1. CORPORATE INFORMATION

The registered office of e-New Media Company Limited 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
- provision of telecommunications services
- resort and recreational club operations
- investment holding

2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice ("SSAPs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain fixed assets and equity investments as further explained below.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSIDIARIES

A subsidiary is a company, other than a jointly-controlled 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.

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

JOINTLY-CONTROLLED ENTITIES

A jointly-controlled entity is a joint venture company which 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 profit and loss account 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 a company, 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 profit and loss account 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. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOODWILL

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, goodwill arising on acquisitions was eliminated against the consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill to remain eliminated against the consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against the consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

NEGATIVE GOODWILL

Negative goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/ amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEGATIVE GOODWILL (CONTINUED)

In the case of associates and jointly-controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such negative goodwill to remain credited to the capital reserve. Negative goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

IMPAIRMENT OF ASSETS

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an 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 an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS AND DEPRECIATION

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the 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 profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account 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 as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life:

Leasehold land and buildings	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	3 to 7 years
Communications equipment	6 years
Motor vehicles	3 to 5 years

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

OPERATING LEASES

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 profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the lease assets.

Lease incentives received are recognized in the profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit and loss account for the period in which they are incurred.

LONG TERM INVESTMENTS

Long term investments in listed and unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any impairment losses, on an individual investment basis, and classified as investment securities.

When a decline in the fair value of an investment security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG TERM INVESTMENTS (CONTINUED)

Other long term investments in listed and unlisted equity securities, intended to be held on a long term basis, are stated at their fair values at the balance sheet date, on an individual investment basis, and classified as other securities.

The fair values of such listed securities are their quoted market prices at the balance sheet date. The fair values of such unlisted securities are as estimated by the directors.

The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

SHORT TERM INVESTMENTS

Short term investments in listed equity securities, intended to be held for a trading purpose, are stated at their fair values at the balance sheet date, on an individual investment basis. The fair values of such listed securities are their quoted market prices at the balance sheet date. The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis or, where applicable, on a specific identification basis, and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs necessary 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 sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit and loss account.

INCOME TAX

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

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

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability 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 jointly-controlled entities, except 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, carry forward of unused tax assets 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 assets 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 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 jointly-controlled entities, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX (CONTINUED)

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 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.

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 services**
Telecommunication services include the provision of telecommunications services and 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 at the time when the services are rendered and the Group's right to receive payment has been established.

(c) **Resort and recreational club operations**
Entrance fees are recognised when the application for club membership is accepted and no significant uncertainty as to collectability exists. Annual subscription fees are 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

(d) Dividend income

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

(e) Interest income

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(f) Rental income

Rental income is recognosced 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 profit and loss account for the period in which it is earned.

(g) Consulting, management and other services

Revenue from the provision of consulting, 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 on a calendar year basis. 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.

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, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFITS (CONTINUED)

Pension scheme

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 profit and loss account 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 scheme before his/her interest in the Group's employer contributions vests fully, the ongoing contributions payable by the Group will be reduced by the relevant amount of the forfeited employer contributions.

Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option schemes are not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

FOREIGN CURRENCIES

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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.

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:

Wholesale and retail of fashion wear and accessories:	Trading of fashion wear and accessories
Telecommunications services:	The provision of telecommunications services and 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 and capital expenditure on fixed assets are attributed to the segments based on the location of the assets.

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

4. SEGMENT INFORMATION (CONTINUED)

(a) Business segments

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

Group

	Wholesale and retail of fashion wear and accessories		Telecom-munications services		Resort and recreational club operations		Investments and treasury		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	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	**164,250**	52,636	**24,104**	50,606	**19,528**	20,647	**13,391**	14,711	**221,273**	138,600
Other revenue	**16,578**	2,245	**1,564**	1,062	**404**	446	**64**	743	**18,610**	4,496
Total	**180,828**	54,881	**25,668**	51,668	**19,932**	21,093	**13,455**	15,454	**239,883**	143,096
Segment results	**13,546**	3,745	**3,820**	4,922	**(4,617)**	(8,357)	**(22,146)**	(19,596)	**(9,397)**	(19,286)
Unallocated expenses									**(2,160)**	(2,412)
Write-back of deficits on revaluation of:										
Resort and recreational club properties									**35,180**	9,699
Investments properties									**600**	—
Profit/(loss) from operating activities									**24,223**	(11,999)
Finance costs									**(377)**	(969)
Share of profits and losses of associates	**—**	—	**—**	—	**(4,381)**	(338)	**(731)**	(19,134)	**(5,112)**	(19,472)
Profit/(loss) before tax									**18,734**	(32,440)
Tax									**159**	(111)
Profit/(loss) before minority interests									**18,893**	(32,551)
Minority interests									**(5,277)**	(1,518)
Net profit/(loss) from ordinary activities attributable to shareholders									**13,616**	(34,069)

4. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

Group

	Wholesale and retail of fashion wear and accessories		Telecom-munications services		Resort and recreational club operations		Investments and treasury		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**95,034**	96,986	**22,703**	18,116	**212,551**	160,981	**737,566**	819,830	**1,067,854**	1,095,913
Interests in associates and jointly-controlled entities	**—**	2,127	**—**	—	**1,504**	5,886	**8,129**	9,140	**9,633**	17,153
Unallocated assets									**4,200**	3,931
Total assets									**1,081,687**	1,116,997
Segment liabilities	**17,845**	45,253	**53,573**	64,856	**40,795**	20,799	**5,187**	2,478	**117,400**	133,386
Unallocated liabilities									**12,033**	52,294
Total liabilities									**129,433**	185,680
Other segment information:										
Depreciation and amortisation	**3,095**	678	**1,122**	5,338	**5,519**	5,417	**103**	498	**9,839**	11,931
Impairment losses recognised in the profit and loss account	**—**	—	**1,435**	3,600	**—**	—	**22,988**	32,800	**24,423**	36,400
Other non-cash expenses	**1,365**	—	**—**	262	**—**	—	**17,000**	—	**18,365**	262
Capital expenditure on fixed assets	**2,605**	3,653	**326**	446	**21,126**	108	**—**	22	**24,057**	4,229
Surplus on revaluation of land and buildings recognised directly in equity	**1,349**	33	**—**	—	**—**	—	**—**	—	**1,349**	33

4. SEGMENT INFORMATION (CONTINUED)

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		North America		European Union		Japan		Other Asia Pacific regions		Others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***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	**195,662**	82,443	**3,214**	2,836	**11,102**	35,689	**6,138**	13,396	**2,573**	922	**2,578**	3,271	**6**	43	**221,273**	138,600

	Hong Kong		Mainland China		North America		European Union		Japan		Other Asia Pacific regions		Others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information:																
Segment assets	**910,562**	941,723	**120,615**	79,574	**10,709**	58,033	**2,048**	2,563	**–**	–	**37,753**	35,104	**–**	–	**1,081,687**	1,116,997
Capital expenditure on fixed assets	**2,896**	3,783	**21,101**	163	**–**	–	**–**	–	**–**	–	**60**	283	**–**	–	**24,057**	4,229

5. TURNOVER, OTHER REVENUE AND GAINS

The principal activities of the Group are the wholesale and retail of fashion wear and accessories, provision of telecommunications services, resort and recreational club operations, and investment and treasury operations. An analysis of turnover, other revenue and gains is as follows:

	2004	2003
	HK$'000	*HK$'000*
Turnover		
Wholesale and retail of fashion wear and accessories	**164,250**	52,636
Telecommunications services*	**24,104**	50,606
Resort and recreational club operations	**19,528**	20,647
Dividend income from listed investments	**5,624**	4,162
Dividend income from unlisted investments	**—**	3,409
Interest income	**7,767**	7,140
	221,273	138,600
Other revenue and gains		
Sub-leasing rental income	**5,839**	1,244
Management fees	**3,599**	876
Consulting service fees	**257**	1,015
Gain on disposal of a franchise business	**4,519**	—
Gain on waiver of other loans	**—**	600
Commission income	**1,131**	65
Others	**3,265**	696
	18,610	4,496

* Included in turnover from the provision of telecommunications services for the year ended 31 December 2004 is a sum of HK$10,224,000 (2003: HK$25,572,000) received from a final transit carrier in respect of traffic revenue generated in prior years which was not recognised previously in view of the uncertainty of its collectibility.

