above equity investments included the ordinary shares of HK$2 each of China Motor Bus Company, Limited, a company incorporated in Hong Kong, as follows:

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Market value of ordinary shares of China Motor Bus Company, Limited	**82,609**	131,384	**82,115**	130,601
Proportion of ownership interest	**4.5%**	4.5%	**4.5%**	4.5%

At the date of approval of these financial statements, the aggregate market value of the Group's short term listed equity investments held as at 31 December 2008 was approximately HK$101,702,000.

26. CASH AND BANK BALANCES AND DEPOSITS

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$13,075,000 (2007: HK$9,280,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

27. TRADE AND OTHER PAYABLES

Included in the Group's trade and other payables as at 31 December 2008 are trade and bills payables of HK$8,902,000 (2007: HK$12,893,000). As at 31 December 2008, the Company had no trade and bills payables (2007: Nil). An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 1 month	**6,921**	4,704
2 to 3 months	**141**	281
Over 3 months	**1,840**	7,908
	8,902	12,893

All trade and other payables of the Group and the Company are unsecured, interest-free and repayable within four months or on demand. The carrying amounts of the financial liabilities included in the above balances approximate to their fair values.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2008 Effective interest rate (%)	2008 Maturity	2008 *HK$'000*	2007 Effective interest rate (%)	2007 Maturity	2007 *HK$'000*
Current						
Bank loans						
- unsecured	**5 to 6**	**2009**	**7,226**	7 to 8	2008	4,620
Finance lease payables *(note 29)*	**3**	**2009**	**91**	3	2008	92
			7,317			4,712
Non-current						
Finance lease payables *(note 29)*	**3**	**2010**	**23**	3	2009 - 2010	114
			7,340			4,826

Other than the fixed interest rate of 3% per annum for the finance lease arrangement, all interest-bearing borrowings of the Group bear interest at floating rates. All interest-bearing bank and other borrowings of the Group are denominated in Hong Kong dollars.

The carrying amounts of the Group's current borrowings approximate to their fair values. The fair value of the Group's non-current finance lease payables with a carrying amount of HK$23,000 (2007: HK$114,000) was HK$25,000 (2007: HK$119,000) at the balance sheet date and was calculated by discounting the expected future cash flows at the prevailing interest rates.

29. FINANCE LEASE PAYABLES

The Group leases a motor vehicle under a finance lease arrangement with a remaining lease term of one year and three months as at 31 December 2008.

At 31 December 2008, the Group's total future minimum lease payments under the finance lease and their present values were as follows:

Group	**Minimum lease payments 2008 *HK$'000***	Minimum lease payments 2007 *HK$'000*	**Present value of minimum lease payments 2008 *HK$'000***	Present value of minimum lease payments 2007 *HK$'000*
Amounts payable:				
Within one year	**105**	105	**91**	92
In the second year	**26**	105	**23**	91
In the third to fifth years, inclusive	**–**	26	**–**	23
Total minimum finance lease payments	**131**	236	**114**	206
Future finance charges	**(17)**	(30)		
Total net finance lease payables	**114**	206		
Portion classified as current liabilities *(note 28)*	**(91)**	(92)		
Non-current portion *(note 28)*	**23**	114		

30. DEBENTURES

Each debenture holder is entitled to be a debenture member of the Hilltop Country Club (the "Club") operated by a subsidiary of the Group, Hill Top Country Club Limited, subject to the rules and by-laws of the Club so long as the debentures shall remain outstanding, and has the right to use and enjoy all the facilities of the Club free from payment of monthly subscription. At the balance sheet date, the redeemable periods of the Group's debentures carried at amortised cost were as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**402**	2,670
In the second year	**166**	385
In the third to fifth years, inclusive	**5,019**	3,077
	5,185	3,462
	5,587	6,132

All redeemable debentures are denominated in Hong Kong dollars, interest-free and may be renewed upon maturity subject to the Group's consent.

The carrying amounts of the redeemable debentures approximate to their fair values.

