NOTES TO FINANCIAL STATEMENTS

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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
- provision of telecommunications services
- 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) ("HK-Ints") 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 investment properties, certain leasehold buildings and equity investments, which have been measured at fair value as further explained below. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except where 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 2005. 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 in the results and net assets of the Company's subsidiaries.

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 2	The Appropriate Accounting Policies for Hotel Properties
HK-Int 4	Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 27, 28, 31, 33 and 37, HK(SIC)-Int 21 and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

The impact of adopting the other HKFRSs by the Group is summarised as follows:

(a) HKAS 32 and HKAS 39 - Financial Instruments

In prior years, the Group classified its investments in equity securities intended to be held for continuing strategic or long term purposes as investment securities, within long term investments, and stated these investments at cost less any impairment losses on an individual investment basis. Other long term investments in equity securities intended to be held on a long term basis but without specific documented purpose were stated at their fair values, on an individual investment basis, and classified as other securities, also within long term investments, and the gains or losses arising from changes in the fair values of such securities were credited or charged to the income statement in the year in which they arose.

Upon the adoption of HKASs 32 and 39, these securities are classified as available-for-sale investments. Available-for-sale investments are those non-derivative investments in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, each available-for-sale investment is measured at fair value with gains or losses recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of 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 (1) the variability in the range of reasonable fair value estimates is significant for that investment, or (2) 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 impairment losses.

In prior years, the Group classified its investments in equity securities for trading purposes as short term investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 are designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The adoption of HKAS 39 has not resulted in any change in the measurement of the Group's investments in equity securities.

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2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) HKAS 40 - Investment Property and HK-Int 2 - The Appropriate Accounting Policies for Hotel Properties

Changes in accounting policies relating to investment properties are as follows:

(i) *Changes in the fair values of investment properties*

In prior years, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, 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.

The adoption of HKAS 40 has had no effect on the Group's consolidated income statement and opening balances of accumulated losses as at 1 January 2005 and 2004 since the Group recorded net revaluation deficits in prior years and had no investment revaluation reserve at these dates.

(ii) *Reclassification of resort and recreational club properties*

In prior years, all resort and recreational club properties of the Group were classified separately from investment properties and were stated at valuation less accumulated depreciation and any impairment losses. Changes in the fair values of resort and recreational club properties were dealt with as movements in the revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on an individual basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged. Upon the disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations was transferred to accumulated losses as a movement in reserves.

Upon the adoption of HKAS 40 and HK-Int 2, only owner-managed properties are regarded as owner-occupied properties and stated at valuation less accumulated depreciation and any impairment losses. On the other hand, if a property owner's position is, in substance, be that of a passive investor and is not significantly exposed to the cash flows generated by the property, the property is distinguished from owner-occupied properties and is classified as an investment property.

The adoption of HKAS 40 and HK-Int 2 has resulted in the reclassification of the Group's resort and recreational club properties located in Shanghai, Mainland China, as investment properties. The effects of this change in accounting policy are summarised in note 2.4 to the financial statements. In accordance with HKAS 40 and HK-Int 2, comparative amounts have been restated.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(c) HKFRS 2 - Share-based Payment

In prior years, no recognition and measurement of share-based transactions in which employees (including executive directors) were granted share options over shares in the Company were required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including executive directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted.

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 cumulative expense recognised as at the beginning and end of period.

Any 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 under which the new recognition and measurement policies have not been applied to options granted to employees on or before 7 November 2002. The adoption of HKFRS 2 has had no effect on the Group's consolidated income statement and accumulated losses since all outstanding options of the Group were granted to employees before 7 November 2002.

Details of the employee share option schemes of the Group are set out in note 32.

(d) HKFRS 3 - Business Combinations and HKAS 36 - Impairment of Assets

In prior years, goodwill arising on acquisitions prior to 1 January 2001 was eliminated against the consolidated capital reserves in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired businesses.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(d) HKFRS 3 - Business Combinations and HKAS 36 - Impairment of Assets (Continued)

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to reduce the cost of goodwill. Goodwill previously eliminated against the consolidated capital reserves remains eliminated against the 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.

The effects of the above changes are summarised in note 2.4 to the financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(e) HKAS 17 - Leases

In prior years, all leasehold land and buildings of the Group held for own use as well as its owner-occupied recreational club located in Hong Kong, included within the "resort and recreational club properties" category of property, plant and equipment, were stated at valuation less accumulated depreciation and any impairment losses. Depreciation was generally recognised over the terms of the leases.

Upon the adoption of HKAS 17, the Group's leasehold interest in the recreational club located in Hong Kong is separated into its leasehold land and buildings. The leasehold land is classified as an operating lease since the ownership title to the land interest is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land premiums, while the buildings continue to be included within the "resort and recreational club properties" category of property, plant and equipment and is stated at valuation, as determined using depreciated replacement costs basis, less depreciation and any impairment losses. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. In respect of the lease payments for interests in leasehold land and buildings which cannot be allocated reliably between the land and building elements at inception, the entire lease payments are included as finance leases and have continued to be stated at valuation less accumulated depreciation and any impairment losses.