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Notes	**2004** **HK$'000**	2003 HK$'000
Cost of inventories sold		**84,017**	31,253
Depreciation	13	**9,217**	11,664
Auditors' renumeration		**1,334**	2,025
Goodwill arising from acquisition of subsidiaries:			
Amortisation for the year *	14	**622**	267
Impairment arising during the year *	14	**1,435**	—
		2,057	267
Goodwill arising from acquisition of associates:			
Amortisation for the year **		**—**	1,815
Impairment arising during the year **		**—**	14,519
		—	16,334
Operating lease payments for land and buildings:			
Minimum lease payments		**22,198**	9,419
Contingent rentals		**8,665**	3,046
Impairment of fixed assets		**—**	3,600
Provision for a loan to an associate		**1,365**	—
Provision for doubtful other receivable		**8,670**	—
Net realised and unrealised gains on investments in other securities		**(14,170)**	(15,093)
Impairment of long term investment securities		**22,988**	32,800
(Gain)/loss on disposal of fixed assets		**(333)**	258
Net rental income		**(2,871)**	(572)
Staff costs (including directors' renumeration *(note 8)*):			
Salaries, wages and other benefits		**63,504**	48,034
Pension scheme contributions under defined contribution schemes, net of forfeited contrubutions of HK$122,000 (2003: HK$42,000) ***		**1,857**	1,342
		65,361	49,376
Exchange gains, net		**(3,503)**	(671)
Write-back of deficit on revaluation:			
Resort and recreational club properties		**(35,180)**	(9,699)
Investment properties		**(600)**	—
		(35,780)	(9,699)
Write-back of provision for amounts due from associates		**—**	(171)

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES (CONTINUED)

* The balances are included in "Other operating expenses, net" on the face of the consolidated profit and loss account.

** The balances are included in "Share of profits and losses of associates" on the face of the consolidated profit and loss account.

*** At 31 December 2004, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2003: Nil).

7. FINANCE COSTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**377**	969

8. DIRECTORS' REMUNERATION

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Fees	**225**	140
Other emoluments:		
Salaries, allowances and benefits in kind	**5,806**	5,747
Pension scheme contributions	**36**	36
	5,842	5,783
	6,067	5,923

Fees include HK$106,000 (2003: HK$40,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2003: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2004	2003
Nil to HK$1,000,000	**6**	5
HK$1,500,001 to HK$2,000,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	1
	8	7

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2003: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2003: three) non-director, highest paid employees for the year are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**4,849**	3,274
Pension scheme contributions	**144**	34
	4,993	3,308

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

	Number of employees	
	2004	2003
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	—
	3	3

10. TAX

No provision for Hong Kong profits tax at the rate of 17.5% and overseas income tax has been made for the year ended 31 December 2004 (2003: HK$3,000) as the Company and its subsidiaries either did not generate any assessable profits for the year or had available tax losses brought forward from prior years to offset against any assessable profits generated during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2004	2003
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Charge for the year	**—**	3
Current – Overseas		
Charge for the year	**—**	115
Overprovision in prior years	**(42)**	(7)
Deferred *(note 27)*	**(117)**	—
Total tax (credit)/charge for the year	**(159)**	111

A reconciliation of the tax expense applicable to profit/(loss) before tax using the rates for the countries in which the Company and its subsidiaries, associates and jointly-controlled entities are domiciled to the tax (income)/expense at the effective tax rates, and a reconciliation of the applicable rates to the effective tax rates, are as follows:

	Group			
	2004		2003	
	HK$'000	***%***	*HK$'000*	*%*
Profit/(loss) before tax	**18,734**		(32,440)	
Tax charge/(credit) at the applicable tax rates	**2,935**	**15.7**	(6,897)	(21.3)
Income not subject to tax	**(11,277)**	**(60.2)**	(17,406)	(53.7)
Expenses not deductible for tax	**14,597**	**77.9**	20,262	62.5
Tax losses not recognised	**3,435**	**18.3**	6,933	21.4
Overprovision in prior years	**(42)**	**(0.2)**	(7)	—
Tax losses utilised from previous periods	**(9,807)**	**(52.3)**	(2,774)	(8.6)
Tax (credit)/charge at the Group's effective rates	**(159)**	**(0.8)**	111	0.3

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company, was HK$9,103,000 (2003: loss of HK$35,238,000) (note 30(b)).

