安寧控股有限公司

ENM Holdings Limited

(Stock Code: 0128)

2009 Annual Report

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 2009.

FINANCIAL RESULTS

Turnover for the year was HK$231,526,000 (2008: HK$261,920,000), a decrease of 12% on the year before. The last year's turnover included the recovery of disputed service fees of HK$29,953,000 by the telecommunications operation. The turnover of the fashion retail business grew by 4.8% despite the difficult retailing environment in the aftermath of the financial tsunami in the first nine months of the year.

The Group's profit attributable to shareholders for the year was HK$45,794,000 as compared a loss of HK$66,376,000 for the previous year. The turnaround was mainly attributable to (i) unrealised fair value gains on investments in financial instruments of HK$57,021,000 (2008: losses of HK$86,518,000); and (ii) gains on disposal of equity and debt investments of HK$11,291,000 (2008: losses of HK$7,443,000) due to the rebound of the global stock market.

BUSINESS REVIEW

RETAIL FASHION – SWANK

Hong Kong

Year 2009 ended in a positive note despite the difficult market sentiment for the first three quarters.

Turnover stood at HK$197,000,000, 3% higher than 2008 with profit before tax registered at HK$912,000 against a loss of HK$7,700,000 in 2008. This was achieved mainly by reducing advertising expenses, and increased trade discount offered by suppliers.

Outlook for 2010 remains optimistic due to the strong rebound on spending by mainland tourists since the last quarter of 2009.

Beijing

Year 2009 saw a turnover of RMB3,300,000 with a loss of RMB11,000,000. The loss was mainly attributable to the stock provision of RMB5,800,000 and the promotional activities for the new shop opening.

The Beijing flagship store is progressing with the turnover steadily increasing. This result gave us confident that the shop is going in the right direction. Management will continue to monitor all data and adjust our merchandising and communication to turn the shop into a profitable unit.

RESORT AND RECREATIONAL CLUB OPERATIONS

Hong Kong Hilltop Country Club ("Hilltop")

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

The year 2009 has been a difficult year for Hilltop. Members' visit has substantially reduced due to the adverse impact brought about by the financial crisis commencing at the end of 2008, and the outburst of swine flu in Hong Kong in May 2009. Hilltop has taken proactive measures to alleviate the impact of these adverse events, that include strengthening marketing and promotion, improving service quality, and increasing communication with members.

While these adverse impact will gradually fadeout, the aging of the club premises and facilities led to a long term shrinking trend in membership base. The club requires a rejuvenation plan to reverse the deteriorating trend. During 2009, Hilltop has made certain improvements to the tennis court, lawn, recreational and F&B facilities. Upgrade of other facilities has continued on an ongoing basis.

VivaSha Club Resort ("VivaSha")

VivaSha, with a 41,000 square meter gross floor area, is a complex of clubhouse, convention center and 302 hotel rooms which located in the Putao district of Shanghai is operated by Shanghai Landis Hospitality Management Ltd., a 35%-owned associate of the Company.

Last year, both the external and internal business environment of VivaSha has been improved. Externally, the opening of Mass Transit Line 7 Xincun Road Station, 8 minutes walk from VivaSha, makes it easier to reach out club members or hotel guests from downtown area. Internally, VivaSha's management continued to focus on exploring business opportunities to cooperate with other leisure companies in providing various types of new facilities as to improve the utilization rate of space area in the club and the attractiveness to the club members simultaneously. Recently, the worldwide well known child play & music company, Gymboree opened its new store in VivaSha. VivaSha's management expected the club can increase the publicity and revenue through this type of cooperation in the future. During 2009, the number of members increased by 25% to 5,000 levels. In view of the 2010 Shanghai Expo, VivaSha's management is optimistic about the performance of VivaSha especially in the hotel and conference sector.

OTHER INVESTMENTS

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.

The CRO (Contract Research Organization) business in the region is under sole responsibility of Qualitix, a wholly owned subsidiary of Genovate. To facilitate the expansion and collaboration of CRO business in the region, Qualitix has spun off its SMO (Site Management Organization) business to an independent wholly owned subsidiary named Unitix during 2009. Unitix established a Shanghai office in collaboration with Genecore of China for joint-development of pharmacogenomic related business in the PRC market. Drug development has continued to make progress.

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

Smartdot is engaged in the development of software and solution projects in the PRC. The negative impact of the 2008 financial tsunami has affected Smartdot's business seriously in 2009 and most of Smartdot's major clients have cut down their IT budgets. Smartdot's management expects its business will be recovered in 2010 with the gradual improvement of the economy.

SinoPay.com Holdings Limited ("SinoPay")

SinoPay's main business is providing B2C electronic payment, intra-bank fund transfer solution services and online mutual fund trading platform in the PRC through its Joint Venture with China UnionPay, Chinapay e-Payment Service Ltd in Shanghai. After the completion of the merger among three China UnionPay controlled entities - Chinapay e-Payment Service Limited ("Chinapay e-Payment"), Easylink (Guangzhou) Payment Network Co Ltd. and UnionPay Merchant Services Co. Limited ("China UMS") in September 2009, China e-Payment became a wholly owned subsidiary of China UMS and the original shareholders of China e-Payment became direct shareholders of China UMS. After the merger, the Group has an effective interest of approximately 0.17% in China UMS through its investment in SinoPay.

With the consolidation, China UMS's business scope will include the bankcard acquiring and third-party services, providing the quality, efficient and standardized services for card issuers, merchants and cardholders, plus the e-payment business carried by Chinapay e-Payment, through its far-reaching service network across China. In 2009, China UMS recorded total revenue of RMB1,812,000,000 with net profit attributable to shareholders of RMB175,000,000. China UMS is actively looking for an IPO opportunity in the coming few years.

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

On 10 July 2009, the Company entered into a deed of assignment with H.K. Hilltop Country Club Limited ("HK Hilltop") whereby in consideration of the nominal sum of HK$1.00, HK Hilltop assigned its 20% interest in the registered capital of Shanghai Hilltop Resort Hotel Ltd. ("Shanghai Hilltop") to the Company (the "Assignment"). The Assignment constituted a connected transaction for the Company, details of which are set out in the Company's announcement dated 15 July 2009. The Assignment was completed on 10 July 2009 and Shanghai Hilltop has become a wholly owned subsidiary of the Company.

Subsequent to year end date on 7 February 2010, Cosy Good Limited ("Cosy Good"), a wholly owned subsidiary of the Company, entered into a subscription agreement with two other subscribers and Skyjoy Assets Management Limited ("Skyjoy"), pursuant to which Skyjoy conditionally agreed to issue guaranteed secured convertible bonds due 2015 in the principal amount of HK$400,000,000, HK$100,000,000 of which was subscribed by Cosy Good (the "Subscription"). The Subscription constituted a discloseable transaction for the Company, details of which are set out in the Company's announcement dated 7 February 2010.

Save as disclosed above, the Group had no material acquisition and disposal of investments during the year ended 31 December 2009 and up to the date of this report.

LIQUIDITY AND FINANCIAL POSITION

At 31 December 2009, the Group was in solid financial position with cash and non-pledged deposit holdings of HK$416,598,000 (2008: HK$504,432,000). At 31 December 2009, total borrowings amount to HK$27,268,000 (2008: HK$18,354,000) with HK$21,731,000 (2008: HK$13,146,000) 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 2.9% at the year end date (2008: 2.0%). The current ratio at 31 December 2009 was 12.9 times (2008: 15.6 times).

At 31 December 2009, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars and United States dollars and exchange differences were reflected in the audited financial statements. Other than the fixed interest rate of 5% for the finance lease arrangement, all borrowings of the Group are either interest free or on a floating rate basis.

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

PLEDGE OF ASSETS

Pledges of the Group's fixed deposits of HK$10,342,000 (2008: HK$342,000) were given to banks to secure general banking facilities to the extent of HK$20,342,000 as at 31 December 2009 (2008: HK$342,000).

EMPLOYEE AND REMUNERATION POLICIES

At the date of this report, the Group employs a total of 264 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 the 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.

FUTURE OUTLOOK

The Group currently has four Swank shops, and seven free-standing boutiques and points-of-sale in major department stores in Hong Kong, and one Swank flagship in Beijing, PRC. Nevertheless, the economy begins to show signs of recovery, the Group will continue to 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. The private label program has kick-started with the first collection being introduced into Swank shops by Fall and Winter 2010.

Hilltop has continued to upgrade its club facilities on an ongoing basis. Hilltop is also working with a design architect for a major renovation program that would fit its long term strategy, and at the same time, exploring various business options that could regain the momentum for long term membership growth and profitability.

CHAIRMAN'S STATEMENT

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

Joseph Wing Kong LEUNG
Chairman and Acting Chief Executive Officer

Hong Kong, 16 April 2010

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Joseph Wing Kong LEUNG, 63, is the Chairman and the Acting Chief Executive Officer 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 40 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 (the "Stock Exchange"), a supervisor of Yang Ming Marine Transport Corporation, a company whose shares are listed on Taiwan Stock Exchange Corporation, and a supervisor of UnionPay Merchant Services Company Limited. 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. Raymond Siu Wing CHAN, 45, joined the Group in December 2008. Mr. Chan is also a member of the Investment Committee of the Company and a director of certain subsidiaries 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 Cardlink Technology Group Limited and Pan Asia Mining Limited, both companies whose shares are listed on the Growth Enterprise Market 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. Mr. Chan 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.

For the period from 28 September 2004 to 22 December 2009, Mr. Chan was an independent non-executive director of Prosperity Investment Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange. For the period from 2 April 2009 to 7 April 2010, Mr. Chan was an independent non-executive director of Karce International Holdings Company Limited, a company whose shares are listed on the Main Board of the Stock Exchange.