The effects of the above changes are summarised in note 2.4 below. In accordance with HKAS 17, comparative amounts have been restated.

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. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Explorations for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting and in Hyperinflationary Economies

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 will incorporate the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 Amendment, HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5 and HK(IFRIC)-Int 6 do not apply to the activities of the Group. HK(IFRIC)-Int 7 shall be applied for annual periods beginning on or after 1 March 2006.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

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

Except as stated above, the Company expects that the adoption of the other pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

2.4 SUMMARY OF IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

(Increase/(decrease))	HKAS 40 and HK-Int 2-Reclassification of resort and recreational club properties	HKAS 17-Separation of the land and buildings components of owner-occupied properties	HKFRS 3-Discontinuation of amortisation of goodwill	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(note 2.2(b)(ii))	*(note 2.2(e))*	*(note 2.2(d))*	
At 1 January 2005				
Property, plant and equipment	(92,000)	(54,000)	—	(146,000)
Investment properties	92,000	—	—	92,000
Goodwill	—	—	—	—
Prepaid land premiums	—	3,294	—	3,294
Accumulated losses	—	50,706	—	50,706
At 31 December 2005				
Property, plant and equipment	**(105,000)**	**(56,800)**	**—**	**(161,800)**
Investment properties	**105,000**	**—**	**—**	**105,000**
Goodwill	**—**	**—**	**352**	**352**
Prepaid land premiums	**—**	**3,217**	**—**	**3,217**
Accumulated losses	**—**	**53,583**	**(352)**	**53,231**

(b) Effect on the opening balances of accumulated losses

	Note	Increase in accumulated losses
		HK$'000
At 1 January 2004		
HKAS 17 - Separation of the land and buildings components of owner-occupied properties	2.2(e)	44,129
At 1 January 2005		
HKAS 17 - Separation of the land and buildings components of owner-occupied properties	2.2(e)	50,706

2.4 SUMMARY OF IMPACT OF CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) Effect on the consolidated income statement

Increase/(decrease) in profit	HKAS 40 and HK-Int 2- Decrease in depreciation of resort and recreational club properties	HKAS 40 and HK-Int 2- Decrease in write-back of deficits on revaluation of properties	HKFRS 3- Discontinuation of amortisation of goodwill	HKAS 17- Decrease in depreciation of owner-occupied properties	HKAS 17- Decrease in write-back of deficits on revaluation of properties	HKAS 17- Amortisation of prepaid land premiums for land lease payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 2.2(b))	*(note 2.2(b))*	*(note 2.2(d))*	*(note 2.2(e))*	*(note 2.2(e))*	*(note 2.2(e))*	
Year ended 31 December 2005							
Other operating income/ (expenses), net	**5,111**	**—**	**352**	**1,271**	**—**	**(77)**	**6,657**
Write-back of deficits on revaluation of properties	**—**	**(5,111)**	**—**	**—**	**(4,071)**	**—**	**(9,182)**
Net decrease in profit							**(2,525)**
Decrease in basic earnings per share							**(0.15) cents**
Decrease in diluted earnings per share							**N/A**
Year ended 31 December 2004							
Other operating income/(expenses), net	2,631	—	—	1,038	—	(77)	3,592
Write-back of deficits on revaluation of properties	—	(2,631)	—	—	(7,538)	—	(10,169)
Net decrease in profit							(6,577)
Decrease in basic earnings per share							(0.40) cents
Decrease in diluted earnings per share							N/A

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's operation 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.

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;

(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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (Continued)

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.

Goodwill previously eliminated against the consolidated reserves

Prior to the adoption of SSAP 30 "Business Combinations" in 2001, goodwill arising on acquisition was eliminated against the consolidated capital reserves in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against the consolidated capital reserves and is not recognised in profit or loss 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 assets

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, 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 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.

2.5 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 accumulated losses as a movement in reserves.

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

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

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

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

2.5 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 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

Applicable to the year ended 31 December 2004:

The Group classified its equity investments, other than subsidiaries, associates and jointly-controlled entities, as long term investments and short term investments.

Long term investments

Long term investments in listed and unlisted equity securities, intended to be held for a continuing strategic and 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 income statement 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 income statement to the extent of the amount previously charged.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Long term investments (Continued)
Other long term investments in listed and unlisted equity securities, intended to be held on a long term basis but without specific documented purpose, 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 and the fair values of such unlisted securities are estimated by the directors. The gains or losses arising from changes in the fair values are credited or charged to the income statement in the year in which they arise.

Short term investments
Short term investments in listed equity securities, intended to be held for trading, 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 income statement in the year in which they arise.

Applicable to the year ended 31 December 2005:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or 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 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, i.e., the date that the Group commits to purchase 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.

Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. 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 carried at amortised cost using the effective interest method. 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets 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 option pricing models.

Impairment of financial assets (applicable to the year ended 31 December 2005)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or 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 profit or loss.