31. OTHER LOANS

As at 31 December 2008 and 2007, the unsecured loans from a minority shareholder of a subsidiary denominated in foreign currencies amounted to RMB1,216,241 and US$521,859. The loans are interest-free and have no fixed terms of repayment. The carrying amounts of these loans approximate to their fair values.

32. DEFERRED TAX

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

Group

	Depreciation allowance in excess of related depreciation HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 January 2007	8,161	(8,161)	–
Deferred tax charged/(credited) to the consolidated income statement during the year	1,559	(1,559)	–
At 31 December 2007 and at 1 January 2008	9,720	(9,720)	–
Deferred tax charged/(credited) to the consolidated income statement during the year	2	(2)	–
At 31 December 2008	**9,722**	**(9,722)**	**–**

The Group has tax losses arising in Hong Kong of HK$636,604,000 (2007: HK$496,029,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As disclosed above, deferred tax assets have been recognised in respect of these losses only to the extent of offsetting any deferred tax liabilities of the same subsidiaries. Deferred tax assets have not been recognised for tax losses of HK$577,682,000 (2007: HK$440,487,000) as the losses have arisen in subsidiaries that have either been loss-making for some time or whose availability of future taxable profits is unpredictable.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on any dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings, if any, in the foreseeable future.

33. SHARE CAPITAL

SHARES

	2008 *HK$'000*	2007 *HK$'000*
Authorised:		
100,000,000,000 (2007: 100,000,000,000) ordinary shares of HK$0.01 each	**1,000,000**	1,000,000
Issued and fully paid:		
1,650,658,676 (2007: 1,650,658,676) ordinary shares of HK$0.01 each	**16,507**	16,507

A capital reorganisation scheme was approved by the shareholders at an extraordinary general meeting on 11 July 2002 and was subsequently confirmed by the sanction of an order of the High Court of Hong Kong dated 6 August 2002. Details of the capital reorganisation scheme are as follows:

(a) the authorised share capital of the Company was reduced from HK$1,000,000,000 (divided into 2,000,000,000 ordinary shares of HK$0.50 each) to HK$20,000,000 (divided into 2,000,000,000 ordinary shares of HK$0.01 each). Such reduction was effected by cancelling the paid-up capital per share by HK$0.49 on each of the 1,650,658,676 ordinary shares in issue on 6 August 2002, being the date on which the court petition was heard, and by reducing the nominal value of all the issued and unissued ordinary shares of the Company from HK$0.50 to HK$0.01 per ordinary share; and

(b) upon such reduction of capital taking effect:

(i) the authorised share capital of the Company was increased to its former amount of HK$1,000,000,000 by the creation of additional 98,000,000,000 ordinary shares of HK$0.01 each; and

(ii) a special reserve was created and credited with an amount equal to the credit arising from the said reduction of capital as detailed in (a) above, which amounted to HK$808,822,751. Such reserve shall not be treated as realised profit and shall, for as long as the Company shall remain a listed company, be treated as an undistributable reserve. However, the special reserve may be reduced by the aggregate of any increase in the issued capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves.

SHARE OPTIONS

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the financial statements.

34. SHARE OPTION SCHEME

In an extraordinary general meeting of the Company held on 14 June 2002, the shareholders of the Company formally approved the adoption of a share option scheme (the "Scheme"), in compliance with the amended Chapter 17 of the Listing Rules and for the purpose of providing the Company a flexible means of giving incentives and rewards to executive directors and employees for their contributions to the Group.

Under the terms of the Scheme, the board of directors may, at its discretion, invite executive directors and employees of the Group to take up options to subscribe for shares of the Company. The Scheme shall be valid and effective for a period of 10 years ending on 13 June 2012, after which period no further options will be granted. The exercise price of options shall be determined by the board and shall be at least the highest of (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's daily quotation sheet on the offer date, which must be a business day; (ii) a price being the average of the closing prices of the Company's shares as stated in The Stock Exchange of Hong Kong Limited's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the Company's shares. A nominal consideration of HK$1 is payable on acceptance of any option granted.