EXECUTIVE DIRECTORS (CONTINUED)

Mr. Derek Wai Choi LEUNG, 59, 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, 55, 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, 60, 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 the 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, 60, 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. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cecil Sze Tsung CHAO, 73, 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. 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, 55, 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, 70, 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. Mr. Robinson is currently a director of each of L & L Energy, Inc., a company whose shares are listed on NASDAQ and Revonergy Inc., a company whose shares are quoted on the OTC Bulletin Board of the USA. He is also 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 12 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, 62, 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, 48, 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 is currently a director of Genovate Biotechnology Company Limited, a company whose shares are listed on the Gre Tai Securities Market in Taiwan. Mr. Wong holds a Bachelor of Social Sciences Degree from the University of Hong Kong.

Mr. Victor Yiu Keung CHIANG, 45, 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 2009.

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 profit for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 99.

The directors do not recommend the payment of any dividend for the year ended 31 December 2009.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 101. 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 15 and 16 to the financial statements, respectively.

Further details of the Group's investment properties are set out on page 100.

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 34(b) to the financial statements and in the consolidated statement of changes in equity on page 35, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2009, 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 45% and 13% 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 and Acting Chief Executive Officer)*
Mr. Raymond Siu Wing CHAN
Mr. Derek Wai Choi LEUNG
Mr. Wing Tung YEUNG
Mr. James C. NG (retired on 3 June 2009)

NON-EXECUTIVE DIRECTORS:

Mr. Raymond Wai Pun LAU
Mr. Raymond Shing Loong WONG

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

In accordance with article 101 of the Company's articles of association, Dr. Cecil Sze Tsung CHAO, Mr. Raymond Wai Pun LAU and Mr. Derek Wai Choi LEUNG will retire by rotation 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 7 to 10 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 2009, 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 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 2009, 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 35 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 35 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

At 31 December 2009, 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 Interests	Indirect Interests	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 2009, 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) DEED OF ASSIGNMENT

On 10 July 2009, the Company entered into a deed of assignment (the "Deed of Assignment") with H.K. Hilltop Country Club Limited ("HK Hilltop") whereby in consideration of the nominal sum of HK$1.00, HK Hilltop assigned its 20% interest in the registered capital of Shanghai Hilltop Resort Hotel Ltd. ("Shanghai Hilltop") to the Company.

As at the date of the Deed of Assignment, HK Hilltop was a connected person of the Company by virtue of it having a 20% beneficial interest in Shanghai Hilltop and the Deed of Assignment was therefore a connected transaction for the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The details of the Deed of Assignment are set out in the Company's announcement dated 15 July 2009. The Deed of Assignment was completed on 10 July 2009 and Shanghai Hilltop has become a wholly-owned subsidiary of the Company.

(B) ACQUISITION OF TRADEMARKS

On 30 March 2010, The Swank Shop Limited ("Swank"), a wholly owned subsidiary of the Company, entered into an agreement relating to assignment of trademarks "CESARE DI PINO" (the "Trademark Agreement") with, inter alia, Cesare Di Pino Company Limited ("CDP") to acquire from CDP 9 trademarks all comprising the words "CESARE DI PINO" at a total cash consideration of HK$1,700,000.

CDP is a company wholly-owned by Mr. Kin Hay David HONG ("Mr. Hong") and his two sisters. As Mr. Hong is also a director of Swank, the Trademark Agreement was a connected transaction for the Company under Chapter 14A of the Listing Rules.

The details of the Trademark Agreement are set out in the Company's announcement dated 30 March 2010.

CONNECTED TRANSACTIONS (CONTINUED)

(C) TENANCY AGREEMENTS FOR OFFICE PREMISES – CHINACHEM GOLDEN PLAZA

The following tenancy agreements (the "Chinachem Golden Plaza Office Tenancy Agreements") were entered into between the Company, as tenant, and Hollywood Palace Company Limited ("Hollywood Palace"), as landlord, for leases of Suites 1502 and 1521 on 15th Floor, Chinachem Golden Plaza, 77 Mody Road, Tsimshatsui, Kowloon:

(1) tenancy agreement dated 15 April 2008 for one year from 1 May 2008 to 30 April 2009 at a monthly rent of HK$202,250;

(2) tenancy agreement dated 22 April 2009 for three months from 1 May 2009 to 31 July 2009 at a monthly rent of HK$161,800; and

(3) tenancy agreement dated 27 July 2009 for five months from 1 August 2009 to 31 December 2009 at a monthly rent of HK$153,710.

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

(D) TENANCY AGREEMENT FOR A SHOP

On 20 January 2009, Swank, as tenant, entered into a tenancy agreement (the "Nina Tower Shop 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"), as landlords, to lease Shop Nos. 222 & 223 on 2/F (Level 3), Nina Tower, Tsuen Wan, New Territories (the "Shop Premises") for three years from 1 January 2009 to 31 December 2011 at a monthly rent equal to 10% of the monthly gross sales turnover from the Shop 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 Shop Tenancy Agreement was a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

(E) TENANCY AGREEMENT FOR OFFICE PREMISES – NINA TOWER

On 5 October 2009, the Company, as tenant, entered into a tenancy agreement (the "Nina Tower Office Tenancy Agreement") with the Nina Tower Landlords to lease Suites 3301 to 3303 on 33rd Floor, Nina Tower, Tower 2, No. 8 Yeung Uk Road, Tsuen Wan, New Territories for three years from 1 December 2009 to 30 November 2012 at a monthly rent of HK$221,298.

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

CONNECTED TRANSACTIONS (CONTINUED)

The continuing connected transactions mentioned in paragraphs (C) to (E) 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.

The Company has received from the auditors a letter reporting that the continuing connected transactions mentioned in paragraphs (C) to (E) 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

During the year, Ernst & Young resigned as auditors of the Company and RSM Nelson Wheeler were appointed by the directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years. A resolution for the re-appointment of RSM Nelson Wheeler as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Joseph Wing Kong LEUNG
Chairman and Acting Chief Executive Officer

Hong Kong, 16 April 2010

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 2009, except for the deviation from Code Provision A.2.1 and Code Provision A.4.1 of the CG Code.

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Joseph Wing Kong LEUNG took up the position of the Acting Chief Executive Officer in addition to his role of being the Chairman of the Company upon the retirement of Mr. James C. NG in June 2009. The Board believes that the balance of power and authority is ensured through supervision of the full Board and the Board committees. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

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 four 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 2009 were:

Executive Directors
Mr. Joseph Wing Kong LEUNG *(Chairman and Acting Chief Executive Officer)*
Mr. Raymond Siu Wing CHAN
Mr. Derek Wai Choi LEUNG
Mr. Wing Tung YEUNG
Mr. James C. NG (retired on 3 June 2009)

Non-executive Directors
Mr. Raymond Wai Pun LAU
Mr. Raymond Shing Loong WONG

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 7 to 9.

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 has assumed the responsibility of managing the Board.

Mr. James C. NG has served as the Chief Executive Officer of the Group until his retirement on 3 June 2009. 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.

Mr. Joseph Wing Kong LEUNG took up the position of the Acting Chief Executive Officer in addition to his role of being the Chairman of the Company upon the retirement of Mr. James C. NG. The Board believes that the balance of power and authority is ensured through the supervision of the full Board and the Board committees. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

(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.

BOARD OF DIRECTORS (CONTINUED)

(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.

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.

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.

Except for the retirement of Mr. James C. NG on 3 June 2009, there was no change in the composition of the Board during the year ended 31 December 2009.

(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 2009.

BOARD OF DIRECTORS (CONTINUED)

(G) BOARD MEETINGS

The Board held four regular Board meetings for the year ended 31 December 2009. The following was an attendance record of the regular Board meetings for the year ended 31 December 2009:

	Attendance
Executive Directors	
Mr. Joseph Wing Kong LEUNG *(Chairman and Acting Chief Executive Officer)*	4/4
Mr. Raymond Siu Wing CHAN	4/4
Mr. Derek Wai Choi LEUNG	4/4
Mr. Wing Tung YEUNG	4/4
Mr. James C. NG (Retired on 3 June 2009)	1/4
Non-executive Directors	
Mr. Raymond Wai Pun LAU	4/4
Mr. Raymond Shing Loong WONG	4/4
Independent Non-executive Directors	
Dr. Cecil Sze Tsung CHAO	2/4
Dr. Jen CHEN	4/4
Mr. Ian Grant ROBINSON	4/4

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.

BOARD OF DIRECTORS (CONTINUED)

(G) BOARD MEETINGS (Continued)

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 and Acting Chief Executive Officer 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.

The Remuneration Committee held one meeting for the year ended 31 December 2009. The following was an attendance record of the Remuneration Committee meeting for the year ended 31 December 2009:

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

During 2009, the Remuneration Committee has review the remuneration policy of Directors and senior management.

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 Auditor's Report on pages 28 and 29.

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 2009, 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.

The Board has also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget which are considered to be adequate.

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 2009, the Audit Committee held three meetings. The following was an attendance record of the Audit Committee meetings for the year ended 31 December 2009:

	Attendance
Mr. Ian Grant ROBINSON	3/3
Dr. Cecil Sze Tsung CHAO	2/3
Dr. Jen CHEN	3/3
Mr. Raymond Wai Pun LAU	3/3
Mr. Raymond Shing Loong WONG	3/3

ACCOUNTABILITY AND AUDIT (CONTINUED)

(C) AUDIT COMMITTEE (Continued)

During 2009, 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 appointment/reappointment of external 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 2009, the remuneration paid or payable to the Group's external auditors for providing the audit and other non-audit services were as follows:

	HK$'000
Audit services	815
Non-audit services:	
Taxation services	144
Agreed – upon procedures on a connected parties transaction	9
Other services	155
	1,123

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.

