Annual Report 2007

安寧控股有限公司
ENM Holdings Limited
(Stock Code: 0128)

CONTENTS

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of ENM Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007.

RESULTS

For the year ended 31 December 2007, the Group's turnover increased by 17% to HK$266,027,000, which was mainly due to an improved turnover of 23% in the fashion retail operation. The strong growth in the fashion retail operation was principally due to the bullish Hong Kong economy and the increased visitors from Mainland China. Moreover, the fashion retail sales were back on track during the year following the relocation of retail shops in the last year.

The Group reported a profit attributable to shareholders of HK$52,426,000, an increase of 335% as compared to HK$12,047,000 for the previous year. The growth was mainly attributable to a gain on disposal of certain properties of HK$3,101,000 and a substantial net increase in value of listed equity investment of HK$42,718,000.

LOOKING AHEAD

VivaSha Club Resort has planned to cooperate with specialists to introduce spa facilities and specialty restaurants to the Club. The Group believes that such improvement will enhance the club membership sales and help to promote the group tourist and corporate conference business.

The Group will put new efforts into Hong Kong Hilltop Country Club to expand the club membership base.

Together with a first free-standing boutique for Brunello Cucinelli opened at ifc mall in September 2007, the Group currently has three SWANK shops and six free-standing boutiques and points-of-sale in major department stores with a total shopping floor area of over 18,000 square feet. Hong Kong economy will continue to grow; the Group is confident about the future prospects of the retail fashion operation. The booming Chinese economy is creating a growing class of wealthy consumers with the desire for luxury goods. The Group is currently studying an expansion of the fashion retail network in China.

The Group currently owns 60% interest in Kenmure Limited, the holding company of the fashion retail vehicle, The Swank Shop Limited. In January 2008, the Group entered into an agreement to acquire the remaining 40% interest in Kenmure Limited from the minority shareholders (the "Acquisition"). The Acquisition is subject to the shareholders' approval in an extraordinary general meeting to be held in April 2008 and it is expected that the Acquisition will complete in the second quarter of 2008.

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

APPRECIATION

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

Joseph Wing Kong LEUNG
Chairman

Hong Kong, 28 March 2008

CHIEF EXECUTIVE'S STATEMENT

FINANCIAL REVIEW

For the year under review, the Group reported a turnover of HK$266,027,000 (2006: HK$227,206,000) which represents an increase of 17% as compared to 2006. Consolidated profit attributable to equity holders of the Company amounted to HK$52,426,000 (2006: HK$12,047,000) which represents 335% increase as compared to last year. Earnings per share was HK$3.18 cents (2006: HK$0.73 cents).

LIQUIDITY AND FINANCIAL POSITION

At 31 December 2007, the Group was in solid financial position with cash and deposit holdings of HK$542,285,000 (2006: HK$522,222,000). At 31 December 2007, total borrowings stood at HK$16,307,000 (2006: HK$22,634,000) with HK$12,731,000 (2006: HK$18,674,000) repayment falling due within one year. The Group's gearing ratio (a comparison of total borrowings with equity attributable to equity holders of the Company) was 1.7% at the year end date (2006: 2.5%). The current ratio at 31 December 2007 was 13.9 times (2006: 10.5 times).

At 31 December 2007, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars and United States dollars. Exchange differences were reflected in the audited financial statements. All borrowings of the Group are either on a floating rate basis or interest-free.

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

PLEDGE OF ASSETS

Pledges of the Group's fixed deposits of US$44,000 (2006: US$44,000) were given to banks to secure general banking facilities to the extent of US$44,000 as of 31 December 2007 (2006: US$44,000).

EMPLOYEE AND REMUNERATION POLICIES

At the date of this report, the Group employs a total of 258 full time staff with its main workforce stationed in the Group's offices in Hong Kong. The Group's remuneration policies are performance based and are in line with the salary trends in the respective locations. The Group provides employee benefits such as staff insurance schemes, provident and pension funds, discretionary performance bonus, external training support, and a performance based share option scheme.

BUSINESS REVIEW

RESORT AND RECREATIONAL CLUB OPERATIONS

VivaSha Club Resort ("VivaSha")

VivaSha, comprising a 4-star Hotel with 302 rooms, a Clubhouse and an International Convention Centre, is located in the Putao district of Shanghai.

Membership recruitment activities have been successful. As at the end of 2007, total membership numbers had increased to about 3,400.

In 2008, Club Management plans to work with SPA and specialty restaurant operators, to widen its services. This is expected to enhance membership sales and help to promote the Club's group tourist and corporate conference business.