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit/(loss) attributable to shareholders for the year of HK$13,616,000 (2003: loss of HK$34,069,000), and the weighted average of 1,650,658,676 (2003: 1,650,658,676) ordinary shares in issue during the year.

Diluted earnings/(loss) per share amounts for the years ended 31 December 2004 and 2003 have not been disclosed as no diluting events existed during these years.

13. FIXED ASSETS

Group

	Investment properties HK$'000	Land and buildings HK$'000	Resort and recreational club properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Communications equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:								
At beginning of year	3,600	4,300	155,000	1,671	49,793	37,135	4,462	255,961
Additions	—	—	20,811	—	2,962	—	284	24,057
Disposals	—	—	—	—	(13,483)	(866)	(500)	(14,849)
Surplus on revaluation	600	2,248	35,180	—	—	—	—	38,028
Elimination of accumulated depreciation	—	(348)	(4,991)	—	—	—	—	(5,339)
Exchange realignment	—	—	—	—	150	1,296	19	1,465
At 31 December 2004	4,200	6,200	206,000	1,671	39,422	37,565	4,265	299,323
Analysis of cost or valuation:								
At cost	—	—	—	1,671	39,422	37,565	4,265	82,923
At 31 December 2004 valuation	4,200	6,200	206,000	—	—	—	—	216,400
	4,200	6,200	206,000	1,671	39,422	37,565	4,265	299,323
Accumulated depreciation and impairment:								
At beginning of year	—	—	—	975	39,258	37,135	4,276	81,644
Depreciation provided during the year	—	348	4,991	401	3,340	—	137	9,217
Written back on revaluation	—	(348)	(4,991)	—	—	—	—	(5,339)
Disposals	—	—	—	—	(10,680)	(866)	(500)	(12,046)
Exchange realignment	—	—	—	—	134	1,296	19	1,449
At 31 December 2004	—	—	—	1,376	32,052	37,565	3,932	74,925
Net book value:								
At 31 December 2004	**4,200**	**6,200**	**206,000**	**295**	**7,370**	**—**	**333**	**224,398**
At 31 December 2003	3,600	4,300	155,000	696	10,535	—	186	174,317

13. FIXED ASSETS (CONTINUED)

Company

	Investment properties HK$'000	Land and buildings* HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost or valuation:				
At beginning of year	3,600	105,000	3	108,603
Surplus on revaluation	600	11,360	—	11,960
Elimination of accumulated depreciation	—	(2,360)	—	(2,360)
At 31 December 2004	4,200	114,000	3	118,203
Analysis of cost or valuation:				
At cost	—	—	3	3
At 31 December 2004 valuation	4,200	114,000	—	118,200
	4,200	114,000	3	118,203
Accumulated depreciation				
At beginning of year	—	—	2	2
Provided during the year	—	2,360	1	2,361
Written back on revaluation	—	(2,360)	—	(2,360)
At 31 December 2004	—	—	3	3
Net book value:				
At 31 December 2004	**4,200**	**114,000**	**—**	**118,200**
At 31 December 2003	3,600	105,000	1	108,601

* *During the year, the Company's land and buildings were leased to a wholly-owned subsidiary for the opeiation of a recreational club.*

Had the Group's 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$126,966,000 (2003: HK$133,042,000). Similarly, had the Company's land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their aggregate carrying amount would have been approximately HK$32,938,000 (2003: HK$33,713,000).

13. FIXED ASSETS (CONTINUED)

The Group's and the Company's land and buildings and resort and recreational club properties were revalued individually at 31 December 2004 and 2003 by independent professionally qualified valuers, DTZ Debenham Tie Leung Limited and Vigers Appraisal and Consulting Limited, on an open market value basis. Among the Group's revaluation surpluses of HK$37,428,000 (2003: HK$9,754,000), HK$35,180,000 (2003: HK$9,699,000) has been credited to the profit and loss account, and HK$1,349,000 (2003: HK$33,000) and HK$899,000 (2003: HK$22,000) of the remaining revaluation surplus of HK$2,248,000 (2003: HK$55,000) have been credited to the relevant asset revaluation reserve, and shared by minority interests, respectively. The revaluation surplus of HK$11,360,000 (2003: HK$7,198,000) for the Company's land and buildings has been credited to the profit and loss account.