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 Company gives notice to shareholders in the case of annual general meeting at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings.

The Chairman of the Board, Executive Directors, and the Company's Auditors attended the 2009 Annual General Meeting of the Company to answer questions at the meeting.

(B) VOTING BY POLL

The Company has complied with the requirements of the Listing Rules and the Articles of Association of the Company in respect of voting by poll and other related matters.

INDEPENDENT AUDITOR'S REPORT

RSM! Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF ENM HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of ENM Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 99, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE 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 (the "HKICPA") 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 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 HKICPA. 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 auditor's 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 auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's results 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.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

16 April 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	**2009**	2008
		HK$'000	*HK$'000*
Revenue	7	**231,526**	261,920
Cost of sales		**(106,586)**	(104,055)
Gross profit		**124,940**	157,865
Other income	8	**6,084**	6,103
Selling and distribution costs		**(84,718)**	(77,809)
Administrative expenses		**(70,240)**	(66,850)
Other operating income/(expenses), net	11	**66,450**	(89,967)
Profit/(loss) from operations		**42,516**	(70,658)
Excess of net assets acquired over cost on acquisition of an additional interest in a subsidiary		**–**	6,688
Gain on disposal of partial interest in an associate		**–**	10,173
Fair value gains/(losses) on investment properties		**5,000**	(24,200)
Write-back of deficits/(deficits) on revaluation of resort and recreational club properties		**(265)**	512
Finance costs	9	**(930)**	(820)
Share of profits/(losses) of associates		**(549)**	7,420
Profit/(loss) before tax		**45,772**	(70,885)
Income tax credit	10	**–**	4,413
Profit/(loss) for the year	11	**45,772**	(66,472)
Attributable to:			
Owners of the Company	13	**45,794**	(66,376)
Minority interests		**(22)**	(96)
		45,772	(66,472)
Earnings/(loss) per share	14		
Basic		**2.77 cents**	(4.02 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 *HK$'000*	2008 *HK$'000*
Profit/(loss) for the year	**45,772**	(66,472)
Other comprehensive income:		
Exchange differences on translating foreign operations	**161**	1,692
Release of exchange fluctuation reserve upon disposal of partial interest in an associate	**–**	(895)
Fair value changes of available-for-sale equity investments	**–**	(56)
Impairment loss of available-for-sale equity investments recognised in the income statement	**–**	56
Fair value changes of available-for-sale debt investments	**4,313**	2,316
Release of revaluation reserve upon disposal of available-for-sale debt investments	**(1,469)**	–
Gains/(losses) on property revaluation	**(2,659)**	2,659
Other comprehensive income for the year, net of tax	**346**	5,772
Total comprehensive income/(loss) for the year	**46,118**	(60,700)
Attributable to:		
Owners of the Company	**46,140**	(60,717)
Minority interests	**(22)**	17
	46,118	(60,700)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	**2009**	2008
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	15	**87,555**	80,864
Investment properties	16	**100,700**	95,700
Prepaid land premiums	17	**2,832**	2,909
Interest in an associate	19	**21,423**	20,683
Available-for-sale equity investments	20	**39,420**	39,434
Available-for-sale debt investments - convertible bonds	21	**24,615**	24,746
Held-to-maturity investments		**—**	13,578
Total non-current assets		**276,545**	277,914
Current assets			
Inventories	22	**53,490**	44,676
Trade and other receivables	23	**40,362**	36,618
Note receivables	24	**27,230**	—
Prepaid land premiums	17	**77**	77
Financial assets at fair value through profit or loss	25	**198,076**	102,707
Option derivatives - convertible bonds	21	**4,170**	2,812
Pledged bank deposits	26	**10,342**	342
Time deposits	26	**363,514**	475,622
Cash and bank balances	26	**53,084**	28,810
Total current assets		**750,345**	691,664
Current liabilities			
Trade and other payables	27	**36,606**	31,172
Interest-bearing bank and other borrowings	28	**16,011**	7,317
Current portion of debentures	30	**293**	402
Other loans	31	**5,427**	5,427
Total current liabilities		**58,337**	44,318
Net current assets		**692,008**	647,346
Total assets less current liabilities		**968,553**	925,260

	Note	2009 HK$'000	2008 HK$'000
Total assets less current liabilities		**968,553**	925,260
Non-current liabilities			
Debentures	30	**5,514**	5,185
Interest-bearing bank and other borrowings	28	**23**	23
Deferred revenue		**16,820**	19,974
Total non-current liabilities		**22,357**	25,182
NET ASSETS		**946,196**	900,078
Capital and reserves			
Issued capital	33	**16,507**	16,507
Reserves	34	**928,856**	882,716
Equity attributable to owners of the Company		**945,363**	899,223
Minority interests		**833**	855
TOTAL EQUITY		**946,196**	900,078

Approved by the Board of Directors on 16 April 2010

Joseph Wing Kong LEUNG
Chairman and Acting Chief Executive Officer

Derek Wai Choi LEUNG
Executive Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	15	**6,571**	3,194
Investment properties	16	**95,000**	110,800
Interests in subsidiaries	18	**289,305**	276,180
Available-for-sale debt investments - convertible bonds	21	**24,615**	24,746
Held-to-maturity investments		**–**	13,578
Total non-current assets		**415,491**	428,498
Current assets			
Prepayments, deposits and other receivables	23	**7,175**	6,895
Note receivables	24	**27,230**	–
Financial assets at fair value through profit or loss	25	**187,481**	92,885
Option derivatives - convertible bonds	21	**4,170**	2,812
Pledged bank deposits	26	**10,342**	342
Time deposits	26	**362,150**	462,678
Cash and bank balances	26	**21,828**	2,670
Total current assets		**620,376**	568,282
Current liabilities			
Accruals and other payables		**6,254**	5,090
Due to a subsidiary	18	**66,454**	73,835
Total current liabilities		**72,708**	78,925
Net current assets		**547,668**	489,357
NET ASSETS		**963,159**	917,855
Capital and reserves			
Issued capital	33	**16,507**	16,507
Reserves	34	**946,652**	901,348
TOTAL EQUITY		**963,159**	917,855

Approved by the Board of Directors on 16 April 2010

Joseph Wing Kong LEUNG
Chairman and Acting Chief Executive Officer

Derek Wai Choi LEUNG
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company										
	Issued capital HK$'000	**Share premium account HK$'000** (Note 34(c)(i))	**Capital redemption reserve HK$'000** (Note 34(c)(ii))	**Special reserve HK$'000** (Note 34(c)(iii))	**Property revaluation reserve HK$'000** (Note 34(c)(iv))	**Available-for-sale investment revaluation reserve HK$'000** (Note 34(c)(v))	**Exchange fluctuation reserve HK$'000** (Note 34(c)(vi))	**Accumulated losses HK$'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
Total comprehensive loss 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)
Changes in equity for the year	–	–	–	–	2,659	2,316	684	(66,376)	(60,717)	(29,692)	(90,409)
At 31 December 2008 and 1 January 2009	16,507	1,189,721	478	808,822	2,659	2,316	8,927	(1,130,207)	899,223	855	900,078
Total comprehensive income and changes in equity for the year	–	–	–	–	(2,659)	2,844	161	45,794	46,140	(22)	46,118
At 31 December 2009	**16,507**	**1,189,721**	**478**	**808,822**	**–**	**5,160**	**9,088**	**(1,084,413)**	**945,363**	**833**	**946,196**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	**45,772**	(70,885)
Adjustments for:		
Depreciation	**8,376**	6,499
Amortisation of deferred revenue	**(3,177)**	(3,255)
Amortisation of prepaid land premiums	**77**	77
Finance costs	**930**	820
Dividend income from listed equity investments	**(7,895)**	(5,340)
Dividend income from an unlisted fund investment	**(84)**	(57)
Impairment of goodwill	**—**	6,610
Gain on disposal of partial interest in an associate	**—**	(10,173)
Excess of net assets acquired over cost on acquisition of an additional interest in a subsidiary	**—**	(6,688)
Charge for inventories allowances	**6,927**	8,973
Interest income	**(9,512)**	(17,595)
Share of losses/(profits) of associates	**549**	(7,420)
Fair value losses/(gains) on revaluation of investment properties, net	**(5,000)**	24,200
Deficits/(write-back of deficits) on revaluation of resort and recreational club properties	**265**	(512)
Write-back of accrued payables	**(1,008)**	(5,997)
Impairment/(reversal of impairment) of trade receivables, net	**30**	(725)
Loss on disposal of property, plant and equipment	**3**	257
Impairment of an available-for-sale equity investment	**—**	56
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss	**(54,146)**	86,557
Option derivatives - convertible bonds	**(2,875)**	(95)
Loss/(gain) on disposal of financial assets at fair value through profit or loss, net	**(8,546)**	7,443
Gain on disposal of held-to-maturity investments	**(1,440)**	—
Gain on disposal of available-for-sale equity investment	**(56)**	—
Gain on disposal of available-for-sales debt investments	**(1,249)**	—
Foreign exchange gains, net	**(350)**	(5,702)
Operating profit/(loss) before working capital changes	**(32,409)**	7,048
Increase in inventories	**(15,741)**	(12,290)
Decrease/(increase) in trade and other receivables	**(6,991)**	11,181
Increase/(decrease) in trade and other payables	**6,459**	(4,876)
Cash generated from/(used in) operations	**(48,682)**	1,063
Interest received	**8,245**	16,019
Dividends received from listed investments	**4,974**	5,340
Dividends received from an unlisted fund investment	**99**	—
Hong Kong profits tax paid	**—**	(1,084)
Net cash generated from/(used in) operating activities	**(35,364)**	21,338