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 exits 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (applicable to the year ended 31 December 2005) (Continued)

Assets carried at amortised cost (Continued)

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.

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.

Available-for-sale financial assets

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

Derecognition of financial assets (applicable to the year ended 31 December 2005)

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (applicable to the year ended 31 December 2005) (Continued)

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.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities (applicable to the year ended 31 December 2005)

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 profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis or actual basis, where appropriate, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 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 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.

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, 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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 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.

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

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

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

2.5 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 services

Telecommunications 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 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.

(d) Dividend income

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

(e) Interest income

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

(f) Rental income

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

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

Share-based payment transactions (Continued)

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 not applied the above recognition and measurement policies to equity-settled awards granted on or before 7 November 2002.

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 profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

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 some 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.

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 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 in relation to impairment of goodwill, has been 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 lease 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Estimation of fair value of investment properties *(Continued)*
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 2005 was HK$109,700,000 (2004: HK$96,200,000 (as restated)).

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	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 and related rental income
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 property, plant and equipment 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 2005

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 2005 and 2004.

Group

	Wholesale and retail of fashion wear and accessories		Telecom-munications services		Resort and recreational club operations		Investments and treasury		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)		*(Restated)*				*(Restated)*
Segment revenue:										
Sales to external customers	**195,467**	164,250	**4,630**	24,104	**19,127**	19,528	**23,312**	13,391	**242,536**	221,273
Other revenue	**4,802**	16,578	**583**	363	**371**	404	**103**	64	**5,859**	17,409
Total	**200,269**	180,828	**5,213**	24,467	**19,498**	19,932	**23,415**	13,455	**248,395**	238,682
Segment results	**10,662**	13,546	**5,360**	3,820	**(113)**	(1,025)	**(906)**	(22,146)	**15,003**	(5,805)
Unallocated expenses									**(2,598)**	(2,160)
Fair value change/ write-back of deficits on revaluation of:										
— Investment properties									**3,785**	21,789
— Resort and recreational club properties									**2,612**	3,822
Finance costs									**(969)**	(377)
Share of profits and losses of associates	**—**	—	**—**	—	**(4,019)**	(4,381)	**1,136**	(731)	**(2,883)**	(5,112)
Profit before tax									**14,950**	12,157
Tax									**43**	159
Profit for the year									**14,993**	12,316

NOTES TO FINANCIAL STATEMENTS

31 December 2005

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	
	2005 *HK$'000*	2004 *HK$'000*	**2005** *HK$'000*	2004 *HK$'000*	**2005** *HK$'000*	2004 *HK$'000* (Restated)	**2005** *HK$'000*	2004 *HK$'000*	**2005** *HK$'000*	2004 *HK$'000* (Restated)
Segment assets	**97,748**	95,034	**15,544**	22,703	**175,230**	161,845	**715,269**	737,566	**1,003,791**	1,017,148
Interests in associates and jointly-controlled entities	**—**	—	**—**	—	**8,067**	1,504	**9,281**	8,129	**17,348**	9,633
Unallocated assets									**4,700**	4,200
Total assets									**1,025,839**	1,030,981
Segment liabilities	**10,565**	17,845	**32,237**	53,573	**47,719**	40,795	**6,204**	5,187	**96,725**	117,400
Unallocated liabilities									**9,772**	12,033
Total liabilities									**106,497**	129,433
Other segment information:										
Depreciation and amortisation	**5,727**	3,095	**300**	1,122	**1,765**	1,927	**80**	103	**7,872**	6,247
Impairment losses recognised in the income statement	**—**	—	**242**	1,435	**—**	—	**783**	22,988	**1,025**	24,423
Write-back of accrued payables	**—**	—	**17,339**	8,017	**—**	—	**—**	—	**17,339**	8,017
Other non-cash expenses	**—**	1,365	**—**	—	**—**	—	**15,159**	17,000	**15,159**	18,365
Capital expenditure on:										
— property, plant and equipment	**8,402**	2,605	**221**	326	**64**	315	**—**	—	**8,687**	3,246
— investment properties	**—**	—	**—**	—	**7,721**	20,811	**—**	—	**7,721**	20,811
Surplus on revaluation of leasehold land and buildings recognised directly in equity	**1,732**	1,349	**—**	—	**—**	—	**—**	—	**1,732**	1,349

NOTES TO FINANCIAL STATEMENTS

31 December 2005

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 2005 and 2004.