Hong Kong Hilltop Country Club ("Hilltop")

Turnover at Hilltop was slightly lower than the previous year. This has been a result of keen competition from the hotel sector for conference and banquet revenues, as well as the premises showing signs of age. Management is planning to renovate the buildings and facilities in 2008 in order to expand Hilltop's membership base.

TELECOMMUNICATIONS & TECHNOLOGIES

SinoPay.com Holdings Limited ("SinoPay")

SinoPay's main business is providing B2C electronic payment and intra-bank fund transfer solution services in the PRC through its Joint Venture with China UnionPay, Chinapay e-Payment Service Ltd ("the JV") in Shanghai. In order to diversify its income contribution sources, the JV has this year developed on-line mutual fund trading platform, the results of which have fulfilled our expectations. In 2007, the JV recorded a turnover of RMB164,500,000 with a net profit of RMB29,000,000; representing 245% and 195% growth in turnover and net profit respectively.

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

On 17 December 2007, Lion Dragon Limited, a wholly-owned subsidiary of the Company, entered into a Share Transfer Agreement to dispose of 10% of the equity interest in Smartdot to Mr. Jiangxiaodan, CEO and founder of Smartdot, at a consideration of RMB12,000,000 (equivalent to approximately HK$12,720,000). The disposal is expected to be completed in the first half of 2008. After the disposal, Lion Dragon Limited will continue to hold a 10% equity interest in Smartdot.

Smartdot is engaged in the development of software and solution projects in the PRC. Given the prevailing keen competition in the software industry in the PRC, the Board considered that it was an appropriate time to realise part of its investment in Smartdot. Due to the write off of certain deferred expenditures incurred in previous years, Smartdot reported a net loss in 2007.

CHIEF EXECUTIVE'S STATEMENT

Wireless Network Card Business

Building on its wireless network card business with China Unicom and China Mobile, Shanghai ENM Telecom & Technology Limited has expanded its sales mix to other electronic and telecommunication products, such as POS machines. Management expects to expand its current customer base in 2008 with the sale of more new products.

RETAIL FASHION

The Swank Shop Limited ("Swank")

Swank produced encouraging results in 2007 with turnover of HK$214,168,000, up 23% from the previous year.

The bullish economy, tighter management control and more focused merchandising program all contributed to this performance.

Gross profit margin increased by 4 percentage point from 47% to 51%. Although shop occupancy costs increased by 25% from the previous year, overall shop expenses reduced to 41% on turnover as compared with 45% in 2006. Head office expenses also improved to 10% on sales as opposed to 13% in 2006. These improvements contributed to Swank posting a net profit of HK$7,300,000 of which HK$5,168,000 was derived from the sale of property.

On the operation front, two new boutiques were opened during the year.

(i) A New branch of Kenzo mono brand boutique was opened in December 2007 in Ocean Centre, Kowloon. Management is confident that this boutique will perform strongly once the Louis Vuitton flagship store (the largest in Asia) opens opposite to the boutique in March 2008 as this will drastically increase foot traffic in the area.

(ii) A Brunello Cucinelli boutique was opened in September 2007 in the IFC Mall, Hong Kong. This is the first Brunello Cucinelli boutique established in HK and with the brand's proven track record within Swank multi-label shops, it should perform well starting in the Spring/Summer 2008 season.

CHIEF EXECUTIVE'S STATEMENT

BIO-MEDICAL

Genovate Biotechnology Company Limited ("Genovate")

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

Branded products reported significant sales growth in 2007 due to strong market demand for Urotrol for the treatment of urinary incontinence and Diabetrol Slow Release for the treatment of diabeties. Contract service business in the area of CRO (contract research organization) and OEM also reported more than 20% growth in sales. With the AFM (Accredit for Foreign Manufacture) approval by the Japan Ministry of Health (Labour & Welfare) in December 2007, Genovate is actively seeking more formulation development and OEM business with Japanese pharmaceutical companies to expand its overseas business.

Research programs in collaboration with government institutes including the Industrial Technology Research Institute (ITRI) of Taiwan and the National Health Research Institute (NHRI) have continued to progress. These research programs focus on specialty drugs for the treatment of gout and metabolic disorder. There are two new formulation drug projects in the pipeline - one for Intermittent Claudication and the other for anti-vomiting. Genovate plans to file an IND (Investigatory New Drug) for both projects in 2008.