The total number of shares available for issue under the Scheme at 31 December 2008 and 2007 were 243,415,800, which represented 14.7% of the issued share capital of the Company on the same dates. In respect of the maximum entitlement of each participant under the Scheme, the number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue. Any further grant of options in excess of this limit is subject to shareholders' approval in a general meeting.

No options have been granted under the Scheme since its inception.

The share options of the Company are unlisted and each option gives the holder the right to subscribe for one ordinary share of HK$0.01 of the Company.

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

35. RESERVES

(a) GROUP

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on pages 35 and 36 of the financial statements.

(b) COMPANY

	Share premium account HK$'000	Special reserve HK$'000 (note 33(b)(ii))	Capital redemption reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	1,189,721	808,822	478	–	(1,069,632)	929,389
Profit for the year	–	–	–	–	44,861	44,861
At 31 December 2007 and 1 January 2008	1,189,721	808,822	478	–	(1,024,771)	974,250
Changes in fair value of available-for-sale debt investments	–	–	–	2,316	–	2,316
Loss for the year	–	–	–	–	(75,218)	(75,218)
At 31 December 2008	**1,189,721**	**808,822**	**478**	**2,316**	**(1,099,989)**	**901,348**

36. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

MAJOR NON-CASH TRANSACTION

In the year ended 31 December 2007, the Group capitalised its advance to an associate of HK$5,446,000 as further capital contribution in proportion to the Group's equity interest as agreed amongst all other shareholders of the associate.

37. CONTINGENT LIABILITIES

At the balance sheet date, the Company and/or the Group had the following significant contingent liabilities:

(a) The Company had corporate guarantees executed as part of the security for general banking facilities granted to certain subsidiaries to the extent of HK$342,000 (2007: HK$342,000).

(b) A bank guarantee had been given by a bank to a lessor in lieu of the Group's shop rental deposit amounted to HK$531,000 (31 December 2007: HK$531,000).

(c) The Company/Group is currently conducting proceedings as the appellant at the Appeal Tribunal (Buildings) issued against the Hong Kong Building Authority ("the Building Authority") as the respondent, to appeal against building orders imposed by the Building Authority, which involves disputes on the remedial/maintenance responsibility of certain slope features in the vicinity of the Company/Group's resort and recreational club properties. The directors, based on the advice from the Group's legal counsel, believe that the Company has valid grounds to dispute the remedial/maintenance responsibility of certain slope features.

    Up to the date of these financial statements, there is no decision made by the Appeal Tribunal regarding the said remedial/maintenance responsibility and no monetary claim has been involved nor any expenses for any remedial/maintenance work have arisen from the proceedings, other than legal costs, expert fees and related expenses being incurred in the conduct of the proceedings. Accordingly, no provision has been made for any claims or costs of remedial/maintenance works arising from the proceedings, other than the related legal and other costs.

38. OPERATING LEASE ARRANGEMENTS

(a) AS LESSOR

The Group has entered into an operating lease arrangement with an associate of the Group, Shanghai Landis, for the lease of resort and recreational club properties (note 14 to the financial statements) under which the effective lease period is from 1 July 2006 to 30 June 2016.

At 31 December 2008, the Group had total future minimum lease receivables under a non-cancellable operating lease with the associate falling due as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	**1,514**	1,134
In the second to fifth years, inclusive	**6,057**	5,682
After five years	**3,786**	4,971
	11,357	11,787

During the year, no income was recognised by the Group in respect of contingent rentals receivable (2007: Nil).

(b) AS LESSEE

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 31 December 2008, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**37,462**	36,773	**906**	809
In the second to fifth years, inclusive	**32,540**	37,116	**–**	–
After five years*	**494**	–	**–**	–
	70,496	73,889	**906**	809

* Represents a lease effective subsequent to the balance sheet date.