	2009 *HK$'000*	2008 *HK$'000*
Net cash generated from/(used in) operating activities	**(35,364)**	21,338
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(17,942)**	(4,440)
Purchases of financial assets at fair value through profit or loss	**(65,634)**	(4,300)
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	**5,430**	5,981
Advances to associates, net	**(1,290)**	(3,442)
Dividend received from an associate	**–**	202
Proceeds from disposal of property, plant and equipment	**4**	303
Proceeds from disposal of financial assets at fair value through profit or loss	**31,397**	5,487
Proceeds from disposal of available-for-sale equity investment	**70**	–
Proceeds from disposal of available-for-sale debt investments	**8,730**	–
Proceeds from disposal of held-to-maturity investments	**15,550**	–
Increase in note receivables	**(27,230)**	–
Increase in pledged bank deposits	**(10,000)**	–
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	**(272,146)**	209,688
Net cash generated from/(used in) investing activities	**(333,061)**	148,540
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans raised	**58,181**	49,870
Repayment of bank loans	**(49,441)**	(47,264)
New issue of debentures	**60**	40
Redemption of debentures	**–**	(640)
Capital element of finance lease rental payments	**(105)**	(92)
Interest paid	**(746)**	(556)
Interest element of finance lease rental payments	**(14)**	(14)
Net cash generated from financing activities	**7,935**	1,344
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(360,490)**	171,222

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(360,490)**	171,222
Effect of foreign exchange rate changes, net	**510**	613
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**443,411**	271,576
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**83,431**	443,411
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**53,084**	28,810
Non-pledged time deposits with original maturity of less than three months when acquired	**30,347**	414,601
	83,431	443,411

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. CORPORATE INFORMATION

The Company was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. The address of its registered office and principal place of business was changed from Suite 1502, 15/F, Chinachem Golden Plaza, 77 Mody Road, Tsimshatsui East, Kowloon, Hong Kong to Suites 3301-03, 33/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong with effective from 21 December 2009. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting polices, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

(a) Presentation of financial statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Operating segments

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 “Segment Reporting” required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity’s ‘system of internal financial reporting to key management personnel’ serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

The segment accounting policies under HKFRS 8 are stated in note 6 to the financial statements.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, 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 are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the subsidiary and also any related accumulated exchange fluctuation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the portion of interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between minority and owners of the Company (majority interests). Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the majority interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority's share of losses previously absorbed by the majority has been recovered.

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.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combination and goodwill

The purchase method is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in consolidated income statement.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (y) below. Impairment losses of goodwill are recognised in consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates (continued)

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

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the associate and also any related accumulated exchange fluctuation reserve.

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

In the Company's statement of financial position, the investments in associates are stated at cost less allowance for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(d) Foreign currency translation

(i) Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (continued)

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in consolidated income statement.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in the consolidated income statement, any exchange component of that gain or loss is recognised in the consolidated income statement.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

— All resulting exchange differences are recognised in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated income statement as part of the gain or loss on disposal.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

Resort and recreational club properties are carried at fair value, based on periodic valuations by external independent valuer, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Revaluation increases of resort and recreational club properties are recognised in consolidated income statement to the extent that the increases reverse revaluation decreases of the same asset previously recognised in consolidated income statement. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive loss. All other decreases are recognised in the consolidated income statement. On the subsequent sale or retirement of a revalued resort and recreational club properties, the attributable revaluation increases remaining in the property revaluation reserve is transferred directly to retained profits/accumulated losses.

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

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

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in the consolidated income statement for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the consolidated income statement.

(g) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis or the actual basis and comprises invoiced value of purchases, and where appropriate, freight, insurance and delivery charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

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

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

(j) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

(i) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

An impairment loss is recognised in the consolidated income statement when there is objective evidence that the held-to-maturity investments are impaired, and is measured as the difference between the investments' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods and recognised in the consolidated income statement when an increase in the investments' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investments at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments (continued)

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

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the consolidated income statement.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in the consolidated income statement. Interest calculated using the effective interest method is recognised in the consolidated income statement.

Impairment losses recognised in the consolidated income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the consolidated income statement. Impairment losses recognised in the consolidated income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the consolidated income statement if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the carrying amount of the receivables and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the consolidated income statement.

Impairment losses are reversed in subsequent periods and recognised in the consolidated income statement when an increase in the recoverable amount of the receivables can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

— the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

— the amount initially recognised less cumulative amortisation recognised in the consolidated income statement on a straight-line basis over the terms of the guarantee contracts.

(p) Trade and other payables

Trade and other payables are stated initially at their fair value and 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.

(q) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(r) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value.

Changes in the fair value of derivatives are recognised in the consolidated income statement as they arise.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with changes in fair value recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

(i) Wholesale and retail of fashion wear and accessories

Revenue from the sale of fashion wear and accessories is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

(ii) Telecommunications operations

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.

(iii) 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.

(iv) Dividend income

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

(v) Interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition (continued)

(vi) Rental income

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

(vii) Consultancy, management and other services

Revenue from the provision of consultancy, management and other services is recognised when the relevant services are rendered.

(viii) Financial guarantee contracts

Revenue from financial guarantee contracts issued is recognised on a straight-line basis over the terms of the guarantee contracts.

(t) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the consolidated income statement represents contributions payable by the Group to the funds.

Subsidiaries incorporated in the People's Republic of China ("PRC") participate in the retirement schemes operated by the local authorities for the Group's employee in the PRC. Contributions to these schemes are charged to the consolidated income statement when incurred.

(iii) Termination benefits

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Share-based payments

The Company operates a share option scheme and issues equity-settled share-based payments to eligible employees (including executive directors). Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Taxation (continued)

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in the consolidated income statement, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(x) Related parties

A party is related to the Group if:

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

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

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

(vi) 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 (iv) or (v); or

(vii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except resort and recreational club properties, investment properties, deferred tax assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(z) Provisions and contingent liabilities

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

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

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) 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 does not transfer substantially all the risks and rewards of ownership of these properties which are leased out on operating leases.

(b) Distinction between investment properties and owner-occupied properties

Investment property is a property held to earn rentals or for capital appreciation or both. The Group determines whether a property qualifies as an investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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.

(a) Impairment of available-for-sale equity investments

The Group determines whether the unlisted equity investments are impaired at least on an annual basis and based on the financial information available from the unlisted equity investments. Details are set out in note 20 to the financial statements.

(b) Allowances for inventories

Allowances for inventories are made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates which are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to serve industry cycles. The Group will reassess the estimates by the end of each reporting period.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

(c) Fair values of properties

The Group appointed independent professional valuers to assess the fair values of the resort and recreational club properties and investment properties. In determining the fair values, the valuers have utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(d) Fair value of derivative component of available-for-sale debt investments

As disclosed in note 21 to the financial statements, the fair values of the derivative component of the available-for-sale debt investments in convertible bonds at the end of the reporting period were determined with reference to the valuation performed by independent professional valuers using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative component, the expected volatility of the share prices of the issuer and the potential dilution in the share prices of the issuer. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative component in the period in which such determination is made.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its purchases transactions, note receivables and bank deposits are principally denominated in US dollar and Euro dollar. The Group currently does not have a foreign currency hedging policy in respect of other foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2009, if the Hong Kong dollar had strengthen/weakened 0.5% against the US dollar with all other variables held constant, consolidated profit after tax for the year would have been HK$2,025,200 lower/higher (2008: consolidated loss after tax for the year would have been HK$2,331,300 higher/lower), arising mainly as a result of the net foreign exchange gain/loss on note receivables, bank deposits and trade payables denominated in US dollar.

At 31 December 2009, if the Hong Kong dollar had strengthen/weakened 5% against the Euro dollar with all other variables held constant, consolidated profit after tax for the year would have been HK$329,000 higher/lower (2008: consolidated loss after tax for the year would have been HK$283,000 lower/higher), arising mainly as a result of the foreign exchange gain/loss on trade payables denominated in Euro dollar.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Price risk

The Group's listed investments classified as financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

The Group's listed investments are primarily listed on The Stock Exchange of Hong Kong Limited. 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 end of the reporting period, and its highest and lowest points during the year were as follows:

	31 December 2009	**High/low 2009**	31 December 2008	High/low 2008
Hong Kong - Hang Seng Index	**21,873**	**23,100/ 11,345**	14,387	27,854/ 10,676

At 31 December 2009, if the share prices of the investments listed on The Stock Exchange of Hong Kong Limited increase/decrease by 5%, consolidated profit after tax for the year would have been HK$9,617,000 higher/lower (2008: consolidated loss after tax for the year would have been HK$4,938,000 lower/higher), arising as a result of the fair value gain/loss of these investments.

(c) Credit risk

The carrying amounts of the bank deposits, trade and other receivables, note receivables, investments and derivative financial instruments included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers with an credit worthy history.

The credit risk on bank deposits and note receivables is limited because the counterparties are banks with sound credit standing. The Group's debt and option derivative investments are liquid convertible bonds with quoted market prices and guaranteed by companies listed in Hong Kong with sound credit standing.

The credit risk on listed investments is limited because the counterparties are well-established securities broker firms in Hong Kong.