James C. Ng
Chief Executive

Hong Kong, 28 March 2008

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Joseph Wing Kong LEUNG, 61, is the Chairman of the Group. Mr. Leung joined the Group in December 2000 as Executive Director and became Chairman in March 2001. He is also the Chairman of the Remuneration Committee of the Company. Mr. Leung is a director of Chinachem Group companies. He is also an independent non-executive director of Cheuk Nang (Holdings) Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, and a supervisor of Yang Ming Marine Transport Corporation, a company listed on Taiwan Stock Exchange Corporation. Mr. Leung is a director of Diamond Leaf Limited and Solution Bridge Limited, which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Future Ordinance. Mr. Leung has over 30 years of experience in finance and management in property development. He is a fellow of the Hong Kong Institute of Real Estate Administration and a member of the executive committee of The Real Estate Developers Association of Hong Kong.

Mr. James C. NG, 64, is the Chief Executive Officer of the Group. Mr. Ng has over 30 years of experience in the banking industry in Hong Kong and the United States. Prior to joining the Group in March 2001, Mr. Ng served as the CEO of the former First Pacific Bank in Hong Kong and the CEO of United Savings Bank in California. He also held senior positions at Chase Manhattan Bank in Hong Kong and the Far East Region. Mr. Ng holds a MBA Degree from Golden Gate University in San Francisco and a Bachelor Degree from St. Jose State University in the United States. Mr. Ng is a director of Chinachem Group companies and the Chairman of the Employers' Federation of Hong Kong.

Mr. Derek Wai Choi LEUNG, 57, joined the Group in December 2000. He holds a BSc (Engineering) degree and is also a chartered accountant. Mr. Leung had been in the banking industry for 16 years and in charge of the treasury and capital markets division of a wholly owned banking subsidiary of one of the largest banks in the world for about ten years. He joined Chinachem Group in early 1997 and is responsible for the international investments of Chinachem Group companies.

Mr. Wing Tung YEUNG, 53, joined the Group as Executive Vice President in October 2001 and became Director in November 2002. Mr. Yeung is responsible for the investments of the Group. Prior to his appointment, Mr. Yeung was the Personal Assistant to the Managing Director of a listed company in Hong Kong for more than ten years, in charge of project investments and developments in Hong Kong, PRC and South East Asia. He had also worked in an American Bank as Manager of Commercial Banking and an international audit firm as Auditor. Mr. Yeung obtained his MBA from Indiana University, USA in 1978 and passed the board examination of the American Institute of Certified Public Accountants in the same year.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Raymond Wai Pun LAU, 58, joined the Group in March 2001. He is also a member of the Audit Committee of the Company. Mr. Lau is the Senior Partner of Ford, Kwan & Co., Solicitors & Notaries. He is a solicitor of the High Court of Hong Kong and is also qualified to practise in the United Kingdom and the Australian Capital Territory. He is also a notary public and a China-appointed Attesting Officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cecil Sze Tsung CHAO, 71, joined the Group in September 2004. He is also a member of the Audit Committee and the Remuneration Committee of the Company. Dr. Chao is the founder and Executive Chairman of Cheuk Nang (Holdings) Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Dr. Chao obtained a Bachelor of architecture degree, with honours, from The University of Durham, England and subsequently worked in the field of property, investment, finance, architecture and construction for over forty years. He also worked for Hong Kong Government Building Department and Architectural Office and was elected as director of The Real Estate Developers Association of Hong Kong for consecutive 30 years. Dr. Chao is a Hong Kong registered architect and a member of the Royal Institute of British Architect and obtained Honorary Doctor Degree (Ph. D.) from the U.S. Morrison University. Dr. Chao was also awarded 2004's World Outstanding Chinese.

Dr. Jen CHEN, 53, joined the Group in February 2003. He is also a member of the Audit Committee of the Company. Dr Chen has extensive experience and professional knowledge in the biopharmaceutical industry. He is the Chairman and General Manager of Genovate Biotechnology Company Limited in Taiwan. Prior to this appointment, Dr Chen was the Vice President of Asian Operation in Genelabs Technologies, Inc. in the US. He had also worked in Novartis Pharmaceuticals Corporation for eight years in areas of new drug discovery and research. He is the author or co-author of more than 30 papers and ten patents in the field. Dr. Chen obtained his Ph.D. (Chemistry) from University of Rochester in New York, USA.