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38(b) above, the Group had the following commitments at the balance sheet date:

(a) CAPITAL COMMITMENTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Development of resort and recreational club properties	**111**	—
Renovation on leased properties	**544**	—
	655	—

(b) OTHER COMMITMENT

The Company, acting on behalf of Hill Top Country Club Limited, a wholly-owned subsidiary of the Company, is a party to a co-operative joint venture agreement with a Mainland China joint venture partner in respect of the resort and recreational club properties of Shanghai Hilltop. According to the terms of the co-operative joint venture agreement and supplementary agreements entered into between 1996 and 2002, Shanghai Hilltop is committed to pay the Mainland China joint venture partner a minimum annual fee of RMB1,650,000 (equivalent to HK$1,865,000) and US$268,000 (equivalent to HK$2,085,000) from 2001 to 2008 and from 2009 to 2022, respectively. In 2003, Shanghai Hilltop entered into a management subcontracting agreement with Shanghai Landis, an associate of the Group, under which Shanghai Landis has undertaken to absorb any such amounts payable to the Mainland China joint venture partner by Shanghai Hilltop up to 30 June 2016, the expiry date of the management sub-contracting agreement.

At 31 December 2008, the minimum amount payable to the Mainland China joint venture partner by Shanghai Hilltop up to 2022 under the above arrangement was HK$29,191,000 (2007: HK$30,940,000), of which HK$15,638,000 (2007: HK$17,387,000) will be absorbed by Shanghai Landis up to 30 June 2016.

40. RELATED PARTY TRANSACTIONS

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

		Group	
	Notes	**2008**	2007
		HK$'000	*HK$'000*
Rental expenses and building management fees paid to related companies	(i)	**2,336**	2,027
Rental income from an associate	(ii)	**1,209**	848

Notes:

(i) The rental expenses and building management fees paid to related companies controlled by a substantial shareholder of the Company were charged in accordance with the terms of the relevant agreements, and included rental expenses of HK$2,045,000 (2007: HK$1,735,000).

(ii) The rental income from an associate arose from the lease of resort and recreational club properties in accordance with the agreement with the associate.

(b) Compensation of key management personnel of the Group:

	2008	2007
	HK$'000	*HK$'000*
Short term employee benefits	**12,230**	10,869
Post-employment benefits	**72**	180
Total compensation paid to key management personnel	**12,302**	11,049

Further details of directors' emoluments are included in note 8 to the financial statements.

(c) On 15 May 2008, the Group completed the acquisition of an additional 40% equity interest in Kenmure Limited ("Kenmure") from Kenmure's minority shareholders at an aggregate consideration of HK$22,000,000. Kenmure is an investment holding company which holds a 100% equity interest in The Swank Shop Limited, the Group's subsidiary principally engaged in the wholesale and retail of fashion wear and accessories. In this connection, the Group recognised a discount on acquisition of HK$6,688,000 based on the excess of the 40% consolidated net assets of Kenmure, as included in the Group's consolidated balance sheet as at the completion date of the acquisition, over the consideration of the acquisition plus transaction costs of HK$1,021,000.

The related party transactions in respect of item (a)(i) regarding the rental expenses and item (c) above also constitute continuing connected transaction and connected transaction, respectively, as defined in Chapter 14A of the Listing Rules, further details of which are included in the report of the directors on pages 18 to 20.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2008 — **Group**

Financial assets	**Financial assets at fair value through profit or loss - held for trading** *HK$'000*	**Loans and receivables** *HK$'000*	**Held-to-maturity investments** *HK$'000*	**Available-for-sale financial assets** *HK$'000*	**Total** *HK$'000*
Interests in associates *(note 18)*	–	4,827	–	–	4,827
Available-for-sale equity investments	–	–	–	39,434	39,434
Available-for-sale debt investments - convertible bonds	–	–	–	24,746	24,746
Held-to-maturity investments	–	–	13,578	–	13,578
Trade receivables	–	2,604	–	–	2,604
Financial assets included in prepayments, deposits and other receivables	–	25,456	–	–	25,456
Financial assets at fair value through profit or loss	102,707	–	–	–	102,707
Option derivatives - convertible bonds	2,812	–	–	–	2,812
Pledged deposits	–	342	–	–	342
Time deposits	–	475,622	–	–	475,622
Cash and bank balances	–	28,810	–	–	28,810
	105,519	537,661	13,578	64,180	720,938

