

CONTENTS

2	Chairman's Statement
4	Chief Executive's Statement
8	Biographies of Directors and Senior Management
11	Report of the Directors
16	Corporate Governance Report
25	Independent Auditors' Report
27	Consolidated Income Statement
28	Consolidated Balance Sheet
30	Consolidated Statement of Changes in Equity
31	Consolidated Cash Flow Statement
33	Balance Sheet
34	Notes to Financial Statements
94	Particulars of Properties
95	Five Year Financial Summary
96	Corporate Information

CHAIRMAN'S STATEMENT

I am pleased to present the 2006 annual report of ENM Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2006.

RESULTS

For the year ended 31 December 2006, the Group recorded a turnover of HK\$227,206,000, representing a slight decrease of 6% as compared with HK\$242,536,000 for the previous year. The drop in turnover was mainly due to the stiff market competition in the retail fashion business and the negative effect resulting from the relocation of retail shops during the year.

The Group reported a profit attributable to shareholders of HK\$12,047,000, an increase of 10% as compared to HK\$10,923,000 for the previous year. This was mainly attributable to the surplus on revaluation of group properties of HK\$12,545,000. However, the retail fashion business did not perform as anticipated and made a negative contribution to the Group during the year.

LOOKING AHEAD

VivaSha Club Resort ("VivaSha") had its soft opening in March 2006. The Board is so far satisfied with the performance in the soft opening period and VivaSha will have its grand opening in 2007. The Board believes that VivaSha will benefit from the continuing robust travel demand in the Mainland, buoyant global tourisms, business travel and the economic growth in Shanghai.

Swank currently has 13 shops and department store counters with a total shopping floor area of 23,800 square feet. In the coming year, those non-performing shops will be strategically closed when their leases expire, while continuing to open new stores at prime locations to enhance Swank's profitability. Swank will continue exercising tight controls on all overheads while maintaining its service quality.

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.

CHAIRMAN'S STATEMENT

APPRECIATION

I would like to take this opportunity to thank my fellow directors, dedicated employees, our supportive shareholders and our business partners for their confidence and continued support of the Group.

Joseph Wing Kong LEUNG

Chairman

Hong Kong, 23 April 2007

CHIEF EXECUTIVE'S STATEMENT

FINANCIAL REVIEW

For the year under review, the Group reported a turnover of HK\$227,206,000 (2005: HK\$242,536,000) which represents a decrease of 6% compared to 2005. Consolidated profit attributable to equity holders of the Company amounted to HK\$12,047,000 (2005: HK\$10,923,000) which represents a 10% increase compared to last year. Earnings per share was HK0.73 cents (2005: HK0.66 cents).

LIQUIDITY AND FINANCIAL POSITION

On 31 December 2006, the Group was in a solid financial position with cash and deposit holdings of HK\$522,222,000 (2005: HK\$544,625,000). On 31 December 2006, total borrowings stood at HK\$22,634,000 (2005: HK\$17,862,000) with HK\$18,674,000 (2005: HK\$10,892,000) of repayments 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 2.5% at the year end date (2005: 2%). The current ratio on 31 December 2006 was 10.5 times (2005: 10.8 times).

On 31 December 2006, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars and United States dollars. Exchange differences were reflected in the audited financial statements. All borrowings of the Group are either on a floating rate basis or interest free.

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

PLEDGE OF ASSETS

Pledges of the Group's fixed deposits of US\$44,000 (2005: US\$44,000) were given to bankers to secure general banking facilities to the extent of US\$44,000 as of 31 December 2006 (2005: US\$44,000).

EMPLOYEE AND REMUNERATION POLICIES

At the date of this report, the Group employed a total of 260 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.

CHIEF EXECUTIVE'S STATEMENT**BUSINESS REVIEW****RESORT AND RECREATIONAL CLUB OPERATIONS***VivaSha Club Resort ("VivaSha")*

VivaSha, comprising of a 4-star Hotel Building with 320 rooms, a Clubhouse Building and an International Convention Center, has performed satisfactorily since its soft opening at the end of March 2006. A total of 21 new facilities including the Tepanyake Restaurant, the Tea Salon and the piano bar have been added or modified to further enrich the attractions of the project. In addition, 2,000 new households will move into new residential properties nearby in 2007; Management believes this will have a positive impact on the Clubhouse business.

Hong Kong Hilltop Country Club ("Club")

Although the effect of Disneyland and the individual travelling program is cooling down, the Club's revenues for 2006 continue to be steady as the Club focuses on its target customers. In 2007, Management expects the 10th anniversary celebration of the establishment of HKSAR to attract more tourism from China and overseas which will further improve the Club's business.

The transitional changes in the Tsuen Wan area have affected the Club's turnover. Many traditional club members such as owners and senior management of manufacturing enterprises have moved out of the district and cut down their number of visits to the club house. However, an increasing number of middle class residents have moved to the Tsuen Wan area in recent years. The Club has been upgrading its facilities with new modern equipment, introducing innovative promotion programs and maintaining good customer service to attract this new segment of potential customers, as well as to strengthen the loyalty of our existing club members.

TELECOMMUNICATIONS & TECHNOLOGIES*SinoPay.com Holdings Limited ("SinoPay")*

SinoPay's main business is providing B2C electronic payment and Intra-bank fund transfer solution services in the PRC through its Joint Venture with China UnionPay, Chinapay e-Payment Service Ltd ("the JV") in Shanghai. In order to diversify its income contribution sources, Chinapay e-Payment Services Ltd has developed an on-line mutual fund trading platform in recent years and the result has been satisfactory.

Due to unforeseen circumstances, the proposed merger between Chinapay e-Payment Service Ltd and Easylink, a counterpart of the JV in Guangdong, has been temporarily suspended. However, the suspension of the proposed merger will not adversely affect the daily operation and business development of the JV. Its annual turnover increased by 150% to RMB47,600,000 with a net profit of RMB9,800,000 in 2006.

CHIEF EXECUTIVE'S STATEMENT

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

Smartdot is engaged in the development of software and solution projects in China. Its core businesses are e-government projects and office automation.

Despite increasing competition in the software market in the PRC, Smartdot still reported steady growth in 2006. Its annual turnover increased by 14% to RMB88,000,000 and the net profit increased by 22.6% to RMB8,070,000. In order to diversify its income contribution sources in 2007, Smartdot will focus on (1) the distribution business of WBCR, an IBM software product for business flow and control management mainly for listed companies in the United States and (2) developing a new office automation software package for small to medium sized companies, as well as strengthening its core business of e-government projects and office automation system for large enterprises.

Wireless Network Card Business

Shanghai ENM Telecom & Technology Limited has developed solid business collaborations with China Mobile and China Unicom to market mobile internet access services in Shanghai. The wireless internet access market is growing steadily in China as more customers recognise the benefits of this service. Management continues to look for opportunities to promote other telecommunication products with telecom operators under a similar cooperation model with China Unicom.

RETAIL FASHION

The Swank Shop Limited ("Swank")

A number of shops were closed due to the expiration of leases in the first quarter and could only be reopened in new locations in the third quarter, thus affecting Swank's first six months' sales turnover. The relocated shop in Pacific Place incorporates both men's and ladies' wear. The new shop in Harbour City is for men only which complements the existing Swank ladies' wear nearby.

The new shop network reflects our strategy of targeting the upscale market in strategic locations in Hong Kong and Kowloon. Sales volume in the second half of the year returned to satisfactory levels.

CHIEF EXECUTIVE'S STATEMENT**BIO-MEDICAL***Genovate Biotechnology Company Limited ("Genovate")*

Genovate is a fully integrated pharmaceutical company which encompasses within its operations: new drug development and new formulation capability, clinical trials for local and international pharmaceutical companies, drug manufacturing, drug marketing and distribution in Taiwan and the region.

Genovate's two major new drug products, Urotrol for urinary incontinence and Diabetrol Slow Release ("SR") for the anti-diabetic market, have achieved increasing market acceptance. In 2006, Genovate had five other new drug products approved for marketing in Taiwan and three approved in Vietnam.

In the field of new drug development, Genovate has research programs in collaboration with government institutes including the Industrial Technology Research Institute (ITRI) of Taiwan and the National Health Research Institute (NHRI). Genovate also collaborates with BioKey, a US specialty pharmaceutical company, to co-develop new drug products. Genovate's product pipeline, focused on anti-cancer and metabolic disorders, will be further strengthened once these research programs reach the clinical development stage.

The merger plan between Genovate and Ocean Bright Co., Ltd. ("OB") was originally approved by both companies' shareholders in June 2006. However, due to changes in market conditions and more stringent regulations by the Taiwan GreTai Securities Market, Genovate and OB were required to re-negotiate the share exchange ratio but were unable to reach agreement. The merger plan has therefore been terminated but Genovate and OB will continue their business partnership.

James C. Ng*Chief Executive*

Hong Kong, 23 April 2007

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Joseph Wing Kong LEUNG, 60, is the Chairman of the Group. Mr. Leung joined the Group in December 2000 as Executive Director and became Chairman in March 2001. He is also the Chairman of the Remuneration Committee of the Company. Mr. Leung is a director of Chinachem Group companies and an independent non-executive director of Cheuk Nang (Holdings) Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. He is also 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. Leung has over 30 years of experience in finance and management in property development. He is a fellow of the Hong Kong Institute of Real Estate Administration and a member of the executive committee of The Real Estate Developers Association of Hong Kong.