Group

	Hong Kong		Mainland China		North America		European Union		Japan		Other Asia Pacific regions		Others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	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*
		(Restated)		*(Restated)*												*(Restated)*
Segment revenue:																
Sales to external customers	**237,809**	195,662	**3,675**	3,214	**–**	11,102	**54**	6,138	**366**	2,573	**629**	2,578	**3**	6	**242,536**	221,273
Other segment information:																
Segment assets	**853,901**	859,856	**139,790**	120,615	**784**	10,709	**286**	2,048	**–**	–	**31,078**	37,753	**–**	–	**1,025,839**	1,030,981
Capital expenditure on																
– property, plant and equipment	**8,466**	2,896	**57**	290	**–**	–	**–**	–	**–**	–	**164**	60	**–**	–	**8,687**	3,246
– investment properties	**–**	–	**7,721**	20,811	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**7,721**	20,811

5. REVENUE, OTHER INCOME AND GAINS

The principal activities of the Group are the wholesale and retail of fashion wear and accessories, the provision of telecommunications services, 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:

	2005 *HK$'000*	2004 *HK$'000* *(Restated)*
Revenue		
Wholesale and retail of fashion wear and accessories	**195,467**	164,250
Telecommunications services*	**4,630**	24,104
Resort and recreational club operations	**19,127**	19,528
Dividend income from listed investments	**4,182**	5,624
Interest income	**19,130**	7,767
	242,536	221,273
Other income and gains		
Sub-leasing rental income	**529**	5,839
Management fees	**3,463**	3,599
Consulting service fees	—	257
Gain on disposal of a franchise business	—	4,519
Commission income	—	1,131
Others	**1,867**	2,064
	5,859	17,409

* Turnover from the provision of telecommunications services for the year ended 31 December 2004 included a sum of HK$10,224,000 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.

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6. PROFIT BEFORE TAX

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

	Notes	**2005** **HK$'000**	2004 *HK$'000* *(Restated)*
Cost of inventories sold		**108,109**	84,017
Depreciation*	13	**7,795**	5,548
Auditors' remuneration		**1,618**	1,334
Goodwill arising from acquisition of subsidiaries:			
Amortisation for the year*	16	**—**	622
Impairment arising during the year*	16	**—**	1,435
		—	2,057
Amortisation of deferred revenue		**(400)**	—
Recognition of prepaid land premiums*	15	**77**	77
Operating lease payments for land and buildings:			
Minimum lease payments		**34,079**	22,198
Contingent rentals		**2,877**	8,665
Provision/(write-back of provision) for loans to an associate*		**(4,095)**	1,365
Provision for other receivables*		**1,936**	8,670
Write-back of accrued payables*		**(17,339)**	(8,017)
Net realised and unrealised gains on short term investments*		**—**	(14,170)
Impairment of long term investments*		**—**	22,988
Fair value losses, net:			
Available-for-sale equity investments (transfer from equity)*		**783**	—
Equity investments at fair value through profit or loss*		**4,169**	—
Impairment of items of property, plant and equipment*	13	**242**	—
Gain on disposal of items of property, plant and equipment*		**(29)**	(333)
Net rental income		**(21)**	(2,871)
Staff costs (including directors' remunerations (note 8)):			
Salaries, wages and other benefits		**58,295**	63,504
Pension scheme contributions under defined contribution schemes, net of forfeited contributions of HK$40,000 (2004: HK$122,000)**		**1,994**	1,857
		60,289	65,361

6. PROFIT BEFORE TAX (CONTINUED)

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Exchange gains, net*		**(8,637)**	(3,503)
Fair value change/write-back of deficits on revaluation:			
Investment properties	14	**(3,785)**	(21,789)
Resort and recreational club properties	13	**(2,612)**	(3,822)
		(6,397)	(25,611)

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

** At 31 December 2005, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2004: Nil).

7. FINANCE COSTS

	Group 2005 HK$'000	2004 HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**597**	377
Interest on a finance lease	**10**	—
Accretion of interest on debentures	**362**	—
	969	377

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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	
	2005	2004
	HK$'000	*HK$'000*
Fees	**400**	225
Other emoluments:		
Salaries, allowances and benefits in kind	**5,806**	5,806
Pension scheme contributions	**36**	36
Performance related bonuses	**107**	—
	5,949	5,842
	6,349	6,067

(a) Independent non-executive directors

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

	2005	2004
	HK$'000	*HK$'000*
Dr. Cecil Sze Tsung CHAO	**20**	5
Dr. Jen CHEN	**20**	20
Mr. Ian Grant ROBINSON	**240**	80
	280	105

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and a non-executive director

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Performance related bonuses	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
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**
	100	**5,806**	**36**	**107**	**6,049**
Non-executive director:					
Mr. Raymond Wai Pun LAU	**20**	**—**	**—**	**—**	**20**
	120	**5,806**	**36**	**107**	**6,069**
2004					
Executive directors:					
Mr. Joseph Wing Kong LEUNG	40	288	12	—	340
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	—	1,592
	100	5,806	36	—	5,942
Non-executive director:					
Mr. Raymond Wai Pun LAU	20	—	—	—	20
	120	5,806	36	—	5,962

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

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9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2004: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2004: three) non-director, highest paid employees for the year are as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**4,805**	4,849
Pension scheme contributions	**144**	144
	4,949	4,993

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

	Number of employees	
	2005	2004
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,000,001 to HK$2,500,000	**—**	1
HK$2,500,001 to HK$3,000,000	**1**	—
	3	3

10. TAX

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2005 (2004: 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 profit 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.