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Trade payables and financial liabilities included in other payables	19,665
Interest-bearing bank and other borrowings	7,340
Debentures	5,587
Other loans	5,427
	38,019

41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows (continued):

2007

Group

Financial assets

	Financial assets at fair value through profit or loss - held for trading	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interests in associates *(note 18)*	—	1,385	—	1,385
Available-for-sale equity investments	—	—	35,448	35,448
Trade receivables	—	7,161	—	7,161
Financial assets included in prepayments, deposits and other receivables	—	19,264	—	19,264
Financial assets at fair value through profit or loss	197,894	—	—	197,894
Pledged deposits	—	342	—	342
Time deposits	—	495,798	—	495,798
Cash and bank balances	—	46,487	—	46,487
	197,894	570,437	35,448	803,779

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade payables and financial liabilities included in other payables	27,932
Interest-bearing bank and other borrowings	4,826
Debentures	6,132
Other loans	5,349
	44,239

41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows (continued):

2008 — **Company**

Financial assets

	Financial assets at fair value through profit or loss - held for trading HK$'000	Loans and receivables HK$'000	Held-to-maturity investments HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Due from subsidiaries, net of impairment *(note 17)*	–	276,180	–	–	276,180
Available-for-sale debt investments - convertible bonds	–	–	–	24,746	24,746
Held-to-maturity investments	–	–	13,578	–	13,578
Financial assets included in prepayments, deposits and other receivables	–	6,498	–	–	6,498
Financial assets at fair value through profit or loss	92,885	–	–	–	92,885
Option derivatives - convertible bonds	2,812	–	–	–	2,812
Pledged deposits	–	342	–	–	342
Time deposits	–	462,678	–	–	462,678
Cash and bank balances	–	2,670	–	–	2,670
	95,697	748,368	13,578	24,746	882,389

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Financial liabilities included in other payables	1,528
Due to a subsidiary	73,835
	75,363

41. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows (continued):

2007

Company

Financial assets

	Financial assets at fair value through profit or loss - held for trading *HK$'000*	Loans and receivables *HK$'000*	Total *HK$'000*
Due from subsidiaries, net of impairment *(note 17)*	—	225,610	225,610
Interests in an associate *(note 18)*	—	346	346
Financial assets at fair value through profit or loss	177,201	—	177,201
Financial assets included in prepayments, deposits and other receivables	—	5,749	5,749
Pledged deposits	—	342	342
Time deposits	—	495,798	495,798
Cash and bank balances	—	6,070	6,070
	177,201	733,915	911,116

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Financial liabilities included in other payables	3,806
Due to a subsidiary	45,275
	49,081

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity and fund investments, convertible bond and guaranteed note investments, interest-bearing bank and other borrowings, and other loans. The Group also has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations. The main risks arising from these financial instruments of the Group are interest rate risk, foreign currency risk, credit risk and liquidity risk.

In addition, the Group is exposed to equity price risk mainly arising from its listed equity investments which are carried at fair value.

The Group's risk management strategy aims to minimise the adverse effects of financial risks on the financial performance of the Group and the board reviews and agrees policies, as summarised below, for managing each of these risks.

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term interest-bearing bank borrowings and cash and deposits at banks with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

For floating-rate borrowings, assuming the amount of liability outstanding as at the balance sheet date was outstanding for the whole year, with all other variables held constant, a 50 basis point increase/decrease in interest rates at 31 December 2008 and 2007 would have increased/decreased the Group's loss before tax by HK$36,000 and decreased/increased the Group's profit before tax by HK$23,000, respectively.