Mr. James C. NG, 63, is the Chief Executive Officer of the Group. Mr. Ng has over 30 years of experience in the banking industry in Hong Kong and the United States. Prior to joining the Group in March 2001, Mr. Ng served as the CEO of the former First Pacific Bank in Hong Kong and the CEO of United Savings Bank in California. He also held senior positions at Chase Manhattan Bank in Hong Kong and the Far East Region. Mr. Ng holds a MBA Degree from Golden Gate University in San Francisco and a Bachelor Degree from St. Jose State University in the United States. Mr. Ng is a director of Chinachem Group companies and the Chairman of the Employers' Federation in Hong Kong.

Mr. Derek Wai Choi LEUNG, 56, joined the Group in December 2000. He holds a BSc (Engineering) degree and is also a chartered accountant. Mr. Leung had been in the banking industry for 16 years and in charge of the treasury and capital markets division of a banking subsidiary of one of the largest banks in the world for about ten years. He joined Chinachem Group in early 1997 and is responsible for the international investments of Chinachem Group companies.

Mr. Wing Tung YEUNG, 52, joined the Group as Executive Vice President in October 2001 and became Director in November 2002. Mr. Yeung is responsible for the investments of the Group. Prior to his appointment, 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.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT**NON-EXECUTIVE DIRECTOR**

Mr. Raymond Wai Pun LAU, 57, joined the Group in March 2001. He is also a member of the Audit Committee of the Company. Mr. Lau is the Senior Partner of Ford, Kwan & Co., Solicitors & Notaries. He 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cecil Sze Tsung CHAO, 70, joined the Group in September 2004. He 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 listed on the Main Board of The Stock Exchange of Hong Kong Limited. Dr. Chao obtained a Bachelor of architecture degree, with honours, from The University of Durham, England and subsequently worked in the field of property, investment, finance, architecture and construction for over forty years. He also worked for Hong Kong Government Building Department and Architectural Office and was elected as 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 and has obtained Honorary Doctor Degree (Ph. D.) from the U.S. Morrison University. Dr. Chao was also awarded 2004's World Outstanding Chinese.

Dr. Jen CHEN, 52, joined the Group in February 2003. He is also a member of the Audit Committee of the Company. Dr. Chen has extensive experience and professional knowledge in the biopharmaceutical industry. He is the Chairman and General Manager of Genovate Biotechnology Company Limited in Taiwan. Prior to this appointment, Dr. Chen was the Vice President of Asian Operation in Genelabs Technologies, Inc. in the US. He had also worked in Novartis Pharmaceuticals Corporation for eight years in areas of new drug discovery and research. He is the author or co-author of more than 30 papers and ten patents in the field. Dr. Chen obtained his Ph.D. (Chemistry) from University of Rochester in New York, USA.

Mr. Ian Grant ROBINSON, 67, joined the Group in September 2004. He 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 has had 39 years of experience as a professional accountant and was a Senior Partner with Ernst and Young, one of the largest international accounting firms. He 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 the Chairman of Brek Energy Corporation, a Nasdaq listed company. He is also a member of the Supervisory Board and the Chairman of Audit Committee of the Hong Kong Housing Society.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. David Kin Hay HONG, 59, joined the Group in October 2003. He is the Managing Director of The Swank Shop Limited (“Swank”). Mr. Hong joined the family business in 1974 after his graduation from business studies in England. He was in charge of the manufacturing arm of Swank in the first few years. In the early 1980’s, Mr. Hong moved on to the retail business unit and has headed Swank since 1991. Mr. Hong 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, 45, joined the Group in July 2001. He is the Vice President – Investments and is responsible for the Group’s business development. Prior to this appointment, Mr. Wong was the Vice President of Commercial Banking Business of the former First Pacific Bank, and Corporate Banking Officer of a major US bank where he gained international finance exposure in Chicago and New York. Before joining the banking industry, Mr. Wong had worked for an international accounting firm in performing project investment evaluation and feasibility study. Mr. Wong holds a Bachelor of Social Sciences Degree from the University of Hong Kong.

Mr. Victor Yiu Keung CHIANG, 42, joined the Group in November 2003. He 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. Graduated from the Chinese University of Hong Kong with a bachelor’s degree in business administration, he 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. Mr. Chiang is also a Certified Public Accountant practising in 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 2006.

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 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 93.

The directors do not recommend the payment of any dividend for the year ended 31 December 2006 (2005: Nil).

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 reclassified as appropriate, is set out on page 95. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

Further details of the Group's investment properties are set out on page 94.

DEBENTURES

Particulars of the club debentures of the Group are set out in note 29 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. Details of movements in the Company's share options during the year, are set out in note 33 to the financial statements.

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.

REPORT OF THE DIRECTORS

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 30, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company had no reserves available for distribution as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance (2005: Nil).

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 accounted for approximately 41% of the Group's total purchases for the year and the largest supplier accounted for approximately 11% of the purchases.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Joseph Wing Kong LEUNG (*Chairman*)

Mr. James C. NG (*Chief Executive Officer*)

Mr. Derek Wai Choi LEUNG

Mr. Wing Tung YEUNG

Non-executive director:

Mr. Raymond Wai Pun LAU

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, Messrs. James C. NG, Derek Wai Choi LEUNG and Raymond Wai Pun LAU 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 8 to 10 of the annual report.

REPORT OF THE DIRECTORS**DIRECTORS' SERVICE CONTRACTS**

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable 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.

DIRECTOR'S INTEREST IN SHARES

At 31 December 2006, the interest of a director in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, was as follows:

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

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

Save as disclosed above, as at 31 December 2006, 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 spouse 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 SCHEMES

Details of the Company's share option schemes are disclosed in note 33 to the financial statements.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

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

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 share option schemes to provide incentives to executive directors and employees. The details of the schemes are set out in note 33 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

At 31 December 2006, 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) (<i>note</i>)	–	570,974,145	570,974,145	34.6%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: The interest disclosed under Ms. Nina KUNG (deceased) represents her deemed interests 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 2006, 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 TRANSACTION

On 28 April 2005, the Company entered into a tenancy agreement (the "Tenancy Agreement") with Hollywood Palace Company Limited, a company controlled by a substantial shareholder, in respect of the renewal of leases of Suites 1502 and 1521 on 15th Floor, Chinachem Golden Plaza, 77 Mody Road, Tsimshatsui East, Kowloon for a term of two years commencing on 1 May 2005 at a monthly rent of HK\$145,620 with a four months rent-free period over the lease term. The Tenancy Agreement constituted a continuing connected transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company confirms that it has complied with the disclosure requirements, where appropriate, in accordance with Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTION (CONTINUED)

The above mentioned continuing connected transaction has been reviewed by the independent non-executive directors of the Company who have confirmed that the transaction has been entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms; and
- (c) in accordance with the terms of the Tenancy Agreement 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 transaction:

- (a) has been approved by the Company's board of directors; and
- (b) has been entered into in accordance with the Tenancy Agreement.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

Ernst & Young were first appointed as auditors of the Company in 2004 to fill the vacancy following the resignation of KPMG.

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

ON BEHALF OF THE BOARD

Joseph Wing Kong LEUNG

Chairman

Hong Kong
23 April 2007

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 2006, except for the deviations in respect of the service term and the rotation of Directors under Code Provisions A.4.1 and A.4.2 of the CG Code.

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

Under Code Provision A.4.2 of the CG Code, all Directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In order to comply with the Code Provision A.4.2 of the CG Code, relevant amendments to the Articles of Association of the Company were proposed and approved by the shareholders at the Annual General Meeting of the Company held on 2 June 2006. Code provision A.4.2 of the CG Code has been fully complied with thereafter.

CORPORATE GOVERNANCE REPORT**BOARD OF DIRECTORS****(A) BOARD COMPOSITION**

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

The Board members for the year ended 31 December 2006 were:

Executive Directors

Mr. Joseph Wing Kong LEUNG (*Chairman*)

Mr. James C. NG (*Chief Executive Officer*)

Mr. Derek Wai Choi LEUNG

Mr. Wing Tung YEUNG

Non-executive Director

Mr. Raymond Wai Pun LAU

Independent Non-executive Directors

Dr. Cecil Sze Tsung CHAO

Dr. Jen CHEN

Mr. Ian Grant ROBINSON

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 8 and 9.

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

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

(B) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (CONTINUED)

(C) INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

The Board as a whole is responsible for the selection and approval of candidates for appointment to the Board, and does not therefore establish a nomination committee.

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.

There was no change in the composition of the Board during the year ended 31 December 2006.

(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.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (CONTINUED)

(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 2006.

(G) BOARD MEETINGS

The Board held four regular Board meetings for the year ended 31 December 2006. The following was an attendance record of the regular Board meetings for the year ended 31 December 2006:

	Attendance
Executive Directors	
Mr. Joseph Wing Kong LEUNG (<i>Chairman</i>)	4/4
Mr. James C. NG (<i>Chief Executive Officer</i>)	4/4
Mr. Derek Wai Choi LEUNG	4/4
Mr. Wing Tung YEUNG	4/4
Non-executive Director	
Mr. Raymond Wai Pun LAU	4/4
Independent Non-executive Directors	
Dr. Cecil Sze Tsung CHAO	1/4
Dr. Jen CHEN	3/4
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.

CORPORATE GOVERNANCE REPORT

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 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 2006. The following was an attendance record of the Remuneration Committee meeting for the year ended 31 December 2006:

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

CORPORATE GOVERNANCE REPORT**REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)**

During 2006, the Remuneration Committee's work included:

- (i) Review of remuneration policy of Directors and senior management; and
- (ii) Recommendation to the Board of the Directors' fee.

ACCOUNTABILITY AND AUDIT**(A) FINANCIAL REPORTING**

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

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

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The statement of the Auditors of the Company about their responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 25 and 26.

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 2006, 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.