An analysis by location of the land and buildings and resort and recreational club properties held under medium lease terms is as follows:

	Group		**Company**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At valuation:				
Hong Kong	**120,200**	109,300	**114,000**	105,000
Elsewhere	**92,000**	50,000	**—**	—
At 31 December 2004	**212,200**	159,300	**114,000**	105,000

The Group's and the Company's investment properties are situated in Hong Kong and are held under medium lease terms.

The Group's and the Company's investment properties were revalued on 31 December 2004 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK$4,200,000 on an open market basis.

14. GOODWILL

The amount of the goodwill capitalised as an asset of the Group in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	HK$'000
Cost:	
At beginning of year and at 31 December 2004	8,934
Accumulated amortisation and impairment:	
At beginning of year	267
Amortisation provided during the year	622
Impairment provided during the year	1,435
At 31 December 2004	2,324
Net book value:	
At 31 December 2004	6,610
At 31 December 2003	8,667

During the year, the Group recognized a provision for impairment of goodwill in the amount of HK$1,435,000 based on an assessment of the recoverable amount for the business of marketing and distribution of network cards. The impairment loss is included in the telecommunications services segment.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**12,700**	12,700
Due from subsidiaries	**1,221,422**	1,139,989
	1,234,122	1,152,689
Provision for impairment	**(1,028,316)**	(978,146)
	205,806	174,543

The amounts due from subsidiaries are unsecured, interest-free, and have no fixed terms of repayment. Although all such amounts due from subsidiaries are technically currently repayable, they have been deferred or subordinated for the longer term and are therefore classified as non-current.

The amounts due to subsidiaries included in the Company's current liabilities are unsecured, interest-free and have no fixed terms of repayment.

15. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Asia Pacific Telecommunications Limited	Hong Kong	HK$2,000	—	100	Provision of telecommunications services
Christabel Trading Company Limited	Hong Kong	HK$4,500,000	—	60	Retail and wholesale of fashion wear and accessories
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 operation
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

15. 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 Direct	Indirect	Principal activities
New Media Telecom Asia Limited	Taiwan	NT$8,000,000	—	100	Provision of telecommunications services
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$500,000	—	75	Marketing and distribution of network cards
Shanghai Hilltop Country Club Ltd. ("Shanghai Hilltop") **	PRC/ Mainland China	US$7,200,000	—	80	Resort and recreational club operations
The Swank Shop Limited	Hong Kong	HK$104,500,000	—	60	Retail and wholesale of fashion wear and accessories
Ventures Triumph Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Voice Information Systems Limited	Hong Kong	Ordinary "A" HK$3,000,000 Ordinary "B" HK$2,000,000	—	100	Provision of telecommunications services
Wintalent International Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding

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

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

\# As translated from chinese name.

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.

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2004	2003
	HK$'000	*HK$'000*
Share of net assets	**—**	—
Due from jointly-controlled entities	**36,141**	36,141
	36,141	36,141
Provision for impairment	**(36,141)**	(36,141)
	—	—

The amounts due from the jointly-controlled entities are unsecured, interest-free, and have no fixed terms of repayment.

Particulars of the jointly-controlled entities are as follows:

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

17. INTERESTS IN ASSOCIATES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**—**	—	**1**	1
Share of net assets	**11,537**	18,686	**—**	—
Goodwill on acquisition	**14,519**	14,519	**—**	—
	26,056	33,205	**1**	1
Loans to an associate	**4,095**	2,730	**—**	—
Due from associates	**8,328**	8,609	**273**	555
	38,479	44,544	**274**	556
Provision for impairment	**(28,846)**	(27,391)	**—**	—
	9,633	17,153	**274**	556

The balances with associates are unsecured, interest-free, and have no fixed terms of repayment, except for the unsecured loans to an associate which bear interest at a rate of 2.5% per annum.