	2005	2004
	HK$'000	*HK$'000*
Group:		
Current – Hong Kong		
Underprovision in prior years	**7**	—
Current – Overseas		
Overprovision in prior years	**(50)**	(42)
Deferred tax *(note 30)*	**—**	(117)
Total tax credit for the year	**(43)**	(159)

10. TAX (CONTINUED)

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

	Group			
	2005		2004	
	HK$'000	**%**	*HK$'000*	%
			(Restated)	
Profit before tax	**14,950**		12,157	
Tax charge at the applicable tax rates	**3,279**	**21.9**	1,784	14.7
Income not subject to tax	**(6,200)**	**(41.5)**	(5,016)	(41.3)
Expenses not deductible for tax	**5,233**	**35.0**	14,597	120.1
Tax losses not recognised	**(825)**	**(5.5)**	(1,675)	(13.8)
Overprovision in prior years	**(43)**	**(0.3)**	(42)	(0.3)
Tax losses utilised from previous periods	**(1,487)**	**(9.9)**	(9,807)	(80.7)
Tax credit at the Group's effective rates	**(43)**	**(0.3)**	(159)	(1.3)

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company for the year ended 31 December 2005 dealt with in the financial statements of the Company, was HK$6,576,000 (2004: HK$9,103,000 (note 33(b)).

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

The calculation of basic earnings per share amount is based on the net profit for the year attributable to ordinary equity holders of the Company for the year of HK$10,923,000 (2004: HK$7,039,000 (as restated)), and the weighted average number of ordinary shares in issue during the year of 1,650,658,676 (2004: 1,650,658,676).

Diluted earnings per share amounts for the years ended 31 December 2005 and 2004 have not been disclosed as no diluting events existed during these years.

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13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings	Resort and recreational club properties	Leasehold improvements	Furniture, fixtures and equipment	Communications equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2005							
Cost or valuation:							
At beginning of year *(Restated)*	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	8,500	61,200	1,678	45,022	37,565	3,535	157,500
Analysis of cost or valuation:							
At cost	—	—	1,678	45,022	37,565	3,535	87,800
At 31 December 2005 valuation	8,500	61,200	—	—	—	—	69,700
	8,500	61,200	1,678	45,022	37,565	3,535	157,500
Accumulated depreciation and impairment:							
At beginning of year *(Restated)*	—	—	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 loss	—	—	—	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	—	—	1,558	35,193	37,565	2,858	77,174
Net book value:							
At 31 December 2005	**8,500**	**61,200**	**120**	**9,829**	**—**	**677**	**80,326**

NOTES TO FINANCIAL STATEMENTS

31 December 2005

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

	Leasehold land and buildings HK$'000	Resort and recreational club properties HK$'000 (Restated)	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Communications equipment HK$'000	Motor vehicles HK$'000	Total HK$'000 (Restated)
31 December 2004							
Cost or valuation:							
At beginning of year	4,300	57,500	1,671	49,793	37,135	4,462	154,861
Additions	—	—	—	2,962	—	284	3,246
Disposals	—	—	—	(13,483)	(866)	(500)	(14,849)
Surplus on revaluation	2,248	3,822	—	—	—	—	6,070
Elimination of accumulated depreciation	(348)	(1,322)	—	—	—	—	(1,670)
Exchange realignment	—	—	—	150	1,296	19	1,465
At 31 December 2004	6,200	60,000	1,671	39,422	37,565	4,265	149,123
Analysis of cost or valuation:							
At cost	—	—	1,671	39,422	37,565	4,265	82,923
At 31 December 2004 valuation	6,200	60,000	—	—	—	—	66,200
	6,200	60,000	1,671	39,422	37,565	4,265	149,123
Accumulated depreciation and impairment:							
At beginning of year	—	—	975	39,258	37,135	4,276	81,644
Depreciation provided during the year	348	1,322	401	3,340	—	137	5,548
Written back on revaluation	(348)	(1,322)	—	—	—	—	(1,670)
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	6,200	60,000	295	7,370	—	333	74,198

NOTES TO FINANCIAL STATEMENTS

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13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Furniture, fixtures and equipment *HK$'000*
31 December 2005	
Cost:	
At beginning of year and 31 December 2005	3
Accumulated depreciation:	
At beginning of year and 31 December 2005	3
Net book value:	
At 31 December 2005	**—**
31 December 2004	
Cost:	
At beginning of year and 31 December 2004	3
Accumulated depreciation:	
At beginning of year	2
Provided during the year	1
At 31 December 2004	3
Net book value:	
At 31 December 2004	—

The net book value of the Group's property, plant and equipment held under a finance lease included in the total amount of motor vehicles at 31 December 2005, amounted to HK$434,000 (2004: Nil).