CORPORATE GOVERNANCE REPORT**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 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 one Non-executive Director, Mr. Raymond Wai Pun LAU 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 four 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 2006, the Audit Committee held two meetings, in which the external auditors were in attendance. The following was an attendance record of the Audit Committee meetings for the year ended 31 December 2006:

	Attendance
Mr. Ian Grant ROBINSON	2/2
Dr. Cecil Sze Tsung CHAO	0/2
Dr. Jen CHEN	2/2
Mr. Raymond Wai Pun LAU	2/2

During 2006, the Audit Committee's work included:

- (i) Review of the Group's interim and annual financial statements;
- (ii) Review of the non-audit services provided by the external auditors; and
- (iii) Recommendation to the Board of the reappointment of Ernst & Young as the Company's Auditors.

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

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

CORPORATE GOVERNANCE REPORT**ACCOUNTABILITY AND AUDIT (CONTINUED)****(D) AUDITORS' REMUNERATION**

For the year ended 31 December 2006, the Group's external auditors provided the following services to the Group:

	<i>HK\$'000</i>
Audit services	1,565
Non-audit services:	
Taxation services	179
Agreed-upon procedures on a connected parties transaction	15
	<hr/>
	1,759
	<hr/> <hr/>

DELEGATION BY THE BOARD**(A) MANAGEMENT FUNCTIONS**

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

Matters reserved for Board decision include:

- (i) Formulation of long-term strategy;
- (ii) Approving public announcements;
- (iii) Approving material bank facilities;
- (iv) Committing to material acquisitions and disposals;
- (v) Committing to material connected transactions; and
- (vi) Reviewing internal control system.

(B) BOARD COMMITTEES

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

(A) EFFECTIVE COMMUNICATION

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

- (i) interim and annual reports are sent to shareholders of the Company;
- (ii) the annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board;
- (iii) updated and key information of the Group is available on the Company's website; and
- (iv) the Company's website offers a communication channel between the Company and its shareholders.

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

The Chairman of the Board, Executive Directors, and the Company's Auditors attended the 2006 Annual General Meeting of the Company to answer questions at the meeting.

(B) VOTING BY POLL

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

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

INDEPENDENT AUDITORS' REPORT



TO THE SHAREHOLDERS OF ENM HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of ENM Holdings Limited set out on pages 27 to 93, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

18/F Two International Finance Centre

8 Finance Street, Central

Hong Kong

23 April 2007

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
REVENUE	5	227,206	242,536
Cost of sales		(97,521)	(110,221)
Gross profit		129,685	132,315
Other income and gains	5	5,103	5,859
Selling and distribution costs		(72,231)	(68,359)
Administrative expenses		(66,200)	(74,041)
Other operating income, net		2,509	16,631
Fair value change/write-back of deficits on revaluation of properties	6	12,545	6,397
Finance costs	7	(1,077)	(969)
Share of profits and losses of associates		(2,852)	(2,883)
PROFIT BEFORE TAX	6	7,482	14,950
Tax	10	—	43
PROFIT FOR THE YEAR		7,482	14,993
Attributable to:			
Equity holders of the Company	11	12,047	10,923
Minority interests		(4,565)	4,070
		7,482	14,993
DIVIDENDS		Nil	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		0.73 cents	0.66 cents
Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

31 December 2006

	<i>Notes</i>	2006 HK\$'000	2005 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	13	84,638	80,326
Investment properties	14	123,900	109,700
Prepaid land premiums	15	3,063	3,140
Goodwill	16	6,610	6,610
Interests in jointly-controlled entities	18	—	—
Interests in associates	19	20,511	17,348
Available-for-sale equity investments	20	35,503	35,503
		<hr/>	<hr/>
Total non-current assets		274,225	252,627
CURRENT ASSETS			
Inventories	21	37,481	34,920
Trade receivables	22	8,701	7,105
Prepayments, deposits and other receivables		33,267	37,407
Prepaid land premiums	15	77	77
Equity investments at fair value through profit or loss	23	154,612	148,736
Derivative financial instruments	24	104	—
Pledged deposits	25	342	342
Time deposits		495,074	515,379
Cash and bank balances	25	27,148	29,246
		<hr/>	<hr/>
Total current assets		756,806	773,212
CURRENT LIABILITIES			
Trade and other payables	26	47,662	55,270
Interest-bearing bank and other borrowings	27	9,268	3,978
Current portion of debentures	29	4,102	1,684
Other loans	30	5,304	5,230
Tax payable		5,497	5,497
		<hr/>	<hr/>
Total current liabilities		71,833	71,659
		<hr/>	<hr/>
NET CURRENT ASSETS		684,973	701,553
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		959,198	954,180
		<hr/>	<hr/>

CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2006

	<i>Notes</i>	2006 HK\$'000	2005 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		959,198	954,180
NON-CURRENT LIABILITIES			
Debtentures	29	3,754	6,673
Interest-bearing bank and other borrowings	27	206	297
Deferred revenue		25,821	27,868
Total non-current liabilities		29,781	34,838
Net assets		929,417	919,342
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	32	16,507	16,507
Reserves	34(a)	885,397	871,428
		901,904	887,935
Minority interests		27,513	31,407
Total equity		929,417	919,342

Joseph Wing Kong LEUNG
Chairman

James C. NG
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

	Attributable to equity holders of the Company										
	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Available-for- sale equity investment reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
				(note 32(b)(ii))							
At 1 January 2005	16,507	1,189,721	478	808,822	1,382	—	1,804	(1,143,348)	875,366	26,182	901,548
Surplus on revaluation (note 13)	—	—	—	—	1,732	—	—	—	1,732	1,155	2,887
Changes in fair value of available-for-sale equity investments	—	—	—	—	—	(783)	—	—	(783)	—	(783)
Impairment losses recognised in the income statement	—	—	—	—	—	783	—	—	783	—	783
Exchange realignment	—	—	—	—	—	—	(86)	—	(86)	—	(86)
Total income and expenses for the year recognised directly in equity	—	—	—	—	1,732	—	(86)	—	1,646	1,155	2,801
Profit for the year	—	—	—	—	—	—	—	10,923	10,923	4,070	14,993
At 31 December 2005 and 1 January 2006	16,507	1,189,721	478	808,822	3,114	—	1,718	(1,132,425)	887,935	31,407	919,342
Surplus on revaluation (note 13)	—	—	—	—	1,007	—	—	—	1,007	671	1,678
Exchange realignment	—	—	—	—	—	—	915	—	915	—	915
Total income and expenses for the year recognised directly in equity	—	—	—	—	1,007	—	915	—	1,922	671	2,593
Profit for the year	—	—	—	—	—	—	—	12,047	12,047	(4,565)	7,482
At 31 December 2006	16,507	1,189,721*	478*	808,822*	4,121*	—*	2,633*	(1,120,378)*	901,904	27,513	929,417

* These reserve accounts comprise the consolidated reserves of HK\$885,397,000 (2005: HK\$871,428,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,482	14,950
Adjustments for:			
Depreciation	6	8,944	7,795
Amortisation of deferred revenue	6	(1,852)	(400)
Recognition of prepaid land premiums	15	77	77
Finance costs	7	1,077	969
Dividend income from listed investments	5	(4,765)	(4,182)
Interest income	5	(25,478)	(19,130)
Share of profits and losses of associates		2,852	2,883
Fair value change/write-back of deficits on revaluation:			
Investment properties	6	(9,982)	(3,785)
Resort and recreational club properties	6	(2,563)	(2,612)
Write-back of accrued payables	6	(8,060)	(17,339)
Write-back of provision for loans to a then associate	6	—	(4,095)
Impairment of other receivables	6	4,480	1,936
Loss/(gain) on disposal of items of property, plant and equipment	6	66	(29)
Impairment of items of property, plant and equipment	6	—	242
Fair value losses/(gains), net:			
Available-for-sale equity investments (transfer from equity)	6	—	783
Equity investments at fair value through profit or loss	6	757	4,169
Derivative instruments - transactions not qualifying as hedges	6	(104)	—
Foreign exchange gains, net		(2,615)	(1,755)
		(29,684)	(19,523)
Increase in inventories		(2,561)	(1,010)
Decrease/(increase) in trade receivables		(1,596)	4,605
Increase in prepayments, deposits and other receivables		(2,458)	(3,454)
Decrease in trade and other payables		(1,105)	(11,021)
Decrease in amounts due from associates		—	641
Cash used in operations		(37,404)	(29,762)
Interest received		27,566	11,608
Dividends received from listed investments		4,765	1,899
Hong Kong profits tax refunded		—	7
Overseas taxes refunded		—	97
Net cash outflow from operating activities		(5,073)	(16,151)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year ended 31 December 2006

	<i>Note</i>	2006 HK\$'000	2005 HK\$'000
Net cash outflow from operating activities		(5,073)	(16,151)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(9,070)	(8,230)
Purchases of equity investments at fair value through profit or loss		(15,262)	(12,915)
Increase in available-for-sale equity investments		—	(798)
Increase in an investment in an associate		—	(8,013)
Repayment of advances/(advances) to associates		(5,446)	4,077
Proceeds from disposal of items of property, plant and equipment		6	49
Proceeds from disposal of equity investments at fair value through profit or loss		8,629	9,304
Increase in non-pledged time deposits with original maturity of more than three months when acquired		(77,278)	(417,796)
Net cash outflow from investing activities		(98,421)	(434,322)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		42,840	39,408
Repayment of bank loans		(37,550)	(42,118)
Redemption of debentures		(670)	(327)
Capital element of finance lease payments		(91)	(68)
Interest paid		(718)	(607)
Net cash inflow/(outflow) from financing activities		3,811	(3,712)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(99,683)	(454,185)
Cash and cash equivalents at beginning of year		126,829	581,007
Effect of foreign exchange rate changes, net		2	7
CASH AND CASH EQUIVALENTS AT END OF YEAR		27,148	126,829
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	27,148	29,246
Non-pledged time deposits with original maturity of less than three months when acquired		—	97,583
		27,148	126,829