Name	**Business structure**	**Place of incorporation/ registration and operations**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Beijing Smartdot Technologies Co. Ltd.	Corporation	PRC/ Mainland China	20	Software developer and solution project provider
Shanghai Landis Hospitality Management Co. Ltd. ("Shanghai Landis")#	Corporation	PRC/ Mainland China	20	Resort and recreational Club management
Ventile Investments Limited	Corporation	British Virgin Islands/ Hong Kong	35	Provision of finance
V.S. Limited	Corporation	Hong Kong	21	Retail of fashion wear

\# *as translated from Chinese name.*

17. 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.

18. LONG TERM INVESTMENTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Investment securities, at cost:		
Equity investments listed overseas	**76,536**	76,536
Unlisted equity investments	**54,460**	54,460
	130,996	130,996
Provision for impairment	**(130,088)**	(107,100)
	908	23,896
Other securities, at fair value		
Equity investments listed overseas	**—**	33,420
Unlisted equity investments	**34,581**	34,581
	34,581	68,001
	35,489	91,897
Equity investments listed overseas, at market value	**908**	38,312

19. INVENTORIES

Included in inventories are finished goods held for resale amounting to HK$33,059,000 (2003: HK$29,108,000), stated net of a general provision, made in order to state these inventories at the lower of their cost and estimated net realisable value.

20. TRADE RECEIVABLES

The Group maintains a defined credit policy for its trade customers and the credit terms given vary according to the business activities. The financial strengths of and the period of business with individual customers are considered in arriving at the respective credit terms. Reviews of major receivables are conducted regularly.

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
0 to 1 month	**7,305**	6,171
2 to 3 months	**993**	2,002
Over 3 months	**3,412**	5,301
	11,710	13,474

21. SHORT TERM INVESTMENTS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments, at market value:				
Hong Kong	**139,992**	108,821	**136,584**	106,328
Elsewhere	**9,304**	—	**—**	—
	149,296	108,821	**136,584**	106,328

Included in the Group's and Company's listed equity investments are ordinary shares of HK$2 each of China Motor Bus Company Limited, a company incorporated and listed in Hong Kong:

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Market value of ordinary shares of China Motor Bus Company Limited	**117,271**	100,874	**116,571**	100,272
Proportion of ownership interest	**4.5%**	4.5%	**4.5%**	4.5%

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2004	2003	**2004**	2003
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**49,266**	34,880	**5,106**	3,230
Time deposits		**532,083**	600,178	**532,083**	600,178
		581,349	635,058	**537,189**	603,408
Less: Pledged time deposits:					
Pledged for banking facilities		**(342)**	(856)	**(342)**	(856)
Pledged for a bank loan	24	**—**	(46,680)	**—**	(46,680)
		(342)	(47,536)	**(342)**	(47,536)
Cash and cash equivalents		**581,007**	587,522	**536,847**	555,872

23. TRADE AND OTHER PAYABLES

All trade and other payables are due within one month or on demand.

24. INTEREST-BEARING BANK BORROWINGS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Bank loans repayable within one year:		
Secured	**—**	46,680
Unsecured	**6,597**	—
	6,597	46,680

The Group's outstanding bank loans as at 31 December 2003 were secured by the pledge of certain of the Group's time deposits amounting to HK$46,680,000 (note 22) and were fully settled in the year ended 31 December 2004.

25. 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 Club Rules and By-laws so long as the debentures shall remain outstanding, and has the right to use and enjoy all the facilities of the Club free from monthly subscription. At the balance sheet date, the redeemable periods of the Group's debentures were as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within 1 year	**954**	900
In the second year	**1,690**	954
In the third to fifth years, inclusive	**6,860**	8,190
	8,550	9,144
	9,504	10,044

All redeemable debentures are non interest-bearing and may be renewed upon maturity subject to the Group's consent.

26. OTHER LOANS

The unsecured loans from a minority shareholder of a subsidiary are interest-free and have no fixed terms of repayment.