The Group has no significant concentrations of credit risk with exposure spread over a number of counterparties and customers.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

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 analysis of the Group's financial liabilities, based on the contractual undiscounted payments, is as follows:

	Less than 1 year/ on demand/ no fixed terms *HK$'000*	**Between 1 and 2 years** *HK$'000*	**Between 2 and 5 years** *HK$'000*	**Total** *HK$'000*
At 31 December 2009				
Trade payables and financial liabilities included in other payables	**24,448**	**—**	**—**	**24,448**
Interest-bearing bank and other borrowings	**16,016**	**20**	**4**	**16,040**
Debentures	**300**	**1,347**	**4,610**	**6,257**
Other loans	**5,427**	**—**	**—**	**5,427**
	46,191	**1,367**	**4,614**	**52,172**

	Less than 1 year/ on demand/ no fixed terms *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Total *HK$'000*
At 31 December 2008				
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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Interest rate risk

The Group's exposure to interest-rate risk arises from its short-term bank deposits and interest-bearing bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

The Group's convertible bonds and note receivables bear interests at fixed interest rate and therefore are subject to fair value interest rate risk.

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

At 31 December 2009, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated profit after tax for the year would have been HK$1,863,000 higher/lower (2008: consolidated loss after tax for the year would have been HK$2,342,000 lower/higher), arising mainly as a result of the net of increase/decrease in the interest income from bank deposits and interest expense on short term bank borrowings.

(f) Categories of financial instruments at 31 December

	2009	2008
	HK$'000	*HK$'000*
Financial assets:		
Financial assets at fair value through profit or loss - held for trading (including option derivatives)	**202,246**	105,519
Held-to-maturity investments	**–**	13,578
Loans and receivables (including cash and cash equivalents and time deposits)	**488,994**	537,661
Available-for-sale financial assets	**64,035**	64,180
	755,275	720,938
Financial liabilities		
Financial liabilities at amortised costs	**51,716**	38,019

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair values

Except as disclosed in note 20 to the financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at 31 December 2009:

	Fair value measurement using:			**2009**
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets at fair value through profit or loss				
Equity investments	**195,511**	**–**	**–**	**195,511**
Fund investments	**2,565**	**–**	**–**	**2,565**
Derivatives	**–**	**4,170**	**–**	**4,170**
Available-for-sale financial assets				
Debt investments	**–**	**24,615**	**–**	**24,615**
Total	**198,076**	**28,785**	**–**	**226,861**

6. SEGMENT INFORMATION

The Group has four reportable segments as follows:

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

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements.

Segment profits or losses do not include the following:

— Corporate administrative expenses;

— Excess of net assets acquired over cost on acquisition of an additional interest in a subsidiary;

— Gain on disposal of partial interest in an associate;

— Share of profits/(losses) of an associate;

— Fair value gains/(losses) on investment properties;

— Write back of deficits/(deficits) on revaluation of resort and recreational properties;

— Finance costs; and

— Income tax credit.

Segment assets do not include interest in an associate. Segment liabilities do not include interest-bearing bank and other borrowings.

6. SEGMENT INFORMATION (CONTINUED)

Information about reportable segment profit or loss, assets and liabilities:

	Wholesale and retail of fashion wear and accessories *HK$'000*	Telecom-munications operations *HK$'000*	Resort and recreational club operations *HK$'000*	Investments and treasury *HK$'000*	Total *HK$'000*
Year ended 31 December 2009					
Revenue from external customers	**200,591**	**–**	**13,444**	**17,491**	**231,526**
Segment profit/(loss)	**(10,709)**	**(8,233)**	**(4,365)**	**70,237**	**46,930**
Segment profit/(loss)includes:					
Fair value gains on financial assets at fair value through profit or loss, net	**–**	**–**	**–**	**54,146**	**54,146**
Fair value gains on option derivatives	**–**	**–**	**–**	**2,875**	**2,875**
Gain on disposal of financial assets at fair value through profit or loss, net	**–**	**–**	**–**	**8,546**	**8,546**
Gain on disposal of available-for-sale debt investments	**–**	**–**	**–**	**1,249**	**1,249**
Gain on disposal of held-to-maturity investments	**–**	**–**	**–**	**1,440**	**1,440**
Interest income	**–**	**–**	**–**	**9,512**	**9,512**
Write back of accrued payables	**–**	**1,008**	**–**	**–**	**1,008**
Depreciation and amortisation	**5,128**	**27**	**3,103**	**195**	**8,453**
Charge for inventories allowances	**6,927**	**–**	**–**	**–**	**6,927**
Impairment of trade receivables, net	**–**	**–**	**30**	**–**	**30**
Other segment information:					
Share of profits/(losses) of an associate	**–**	**–**	**(549)**	**–**	**(549)**
Additions to property, plant and equipment	**13,195**	**–**	**631**	**4,172**	**17,998**
As at 31 December 2009					
Segment assets	**109,601**	**16,459**	**165,429**	**713,978**	**1,005,467**
Segment liabilities	**(21,257)**	**(1,204)**	**(35,172)**	**(7,027)**	**(64,660)**
Interest in an associate	**–**	**–**	**21,423**	**–**	**21,423**

6. SEGMENT INFORMATION (CONTINUED)

Information about reportable segment profit or loss, assets and liabilities:

	Wholesale and retail of fashion wear and accessories *HK$'000*	Telecom-munications operations *HK$'000*	Resort and recreational club operations *HK$'000*	Investments and treasury *HK$'000*	Total *HK$'000*
Year ended 31 December 2008					
Revenue from external customers	191,433	30,860	16,635	22,992	261,920
Segment profit/(loss)	(13,029)	26,377	4,715	(86,196)	(68,133)
Segment profit/(loss) includes:					
Fair value losses on financial assets at fair value through profit or loss, net	–	–	–	(86,557)	(86,557)
Fair value gains on option derivatives, net	–	–	–	95	95
Loss on disposal of financial assets at fair value through profit or loss, net	–	–	–	(7,443)	(7,443)
Interest income	–	–	–	17,595	17,595
Write back of accrued payables	–	5,997	–	–	5,997
Depreciation and amortisation	4,333	29	2,084	130	6,576
Charge for inventories allowances	8,973	–	–	–	8,973
Impairment of goodwill, trade receivables and available-for-sale equity investment, net	5,873	(4)	16	56	5,941
Other segment information:					
Share of profits/(losses) of associates	–	–	8,332	(912)	7,420
Additions to property, plant and equipment	2,412	–	5,028	–	7,440
As at 31 December 2008					
Segment assets	90,351	19,560	167,446	671,538	948,895
Segment liabilities	(15,675)	(1,955)	(38,978)	(5,552)	(62,160)
Interest in an associate	–	–	20,683	–	20,683

6. SEGMENT INFORMATION (CONTINUED)

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2009	2008
	HK$'000	*HK$'000*
Profit or loss		
Total profit or loss of reportable segments	**46,930**	(68,133)
Corporate administrative expenses	**(4,414)**	(2,525)
Excess of net assets acquired over cost on acquisition of an additional interest in a subsidiary	**–**	6,688
Gain on disposal of partial interest in an associate	**–**	10,173
Share of profits/(losses) of associates	**(549)**	7,420
Fair value gains/(losses) on investment properties	**5,000**	(24,200)
Write back of deficits/(deficits) on revaluation of resort and recreational properties	**(265)**	512
Finance costs	**(930)**	(820)
Income tax credit	**–**	4,413
Consolidated profit/(loss) for the year	**45,772**	(66,472)
Assets		
Total assets of reportable segments	**1,005,467**	948,895
Interest in an associate	**21,423**	20,683
Consolidated total assets	**1,026,890**	969,578
Liabilities		
Total liabilities of reportable segments	**(64,660)**	(62,160)
Interest-bearing bank and other borrowings	**(16,034)**	(7,340)
Consolidated total liabilities	**(80,694)**	(69,500)

6. SEGMENT INFORMATION (CONTINUED)

Geographical information:

	Revenue		Non-current assets	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**227,578**	230,878	**120,842**	131,768
Mainland China	**3,948**	1,089	**128,903**	119,332
Other Asia Pacific regions	**–**	1,027	**26,800**	26,800
Others	**–**	28,926	**–**	14
Consolidated total	**231,526**	261,920	**276,545**	277,914

In presenting the geographical information, revenue is based on the locations of the customers; non-current assets are based on the locations of the assets.

7. REVENUE

An analysis of revenue (which is also the Group's turnover) is as follows:

	2009	2008
	HK$'000	*HK$'000*
Wholesale and retail of fashion wear and accessories	**200,591**	191,433
Telecommunications operations	**–**	30,860
Resort and recreational club operations	**13,444**	16,635
Dividend income from listed equity investments	**7,895**	5,340
Dividend income from an unlisted fund investment	**84**	57
Interest income	**9,512**	17,595
	231,526	261,920

8. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Rental income	**1,051**	1,209
Management fees	**1,044**	1,143
Others	**3,989**	3,751
	6,084	6,103

9. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on bank loans and overdrafts	**746**	556
Interest on a finance lease	**16**	14
Accretion of interest on debentures	**168**	250
	930	820

10. INCOME TAX CREDIT

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2009 (2008: 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.