BALANCE SHEET

31 December 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	13	271	—
Investment properties	14	127,900	122,700
Interests in subsidiaries	17	224,780	210,400
Interests in associates	19	322	292
Total non-current assets		<u>353,273</u>	<u>333,392</u>
CURRENT ASSETS			
Equity investments at fair value through profit or loss	23	143,381	138,980
Prepayments, deposits and other receivables		6,655	9,420
Pledged deposits	25	342	342
Time deposits		495,074	515,379
Cash and bank balances	25	4,553	1,094
Total current assets		<u>650,005</u>	<u>665,215</u>
CURRENT LIABILITIES			
Due to subsidiaries	17	54,974	70,577
Trade and other payables	26	2,408	3,297
Total current liabilities		<u>57,382</u>	<u>73,874</u>
NET CURRENT ASSETS		<u>592,623</u>	<u>591,341</u>
Net assets		<u>945,896</u>	<u>924,733</u>
EQUITY			
Issued capital	32	16,507	16,507
Reserves	34(b)	929,389	908,226
Total equity		<u>945,896</u>	<u>924,733</u>

Joseph Wing Kong LEUNG
Chairman

James C. NG
Chief Executive Officer

NOTES TO FINANCIAL STATEMENTS

31 December 2006

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain leasehold land and buildings, equity investments and derivative financial instruments which have been measured at fair value as further explained below. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 *The Effects of Changes in Foreign Exchange Rates*

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 27 *Consolidated and Separate Financial Statements*

The adoption of the revised HKAS 27 has resulted in a change in accounting policy relating to the definition of a subsidiary for the purpose of the consolidated financial statements as described in note 2.4 "Summary of significant accounting policies" below.

(c) HKAS 39 *Financial instruments: Recognition and Measurement***(i) *Amendment for financial guarantee contracts***

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*. The adoption of this amendment has had no material impact on these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)**(c) HKAS 39 *Financial instruments: Recognition and Measurement* (Continued)***(ii) Amendment for the fair value option*

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(d) HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

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

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

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

NOTES TO FINANCIAL STATEMENTS

31 December 2006

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

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009 and supersede HKAS 14 *Segment Reporting*.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Subsidiaries**

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

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

Joint ventures

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Joint ventures (Continued)**

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

A joint venture is treated as:

- (a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to the joint venture's operating and financial policies;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Associates (Continued)**

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

Goodwill

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

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

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

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

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

An impairment loss recognised for goodwill is not reversed in a subsequent period.

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Goodwill (Continued)***Goodwill previously eliminated against consolidated capital reserves*

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

Impairment of non-financial assets other than goodwill

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Related parties**

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

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Property, plant and equipment and depreciation (Continued)**

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

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

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

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

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

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

Investment properties

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Leases**

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

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

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

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

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Investments and other financial assets (Continued)***Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

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

Fair value

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Impairment of financial assets**

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

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

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

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

Assets carried at cost

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Impairment of financial assets (Continued)***Available-for-sale financial assets*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Financial liabilities at amortised cost (including interest-bearing loans and borrowings)**

Financial liabilities including trade and bills payables, other payables and accruals and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

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

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

Derivative financial instruments and hedging

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Income tax (Continued)**

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

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

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

(a) Wholesale and retail of fashion wear and accessories

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

(b) Telecommunications operations

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

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

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

(c) Resort and recreational club operations

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

(d) Dividend income

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Revenue recognition (Continued)***(e) Interest income*

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

(f) Rental income

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

(g) Consultancy, management and other services

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

Employee benefits*Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Employee benefits (Continued)***Employment Ordinance long service payments (Continued)*

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, up to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Pension schemes

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

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

Share-based payment transactions

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Employee benefits (Continued)***Share-based payment transactions (Continued)*

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

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

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

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

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

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

Borrowing costs

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Foreign currencies**

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**Judgements**

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

Operating lease commitments - Group as lessor

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)**Judgements (Continued)***Classification between investment properties and owner-occupied properties*

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

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

Estimation uncertainty

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

Impairment of goodwill

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

Estimation of fair value of investment properties

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

- (a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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

The aggregate carrying amount of the Group's investment properties at 31 December 2006 was HK\$123,900,000 (2005: HK\$109,700,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2006

4. SEGMENT INFORMATION

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

4. SEGMENT INFORMATION (CONTINUED)

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

Group

	Wholesale and retail of fashion wear and accessories		Telecom- munications operations		Resort and recreational club operations		Investments and treasury		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment revenue:										
Sales to external customers	174,710	195,467	2,985	4,630	19,268	19,127	30,243	23,312	227,206	242,536
Other revenue	2,202	4,802	7	583	2,370	371	524	103	5,103	5,859
Total	<u>176,912</u>	<u>200,269</u>	<u>2,992</u>	<u>5,213</u>	<u>21,638</u>	<u>19,498</u>	<u>30,767</u>	<u>23,415</u>	<u>232,309</u>	<u>248,395</u>
Segment results	<u>(11,039)</u>	<u>10,662</u>	<u>(3,397)</u>	<u>5,360</u>	<u>3,725</u>	<u>(113)</u>	<u>11,618</u>	<u>(906)</u>	<u>907</u>	<u>15,003</u>
Unallocated expenses									(2,041)	(2,598)
Fair value change/ write-back of deficits on revaluation of:										
Investment properties	—	—	—	—	8,782	3,285	1,200	500	9,982	3,785
Resort and recreational club properties	—	—	—	—	2,563	2,612	—	—	2,563	2,612
Finance costs									(1,077)	(969)
Share of profits and losses of associates	—	—	—	—	(4,571)	(4,019)	1,719	1,136	(2,852)	(2,883)
Profit before tax									7,482	14,950
Tax									—	43
Profit for the year									<u>7,482</u>	<u>14,993</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2006

4. SEGMENT INFORMATION (CONTINUED)**(a) Business segments (Continued)****Group (Continued)**

	Wholesale and retail of fashion wear and accessories		Telecom- munications operations		Resort and recreational club operations		Investments and treasury		Consolidated	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Segment assets	97,568	97,748	18,280	15,544	190,637	175,230	704,035	719,969	1,010,520	1,008,491
Interests in associates and jointly-controlled entities	—	—	—	—	8,942	8,067	11,569	9,281	20,511	17,348
Total assets									1,031,031	1,025,839
Segment liabilities	14,464	10,565	23,141	32,237	45,970	47,719	3,068	6,204	86,643	96,725
Unallocated liabilities									14,971	9,772
Total liabilities									101,614	106,497
Other segment information:										
Depreciation and amortisation	7,028	5,727	107	300	1,781	1,765	105	80	9,021	7,872
Impairment losses recognised in the income statement	—	—	—	242	—	—	—	783	—	1,025
Write-back of accrued payables	—	—	8,060	17,339	—	—	—	—	8,060	17,339
Write-back of provision for loans to a then associate	—	(4,095)	—	—	—	—	—	—	—	(4,095)
Other non-cash expenses	—	—	26	—	40	—	12,038	15,159	12,104	15,159
Capital expenditure on:										
Property, plant and equipment	8,393	8,402	10	221	322	64	345	—	9,070	8,687
Investment properties	—	—	—	—	18	7,721	—	—	18	7,721
Surplus on revaluation of leasehold land and buildings recognised directly in equity	1,007	1,732	—	—	—	—	—	—	1,007	1,732

NOTES TO FINANCIAL STATEMENTS

31 December 2006

4. SEGMENT INFORMATION (CONTINUED)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

Group

	Hong Kong		Mainland China		Other Asia		Others		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	224,132	237,809	3,070	3,675	4	629	—	423	227,206	242,536
Other segment information:										
Segment assets	843,390	853,901	155,991	139,790	30,706	31,078	944	1,070	1,031,031	1,025,839
Capital expenditure on:										
Property, plant and equipment	9,060	8,466	10	57	—	164	—	—	9,070	8,687
Investment properties	—	—	18	7,721	—	—	—	—	18	7,721

NOTES TO FINANCIAL STATEMENTS

31 December 2006

5. REVENUE, OTHER INCOME AND GAINS

The principal activities of the Group are the wholesale and retail of fashion wear and accessories, telecommunications operations, resort and recreational club operations, and investment and treasury operations. An analysis of revenue (which is also the Group's turnover), other income and gains is as follows:

	2006 HK\$'000	2005 <i>HK\$'000</i>
Revenue		
Wholesale and retail of fashion wear and accessories	174,710	195,467
Telecommunications operations	2,985	4,630
Resort and recreational club operations	19,268	19,127
Dividend income from listed investments	4,765	4,182
Interest income	25,478	19,130
	227,206	242,536
Other income and gains		
Rental income	455	529
Management fees	1,833	3,463
Others	2,815	1,867
	5,103	5,859