Mr. Ian Grant ROBINSON, 68, joined the Group in September 2004. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Robinson heads up Robinson Management Limited, a consulting and management company. Prior to setting up his own firm in 1995, he has had 39 years of experience as a professional accountant and was a Senior Partner with Ernst and Young, one of the largest international accounting firms. He has been based in Hong Kong since 1980, servicing the Asian region, and has accounting experience in major countries around the world. Mr. Robinson is the Chairman of Brek Energy Corporation, a Nasdaq listed company. He is also a member of the Supervisory Board and the Chairman of Audit Committee of the Hong Kong Housing Society.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. David Kin Hay HONG, 60, joined the Group in October 2003. He is the Managing Director of The Swank Shop Limited ("Swank"). Mr. Hong joined the family business in 1974 after his graduation from business studies in England. He was in charge of the manufacturing arm of Swank in the first few years. In the early 1980's, Mr. Hong moved on to the retail business unit and has headed Swank since 1991. Mr. Hong has valuable experience in the high-end fashion retailing.

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

Mr. Kenneth Sai Lai WONG, 46, joined the Group as Vice President of Investments in July 2001. Prior to this appointment, Mr. Wong was the Vice President of Commercial Banking Business of the former First Pacific Bank, and Corporate Banking Officer of a major US bank where he gained international finance exposure in Chicago and New York. Before joining the banking industry, Mr. Wong had worked for an international accounting firm in performing project investment evaluation and feasibility study. Mr. Wong holds a Bachelor of Social Sciences Degree from the University of Hong Kong.

Mr. Victor Yiu Keung CHIANG, 43, joined the Group in November 2003. He is the Chief Financial Officer of the Group overseeing the financial management of the Group. He has over 16 years' experience in professional accountancy practice and financial management experience with listed companies. Graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration, he is an associate member of the Institute of Chartered Accountants in England & Wales, and a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Chiang is also a Certified Public Accountant practising in Hong Kong.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 101.

The directors do not recommend the payment of any dividend for the year ended 31 December 2007 (2006: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 103. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

Further details of the Group's investment properties are set out on page 102.

DEBENTURES

Particulars of the club debentures of the Group are set out in note 29 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. Details of movements in the Company's share options during the year are set out in note 33 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34(b) to the financial statements and in the consolidated statement of changes in equity on page 29, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company had no reserves available for distribution as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance (2006: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers accounted for less than 30% of the Group's total turnover for the year. The five largest suppliers and the largest supplier accounted for approximately 46% and 12% of the Group's total purchases for the year, respectively.

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

DIRECTORS

The directors of the Company during the year were:

EXECUTIVE DIRECTORS:

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

NON-EXECUTIVE DIRECTOR:

Mr. Raymond Wai Pun LAU

INDEPENDENT NON-EXECUTIVE DIRECTORS:

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

In accordance with article 101 of the Company's articles of association, Dr. Cecil Sze Tsung CHAO, Dr. Jen CHEN and Mr. Ian Grant ROBINSON will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN SHARES

At 31 December 2007, the interest of a director in the shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, was as follows:

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

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

Save as disclosed above, as at 31 December 2007, none of the directors had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

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

EMOLUMENT POLICY

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

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

At 31 December 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

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

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

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

Save as disclosed above, as at 31 December 2007, no person had registered an interest in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

On 28 April 2005, the Company entered into a tenancy agreement ("Tenancy Agreement I") with Hollywood Palace Company Limited (the "Landlord"), a company controlled by a substantial shareholder, in respect of the renewal of leases of Suites 1502 and 1521 on 15th Floor, Chinachem Golden Plaza, 77 Mody Road, Tsimshatsui, Kowloon for a term of two years, which commenced on 1 May 2005 at a monthly rent of HK$145,620 with a four months rent-free period over the lease term.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

On 30 April 2007, the Company entered into a tenancy agreement ("Tenancy Agreement II") with the Landlord in respect of the renewal of leases of the same premises under Tenancy Agreement I for a term of one year, which commenced on 1 May 2007 at a monthly rent of HK$177,980 with a 45 days rent-free period over the lease term.

Both Tenancy Agreement I and Tenancy Agreement II constituted continuing connected transactions for the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company confirms that it has complied with the disclosure requirements, where appropriate, in accordance with Chapter 14 of the Listing Rules.

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

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

(b) on normal commercial terms; and

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

The Company has received from the auditors a letter reporting that the continuing connected transactions:

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

ON BEHALF OF THE BOARD

Joseph Wing Kong LEUNG
Chairman

Hong Kong
28 March 2008

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code Provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007, except for the deviation in respect of the service term of Directors under Code Provision A.4.1 of the CG Code.