A reconciliation of the income tax credit and the product of profit/(loss) before tax multiplied by the weighted average tax rate of the consolidated companies and a reconciliation of the weighted average rate to the effective tax rate, are as follows:

	2009		2008	
	HK$'000	%	HK$'000	%
Profit/(loss) before tax	**45,772**		(70,885)	
Tax at the weighted average tax rate	**6,986**	**15.2**	(12,941)	(18.3)
Tax effect of income that is not taxable	**(3,854)**	**(8.4)**	(12,159)	(17.1)
Tax effect of expenses that are not deductible	**3,055**	**6.7**	7,150	10.1
Tax effect of utilisation of tax losses not previously recognised	**(11,405)**	**(24.9)**	(1,487)	(2.1)
Tax effect of tax losses not recognised	**5,218**	**11.4**	19,437	27.4
Overprovision in prior years	**–**	**–**	(4,413)	(6.2)
Income tax credit at effective tax rate	**–**	**–**	(4,413)	(6.2)

11. PROFIT/(LOSS) FOR THE YEAR

The Group's profit/(loss) for the year is stated after charging/(crediting) the following:

	2009	2008
	HK$'000	*HK$'000*
Cost of inventories sold#	**106,386**	103,788
Depreciation*	**8,376**	6,499
Impairment of goodwill*	**–**	6,610
Auditors' remuneration for audit services	**815**	1,500
Recognition of prepaid land premiums*	**77**	77
Other operating lease charges for land and buildings (included contingent rentals of HK$2,727,000 (2008: HK$2,630,000))	**49,532**	45,627
Charge for inventories allowances	**6,927**	8,973
Impairment of an available-for-sale equity investment (transfer from equity)*	**–**	56
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss*	**(54,146)**	86,557
Option derivatives - convertible bonds*	**(2,875)**	(95)
Revaluation of investment properties	**(5,000)**	24,200
Loss/(gain) on disposal of financial assets at fair value through profit or loss, net*	**(8,546)**	7,443
Gain on disposal of available-for-sales debt investments*	**(1,249)**	–
Gain on disposal of held-to-maturity investments*	**(1,440)**	–
Gain on disposal of available-for-sale equity investments*	**(56)**	–
Loss on disposal of property, plant and equipment*	**3**	257
Employee benefits expense (including directors' emoluments (note 12)):		
Salaries, wages and other benefits	**58,923**	55,792
Pension scheme contributions under defined contribution schemes	**2,273**	1,819
	61,196	57,611
Amortisation of deferred revenue	**(3,177)**	(3,255)
Write-back of accrued payables*	**(1,008)**	(5,997)
Rental income	**(1,051)**	(1,209)
Exchange gains, net*	**(5,586)**	(11,440)
Impairment/(reversal of impairment) of trade receivables, net	**30**	(725)
Deficits/(write-back of deficits) on revaluation of resort and recreational club properties	**265**	(512)

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

\# Cost of inventories sold included charge for inventories allowances of HK$6,927,000 (2008: HK$8,973,000).

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Fees HK$'000	Salaries allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors:					
Mr. Joseph Wing Kong LEUNG	**40**	**834**	**70**	**12**	**956**
Mr. James C. NG *(note i)*	**8**	**1,682**	**–**	**–**	**1,690**
Mr. Raymond Siu Wing CHAN	**20**	**300**	**25**	**6**	**351**
Mr. Derek Wai Choi LEUNG	**20**	**–**	**–**	**–**	**20**
Mr. Wing Tung YEUNG	**20**	**1,740**	**145**	**12**	**1,917**
Non-executive directors:					
Mr. Raymond Wai Pun LAU	**20**	**–**	**–**	**–**	**20**
Mr. Raymond Shing Loong WONG	**20**	**–**	**–**	**–**	**20**
Independent non-executive directors:					
Dr. Cecil Sze Tsung CHAO	**20**	**–**	**–**	**–**	**20**
Dr. Jen CHEN	**20**	**–**	**–**	**–**	**20**
Mr. Ian Grant ROBINSON	**240**	**–**	**–**	**–**	**240**
Total for 2009	**428**	**4,556**	**240**	**30**	**5,254**
Executive directors:					
Mr. Joseph Wing Kong LEUNG	40	288	48	12	388
Mr. James C. NG	20	3,958	660	12	4,650
Mr. Raymond Siu Wing CHAN *(note ii)*	1	–	–	–	1
Mr. Derek Wai Choi LEUNG	20	–	–	–	20
Mr. Wing Tung YEUNG	20	1,716	407	12	2,155
Non-executive directors:					
Mr. Raymond Wai Pun LAU	20	–	–	–	20
Mr. Raymond Shing Loong WONG *(note ii)*	1	–	–	–	1
Independent non-executive directors:					
Dr. Cecil Sze Tsung CHAO	20	–	–	–	20
Dr. Jen CHEN	20	–	–	–	20
Mr. Ian Grant ROBINSON	240	–	–	–	240
Total for 2008	402	5,962	1,115	36	7,515

Notes:

(i) Retired on 3 June 2009.

(ii) Appointed on 12 December 2008.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

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

The five highest paid individuals in the Group during the year included two (2008: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2008: three) individuals are set out below:

	2009	2008
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**4,356**	4,341
Performance related bonuses	**163**	409
Pension scheme contributions	**36**	36
	4,555	4,786

The emoluments fell within the following bands:

	Number of individuals	
	2009	2008
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,500,000	**1**	1
	3	3

No share options or any other forms of share-based payments were granted to the directors and highest paid individuals during the year (2008: Nil).

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit/(loss) for the year attributable to owners of the Company included a profit of approximately HK$42,459,000 (2008: loss of HK$75,218,000) which has been dealt with in the financial statements of the Company.

14. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings (2008: loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of HK$45,794,000 (2008: loss attributable to owners of the Company of HK$66,376,000) and the weighted average number of ordinary shares of 1,650,658,676 (2008: 1,650,658,676) in issue during the year.

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary sharing during the two years ended 31 December 2009.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Resort and recreational club properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Com-munications equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
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 and 1 January 2009	72,100	5,020	38,590	34,522	3,522	153,754
Additions	353	3,243	14,402	–	–	17,998
Disposals	–	(1,338)	(12,294)	(32,492)	(181)	(46,305)
Surplus on revaluation	(2,924)	–	–	–	–	(2,924)
Elimination of accumulated depreciation	(2,229)	–	–	–	–	(2,229)
Exchange realignment	–	–	68	1,990	31	2,089
At 31 December 2009	67,300	6,925	40,766	4,020	3,372	122,383
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 and 1 January 2009	–	1,856	33,266	34,522	3,246	72,890
Depreciation provided during the year	2,229	751	5,280	–	116	8,376
Write-back on revaluation	(2,229)	–	–	–	–	(2,229)
Disposals	–	(1,338)	(12,287)	(32,492)	(181)	(46,298)
Exchange realignment	–	–	68	1,990	31	2,089
At 31 December 2009	–	1,269	26,327	4,020	3,212	34,828
Net carrying amount:						
At 31 December 2009	**67,300**	**5,656**	**14,439**	**–**	**160**	**87,555**
At 31 December 2008	72,100	3,164	5,324	–	276	80,864

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Resort and recreational club properties *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Com-munications equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
The analysis of the cost or valuation at 31 December 2009 of the above assets is as follows:						
At cost	**–**	**6,925**	**40,766**	**4,020**	**3,372**	**55,083**
At valuation	**67,300**	**–**	**–**	**–**	**–**	**67,300**
	67,300	**6,925**	**40,766**	**4,020**	**3,372**	**122,383**
The analysis of the cost or valuation at 31 December 2008 of the above assets is as follows:						
At cost	–	5,020	38,590	34,522	3,522	81,654
At valuation	72,100	–	–	–	–	72,100
	72,100	5,020	38,590	34,522	3,522	153,754

The Group's resort and recreational club properties were revalued at 31 December 2009 and 2008 by independent professional qualified valuers, DTZ Debenham Tie Leung Limited ("DTZ"), based on a depreciated replacement cost basis.

The carrying amounts of the Group's resort and recreational club properties would have been HK$28,137,000 (2008: HK$28,525,000) had they been stated at cost less accumulated depreciation and impairment losses.

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

At 31 December 2009 the carrying amount of motor vehicle and office equipment held by the Group under finance leases amounted to HK$107,000 (2008: HK$155,000).

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
Cost:			
At 1 January 2008	283	224	507
Additions	3,000	—	3,000
At 31 December 2008 and 1 January 2009	3,283	224	3,507
Additions	3,243	929	4,172
At 31 December 2009	6,526	1,153	7,679
Accumulated depreciation:			
At 1 January 2008	63	120	183
Depreciation provided during the year	56	74	130
At 31 December 2008 and 1 January 2009	119	194	313
Depreciation provided during the year	751	44	795
At 31 December 2009	870	238	1,108
Net carrying amount:			
At 31 December 2009	**5,656**	**915**	**6,571**
At 31 December 2008	3,164	30	3,194

16. INVESTMENT PROPERTIES

	Group	
	2009	2008
	HK$'000	*HK$'000*
At 1 January	**95,700**	113,900
Fair value gains/(losses), net	**5,000**	(24,200)
Exchange realignment	**–**	6,000
At 31 December	**100,700**	95,700

At 31 December 2009, the Group's investment properties comprised industrial property units situated in Hong Kong of HK$11,400,000 (2008: HK$9,800,000) and resort and recreational club properties situated in Mainland China of HK$89,300,000 (2008: HK$85,900,000). 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 37 to the financial statements.

	Company	
	2009	2008
	HK$'000	*HK$'000*
At 1 January	**110,800**	128,400
Fair value gains/(losses), net	**(15,800)**	(17,600)
At 31 December	**95,000**	110,800

At 31 December 2009, the Company's investment properties comprised industrial property units of HK$11,400,000 (2008: HK$9,800,000) and resort and recreational club properties of HK$83,600,000 (2008: HK$101,000,000) 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 2009 and 2008 by independent professional qualified valuers, DTZ. Valuations were based on current prices in an active market for all properties except for the resort and recreational club properties, which were valued based on open market, existing use basis.

Further particulars of the Group's investment properties are included on page 100.