NOTES TO FINANCIAL STATEMENTS

31 December 2006

6. PROFIT BEFORE TAX

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

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cost of inventories sold		97,272	108,109
Depreciation*	13	8,944	7,795
Auditors' remuneration		1,565	1,618
Amortisation of deferred revenue		(1,852)	(400)
Recognition of prepaid land premiums*	15	77	77
Operating lease payments for land and buildings:			
Minimum lease payments		36,307	34,079
Contingent rentals		1,854	2,877
Write-back of provision for loans to a then associate*		—	(4,095)
Impairment of other receivables*		4,480	1,936
Write-back of accrued payables*		(8,060)	(17,339)
Fair value losses/(gains), net:			
Available-for-sale investments (transfer from equity)*		—	783
Equity investments at fair value through profit or loss*		757	4,169
Derivative instruments - transactions not qualifying as hedges*		(104)	—
Impairment of items of property, plant and equipment*	13	—	242
Loss/(gain) on disposal of items of property, plant and equipment*		66	(29)
Net rental income		(449)	(21)
Staff costs (including directors' remunerations (note 8)):			
Salaries, wages and other benefits		56,013	58,295
Pension scheme contributions under defined contribution schemes, net of forfeited contributions of HK\$48,000 (2005: HK\$40,000)**		1,963	1,994
		57,976	60,289

NOTES TO FINANCIAL STATEMENTS

31 December 2006

6. PROFIT BEFORE TAX (CONTINUED)

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

	<i>Notes</i>	2006 HK\$'000	2005 <i>HK\$'000</i>
Exchange gains, net*		(8,791)	(8,637)
Fair value change/write-back of deficits on revaluation:			
Investment properties	14	(9,982)	(3,785)
Resort and recreational club properties	13	(2,563)	(2,612)
		(12,545)	(6,397)

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

** At 31 December 2006, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2005: Nil).

7. FINANCE COSTS

	Group	
	2006 HK\$'000	2005 <i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	704	597
Interest on a finance lease	14	10
Accretion of interest on debentures	359	362
	1,077	969

NOTES TO FINANCIAL STATEMENTS

31 December 2006

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
Fees	400	400
Other emoluments:		
Salaries, allowances and benefits in kind	5,806	5,806
Pension scheme contributions	36	36
Performance related bonuses	117	107
	5,959	5,949
	6,359	6,349

No share options or any other forms of share-based payments were granted to directors during the year (2005: Nil).

(a) Independent non-executive directors

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

	2006	2005
	HK\$'000	<i>HK\$'000</i>
Dr. Cecil Sze Tsung CHAO	20	20
Dr. Jen CHEN	20	20
Mr. Ian Grant ROBINSON	240	240
	280	280

There were no other emoluments payable to the independent non-executive directors during the year (2005: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2006

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and a non-executive director

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Performance related bonuses <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
2006					
Executive directors:					
Mr. Joseph Wing Kong LEUNG	40	288	12	12	352
Mr. James C. NG	20	3,958	12	—	3,990
Mr. Derek Wai Choi LEUNG	20	—	—	—	20
Mr. Wing Tung YEUNG	20	1,560	12	105	1,697
	<u>100</u>	<u>5,806</u>	<u>36</u>	<u>117</u>	<u>6,059</u>
Non-executive director:					
Mr. Raymond Wai Pun LAU	20	—	—	—	20
	<u>120</u>	<u>5,806</u>	<u>36</u>	<u>117</u>	<u>6,079</u>
2005					
Executive directors:					
Mr. Joseph Wing Kong LEUNG	40	288	12	12	352
Mr. James C. NG	20	3,958	12	—	3,990
Mr. Derek Wai Choi LEUNG	20	—	—	—	20
Mr. Wing Tung YEUNG	20	1,560	12	95	1,687
	<u>100</u>	<u>5,806</u>	<u>36</u>	<u>107</u>	<u>6,049</u>
Non-executive director:					
Mr. Raymond Wai Pun LAU	20	—	—	—	20
	<u>120</u>	<u>5,806</u>	<u>36</u>	<u>107</u>	<u>6,069</u>

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2005: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2005: three) non-director, highest paid employees for the year are as follows:

	Group	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	4,492	4,805
Pension scheme contributions	144	144
	<u>4,636</u>	<u>4,949</u>

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

	Number of employees	
	2006	2005
Nil to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	—	1
HK\$2,500,001 to HK\$3,000,000	1	1
	<u>3</u>	<u>3</u>

No share options or any other forms of share-based payments were granted to the five highest paid employees during the year (2005: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2006

10. TAX

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2006 (2005: 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.

	2006 HK\$'000	2005 HK\$'000
Group:		
Current - Hong Kong		
Underprovision in prior years	—	7
Current - Overseas		
Overprovision in prior years	—	(50)
	<u>—</u>	<u>(43)</u>
Total tax credit for the year	<u>—</u>	<u>(43)</u>

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

	Group			
	2006		2005	
	HK\$'000	%	HK\$'000	%
Profit before tax	<u>7,482</u>		<u>14,950</u>	
Tax charge at the applicable tax rate	1,716	22.9	3,279	21.9
Income not subject to tax	(7,970)	(106.5)	(6,200)	(41.5)
Expenses not deductible for tax	3,749	50.1	5,233	35.0
Tax losses not recognised	3,723	49.8	(825)	(5.5)
Net overprovision in prior years	—	—	(43)	(0.3)
Tax losses utilised from previous periods	<u>(1,218)</u>	<u>(16.3)</u>	<u>(1,487)</u>	<u>(9.9)</u>
Tax credit at the Group's effective rate	<u>—</u>	<u>—</u>	<u>(43)</u>	<u>(0.3)</u>

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2006 includes a profit of HK\$21,163,000 (2005: HK\$6,576,000) which has been dealt with in the financial statements of the Company (note 34(b)).

NOTES TO FINANCIAL STATEMENTS

31 December 2006

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$12,047,000 (2005: HK\$10,923,000), and the weighted average number of ordinary shares in issue during the year of 1,650,658,676 (2005: 1,650,658,676).

Diluted earnings per share amounts for the years ended 31 December 2006 and 2005 have not been disclosed as no diluting events existed during these years.

13. PROPERTY, PLANT AND EQUIPMENT**Group**

	Leasehold land and buildings <i>HK\$'000</i>	Resort and recreational club properties <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Com- munications equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2006							
Cost or valuation:							
At beginning of year	8,500	61,200	1,678	45,022	37,565	3,535	157,500
Additions	—	—	183	8,887	—	—	9,070
Disposals	—	—	—	(6,038)	(13)	(69)	(6,120)
Surplus on revaluation	1,678	2,563	—	—	—	—	4,241
Elimination of accumulated depreciation	(978)	(1,463)	—	—	—	—	(2,441)
Exchange realignment	—	—	14	88	—	27	129
At 31 December 2006	9,200	62,300	1,875	47,959	37,552	3,493	162,379
Analysis of cost or valuation:							
At cost	—	—	1,875	47,959	37,552	3,493	90,879
At 31 December 2006 valuation	9,200	62,300	—	—	—	—	71,500
	9,200	62,300	1,875	47,959	37,552	3,493	162,379
Accumulated depreciation and impairment:							
At beginning of year	—	—	1,558	35,193	37,565	2,858	77,174
Depreciation provided during the year	978	1,463	95	6,260	—	148	8,944
Write-back on revaluation	(978)	(1,463)	—	—	—	—	(2,441)
Disposals	—	—	—	(6,005)	(13)	(30)	(6,048)
Exchange realignment	—	—	9	84	—	19	112
At 31 December 2006	—	—	1,662	35,532	37,552	2,995	77,741
Net book value:							
At 31 December 2006	9,200	62,300	213	12,427	—	498	84,638

NOTES TO FINANCIAL STATEMENTS

31 December 2006

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Leasehold land and buildings <i>HK\$'000</i>	Resort and recreational club properties <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Com- munications equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2005							
Cost or valuation:							
At beginning of year	6,200	60,000	1,671	39,422	37,565	4,265	149,123
Additions	—	—	—	8,221	—	466	8,687
Disposals	—	—	—	(2,602)	—	(1,203)	(3,805)
Surplus on revaluation	2,887	2,612	—	—	—	—	5,499
Elimination of accumulated depreciation	(587)	(1,412)	—	—	—	—	(1,999)
Exchange realignment	—	—	7	(19)	—	7	(5)
At 31 December 2005	<u>8,500</u>	<u>61,200</u>	<u>1,678</u>	<u>45,022</u>	<u>37,565</u>	<u>3,535</u>	<u>157,500</u>
Analysis of cost or valuation:							
At cost	—	—	1,678	45,022	37,565	3,535	87,800
At 31 December 2005 valuation	<u>8,500</u>	<u>61,200</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>69,700</u>
	<u>8,500</u>	<u>61,200</u>	<u>1,678</u>	<u>45,022</u>	<u>37,565</u>	<u>3,535</u>	<u>157,500</u>
Accumulated depreciation and impairment:							
At beginning of year	—	—	1,376	32,052	37,565	3,932	74,925
Depreciation provided during the year	587	1,412	179	5,495	—	122	7,795
Impairment	—	—	—	242	—	—	242
Write-back on revaluation	(587)	(1,412)	—	—	—	—	(1,999)
Disposals	—	—	—	(2,582)	—	(1,203)	(3,785)
Exchange realignment	—	—	3	(14)	—	7	(4)
At 31 December 2005	<u>—</u>	<u>—</u>	<u>1,558</u>	<u>35,193</u>	<u>37,565</u>	<u>2,858</u>	<u>77,174</u>
Net book value:							
At 31 December 2005	<u>8,500</u>	<u>61,200</u>	<u>120</u>	<u>9,829</u>	<u>—</u>	<u>677</u>	<u>80,326</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2006

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold improvement <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2006			
Cost:			
At beginning of year	—	3	3
Additions	183	161	344
	<u>183</u>	<u>164</u>	<u>347</u>
At 31 December 2006	183	164	347
Accumulated depreciation:			
At beginning of year	—	3	3
Depreciation provided during the year	25	48	73
	<u>25</u>	<u>51</u>	<u>76</u>
At 31 December 2006	25	51	76
Net book value:			
At 31 December 2006	<u>158</u>	<u>113</u>	<u>271</u>
31 December 2005			
Cost:			
At beginning of year and 31 December 2005	—	3	3
	<u>—</u>	<u>3</u>	<u>3</u>
Accumulated depreciation:			
At beginning of year and 31 December 2005	—	3	3
	<u>—</u>	<u>3</u>	<u>3</u>
Net book value:			
At 31 December 2005	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

The net book value of a motor vehicle held under a finance lease included in the total amount of the Group's motor vehicles at 31 December 2006, amounted to HK\$341,000 (2005: HK\$434,000).