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

The Group's leasehold land and buildings and resort and recreational club properties were revalued individually at 31 December 2005 and 2004 by independent professionally qualified valuers, DTZ Debenham Tie Leung Limited ("DTZ") or Vigers Appraisal and Consulting Limited. The leasehold land and buildings were revalued on an open market value basis and the resort and recreational club properties were revalued on a depreciated replacement costs basis. Among the Group's revaluation surpluses of HK$5,499,000 (2004: HK$6,070,000 (as restated)), HK$2,612,000 (2004: HK$3,822,000 (as restated)) has been credited to the income statement, and HK$1,732,000 (2004: HK$1,349,000) and HK$1,155,000 (2004: HK$899,000) of the remaining revaluation surplus of HK$2,887,000 (2004: HK$2,248,000) have been credited to the relevant revaluation reserve and shared by minority shareholders, respectively.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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$31,011,000 (2004: HK$31,915,000 (as restated)).

14. INVESTMENT PROPERTIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Carrying amount at 1 January	**96,200**	53,600
Additions	**7,721**	20,811
Net profit from a fair value adjustment	**3,785**	21,789
Exchange realignment	**1,994**	—
Carrying amount at 31 December	**109,700**	96,200

At 31 December 2005, the Group's investment properties comprised industrial property units situated in Hong Kong of HK$4,700,000 (2004: HK$4,200,000) and resort and recreational club properties situated in Mainland China of HK$105,000,000 (2004: HK$92,000,000), 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 36(a) to the financial statements.

	Company	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Carrying amount at 1 January	**118,200**	108,600
Net profit from a fair value adjustment	**4,500**	9,600
Carrying amount at 31 December	**122,700**	118,200

At 31 December 2005, the Company's investment properties comprised industrial property units of HK$4,700,000 (2004: HK$4,200,000) and resort and recreational club properties of HK$118,000,000 (2004: HK$114,000,000) which are situated in Hong Kong and are held under medium term leases.

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14. INVESTMENT PROPERTIES (CONTINUED)

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 is 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 2005 and 2004 by independent professionally qualified valuers, DTZ, on an open market and existing use basis.

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

15. PREPAID LAND PREMIUMS

	Group	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Carrying amount at 1 January		
As previously reported	**—**	—
Effect of adopting HKAS 17 *(note 2.2(e) & 2.4(a))*	**3,294**	3,371
As restated	**3,294**	3,371
Recognised during the year	**(77)**	(77)
Carrying amount at 31 December	**3,217**	3,294
Current portion	**(77)**	(77)
Non-current portion	**3,140**	3,217

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

16. GOODWILL

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

	Group
	HK$'000
Cost:	
At 1 January 2004 and 31 December 2004	8,934
Elimination of accumulated amortisation upon adoption of HKFRS 3 *(see note 2.2(d))*	(889)
At 1 January 2005 and 31 December 2005	8,045
Accumulated amortisation and/or impairment:	
At 1 January 2004	267
Amortisation provided during the year	622
Impairment during the year	1,435
At 31 December 2004 and 1 January 2005	2,324
Elimination of accumulated amortisation upon adoption of HKFRS 3 *(see note 2.2(d))*	(889)
At 31 December 2005 (accumulated impairment)	1,435
Net carrying amount:	
At 31 December 2004	6,610
At 31 December 2005	**6,610**

In the year ended 31 December 2004, goodwill was amortised on the straight-line basis over its estimated useful life, and an impairment provision of HK$1,435,000 was recognised based on an assessment of the recoverable amount of the Group's marketing and distribution of network cards business. The impairment loss was included in the Group's telecommunications services segment for that year.

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16. GOODWILL (CONTINUED)

Impairment testing of goodwill

Goodwill as at 31 December 2005 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 based on management's long term experience in running the business. The discount rate applied to cash flow projections is 5%.

The annual growth rate used to extrapolate the cash flows for the Group's Fashion Business during the 12-year period is 10% 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.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**12,700**	12,700
Due from subsidiaries	**1,252,181**	1,221,422
	1,264,881	1,234,122
Provision for impairment	**(1,054,481)**	(1,028,316)
	210,400	205,806

All balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these balances with subsidiaries approximate to their fair values.

17. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Asia Pacific Telecommunications Limited	Hong Kong	HK$2,000	—	100	Provision of 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 operations
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
New Media Telecom Asia Limited	Taiwan	NT$8,000,000	—	100	Provision of telecommunications services

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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 Direct	Indirect	Principal activities
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
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 PRC

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

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

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

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2005	2004
	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 jointly-controlled entities are unsecured, interest-free, have no fixed terms of repayment and 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

As the Group's accumulated share of losses of the jointly-controlled entities has equaled its interests therein in prior years, no further losses has 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 was nil at 31 December 2005 (2004: Nil).

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19. INTERESTS IN ASSOCIATES

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**—**	—	**1**	1
Share of net assets	**16,590**	11,537	**—**	—
Goodwill on acquisition	**14,986**	14,519	**—**	—
	31,576	26,056	**1**	1
Loans to an associate	**—**	4,095	**—**	—
Due from associates	**291**	8,328	**291**	273
	31,867	38,479	**292**	274
Provision for impairment	**(14,519)**	(28,846)	**—**	—
	17,348	9,633	**292**	274

The amounts due from associates are unsecured, interest-free, and have no fixed terms of repayment. The unsecured loans to an associate bore interest at a rate of 2.5% per annum and were fully repaid during the year.