17. PREPAID LAND PREMIUMS

	Group	
	2009	2008
	HK$'000	*HK$'000*
At 1 January	**2,986**	3,063
Amortisation of prepaid land premiums	**(77)**	(77)
At 31 December	**2,909**	2,986
Current portion	**(77)**	(77)
Non-current portion	**2,832**	2,909

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

18. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	**12,700**	12,700
Due from subsidiaries	**1,396,665**	1,358,969
	1,409,365	1,371,669
Provision for impairment	**(1,120,060)**	(1,095,489)
	289,305	276,180

The amounts due from subsidiaries are unsecured, interest-free and not due for settlement within one year, except for an amount of HK$10,000,000 (2008: Nil) which bears interest at 6-month HIBOR per annum and is repayable on demand. The amount due to a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of ownership attributable to the Company		Principal activities
			Direct	Indirect	
Asia Pacific Telecommunications Limited	Hong Kong	HK$2,000	—	100	Provision of telecommunications services
e-Media (Asia) Limited	Cayman Islands/ Hong Kong	US$1	100	—	Investment holding
e-New Media Technology Limited	British Virgin 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
Richtime Management Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

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

Name	Place of incorporation/ registration and operation	Nominal value of issued ordinary/ registered share capital	Percentage of ownership attributable to the Company Direct	Indirect	Principal activities
Shanghai ENM Telecom & Technology Limited（上海安電通訊科技有限公司）*#	PRC/ Mainland China	US$1,000,000	–	75	Marketing and distribution of network cards and accessories
Shanghai Hilltop Resort Hotel Ltd.（上海顯達渡假酒店有限公司）("Shanghai Hilltop") **#	PRC/ Mainland China	US$7,200,000	20 (note 39(b))	80	Property investment in a resort and recreational club
The Swank Shop (Beijing) Limited（安寧詩韻（北京）時裝有限公司）*#	PRC/ Mainland China	US$1,000,000	–	100	Retail and wholesale of fashion wear and accessories
The Swank Shop Limited ("Swank Shop")	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 telecommunications 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

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

19. INTEREST IN AN ASSOCIATE

	Group	
	2009	2008
	HK$'000	*HK$'000*
Unlisted investment:		
Share of net assets	**14,840**	15,389
Goodwill on acquisition	**467**	467
	15,307	15,856
Due from an associate	**6,116**	4,827
	21,423	20,683

The amount due from an associate is 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) (2008: US$480,000 (equivalent to HK$3,735,000)) which bears interest at London interbank offered rate.

Particulars of the associate are as follows:

Name	**Particulars of registered capital**	**Place of registration**	**Percentage of ownership interest attributable to the Group 2009**	2008	**Principal activity**
Shanghai Landis Hospitality Management Co. Ltd. (上海麗致育樂經營管理有限公司) ("Shanghai Landis") #	US$8,000,000	PRC	**35**	35	Resort and recreational club management

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

19. INTEREST IN AN ASSOCIATE (CONTINUED)

Summarised financial information in respect of the Group's associate is set out below:

	2009	2008
	HK$'000	*HK$'000*
At 31 December		
Total assets	**82,055**	95,841
Total liabilities	**(40,997)**	(48,117)
Net assets	**41,058**	47,724
Year ended 31 December		
Revenue	**44,129**	63,353
Profit/(loss) for the year	**(1,569)**	23,806

20. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Overseas listed equity investment, at fair value	**–**	14
Unlisted equity investments, at cost less impairment loss	**39,420**	39,420
	39,420	39,434

The fair value of listed equity investments 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 mainly represent investments in the shares of entities principally involved in medical drug development, manufacturing and distribution; bankcard acquiring and third-party services, electronic payment and intra-bank fund transfer services; and software development and project solution services. The Group does not intend to dispose of the investments in the near future.

21. CONVERTIBLE BONDS

	Group and Company	
	2009	2008
	HK$'000	*HK$'000*
Listed convertible bonds*:		
Available-for-sale debt investments, at fair value	**24,615**	24,746
Option derivatives, at fair value	**4,170**	2,812
	28,785	27,558

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

At 31 December 2009, the Company held listed convertible bonds with an aggregate principal amount of HK$27,000,000 (2008: 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 qualified 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.

22. INVENTORIES

As at 31 December 2009 and 2008, all of the Group's inventories represented finished goods.

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**3,096**	2,942	**—**	—
Less: Impairment of trade receivables	**(335)**	(338)	**—**	—
	2,761	2,604	**—**	—
Rental and other deposits	**24,237**	18,635	**1,156**	494
Prepayment and other receivables	**13,364**	15,379	**6,019**	6,401
	40,362	36,618	**7,175**	6,895

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 ageing analysis of the trade receivables, based on the invoice date and net of impairment, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 1 month	**2,376**	2,317
2 to 3 months	**306**	276
Over 3 months	**79**	11
	2,761	2,604

23. TRADE AND OTHER RECEIVABLES (CONTINUED)

Reconciliation of impairment of trade receivables:

	Group	
	2009	2008
	HK$'000	*HK$'000*
At 1 January	**338**	1,937
Amount written off as uncollectible	**(33)**	(874)
Impairment losses recognised/(reversed), net	**30**	(725)
At 31 December	**335**	338

Included in the above impairment of trade receivables was an impairment for individually impaired trade receivables of HK$335,000 (2008: HK$338,000) with a carrying amount of HK$335,000 (2008: HK$338,000). 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.

As at 31 December 2009, trade receivables of HK$329,000 (2008: HK$287,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Less than 1 month past due	**293**	253
1 to 3 months past due	**18**	27
Over 3 months past due	**18**	7
	329	287

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.

The carrying amounts of the Group's trade receivables are denominated in Hong Kong dollars.

24. NOTE RECEIVABLES

At 31 December 2009, the Company held note receivables with principal amount of USD3,500,000 (equivalent to HK$27,230,000) (2008: Nil), which were issued by an investment bank with sound credit standing. The note receivables are unsecured, bear interest at a fixed rate of 1.414% per annum and will mature on 3 May 2010.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments, at fair value:				
Hong Kong	**192,337**	98,766	**182,527**	90,189
Outside Hong Kong	**3,174**	1,245	**2,389**	—
Market value of listed equity investments	**195,511**	100,011	**184,916**	90,189
Unlisted fund investments, at fair value:				
Hong Kong	**2,565**	2,696	**2,565**	2,696
	198,076	102,707	**187,481**	92,885

The above equity and fund investments at 31 December 2009 and 2008 were classified as held for trading. The fair values of listed securities are based on quoted market prices. 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 end of the reporting period.

As at 31 December 2009 and 2008, the above listed 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	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Market value of ordinary shares of China Motor Bus Company, Limited	**119,139**	82,609	**118,428**	82,115
Proportion of ownership interest	**4.5%**	4.5%	**4.5%**	4.5%

26. PLEDGED BANK DEPOSITS/TIME DEPOSITS/CASH AND BANK BALANCES

The Group's and the Company's pledged bank deposits were deposits pledged to banks to secure banking facilities granted to the Group as set out in note 28 to the financial statements.

Pledged bank deposits, time deposits and cash and bank balances are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**33,870**	21,251	**18,791**	519
US dollars	**378,540**	468,208	**375,529**	465,171
Renminbi*	**13,113**	13,078	**—**	—
Others	**1,417**	2,237	**—**	—
	426,940	504,774	**394,320**	465,690

* Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

27. TRADE AND OTHER PAYABLES

Included in the Group's trade and other payables as at 31 December 2009 are trade and bills payables of HK$7,818,000 (2008: HK$8,902,000). As at 31 December 2009, the Company had no trade and bills payables (2008: Nil). An ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 1 month	**6,965**	6,921
2 to 3 months	**514**	141
Over 3 months	**339**	1,840
	7,818	8,902

27. TRADE AND OTHER PAYABLES (CONTINUED)

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2009	2008
	HK$'000	*HK$'000*
Hong Kong dollars	**426**	919
US dollars	**723**	1,954
Euro dollars	**6,658**	5,714
Others	**11**	315
Total	**7,818**	8,902

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Bank loans	**15,966**	7,226
Finance lease payables (note 29)	**68**	114
	16,034	7,340
The borrowings are repayable as follows:		
On demand or within one year	**16,011**	7,317
In the second year	**20**	23
In the third to fifth years, inclusive	**3**	—
	16,034	7,340
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(16,011)**	(7,317)
Amount due for settlement after 12 months	**23**	23

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

The interest-bearing bank and other borrowings of the Group are mainly denominated in Hong Kong dollars.

The effective interest rates at 31 December were as follows:

	2009	2008
Bank loans	**4% to 6%**	5% to 6%
Finance lease payables	**3% to 5%**	3%

Bank loans of HK$7,683,000 (2008: Nil) are secured by a charge over the Group's time deposits and the remaining balance is unsecured.

29. FINANCE LEASE PAYABLES

Group	**Minimum lease payments 2009 *HK$'000***	Minimum lease payments 2008 *HK$'000*	**Present value of minimum lease payments 2009 *HK$'000***	Present value of minimum lease payments 2008 *HK$'000*
Amount payable:				
Within one year	**50**	105	**45**	91
In the second year	**20**	26	**20**	23
In the third to fifth years, inclusive	**4**	—	**3**	—
Total minimum finance lease payments	**74**	131	**68**	114
Future finance charges	**(6)**	(17)		
Total net finance lease payables	**68**	114		
Portion classified as current liabilities (note 28)	**(45)**	(91)		
Non-current portion (note 28)	**23**	23		

The Group leases certain office equipment and motor vehicle under finance lease arrangements with average lease term of 4 years (2008: 5 years). At the end of the lease term, the Group has the option to purchase the office equipment at nominal price.

The finance lease payables are secured by the lessor's title to the leased assets.

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. As at 31 December 2009, the redeemable periods of the Group's debentures carried at amortised cost were as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year classified as current liabilities	**293**	402
In the second year	**1,260**	166
In the third to fifth years, inclusive	**4,254**	5,019
Non-current portion	**5,514**	5,185
	5,807	5,587

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

31. OTHER LOANS

As at 31 December 2009 and 2008, the unsecured loans from a former minority equity holder 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.