Cash and deposits at banks earn interest at floating rates based on daily bank deposit rates. Assuming the amount of cash and deposits at banks as at the balance sheet date was held for the whole year, with all other variables held constant, a 50 basis point increase/decrease in interest rates at 31 December 2008 and 2007 would have decreased/increased the Group's loss before tax by HK$2,378,000 and increased/decreased the Group's profit before tax by HK$2,479,000, respectively.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

FOREIGN CURRENCY RISK

The Group has transactional currency exposures. Such exposures arise from purchases in currencies other than the functional currency of the Group's subsidiaries. Approximately 95% (2007: 99%) of the Group's purchases are denominated in currencies other than the functional currency of the Group's subsidiaries.

The Group's foreign exchange position is monitored on an ongoing basis in order to minimise the impact from the fluctuation of foreign currencies. The Group currently does not maintain a foreign currency hedging policy. However, management monitors the foreign exchange exposures and will consider hedging significant foreign currency exposures should the need arise.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the US$ and Euro exchange rates, with all other variables held constant, of the Group's loss/profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in US$/Euro rate	**Decrease/ (increase) in loss before tax**	**Increase/ (decrease) in equity**
	%	***HK$'000***	***HK$'000***
2008			
If Hong Kong dollar weakens against Euro	**5**	**(283)**	**(283)**
If Hong Kong dollar strengthens against Euro	**(5)**	**283**	**283**
If Hong Kong dollar weakens against US$	**5**	**23,313**	**23,313**
If Hong Kong dollar strengthens against US$	**(5)**	**(23,313)**	**(23,313)**

	Increase/ (decrease) in US$/Euro rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*HK$'000*	*HK$'000*
2007			
If Hong Kong dollar weakens against Euro	5	(172)	(172)
If Hong Kong dollar strengthens against Euro	(5)	172	172
If Hong Kong dollar weakens against US$	5	24,882	24,882
If Hong Kong dollar strengthens against US$	(5)	(24,882)	(24,882)

CREDIT RISK

The Group trades on credit terms only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant.

The credit risk of the Group's other financial assets, which comprise convertible bond and guaranteed note investments, bank balances, deposits, other receivables and amounts due from associates, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK (CONTINUED)

The Group mitigates credit risk by conducting credit analysis on potential debt securities investments. As at 31 December 2008, all the Group's debt securities investments are liquid convertible bonds and guaranteed notes issued or guaranteed by a company listed in Hong Kong with quoted market prices and sound credit standing.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. In the view that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk within the Group.

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

LIQUIDITY RISK

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Group

	2008			
	Within 1 year, on demand or no fixed terms	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Trade payables and financial liabilities included in other payables	**19,665**	**–**	**–**	**19,665**
Interest-bearing bank and other borrowings	**7,331**	**26**	**–**	**7,357**
Debentures	**420**	**180**	**5,597**	**6,197**
Other loans	**5,427**	**–**	**–**	**5,427**
	32,843	**206**	**5,597**	**38,646**

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

Group

	2007			
	Within 1 year, on demand or no fixed terms	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables and financial liabilities included in other payables	27,932	—	—	27,932
Interest-bearing bank and other borrowings	4,725	105	26	4,856
Debentures	2,787	420	3,650	6,857
Other loans	5,349	—	—	5,349
	40,793	525	3,676	44,994

The maturity profile of the Company's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

Company

	2008	2007
	Within 1 year, on demand or no fixed terms	Within 1 year, on demand or no fixed terms
	HK$'000	*HK$'000*
Other payables	**1,528**	3,806
Due to a subsidiary	**73,835**	45,275
	75,363	49,081

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is mainly exposed to equity price risk arising from investments in listed equity securities classified as equity investments at fair value through profit or loss as at 31 December 2008. The Group's listed investments are primarily listed on The Stock Exchange of Hong Kong Limited and are valued at quoted market prices at the balance sheet date.

The market equity index for The Stock Exchange of Hong Kong Limited, at the close of business of the nearest trading day in the year to the balance sheet date, and its highest and lowest points during the year were as follows:

	31 December 2008	**High/low 2008**	31 December 2007	High/low 2007
Hong Kong - Hang Seng Index	**14,387**	**27,854/ 10,676**	27,812	31,638/ 18,664

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date.