27. DEFERRED TAX

The movement in deferred tax liabilities and assets during the year is as follows:

Group

	Accelerated tax depreciation *HK$'000*	**Loss available for offset against future taxable profit** *HK$'000*	**Total** *HK$'000*
At 1 January 2003	2,192	(2,103)	89
Deferred tax charged/(credited) to the profit and loss account during the year *(note 10)*	(455)	455	—
Exchange differences	28	—	28
At 31 December 2003 and at 1 January 2004	1,765	(1,648)	117
Deferred tax charged/(credited) to the profit and loss account during the year *(note 10)*	71	(188)	(117)
At 31 December 2004	**1,836**	**(1,836)**	**—**

The Group has tax losses arising in Hong Kong of HK$220,260,000 (2003: HK$269,653,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they 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 2004, there was no significant unrecognised deferred tax liability (2003: 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.

28. SHARE CAPITAL

Shares	2004 *HK$'000*	2003 *HK$'000*
Authorised:		
100,000,000,000 (2003: 100,000,000,000) ordinary shares of HK$0.01 each	**1,000,000**	1,000,000
Issued and fully paid:		
1,650,658,676 (2003: 1,650,658,676) ordinary shares of HK$0.01 each	**16,507**	16,507

A capital reorganisation scheme was approved by the shareholders at an extraordinary general meeting on 11 July 2002 and was subsequently confirmed by the sanction of an order of the High Court of Hong Kong dated 6 August 2002. The 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 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 capital 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 capital 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 29 to the financial statements.

29. 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 contribution 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 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 quotations 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 options granted.

As at 31 December 2004, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be granted under the New Scheme and any other share option schemes of the Company was 243,415,800 (2003: 243,415,800) which represented 14.7% (2003: 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 2004, the employees of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 31 December 2004 was HK$0.265). 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.

29. SHARE OPTION SCHEMES (CONTINUED)

Granted to employees under the Old Scheme:

Date of grant of share options *	Exercise period of share options	Exercise price of share options **	Number of share options At 1 January 2004	Lapsed during the year	At 31 December 2004
		HK$			
11 October 1999	11 October 1999 to 29 December 2007	1.528	636,000	(336,000)	300,000
22 October 1999	22 October 1999 to 29 December 2007	1.530	300,000	(300,000)	—
1 December 1999	1 December 1999 to 29 December 2007	1.804	96,000	(48,000)	48,000
1 August 2000	1 August 2000 to 29 December 2007	0.630	288,000	—	288,000
			1,320,000	(684,000)	636,000

* The vesting period of the share options is from the date of the 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 during the year and outstanding as of the balance sheet date under the New Scheme.

At the balance sheet date, the Company had 636,000 share options outstanding under the Old Scheme, which represented approximately 0.04% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 636,000 additional ordinary shares of the Company and additional share capital of HK$6,360 and share premium of HK$720,000 (before issue expenses).

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 22 of the financial statements.

(b) Company

	Share premium account	Special reserve account	Capital redemption reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note 28(b)(ii))			
At 1 January 2003	1,189,721	808,822	478	(1,071,236)	927,785
Net loss for the year	—	—	—	(35,238)	(35,238)
At 31 December 2003 and 1 January 2004	1,189,721	808,822	478	(1,106,474)	892,547
Net profit for the year	—	—	—	9,103	9,103
At 31 December 2004	**1,189,721**	**808,822**	**478**	**(1,097,371)**	**901,650**

31. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Acquisition of subsidiaries

	2004 HK$'000	2003 HK$'000
Net assets acquired:		
Fixed assets	—	10,280
Interests in associates	—	2,127
Inventories	—	41,000
Trade receivables	—	8,297
Prepayments, deposits and other receivables	—	10,577
Due from associates	—	1,113
Tax recoverable	—	331
Cash and bank balances	—	42,253
Trade and other payables	—	(67,516)
Interest-bearing bank borrowings	—	(2,948)
Due to associates	—	(2,265)
Minority interests	—	(17,300)
	—	25,949
Goodwill on acquisition	—	7,051
	—	33,000
Satisfied by:		
Cash	—	33,000

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2004 HK$'000	2003 HK$'000
Cash consideration	—	(33,000)
Cash and bank balances acquired	—	42,253
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	—	9,253

On 12 October 2003, the Group acquired a 60% interest in Kenmure Limited and its subsidiaries for a cash consideration of HK$33,000,000. Kenmure Limited and its subsidiaries are principally engaged in investment holding and the wholesale and retail of fashion wear and accessories.