The Group's leasehold land and buildings are all situated in Hong Kong and are held under medium term leases.

NOTES TO FINANCIAL STATEMENTS

31 December 2006

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's leasehold land and buildings and resort and recreational club properties were revalued individually at 31 December 2006 and 2005 by independent professionally qualified valuers, DTZ Debenham Tie Leung Limited ("DTZ") or Vigers Appraisal and Consulting Limited. The leasehold land and buildings were revalued at open market value and the resort and recreational club properties were revalued on a depreciated replacement cost basis. Out of the Group's aggregate revaluation surpluses of HK\$4,241,000 (2005: HK\$5,499,000), HK\$2,563,000 (2005: HK\$2,612,000) has been credited to the income statement, and HK\$1,007,000 (2005: HK\$1,732,000) and HK\$671,000 (2005: HK\$1,155,000) of the remaining revaluation surplus of HK\$1,678,000 (2005: HK\$2,887,000) have been credited to the relevant revaluation reserve and shared by minority shareholders, respectively.

Had the Group's leasehold land and buildings and resort and recreational club properties been carried at historical cost less accumulated depreciation and impairment losses, their aggregate carrying amount would have been approximately HK\$30,106,000 (2005: HK\$31,011,000).

14. INVESTMENT PROPERTIES**Group**

	2006 HK\$'000	2005 HK\$'000
Carrying amount at 1 January	109,700	96,200
Additions	18	7,721
Net profit from a fair value adjustment	9,982	3,785
Exchange realignment	4,200	1,994
	<hr/>	<hr/>
Carrying amount at 31 December	123,900	109,700
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2006, the Group's investment properties comprised industrial property units situated in Hong Kong of HK\$5,900,000 (2005: HK\$4,700,000) and resort and recreational club properties situated in Mainland China of HK\$118,000,000 (2005: HK\$105,000,000), and 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 lease are included in note 37(a) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2006

14. INVESTMENT PROPERTIES (CONTINUED)**Company**

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Carrying amount at 1 January	122,700	118,200
Net profit from a fair value adjustment	5,200	4,500
Carrying amount at 31 December	127,900	122,700

At 31 December 2006, the Company's investment properties comprised industrial property units of HK\$5,900,000 (2005: HK\$4,700,000) and resort and recreational club properties of HK\$122,000,000 (2005: HK\$118,000,000) 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, and are classified within property, plant and equipment on the face of the Group's consolidated balance sheet.

The Group's and the Company's investment properties were revalued individually at 31 December 2006 and 2005 by independent professionally qualified valuers, DTZ, on an open market, existing use basis.

Further particulars of the Group's investment properties are included on page 94.

15. PREPAID LAND PREMIUMS

	Group	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Carrying amount at 1 January	3,217	3,294
Recognised during the year	(77)	(77)
Carrying amount at 31 December	3,140	3,217
Current portion	(77)	(77)
Non-current portion	3,063	3,140

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

16. GOODWILL

Goodwill capitalised as an asset in the consolidated balance sheet arose from the acquisition of subsidiaries.

	Group <i>HK\$'000</i>
Cost:	
At 1 January 2005, 31 December 2005, 1 January 2006 and 31 December 2006	8,045
Accumulated impairment:	
At 1 January 2005, 31 December 2005, 1 January 2006 and 31 December 2006	1,435
Net carrying amount:	
At 31 December 2006 and 2005	6,610

Impairment testing of goodwill

Goodwill of a carrying amount of HK\$6,610,000 (2005: HK\$6,610,000) as at 31 December 2006 relates to the Group's wholesale and retail of fashion wear and accessories business (the "Fashion Business").

The recoverable amount of the Group's Fashion Business has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a 12-year period. Assumptions have been made by management that the cash flows from the Group's Fashion Business will continue beyond at least the forecast period in view of management's long term experience in running the business. The discount rate applied to cash flow projections is 8%.

The annual growth rate used to extrapolate the cash flows of the Group's Fashion Business during the 12-year period is 8% or less based on the assumptions that there will be no significant economic downturn throughout the period, taking into account of the market competition and the continuous market demand for upscale fashion wear and accessories.

NOTES TO FINANCIAL STATEMENTS

31 December 2006

17. INTERESTS IN SUBSIDIARIES

	Company	
	2006 HK\$'000	2005 HK\$'000
Unlisted shares, at cost	12,700	12,700
Due from subsidiaries	1,282,104	1,252,181
	<u>1,294,804</u>	<u>1,264,881</u>
Provision for impairment	(1,070,024)	(1,054,481)
	<u>224,780</u>	<u>210,400</u>

The amounts due from subsidiaries are unsecured, interest-free and not due for settlement within one year. The amount due to a subsidiary is unsecured, interest free and has no fixed terms of repayment. The carrying amounts of all balances with subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

17. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jackpot International Business Inc.	British Virgin Islands/ Hong Kong	US\$1	—	100	Investment holding
Kenmure Limited	Hong Kong	HK\$55,000,000	—	60	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
Shanghai ENM Telecom & Technology Limited*#	People's Republic of China ("PRC")/ Mainland China	US\$1,000,000	—	75	Marketing and distribution of network cards
Shanghai Hilltop Resort Hotel Ltd. ("Shanghai Hilltop")**#	PRC/ Mainland China	US\$7,200,000	—	80	Property investment in resort and recreational club
The Swank Shop Limited	Hong Kong	HK\$104,500,000	—	60	Retail and wholesale of fashion wear and accessories

NOTES TO FINANCIAL STATEMENTS

31 December 2006

17. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ventures Triumph Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Investment holding
Voice Information Systems Limited	Hong Kong	Ordinary "A" HK\$3,000,000 Ordinary "B" HK\$2,000,000	—	100	Provision of telecom- munications services
Wintalent International Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Investment holding

* Registered as a wholly-foreign owned enterprise established in the PRC

** Registered as a Sino-foreign co-operation joint venture established in the PRC

The English names are direct translations of the Chinese names of the entities

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
Share of net assets	—	—
Due from jointly-controlled entities	36,141	36,141
	<hr/>	<hr/>
	36,141	36,141
Provision for impairment	(36,141)	(36,141)
	<hr/>	<hr/>
	—	—
	<hr/> <hr/>	<hr/> <hr/>

The amounts due from jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayments. The carrying values of all interests in jointly-controlled entities as at 31 December 2006 and 2005 were fully impaired in prior years.

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
e-Brilliant Company Limited	Corporation	Cayman Islands	50	Investment holding
e-Brilliant Pte Limited*	Corporation	Singapore	50	In liquidation

* The liquidation of this jointly-controlled entity is in its final stage

As the Group's accumulated share of losses of the jointly-controlled entities has equaled its interests therein in prior years, no further losses have since been recognised by the Group as it is not under any binding obligation to make good the losses of these entities. Accordingly, the Group's interests in the jointly-controlled entities were nil at 31 December 2006 (2005: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2006

19. INTERESTS IN ASSOCIATES

	Group		Company	
	2006 HK\$'000	2005 <i>HK\$'000</i>	2006 HK\$'000	2005 <i>HK\$'000</i>
Unlisted shares, at cost	—	—	1	1
Share of net assets	14,276	16,590	—	—
Goodwill on acquisition	14,986	14,986	—	—
	29,262	31,576	1	1
Due from associates	5,768	291	321	291
	35,030	31,867	322	292
Provision for impairment	(14,519)	(14,519)	—	—
	20,511	17,348	322	292

The amounts due from associates are unsecured, interest-free and not due for settlement within one year. Included in the balances as at 31 December 2006 was an advance of US\$700,000 (equivalent to HK\$5,446,000) made to Shanghai Landis Hospitality Management Co. Ltd. ("Shanghai Landis") during the year then ended. This advance together with those of the other shareholders of Shanghai Landis of amounts in proportion to their respective equity interests in the associate are intended for use as capital injections to increase the associate's registered share capital.

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

Included in goodwill on acquisition of HK\$14,519,000 (2005: HK\$14,519,000) as at 31 December 2006 was the goodwill arose from the acquisition of 20% equity interest in Beijing Smartdot Technologies Co. Ltd. This goodwill balance had been fully impaired in prior years.

Particulars of the principal associates are as follows:

Name	Particulars of issued share held/registered share capital	Place of incorporation/registration	Percentage of ownership interest attributable to the Group	Principal activities
Beijing Smartdot Technologies Co. Ltd.	RMB37,742,000	PRC	20	Software development and provision of project solutions
Shanghai Landis Hospitality Management Co. Ltd. #	US\$8,000,000	PRC	35	Resort and recreational club management
Ventile Investments Limited	100 ordinary shares of US\$1 each	British Virgin Islands	35	Provision of financing services

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

19. INTERESTS IN ASSOCIATES (CONTINUED)

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

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

	2006	2005
	HK\$'000	HK\$'000
Assets	167,828	166,670
Liabilities	(99,928)	(105,431)
Revenues	96,337	72,851
Loss	(4,721)	(5,814)

20. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2006	2005
	HK\$'000	HK\$'000
Overseas listed equity investments, at fair value	125	125
Unlisted equity investments, at cost less impairment loss	35,378	35,378
	35,503	35,503

During the year ended 31 December 2005, the gross loss of the Group's available-for-sale equity investments recognised directly in equity amounted to HK\$783,000. The entire balance was removed from equity and recognised in the income statement for that year. No gross gain or loss of the Group's available-for-sale equity investments was recognised directly in equity for the year ended 31 December 2006.