	Carrying amount of equity investments	**Decrease/ (increase) in loss before tax**	**Increase/ (decrease) in equity**
	HK$'000	***HK$'000***	***HK$'000***
2008			
Investments listed in Hong Kong – Held for trading	**98,766**	**4,938/ (4,938)**	**4,938/ (4,938)**

	Carrying amount of equity investments	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	HK$'000	*HK$'000*	*HK$'000*
2007			
Investments listed in Hong Kong – Held for trading	197,497	9,875/ (9,875)	9,875/ (9,875)

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 31 December 2007.

The Group monitors capital using a gearing ratio, which is the total borrowings divided by the total equity attributable to equity holders of the Company. The Group's policy is to maintain a low level of debt and a gearing ratio not higher than 20%. The total borrowings include interest-bearing bank and other borrowings, debentures and other loans. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest-bearing bank and other borrowings	**7,340**	4,826
Debentures	**5,587**	6,132
Other loans	**5,427**	5,349
Total borrowings	**18,354**	16,307
Shareholders' equity	**899,223**	959,940
Gearing ratio	**2.04%**	1.70%

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2009.

PARTICULARS OF PROPERTIES

31 December 2008

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
2737 Jiaotong Road, Putuo District, Shanghai, People's Republic of China	Resort and recreational club operations	Medium term lease	80%
Fourth and Fifth Floors, Roof and Parking Space Nos. 3 and 5, Wai Hing Factory Building, 37-41 Lam Tin Street, Kwai Chung, New Territories, Hong Kong	Capital appreciation	Medium term lease	100%

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**261,920**	266,027	227,206	242,536	221,273
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**(77,485)**	62,934	11,411	18,802	17,646
Finance costs	**(820)**	(1,291)	(1,077)	(969)	(377)
Share of profits and losses of associates	**7,420**	(6,388)	(2,852)	(2,883)	(5,112)
PROFIT/(LOSS) BEFORE TAX	**(70,885)**	55,255	7,482	14,950	12,157
Tax	**4,413**	—	—	43	159
PROFIT/(LOSS) FOR THE YEAR	**(66,472)**	55,255	7,482	14,993	12,316
Attributable to:					
Equity holders of the Company	**(66,376)**	52,426	12,047	10,923	7,039
Minority interests	**(96)**	2,829	(4,565)	4,070	5,277
	(66,472)	55,255	7,482	14,993	12,316

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**969,578**	1,076,279	1,031,031	1,025,839	1,030,981
TOTAL LIABILITIES	**(69,500)**	(85,792)	(101,614)	(106,497)	(129,433)
MINORITY INTERESTS	**(855)**	(30,547)	(27,513)	(31,407)	(26,182)
	899,223	959,940	901,904	887,935	875,366

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Joseph Wing Kong LEUNG *(Chairman)*
James C. NG *(Chief Executive Officer)*
Raymond Siu Wing CHAN
Derek Wai Choi LEUNG
Wing Tung YEUNG

NON-EXECUTIVE DIRECTORS

Raymond Wai Pun LAU
Raymond Shing Loong WONG

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cecil Sze Tsung CHAO
Jen CHEN
Ian Grant ROBINSON

COMPANY SECRETARY

Pui Man CHENG

AUDITORS

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

SHARE REGISTRARS

Computershare Hong Kong Investor
Services Limited
Rooms 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKERS

UBS AG
Hang Seng Bank Limited
The Hongkong & Shanghai Banking
Corporation Limited
CITIC Ka Wah Bank Limited

REGISTERED OFFICE

Suite 1502, 15th Floor
Chinachem Golden Plaza
77 Mody Road, Tsimshatsui East
Kowloon, Hong Kong

INCORPORATION IN HONG KONG

27 April 1966

LISTING

16 November 1972

NO. OF EMPLOYEES

249

WEB SITE

www.enmholdings.com

STOCK CODE

Hong Kong Stock Exchange: 0128
American Depositary Receipt: ENMHY

CORPORATE COMMUNICATIONS

Tel : (852) 2594 0600
Fax : (852) 2827 1491
Email : info@enmholdings.com