Kenmure Limited and its subsidiaries acquired in the prior year contributed HK$52,636,000 to turnover and HK$4,086,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2003.

32. 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$3,414,000 (2003: HK$4,057,000) as at 31 December 2004. 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 has 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 uncollectibles, discrepancies arising on 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.

Based on the above, management considers that it is unlikely that any loss will arise and accordingly, no provision has been made in the financial statements.

(c) During the year ended 31 December 2004, 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 (2003: HK$47,536,000) and for rental payable by a subsidiary to the extent of nil (2003: HK$101,000).

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group subleases certain shop units under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2004, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2004	2003
	HK$'000	*HK$'000*
Within one year	**428**	4,911
In the second to fifth years, inclusive	**—**	428
	428	5,339

During the year, the Group recognised HK$144,000 (2003: HK$215,000) in respect of contingent rentals receivable.

(b) As lessee

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

At 31 December 2004, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**31,089**	23,672	**437**	1,986
In the second to fifth years, inclusive	**40,543**	25,946	**—**	609
	71,632	49,618	**437**	2,595

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33(b) above, the Group had the following commitments at the balance sheet date:

(a) Capital commitments

	Group	
	2004	2003
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Development of resort properties	**7,904**	—
Renovation work on leased premises	**2,184**	—
	10,088	—
Contracted, but not provided for, capital contributions for:		
A long term investment	**798**	—
An associate	**2,567**	6,224
	3,365	6,224
	13,453	6,224

(b) Other commitment

As at 31 December 2004, the Company, acting on behalf of Hill Top Country Club Limited, was 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 agreement signed on 2 September 2002, the Company committed to pay the mainland China joint venture partner any shortfall in the profit distributed by Shanghai Hilltop to the mainland China joint venture partner below the amounts of RMB1,650,000 (equivalent to HK$1,555,000) and US$268,000 (equivalent to HK$2,085,000) per annum from 2001 to 2008 and from 2009 to 2022, respectively. On 16 June 2003, the management and operation of Shanghai Hilltop were sub-contracted to Shanghai Landis, an associate of the Group, that has undertaken to absorb any such amounts payable to the mainland China joint venture partner up to 30 June 2016, the expiry date of the corresponding management sub-contracting agreement. As at 31 December 2004, the maximum amount payable by the Company to the mainland China joint venture partner up to 27 December 2022 was HK$35,411,000 (2003: HK$36,966,000), of which HK$21,858,000 (2003: HK$23,413,000) is expected to be absorbed by the Shanghai Landis.

In the year ended 31 December 2004, the shortfall in profit of Shanghai Hilltop which was absorbed by Shanghai Landis amounted to RMB1,650,000 (equivalent to HK$1,555,000) (2003: RMB634,000 and equivalent to HK$598,000).

35. RELATED PARTY TRANSACTIONS

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	
		2004	2003
	Notes	***HK$'000***	*HK$'000*
Sub-leasing rental and management fee income	(i)	**3,811**	1,084
Consulting fees paid to a company in which the spouse of a director of a subsidiary of the Group has a controlling interest	(ii)	**1,416**	312
Rental expenses paid to a related company	(iii)	**1,655**	2,166

(i) The sub-leasing rental and management fee income received from an associate arose from the sub-lease of a shop unit and the provision of shop management services to the associate in accordance with the agreements 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 in accordance with the agreement between the subsidiary and the related company.

(iii) The rental expenses paid to a company controlled by a substantial shareholder of the Company were determined by reference to relevant industry practice.

36. POST BALANCE SHEET EVENTS

On 3 November 2004, a wholly-owned subsidiary of the Company entered into a share purchase agreement with Shanghai Jiahwa Sales Limited ("Jiahwa"), a shareholder of Shanghai Landis, to acquire a 15% equity interest in Shanghai Landis held by Jiahwa for a consideration of HK$5,135,000 (US$660,000). The share purchase transaction was completed in February 2005 and the Group's equity interest in Shanghai Landis has been increased from 20% to 35%.

37. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to current year's presentation. The directors consider that such reclassifications will allow a more appropriate presentation of the Group's and the Company's state of affairs and better reflect the nature of the transactions.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 April 2005.