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

The fair values of listed equity investments are based on quoted market prices. The unlisted equity investments are carried at cost, less any impairment losses, because the directors are of the opinion that their fair values cannot be measured reliably. Such investments are non-derivative and mainly represent investments in the shares of entities principally involved in medical drug development, manufacturing and distribution or electronic payment and intra-bank fund transfer services.

NOTES TO FINANCIAL STATEMENTS

31 December 2006

21. INVENTORIES

As at 31 December 2006 and 2005, all of the Group's inventories represented finished goods.

22. TRADE RECEIVABLES

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

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

	Group	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	5,847	4,347
2 to 3 months	290	232
Over 3 months	2,564	2,526
	8,701	7,105

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed equity investments, at market value:				
Hong Kong	153,881	148,077	143,381	138,980
Elsewhere	731	659	—	—
	154,612	148,736	143,381	138,980

NOTES TO FINANCIAL STATEMENTS

31 December 2006

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The above equity investments at 31 December 2005 and 2006 were classified as held for trading and included the ordinary shares of HK\$2 each of China Motor Bus Company, Limited, a company incorporated in Hong Kong, as follows:

	Group		Company	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Market value of ordinary shares of China Motor Bus Company, Limited	118,413	124,640	117,706	123,895
Proportion of ownership interest	4.5%	4.5%	4.5%	4.5%

24. DERIVATIVE FINANCIAL INSTRUMENTS

The carrying amount of a foreign exchange option contract at 31 December 2006 of HK\$104,000 (2005: Nil) was the same as its fair value.

The foreign exchange option contract was entered into by the Group to manage its exchange rate exposure and did not meet the criteria for hedge accounting. The change in the fair value of the non-hedging currency derivative amounting to HK\$104,000 (2005: Nil) was credited to the income statement for the year ended 31 December 2006.

The terms of the foreign exchange option contract which remained outstanding as at 31 December 2006 consisted of the Group's buying of € 1 million on any business day between 2 January 2007 and 2 February 2007 at a fixed exchange rate of € /HK\$10.23 (equivalent to a notional amount of HK\$10,230,000).

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Cash and bank balances	27,148	29,246	4,553	1,094
Time deposits	495,416	515,721	495,416	515,721
	522,564	544,967	499,969	516,815
Less: Time deposits pledged for banking facilities	(342)	(342)	(342)	(342)
Cash and cash equivalents	522,222	544,625	499,627	516,473

NOTES TO FINANCIAL STATEMENTS

31 December 2006

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (CONTINUED)

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$7,042,000 (2005: HK\$5,657,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

26. TRADE AND OTHER PAYABLES

All trade and other payables of the Group are unsecured, interest-free and repayable within one month or on demand.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS**Group**

	2006			2005		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Finance lease payables (<i>note 28</i>)	3	2007	91	3	2006	91
Bank loans - unsecured	7.75 to 8	2007	9,177	7 to 8	2006	3,887
			<u>9,268</u>			<u>3,978</u>
Non-current						
Finance lease payables (<i>note 28</i>)	3	2008 - 2010	206	3	2007 - 2010	297
			<u>9,474</u>			<u>4,275</u>

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

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

A summary of the finance lease payable amounts repayable within one year, in the second year and in the third to fifth years are included in note 28.

The carrying amounts of the Group's current borrowings approximate to their fair values. The fair value of the Group's non-current finance lease payables with a carrying amount of HK\$206,000 (2005: HK\$297,000) was HK\$218,000 (2005: HK\$270,000) at the balance sheet date and was calculated by discounting the expected future cash flows at the prevailing interest rates.

28. FINANCE LEASE PAYABLES

The Group leases a motor vehicle under a finance lease arrangement with a remaining lease term of three years and three months as at 31 December 2006.

At 31 December 2006, the Group's total future minimum lease payments under a finance lease and their present values were as follows:

Group

	Minimum lease payments 2006 HK\$'000	Minimum lease payments 2005 HK\$'000	Present value of minimum lease payments 2006 HK\$'000	Present value of minimum lease payments 2005 HK\$'000
Amounts payable:				
Within one year	105	105	91	91
In the second year	105	105	91	91
In the third to fifth years, inclusive	131	236	115	206
	<hr/>	<hr/>	<hr/>	<hr/>
Total minimum finance lease payments	341	446	297	388
	<hr/>	<hr/>	<hr/>	<hr/>
Future finance charges	(44)	(58)		
	<hr/>	<hr/>		
Total net finance lease payables	297	388		
Portion classified as current liabilities (note 27)	(91)	(91)		
	<hr/>	<hr/>		
Non-current portion (note 27)	206	297		
	<hr/>	<hr/>		

NOTES TO FINANCIAL STATEMENTS

31 December 2006

29. DEBENTURES

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

	Group	
	2006	2005
	HK\$'000	<i>HK\$'000</i>
Within one year	4,102	1,684
In the second year	2,557	3,873
In the third to fifth years, inclusive	1,197	2,800
	3,754	6,673
	7,856	8,357

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

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

30. OTHER LOANS

As at 31 December 2006, the unsecured loans from a minority shareholder of a subsidiary denominated in foreign currencies amounted to RMB1,216,241 (2005: RMB1,216,241) and US\$521,859 (2005: US\$521,859). The loans are interest-free and have no fixed terms of repayment. The carrying amounts of these loans approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS

31 December 2006

31. DEFERRED TAX

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

Group

	Accelerated tax depreciation	Losses available for offset against future taxable profit	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2005	1,836	(1,836)	—
Deferred tax charged/(credited) to the income statement during the year	830	(830)	—
At 31 December 2005 and at 1 January 2006	2,666	(2,666)	—
Deferred tax charged/(credited) to the income statement during the year	5,495	(5,495)	—
At 31 December 2006	8,161	(8,161)	—

The Group has tax losses arising in Hong Kong of HK\$528,212,000 (2005: HK\$266,798,000) that are available indefinitely for offsetting against future taxable profits of the subsidiaries in which the losses arose. Deferred tax assets have been recognised in respect of these losses only to the extent to offset any deferred tax liabilities of the same subsidiaries in connection with accelerated tax depreciation. Deferred tax assets have not been recognised for tax losses of HK\$481,577,000 (2005: HK\$251,564,000) as the losses have arisen in subsidiaries that have either been loss-making for some time or whose availability of future taxable profits is unpredictable.

At 31 December 2006, there was no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or jointly-controlled entities as the Group has no liability to additional tax should such amounts be remitted.

NOTES TO FINANCIAL STATEMENTS

31 December 2006

32. SHARE CAPITAL**Shares**

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Authorised:		
100,000,000,000 (2005: 100,000,000,000) ordinary shares of HK\$0.01 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
1,650,658,676 (2005: 1,650,658,676) ordinary shares of HK\$0.01 each	<u>16,507</u>	<u>16,507</u>

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

- (a) the authorised share capital of the Company was reduced from HK\$1,000,000,000 (divided into 2,000,000,000 ordinary shares of HK\$0.50 each) to HK\$20,000,000 (divided into 2,000,000,000 ordinary shares of HK\$0.01 each). Such reduction was effected by cancelling the paid-up capital per share by HK\$0.49 on each of the 1,650,658,676 ordinary shares in issue on 6 August 2002, being the date on which the court petition was heard, and by reducing the nominal value of all the issued and unissued ordinary shares of the Company from HK\$0.50 to HK\$0.01 per ordinary share; and
- (b) upon such reduction of capital taking effect:
 - (i) the authorised share capital of the Company was increased to its former amount of HK\$1,000,000,000 by the creation of additional 98,000,000,000 ordinary shares of HK\$0.01 each; and
 - (ii) a special reserve was created and credited with an amount equal to the credit arising from the said reduction of capital as detailed in (a) above, which amounted to HK\$808,822,751. Such reserve shall not be treated as realised profit and shall, for as long as the Company shall remain a listed company, be treated as an undistributable reserve. However, the special reserve may be reduced by the aggregate of any increase in the issued capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 33 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2006

33. SHARE OPTION SCHEMES

In an extraordinary general meeting of the Company held on 14 June 2002, the shareholders of the Company formally approved the termination of the share option scheme adopted on 30 December 1997 (the “Old Scheme”) and the adoption of a new share option scheme (the “New 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. All outstanding options granted under the Old Scheme shall remain valid and exercisable under the provisions of the Old Scheme.

Under the terms of the New 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 New 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’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’s daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the Company’s shares. A nominal consideration of HK\$1 is payable on acceptance of any option granted.

The total number of shares available for issue under the New Scheme at 31 December 2006 was 243,415,800 (2005: 243,415,800) (including shares which may be issued upon exercise of 312,000 (2005: 336,000) options that have been granted under the Old Scheme but not yet lapsed or exercised) which represented 14.7% (2005: 14.7%) of the issued share capital of the Company on the same date. In respect of the maximum entitlement of each participant under the New 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.