Particulars of the principal associates are as follows:

Name	**Place of incorporation/ registration**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Beijing Smartdot Technologies Co. Ltd.	PRC	20	Software development and provision of project solutions
Shanghai Landis Hospitality Management Co. Ltd. # ("Shanghai Landis")	PRC	35	Resort and recreational club management
Ventile Investments Limited	British Virgin Islands	35	Provision of financing services

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

19. INTERESTS IN ASSOCIATES (CONTINUED)

At 31 December 2004, the Group had a 21% interest in V.S. Limited, a company incorporated in Hong Kong principally engaged in the retail of fashion wear and accessories. On 28 October 2005, the Group disposed of its entire interest in V.S. Limited for a consideration of HK$1.

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:

	2005	2004
	HK$'000	*HK$'000*
Assets	**166,670**	168,393
Liabilities	**(105,431)**	(110,413)
Revenues	**72,851**	89,077
Loss	**(5,814)**	(12,161)

20. AVAILABLE-FOR-SALE EQUITY INVESTMENTS/LONG TERM INVESTMENTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Overseas listed equity investments, at fair value	**125**	908
Unlisted equity investments, at cost less impairment loss	**35,378**	34,581
	35,503	35,489

During the year, 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 the year.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets on 1 January 2005 and have no fixed maturity date or coupon rate.

The fair values of listed equity investment are based on quoted market prices. The unlisted equity investments are carried at cost, less any impairment losses, since 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.

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21. INVENTORIES

As at 31 December 2005 and 2004, 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	
	2005	2004
	HK$'000	*HK$'000*
Within 1 month	**4,347**	7,305
2 to 3 months	**232**	993
Over 3 months	**2,526**	3,412
	7,105	11,710

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/SHORT TERM INVESTMENTS

	Group		**Company**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments, at market value:				
Hong Kong	**148,077**	139,992	**138,980**	136,584
Elsewhere	**659**	9,304	**—**	—
	148,736	149,296	**138,980**	136,584

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

The above equity investments at 31 December 2005 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	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Market value of ordinary shares of China Motor Bus Company, Limited	**124,640**	117,271	**123,895**	116,571
Proportion of ownership interest	**4.5%**	4.5%	**4.5%**	4.5%

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**29,246**	49,266	**1,094**	5,106
Time deposits	**515,721**	532,083	**515,721**	532,083
	544,967	581,349	**516,815**	537,189
Less: Time deposits pledged for banking facilities	**(342)**	(342)	**(342)**	(342)
Cash and cash equivalents	**544,625**	581,007	**516,473**	536,847

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$5,657,000 (2004: HK$4,616,000). The RMB is not freely convertible into other currencies, however, under PRC'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 deposits 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.

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25. TRADE AND OTHER PAYABLES

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

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2005 HK$'000	Group 2004 HK$'000
Current				
Finance lease payables *(note 27)*	3	2006	**91**	—
Bank loans – unsecured	7 to 8	2006	**3,887**	6,597
			3,978	6,597
Non-current				
Finance lease payables *(note 27)*	3	2007-2010	**297**	—
			4,275	6,597

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.

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 27.

The carrying amounts of the Group's current borrowings approximate to their fair values. At 31 December 2005, the carrying amount and fair value of the Group's non-current finance lease payables were HK$297,000 and HK$270,000, respectively.

27. FINANCE LEASE PAYABLES

The Group leases a motor vehicle under a finance lease arrangement with a remaining lease term of four years and three months as at 31 December 2005.

At 31 December 2005, the Group's total future minimum lease payments under a finance lease and their present values were as follows:

Group

	Minimum lease payments 2005 *HK$'000*	Minimum lease payments 2004 *HK$'000*	**Present value of minimum lease payments 2005** *HK$'000*	Present value of minimum lease payments 2004 *HK$'000*
Amounts payable:				
Within one year	**105**	—	**91**	—
In the second year	**105**	—	**91**	—
In the third to fifth years	**236**	—	**206**	—
Total minimum finance lease payments	**446**	—	**388**	—
Future finance charges	**(58)**	—		
Total net finance lease payables	**388**	—		
Portion classified as current liabilities *(note 26)*	**(91)**	—		
Non-current portion *(note 26)*	**297**	—		

NOTES TO FINANCIAL STATEMENTS

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28. 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 costs were as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**1,684**	954
In the second year	**3,873**	1,690
In the third to fifth years, inclusive	**2,800**	6,860
	6,673	8,550
	8,357	9,504

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.

29. OTHER LOANS

As at 31 December 2005, the unsecured loans from a minority shareholder of a subsidiary denominated in foreign currencies amounted to RMB1,216,241 (2004: RMB1,216,241) and US$521,859 (2004: 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.