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

BOARD OF DIRECTORS

(A) BOARD COMPOSITION

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

The Board members for the year ended 31 December 2007 were:

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

Non-executive Director
Mr. Raymond Wai Pun LAU

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

The composition of the Board is reviewed regularly to ensure that it has a good balance of expertise, skills and experience, which can meet the requirements of the business of the Group. The Directors' biographical information is set out on pages 8 and 9.

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

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

BOARD OF DIRECTORS (CONTINUED)

(B) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

(C) INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

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

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

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

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

There was no change in the composition of the Board during the year ended 31 December 2007.

BOARD OF DIRECTORS (CONTINUED)

(E) RESPONSIBILITIES OF DIRECTORS

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

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

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

(F) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2007.

(G) BOARD MEETINGS

The Board held four regular Board meetings for the year ended 31 December 2007. The following was an attendance record of the regular Board meetings for the year ended 31 December 2007:

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

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

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

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

BOARD OF DIRECTORS (CONTINUED)

(G) BOARD MEETINGS (CONTINUED)

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

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

The Remuneration Committee held one meeting for the year ended 31 December 2007. The following was an attendance record of the Remuneration Committee meeting for the year ended 31 December 2007:

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

During 2007, the Remuneration Committee's work included:

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

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

ACCOUNTABILITY AND AUDIT

(A) FINANCIAL REPORTING

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

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

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The statement of the Auditors of the Company about their responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 24 and 25.

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

(B) INTERNAL CONTROLS

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

During 2007, the Board has conducted a review on the Group's internal control handbook covering all material controls, including financial, operational, compliance controls, and risk management functions. The Board considered the internal control system of the Group to be adequate and effective.

ACCOUNTABILITY AND AUDIT (CONTINUED)

(C) AUDIT COMMITTEE

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

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

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

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

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

For the year ended 31 December 2007, the Audit Committee held two meetings, in which the external auditors were in attendance. The following was an attendance record of the Audit Committee meetings for the year ended 31 December 2007:

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

During 2007, the Audit Committee's work included:

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

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

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

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

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

ACCOUNTABILITY AND AUDIT (CONTINUED)

(D) AUDITORS' REMUNERATION

For the year ended 31 December 2007, the Group's external auditors provided the following services to the Group:-

	HK$'000
Audit services	1,398
Non-audit services	
Taxation services	218
Agreed – upon procedures on a connected parties transaction	15
Other services	265
	1,896

DELEGATION BY THE BOARD

(A) MANAGEMENT FUNCTIONS

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

Matters reserved for Board decision include:

(i) Formulation of long-term strategy;

(ii) Approving public announcements;

(iii) Approving material bank facilities;

(iv) Committing to material acquisitions and disposals;

(v) Committing to material connected transactions; and

(vi) Reviewing internal control system.

(B) BOARD COMMITTEES

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

COMMUNICATION WITH SHAREHOLDERS

(A) EFFECTIVE COMMUNICATION

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

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

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

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

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

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

The Chairman of the Board, Executive Directors, and the Company's Auditors attended the 2007 Annual General Meeting of the Company to answer questions at the meeting.

(B) VOTING BY POLL

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

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

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

TO THE SHAREHOLDERS OF ENM HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of ENM Holdings Limited set out on pages 26 to 101, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18/F Two International Finance Centre
8 Finance Street, Central
Hong Kong
28 March 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**266,027**	227,206
Cost of sales		**(109,266)**	(97,521)
Gross profit		**156,761**	129,685
Other income and gains	5	**6,558**	5,103
Selling and distribution costs		**(81,967)**	(72,231)
Administrative expenses		**(66,651)**	(66,200)
Other operating income, net	6	**58,565**	2,509
Fair value gains/(losses) and write-back of deficits on revaluation of properties, net		**(10,332)**	12,545
Finance costs	7	**(1,291)**	(1,077)
Share of profits and losses of associates		**(6,388)**	(2,852)
PROFIT BEFORE TAX	6	**55,255**	7,482
Tax	10	**–**	–
PROFIT FOR THE YEAR		**55,255**	7,482
Attributable to:			
Equity holders of the Company	11	**52,426**	12,047
Minority interests		**2,829**	(4,565)
		55,255	7,482
DIVIDENDS		**Nil**	Nil
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic		**3.18 cents**	0.73 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**77,303**	84,638
Investment properties	14	**113,900**	123,900
Prepaid land premiums	15	**2,986**	3,063
Goodwill	16	**6,610**	6,610
Interests in associates	18	**17,258**	20,511
Available-for-sale equity investments	19	**35,448**	35,503
Total non-current assets		**253,505**	274,225
CURRENT ASSETS			
Inventories	20	**41,359**	37,481
Trade receivables	21	**7,161**	8,701
Prepayments, deposits and other receivables	22	**33,656**	33,267
Prepaid land premiums	15	**77**	77
Equity investments at fair value through profit or loss	23	**197,894**	154,612
Derivative financial instruments	24	**–**	104
Pledged deposits	25	**342**	342
Time deposits		**495,798**	495,074
Cash and bank balances	25	**46,487**	27,148
Total current assets		**822,774**	756,806
CURRENT LIABILITIES			
Trade and other payables	26	**40,973**	47,662
Interest-bearing bank and other borrowings	27	**4,712**	9,268
Current portion of debentures	29	**2,670**	4,102
Other loans	30	**5,349**	5,304
Tax payable		**5,497**	5,497
Total current liabilities		**59,201**	71,833
NET CURRENT ASSETS		**763,573**	684,973
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,017,078**	959,198

CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,017,078**	959,198
NON-CURRENT LIABILITIES			
Debentures	29	**3,462**	3,754
Interest-bearing bank and other borrowings	27	**114**	206
Deferred revenue		**23,015**	25,821
Total non-current liabilities		**26,591**	29,781
Net assets		**990,487**	929,417
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	32	**16,507**	16,507
Reserves	34(a)	**943,433**	885,397
		959,940	901,904
Minority interests		**30,547**	27,513
Total equity		**990,487**	929,417

Joseph Wing Kong LEUNG
Chairman

James C. NG
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Attributable to equity holders of the Company										
	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Special reserve HK$'000 (note 32(b)(ii))	Property revaluation reserve HK$'000	Available-for-sale equity investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2006	16,507	1,189,721	478	808,822	3,114	–	1,718	(1,132,425)	887,935	31,407	919,342
Surplus on revaluation	–	–	–	–	1,007	–	–	–	1,007	671	1,678
Exchange realignment	–	–	–	–	–	–	915	–	915	–	915
Total income and expense recognised directly in equity	–	–	–	–	1,007	–	915	–	1,922	671	2,593
Profit for the year	–	–	–	–	–	–	–	12,047	12,047	(4,565)	7,482
Total income and expense for the year	–	–	–	–	1,007	–	915	12,047	13,969	(3,894)	10,075
At 31 December 2006 and 1 January 2007	16,507	1,189,721	478	808,822	4,121	–	2,633	(1,120,378)	901,904	27,513	929,417
Disposal of land and buildings	–	–	–	–	(4,121)	–	–	4,121	–	–	–
Changes in fair value of an available-for-sale equity investment	–	–	–	–	–	(55)	–	–	(55)	–	(55)
Impairment loss recognised in the income statement	–	–	–	–	–	55	–	–	55	–	55
Exchange realignment	–	–	–	–	–	–	5,610	–	5,610	205	5,815
Total income and expense recognised directly in equity	–	–	–	–	(4,121)	–	5,610	4,121	5,610	205	5,815
Profit for the year	–	–	–	–	–	–	–	52,426	52,426	2,829	55,255
Total income and expense for the year	–	–	–	–	(4,121)	–	5,610	56,547	58,036	3,034	61,070
At 31 December 2007	**16,507**	**1,189,721***	**478***	**808,822***	**–***	**–***	**8,243***	**(1,063,831)***	**959,940**	**30,547**	**990,487**