32. DEFERRED TAX

The following are deferred tax liabilities and assets recognised by the Group:

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 2008	9,720	(9,720)	–
Deferred tax charged/(credited) to the consolidated income statement for the year	2	(2)	–
At 31 December 2008 and at 1 January 2009	9,722	(9,722)	–
Deferred tax charged/(credited) to the consolidated income statement for the year	632	(632)	–
At 31 December 2009	**10,354**	**(10,354)**	**–**

At the end of the reporting period, the Group has unused tax losses of HK$593,066,000 (2008: HK$636,604,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$62,752,000 (2008: HK$58,922,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$530,314,000 (2008: HK$577,682,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$3,604,000 (2008: Nil) with a time limit of five years from the year the losses were incurred. Other tax losses may be carried forward indefinitely.

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 PRC. 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. The tax rate applicable to the Group is 5%. The Group is therefore liable to withholding taxes on any dividends distributed by its subsidiaries established in PRC in respect of earnings generated from 1 January 2008.

At the end of the reporting period, the Group's subsidiaries established in Mainland China have no undistributed earnings and accordingly no deferred tax liabilities were recognised in respect of this.

33. SHARE CAPITAL

	Group and Company	
	2009	2008
	HK$'000	*HK$'000*
Authorised:		
100,000,000,000 (2008: 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 (2008: 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.

33. SHARE CAPITAL (CONTINUED)

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 except for the requirement to maintain a public float of at least 25% of the shares under the Listing Rules. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 31 December 2008.

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 end of the reporting period was as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Interest-bearing bank and other borrowings	**16,034**	7,340
Debentures	**5,807**	5,587
Other loans	**5,427**	5,427
Total borrowings	**27,268**	18,354
Owners' equity	**945,363**	899,223
Gearing ratio	**2.88%**	2.04%

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity on page 35 of the financial statements.

(b) Company

	Share premium account HK$'000	Capital redemption reserve HK$'000	Special reserve HK$'000	Available -for-sale investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2008	1,189,721	478	808,822	–	(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 and 1 January 2009	1,189,721	478	808,822	2,316	(1,099,989)	901,348
Changes in fair value of available-for-sale debt investments	–	–	–	2,845	–	2,845
Profit for the year	–	–	–	–	42,459	42,459
At 31 December 2009	**1,189,721**	**478**	**808,822**	**5,161**	**(1,057,530)**	**946,652**

(c) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Capital redemption reserve

The capital redemption reserve arose from the reduction of the nominal value of the issued share capital of the Company upon the cancellation of the repurchased shares in November 1997.

34. RESERVES (CONTINUED)

(c) Nature and purpose of reserves (continued)

(iii) Special reserve

The special reserve arose as a result of the Group's reorganisation in 2002. Nature and purpose of the special reserve are set out in note 33(b)(ii) to the financial statements.

(iv) Property revaluation reserve

The property revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for resort and recreational club properties in note 3(e) to the financial statements.

(v) Available-for-sale investment revaluation reserve

The available-for-sale investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 3(j)(iii) to the financial statements.

(vi) Exchange fluctuation reserve

The reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(d) to the financial statements.

35. 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.

35. SHARE OPTION SCHEME (CONTINUED)

The total number of shares available for issue under the Scheme at 31 December 2009 and 2008 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.

36. CONTINGENT LIABILITIES

At 31 December 2009, the Group and the Company had the following significant contingent liabilities:

(a) 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 and third party experts engaged, believe that the Company/Group 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.

36. CONTINGENT LIABILITIES (CONTINUED)

(b) At the end of the reporting period, the Company has issued corporate guarantees to banks executed as part of the securities for general banking facilities granted to certain subsidiaries of the Company to the extent of HK$30,342,000 (2008: HK$873,000).

At the end of the reporting period, the directors do not consider it is probable that a claim will be made against the Company under the above guarantees. The maximum liability of the Company at the end of the reporting period under the above guarantees is the outstanding amount of the general banking facilities drawn by the subsidiaries at that date of HK$17,713,000 (2008: HK$873,000).

The fair value of the guarantees at the date of inception is not material and is not recognised in the financial statements.

37. 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 16 to the financial statements) under which the effective lease period is from 1 July 2006 to 30 June 2016.

At 31 December 2009, the Group had total future minimum lease receivables under a non-cancellable operating lease with the associate falling due as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**1,514**	1,514
In the second to fifth years, inclusive	**6,057**	6,057
After five years	**2,271**	3,786
	9,842	11,357

The operating lease receipts of the resort and recreational club properties are based on revenue generated from the resort and recreational club plus fixed minimum rental.

37. OPERATING LEASE ARRANGEMENTS (CONTINUED)

(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 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**39,301**	37,462	**2,681**	906
In the second to fifth years, inclusive	**54,252**	32,540	**5,728**	—
After five years *	**—**	494	**—**	—
	93,553	70,496	**8,409**	906

* Amount as at 31 December 2008 represents a lease effective subsequent to the end of that reporting period.

The operating lease payments of certain retail shops are based on the higher of a minimum guaranteed rental or a sales level based rental. The minimum guaranteed rental has been used to compute the above commitments.

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37(b) above, the Group had the following commitments as at the end of the reporting period:

(a) Capital commitments

	Group	
	2009	2008
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Development of resort and recreational club properties	**–**	111
Renovation of leased properties	**2,564**	544
Furniture, fixtures and equipment	**455**	–
	3,019	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 2009, the minimum amount payable to the Mainland China joint venture partner by Shanghai Hilltop up to 2022 under the above arrangement was HK$27,106,000 (2008: HK$29,191,000), of which HK$13,553,000 (2008: HK$15,638,000) will be absorbed by Shanghai Landis up to 30 June 2016.

39. RELATED/CONNECTED 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	
	Note	**2009**	2008
		HK$'000	*HK$'000*
Rental expenses and building management fees paid to related companies	(i)	**2,962**	2,336
Rental income from an associate	(ii)	**1,051**	1,209

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$2,305,000 (2008: HK$2,045,000).

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

(b) On 10 July 2009, the Company entered into a deed of assignment with the minority equity holder of Shanghai Hilltop whereby the minority equity holder assigned its entire 20% equity interest in Shanghai Hilltop to the Company in consideration of the nominal sum of HK$1. The assignment was completed on 10 July 2009 and Shanghai Hilltop became a wholly owned subsidiary of the Company. The assignment has no material impact on the results or financial position of the Group.

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

	2009	2008
	HK$'000	*HK$'000*
Short term employee benefits	**9,743**	12,230
Pension scheme contributions	**66**	72
Total compensation paid to key management personnel	**9,809**	12,302

Further details of directors' emoluments are included in note 12 to the financial statements.

The related party transactions in respect of item (a)(i) regarding the rental expenses constitute continuing connected transactions and the transaction in respect of item (b) above constitute a connected transaction, as defined in Chapter 14A of the Listing Rules, further details of which are included in the Report of the Directors on pages 15 to 17.

40. EVENTS AFTER THE REPORTING PERIOD

(a) On 7 February 2010, Cosy Good Limited ("Cosy Good"), a wholly owned subsidiary of the Company, entered into a Convertible Bonds Subscription Agreement with Skyjoy Assets Management Limited (the "Issuer") and two other subscribers. Pursuant to the agreement, the Issuer had conditionally agreed to issue Convertible Bonds in the principal amount of HK$400,000,000, of which Convertible Bonds of HK$100,000,000 was subscribed by Cosy Good. Details of the above are disclosed in the Company's announcement dated 7 February 2010.

(b) On 30 March 2010, Swank Shop, a wholly owned subsidiary of the Company, entered in an agreement with Cesare Di Pino Company Limited (the "Vendor") whereby the Vendor agreed to assign and transfer 9 trademarks, all of which containing the words "CESARE DI PINO" registered in Hong Kong and Taiwan. The Vendor is wholly owned by a director of Swank Shop, Mr. Hong Kin Hay and his two sisters. The transaction constitute a connected transaction as defined in Chapter 14A of the Listing Rules, further details of which are included in the Report of the Directors on pages 15 to 17.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2010.

PARTICULARS OF PROPERTIES

31 December 2009

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	100%
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				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**231,526**	261,920	266,027	227,206	242,536
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**47,251**	(77,485)	62,934	11,411	18,802
Finance costs	**(930)**	(820)	(1,291)	(1,077)	(969)
Share of profits/(losses) of associates	**(549)**	7,420	(6,388)	(2,852)	(2,883)
PROFIT/(LOSS) BEFORE TAX	**45,772**	(70,885)	55,255	7,482	14,950
Tax	**–**	4,413	–	–	43
PROFIT/(LOSS) FOR THE YEAR	**45,772**	(66,472)	55,255	7,482	14,993
Attributable to:					
Equity holders of the Company	**45,794**	(66,376)	52,426	12,047	10,923
Minority interests	**(22)**	(96)	2,829	(4,565)	4,070
	45,772	(66,472)	55,255	7,482	14,993

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,026,890**	969,578	1,076,279	1,031,031	1,025,839
TOTAL LIABILITIES	**(80,694)**	(69,500)	(85,792)	(101,614)	(106,497)
MINORITY INTERESTS	**(833)**	(855)	(30,547)	(27,513)	(31,407)
	945,363	899,223	959,940	901,904	887,935

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Joseph Wing Kong LEUNG
(Chairman and Acting 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

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PRINCIPAL BANKERS

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

REGISTERED OFFICE

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INCORPORATION IN HONG KONG

27 April 1966

LISTING

16 November 1972

NO. OF EMPLOYEES

264

WEB SITE

www.enmholdings.com

STOCK CODE

Hong Kong Stock Exchange: 0128
American Depositary Receipt: ENMHY

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