30. DEFERRED TAX

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

Group

	Accelerated tax depreciation	Loss available for offset against future taxable profit	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2004	1,765	(1,648)	117
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	71	(188)	(117)
At 31 December 2004 and at 1 January 2005	1,836	(1,836)	—
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	830	(830)	—
At 31 December 2005	**2,666**	**(2,666)**	**—**

The Group has tax losses arising in Hong Kong of HK$251,564,000 (2004: HK$220,260,000) that are available indefinitely for offsetting against future taxable profits of the companies 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 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 2005, there was no significant unrecognised deferred tax liability (2004: 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.

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31. SHARE CAPITAL

Shares	**2005**	2004
	HK$'000	*HK$'000*
Authorised:		
100,000,000,000 (2004: 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 (2004: 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 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 32 to the financial statements.

32. 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 2005 was 243,415,800 (2004: 243,415,800) (including shares which may be issued upon exercise of 336,000 (2004: 636,000) options that have been granted under the Old Scheme but not yet lapsed or exercised) which represented 14.7% (2004: 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 2005, 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 2005 was HK$0.41). 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

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32. SHARE OPTION SCHEMES (CONTINUED)

Share option 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 2005	Lapsed during the year	At 31 December 2005
		HK$			
11 October 1999	11 October 1999 to 29 December 2007	1.528	300,000	(300,000)	—
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	—	288,000
			636,000	(300,000)	336,000

* 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, the Company had 336,000 share options outstanding under the Old Scheme, which represented approximately 0.02% 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 336,000 additional ordinary shares of the Company and additional share capital of HK$3,360 and share premium of HK$264,672 (before issue expenses).

33. 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 pages 30 and 31 of the financial statements.

(b) Company

	Share premium account	Special reserve	Capital redemption reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(note 31(b)(ii))			
At 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 and 1 January 2005	1,189,721	808,822	478	(1,097,371)	901,650
Net profit for the year	—	—	—	6,576	6,576
At 31 December 2005	**1,189,721**	**808,822**	**478**	**(1,090,795)**	**908,226**

34. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transaction

During the year, 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 (2004: Nil).

NOTES TO FINANCIAL STATEMENTS

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35. 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$2,627,000 (2004: HK$3,414,000) as at 31 December 2005. 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 uncollectibles, 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.

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 2005, 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 (2004: HK$342,000).

36. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group sub-leased certain shop units under operating lease arrangements. The leases were negotiated for terms ranging from one to two years and had expired during the year. The terms of the leases generally also required the tenants to pay security deposits.

The Group has also 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 lease period will be effective from 1 July 2006 to 30 June 2016.

	Group	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Within one year	**384**	428
In the second to fifth years, inclusive	**4,375**	3,403
After five years	**7,087**	8,209
	11,846	12,040

During the year, no income was recognised by the Group in respect of contingent rentals receivable (2004: HK$144,000).

(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 three years.

At 31 December 2005, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**33,705**	31,089	**1,893**	437
In the second to fifth years, inclusive	**33,016**	40,543	**534**	—
	66,721	71,632	**2,427**	437

NOTES TO FINANCIAL STATEMENTS

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37. COMMITMENTS

In addition to the operating lease commitments detailed in note 36(b) above, the Group had the following commitments at the balance sheet date:

(a) Capital commitments

	Group	
	2005	2004
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Development of resort properties	**343**	7,904
Renovation work on leased premises	**—**	2,184
	343	10,088
Contracted, but not provided for, capital contributions for:		
A long term investment	**—**	798
An associate	**—**	2,567
	—	3,365
	343	13,453

(b) Other commitment

As at 31 December 2005, 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 agreements entered into between 1996 and 2002, the Company is 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$1,586,000) and US$268,000 (equivalent to HK$2,085,000) per annum 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 up to 30 June 2016, the expiry date of the corresponding management sub-contracting agreement.

At 31 December 2005, the maximum amount payable to the Mainland China joint venture partner up to 2022 under the above arrangement was HK$33,950,000 (2004: HK$35,411,000), of which HK$20,396,000 (2004: HK$21,858,000) will be absorbed by Shanghai Landis.

38. 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	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
Sub-leasing rental and management fee income from an associate	(i)	1,547	3,811
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	1,416
Rental expenses and building management fees paid to a related company	(iii)	1,602	1,655

(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 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 a company controlled by a substantial shareholder of the Company were determined by reference to relevant industry practice of which HK$971,000 rental expenses paid constitutes a continuing connected transaction as defined under the Listing Rules. Details of which are disclosed under the paragraph "Connected Transactions" in the report of the directors on pages 15 and 16.

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

	2005	2004
	HK$'000	*HK$'000*
Short term employee benefits	**12,781**	12,344
Post-employment benefits	**192**	192
Total compensation paid to key management personnel	**12,973**	12,536

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

NOTES TO FINANCIAL STATEMENTS

31 December 2005

39. 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 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.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk and credit risk.

(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 does not currently have any hedge arrangement for elimination of the foreign currency risk exposures and will continue to monitor such exposures and market conditions to determine if any hedging 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.

40. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 7 April 2006.