* These reserve accounts comprise the consolidated reserves of HK$943,433,000 (2006: HK$885,397,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**55,255**	7,482
Adjustments for:			
Depreciation	6	**9,710**	8,944
Amortisation of deferred revenue	6	**(3,335)**	(1,852)
Recognition of prepaid land premiums	15	**77**	77
Finance costs	7	**1,291**	1,077
Dividend income from listed investments	5	**(5,122)**	(4,765)
Interest income	5	**(26,068)**	(25,478)
Share of profits and losses of associates		**6,388**	2,852
Fair value losses/(gains) on revaluation of investment properties, net	6	**18,600**	(9,982)
Write-back of deficits on revaluation of resort and recreational club properties	6	**(8,268)**	(2,563)
Write-back of accrued payables	6	**(12,570)**	(8,060)
Impairment of trade receivables	6	**206**	30
Impairment of other receivables	6	**—**	4,480
Loss/(gain) on disposal of items of property, plant and equipment	6	**(5,168)**	66
Fair value losses/(gains), net:			
Available-for-sale equity investments (transfer from equity)	6	**55**	—
Equity investments at fair value through profit or loss	6	**(38,147)**	2,065
Derivative instrument - a transaction not qualifying as a hedge	6	**104**	(104)
Gains on disposal of equity investments at fair value through profit or loss, net	6	**(4,626)**	(1,308)
Foreign exchange gains, net		**(4,516)**	(2,615)
		(16,134)	(29,654)
Increase in inventories		**(3,878)**	(2,561)
Decrease/(increase) in trade receivables		**1,334**	(1,626)
Increase in prepayments, deposits and other receivables		**(955)**	(2,458)
Increase/(decrease) in trade and other payables		**5,994**	(1,087)
Cash used in operations		**(13,639)**	(37,386)
Interest received		**27,048**	27,566
Dividends received from listed investments		**4,708**	4,765
Net cash inflow/(outflow) from operating activities		**18,117**	(5,055)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year ended 31 December 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
Net cash inflow/(outflow) from operating activities		**18,117**	(5,055)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,924)**	(9,070)
Additions to investment properties		**(586)**	(18)
Purchases of equity investments at fair value through profit or loss		**(11,527)**	(15,262)
Advances to associates		**(1,063)**	(5,446)
Proceeds from disposal of items of property, plant and equipment		**13,000**	6
Proceeds from disposal of equity investments at fair value through profit or loss		**11,018**	8,629
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**224,365**	(77,278)
Net cash inflow/(outflow) from investing activities		**233,283**	(98,439)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**55,153**	42,840
Repayment of bank loans		**(59,710)**	(37,550)
Redemption of debentures		**(1,650)**	(670)
Capital element of finance lease rental payments		**(91)**	(91)
Interest paid		**(949)**	(718)
Net cash inflow/(outflow) from financing activities		**(7,247)**	3,811
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**244,153**	(99,683)
Cash and cash equivalents at beginning of year		**27,148**	126,829
Effect of foreign exchange rate changes, net		**275**	2
CASH AND CASH EQUIVALENTS AT END OF YEAR		**271,576**	27,148
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**46,487**	27,148
Non-pledged time deposits with original maturity of less than three months when acquired		**225,089**	–
		271,576	27,148

BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**324**	271
Investment properties	14	**128,400**	127,900
Interests in subsidiaries	17	**225,610**	224,780
Interests in associates	18	**347**	322
Total non-current assets		**354,681**	353,273
CURRENT ASSETS			
Equity investments at fair value through profit or loss	23	**177,201**	143,381
Prepayments, deposits and other receivables	22	**6,145**	6,655
Pledged deposits	25	**342**	342
Time deposits		**495,798**	495,074
Cash and bank balances	25	**6,070**	4,553
Total current assets		**685,556**	650,005
CURRENT LIABILITIES			
Other payables	26	**4,205**	2,408
Due to a subsidiary	17	**45,275**	54,974
Total current liabilities		**49,480**	57,382
NET CURRENT ASSETS		**636,076**	592,623
Net assets		**990,757**	945,896
EQUITY			
Issued capital	32	**16,507**	16,507
Reserves	34(b)	**974,250**	929,389
Total equity		**990,757**	945,896

Joseph Wing Kong LEUNG
Chairman

James C. NG
Chief Executive Officer

NOTES TO FINANCIAL STATEMENTS

31 December 2007

1. CORPORATE INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 7	*Financial Instruments: Disclosures*
HKAS 1 Amendment	*Capital Disclosures*
HK(IFRIC)-Int 8	*Scope of HKFRS 2*
HK(IFRIC)-Int 9	*Reassessment of Embedded Derivatives*
HK(IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *FINANCIAL INSTRUMENTS: DISCLOSURES*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) AMENDMENT TO HKAS 1 *PRESENTATION OF FINANCIAL STATEMENTS - CAPITAL DISCLOSURES*

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 41 to the financial statements.

(c) HK(IFRIC)-INT 8 *SCOPE OF HKFRS 2*

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees (including executive directors) for identified services provided in accordance with the Company's share option schemes, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-INT 9 *REASSESSMENT OF EMBEDDED DERIVATIVES*

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group does not have any embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

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

(e) HK(IFRIC)-INT 10 *INTERIM FINANCIAL REPORTING AND IMPAIRMENT*

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

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

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

HKFRS 2 Amendment	*Share-based Payment*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HK(IFRIC)-Int 11	*HKFRS 2 - Group and Treasury Share Transactions*[2]
HK(IFRIC)-Int 12	*Service Concession Arrangements*[4]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 14	*HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*[4]
HKFRS 3 (Revised)	*Business Combination*[5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[5]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2009

The amendment to HKFRS 2 restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendment is not expected to have any financial impact on the Group.