At 31 December 2006, the employees of the Company had 312,000 options to subscribe for shares of the Company (the market value per share at 31 December 2006 was HK\$0.51). The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.01 of the Company. No share options were granted during the year and outstanding to the directors at the balance sheet date.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

33. SHARE OPTION SCHEMES (CONTINUED)

Share options granted to employees under the Old Scheme are as follows:

Date of grant of share options*	Exercise period of share options	Exercise price of share options per share** <i>HK\$</i>	Number of share options		
			At 1 January 2006	Lapsed during the year	At 31 December 2006
1 December 1999	1 December 1999 to 29 December 2007	1.804	48,000	—	48,000
1 August 2000	1 August 2000 to 29 December 2007	0.630	288,000	(24,000)	264,000
			<u>336,000</u>	<u>(24,000)</u>	<u>312,000</u>

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

No new options were granted and outstanding as at the balance sheet date under the New Scheme.

At the balance sheet date and at the approval of these financial statements, the Company had 312,000 share options outstanding under the Old Scheme, which represented approximately 0.02% of the Company's shares in issue as at these dates. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 312,000 additional ordinary shares of the Company and additional share capital of HK\$3,120 and share premium of HK\$249,792 (before issue expenses).

NOTES TO FINANCIAL STATEMENTS

31 December 2006

34. RESERVES**(a) Group**

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

(b) Company

	Share premium account	Special reserve	Capital redemption reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(note 32(b)(ii))</i>				
At 1 January 2005	1,189,721	808,822	478	(1,097,371)	901,650
Profit for the year	—	—	—	6,576	6,576
At 31 December 2005 and 1 January 2006	1,189,721	808,822	478	(1,090,795)	908,226
Profit for the year	—	—	—	21,163	21,163
At 31 December 2006	<u>1,189,721</u>	<u>808,822</u>	<u>478</u>	<u>(1,069,632)</u>	<u>929,389</u>

35. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT**Major non-cash transactions**

During the year ended 31 December 2005, the Group entered into a finance lease arrangement in respect of a motor vehicle with a total capital value at the inception of the lease of HK\$456,000. The Group did not enter into any similar finance lease arrangements during the year ended 31 December 2006.

NOTES TO FINANCIAL STATEMENTS

31 December 2006

36. CONTINGENT LIABILITIES

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

- (a) The Group had a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK\$3,318,000 (2005: HK\$2,627,000) as at 31 December 2006. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments as it is not considered probable that the situation will result in a material future outflow of resources from the Group.
- (b) One of the telecommunications content providers of a subsidiary issued a letter through its solicitors in March 2002 claiming damages of US\$1,500,000 (equivalent to HK\$11,670,000) from that subsidiary in relation to rate changes applied by that subsidiary for services delivered by the content provider. The claimant also disputed traffic volumes generated in the past and claimed to have been underpaid by at least US\$2,736,000 (equivalent to HK\$21,286,000).

Management studied the allegations raised and sought legal advice on the subsidiary's legal rights and liabilities. Upon advice, the subsidiary sought to refute most of the allegations and made a counterclaim of approximately US\$6,215,000 (equivalent to HK\$48,353,000) in September 2002 for the return of sums advanced on account to the content provider due to uncollectables, discrepancies arising on the reconciliation of traffic volumes and other related items. Thereafter, there has been no communication in respect of the mentioned claims between the subsidiary and the content provider.

In the review of the above, management considers it unlikely that any loss will arise, and accordingly, no provision has been made in the financial statements.

- (c) During the year ended 31 December 2006, the Company executed corporate guarantees as part of the security for general banking facilities granted to certain subsidiaries to the extent of HK\$342,000 (2005: HK\$342,000).

NOTES TO FINANCIAL STATEMENTS

31 December 2006

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

At 31 December 2006, the Group had total future minimum lease receivables under a non-cancellable operating lease with the associate falling due as follow:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Within one year	800	384
In the second to fifth years, inclusive	5,090	4,375
After five years	6,030	7,087
	11,920	11,846

During the year, no income was recognised by the Group in respect of contingent rentals receivable (2005: Nil).

(b) As lessee

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

At 31 December 2006, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	38,528	33,705	510	1,893
In the second to fifth years, inclusive	51,698	33,016	—	534
	90,226	66,721	510	2,427

NOTES TO FINANCIAL STATEMENTS

31 December 2006

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37(b) above, the Group had the following commitments at the balance sheet date:

(a) Capital commitments

	Group	
	2006	2005
	HK\$'000	HK\$'000
Contracted, but not provided, for development of resort properties	338	343

(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 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\$1,650,000) 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 2006, the minimum amount payable to the Mainland China joint venture partner by Shanghai Hilltop up to 2022 under the above arrangement was HK\$32,490,000 (2005: HK\$33,950,000), of which HK\$18,938,000 (2005: HK\$20,396,000) will be absorbed by Shanghai Landis up to 30 June 2016.

NOTES TO FINANCIAL STATEMENTS

31 December 2006

39. RELATED PARTY TRANSACTIONS

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

		Group	
	<i>Notes</i>	2006 HK\$'000	2005 <i>HK\$'000</i>
Management fee income from a then associate	(i)	—	1,547
Consulting fees paid to a company in which the spouse of a director of a subsidiary of the Group has a controlling interest	(ii)	—	708
Rental expenses and building management fees paid to related companies	(iii)	1,747	1,602
Rental income from an associate	(iv)	400	—
		<u>1,747</u>	<u>1,602</u>

- (i) The management fee income received from a then associate arose from the provision of shop management services to the associate in accordance with the agreement between the Group and the associate.
- (ii) The consultancy services provided to a subsidiary of the Group were charged at HK\$118,000 per month up to 30 June 2005 in accordance with the agreement between the subsidiary and the related company.
- (iii) The rental expenses and building management fees paid to related companies controlled by a substantial shareholder of the Company were determined by reference to relevant industry practice of which HK\$1,456,000 of rental expenses paid constitutes a continuing connected transaction as defined under the Listing Rules. Details of which are disclosed under the section headed "Connected Transaction" in the report of the directors on pages 14 and 15.
- (iv) The rental income from an associate arose from the lease of resort and recreational club properties in accordance with an operating lease arrangement agreed between the Group and the associate.
- (b) Compensation of key management personnel of the Group:

	2006 HK\$'000	2005 <i>HK\$'000</i>
Short term employee benefits	10,996	12,781
Post-employment benefits	182	192
Total compensation paid to key management personnel	<u>11,178</u>	<u>12,973</u>

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

NOTES TO FINANCIAL STATEMENTS

31 December 2006

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial assets and liabilities mainly comprise interest-bearing bank and other borrowings, trade receivables and payables, and cash and bank balances, and are, in the normal course of business, exposed to foreign currency exchange rate, interest rate and credit risks. The Group's risk management strategy aims to minimise the adverse effects of financial risks on the financial performance of the Group and the board reviews and agrees policies, as summarised below, for managing each of these risks. It is the Group's policy that financial instruments, if any, are only used to hedge underlying commercial exposures and are not held or sold for speculative purposes.

(a) Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from purchases of fashion wear and accessories in foreign currencies.

The Group has started the use of a foreign exchange option contract to manage foreign currency risk exposures and will continue to monitor such exposures and market conditions to determine if any other hedging arrangement is required in the future.

(b) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings.

As the Group is due to fully settle its interest-bearing bank borrowings in the coming year and the corresponding interest rate risk is not expected to be significant, the Group has not used any interest rate swap to hedge its exposure to interest rate risk.

(c) Credit risk

The Group only allows minimal credit sales to its long term customers with good settlement history and has no significant concentration of credit risk. The Group's credit risk is effectively mitigated by its combination of cash and credit card sales.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 April 2007.

PARTICULARS OF PROPERTIES

INVESTMENT PROPERTIES

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

FIVE YEAR FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
REVENUE	227,206	242,536	221,273	138,600	193,359
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	11,411	18,802	17,646	(14,676)	(103,333)
Finance costs	(1,077)	(969)	(377)	(969)	(1,253)
Share of profits and losses of associates	(2,852)	(2,883)	(5,112)	(19,472)	(1,792)
PROFIT/(LOSS) BEFORE TAX	7,482	14,950	12,157	(35,117)	(106,378)
Tax	—	43	159	(111)	(334)
PROFIT/(LOSS) FOR THE YEAR	7,482	14,993	12,316	(35,228)	(106,712)
Attributable to:					
Equity holders of the Company	12,047	10,923	7,039	(36,746)	(106,712)
Minority interests	(4,565)	4,070	5,277	1,518	—
	7,482	14,993	12,316	(35,228)	(106,712)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
TOTAL ASSETS	1,031,031	1,025,839	1,030,981	1,072,868	1,057,923
TOTAL LIABILITIES	(101,614)	(106,497)	(129,433)	(185,680)	(154,860)
MINORITY INTERESTS	(27,513)	(31,407)	(26,182)	(20,006)	—
	901,904	887,935	875,366	867,182	903,063

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Raymond Wai Pun LAU

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cecil Sze Tsung CHAO
Jen CHEN
Ian Grant ROBINSON

QUALIFIED ACCOUNTANT

Victor Yiu Keung CHIANG

COMPANY SECRETARY

Pui Man CHENG

AUDITORS

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

SHARE REGISTRARS

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

PRINCIPAL BANKERS

The Hongkong & Shanghai Banking
Corporation Limited
Fubon Bank (Hong Kong) Limited
United Commercial Bank
ABN AMRO Bank N.V.
UBS AG

REGISTERED OFFICE

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

INCORPORATION IN HONG KONG

27 April 1966

LISTING

16 November 1972

NO. OF EMPLOYEES

260

WEB SITE

www.enmholdings.com

STOCK CODE

Hong Kong Stock Exchange: 0128
American Depositary Receipt: ENMHY

CORPORATE COMMUNICATIONS

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