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

HKFRS 8, which will replace HKAS 14 *Segment Reporting,* specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 has been revised to separate owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions in the revised standard, the Group shall apply the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits,* on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

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

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

HKFRS 3 has been revised to introduce a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. HKAS 27 has been revised to require that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revisions to HKFRS 3 and HKAS 27 will be applied by the Group prospectively as required under the revised standards and will affect future acquisitions and transactions of the Group with minority interests.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

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

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

ASSOCIATES

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOODWILL

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

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

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

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

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

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

Goodwill previously eliminated against consolidated capital reserves

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL

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

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

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

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);

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RELATED PARTIES (CONTINUED)

(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 asset revaluation reserve realised in respect of previous valuations is transferred to retained profits/ accumulated losses as a movement in reserves.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (CONTINUED)

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

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

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

INVESTMENT PROPERTIES

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

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

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

LEASES

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

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

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

INVESTMENTS AND OTHER FINANCIAL ASSETS

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

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

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

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

Financial assets at fair value through profit or loss

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

Loans and receivables

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

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 at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS

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

Assets carried at amortised cost

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

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

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

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DERECOGNITION OF FINANCIAL ASSETS

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL GUARANTEE CONTRACTS

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

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

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

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

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

INVENTORIES

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

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

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

PROVISIONS

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

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

INCOME TAX

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

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

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

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

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

2.4 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 and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

(b) Telecommunications operations

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

Provision of telecommunications services

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

Marketing and distribution of network cards and other accessories

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

(c) Resort and recreational club operations

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

(d) Dividend income

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

(e) Interest income

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

(f) Rental income

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

(g) Consultancy, management and other services

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFITS

Pension schemes

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

In parallel with the MPF Scheme, the Group also operates separate defined contribution retirement benefits schemes under the Occupational Retirement Schemes Ordinance for those employees who are eligible to participate. These separate schemes operate in a similar way to the MPF Scheme, except 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 share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including executive directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE BENEFITS (CONTINUED)

Share-based payment transactions (continued)

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

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

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

BORROWING COSTS

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

FOREIGN CURRENCIES

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

Operating lease commitments - Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

ESTIMATION UNCERTAINTY

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

Impairment of goodwill

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

ESTIMATION UNCERTAINTY (CONTINUED)

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. In the year ended 31 December 2007, impairment loss recognised for available-for-sale assets amounted to HK$55,000 (2006: Nil).

Write-down of inventories to net realisable value

Management reviews the aging analysis of inventories at each balance sheet date and makes provision for obsolete and slow-moving inventory items identified that are either expected to be sold below cost or no longer suitable for sale. This assessment process involves estimates. Management is satisfied that sufficient provision for obsolete and slow-moving inventories has been made as at 31 December 2007.

Estimation of fair value of properties

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

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

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

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

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

4. SEGMENT INFORMATION

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

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

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

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

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

4. SEGMENT INFORMATION (CONTINUED)

(a) BUSINESS SEGMENTS

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Group

	Wholesale and retail of fashion wear and accessories		Telecom-munications operations		Resort and recreational club operations		Investments and treasury		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**214,168**	174,710	**3,535**	2,985	**17,134**	19,268	**31,190**	30,243	**266,027**	227,206
Other revenue	**1,574**	2,202	**90**	7	**4,867**	2,370	**27**	524	**6,558**	5,103
Total	**215,742**	176,912	**3,625**	2,992	**22,001**	21,638	**31,217**	30,767	**272,585**	232,309
Segment results	**8,040**	(11,039)	**6,999**	(3,397)	**4,723**	3,725	**56,333**	11,618	**76,095**	907
Unallocated expenses									**(2,829)**	(2,041)
Fair value gains/(losses) on revaluation of investment properties, net	**–**	–	**–**	–	**(24,100)**	8,782	**5,500**	1,200	**(18,600)**	9,982
Write-back of deficits on revaluation of resort and recreational club properties	**–**	–	**–**	–	**8,268**	2,563	**–**	–	**8,268**	2,563
Finance costs									**(1,291)**	(1,077)
Share of profits and losses of associates	**–**	–	**–**	–	**(3,087)**	(4,571)	**(3,301)**	1,719	**(6,388)**	(2,852)
Profit before tax									**55,255**	7,482
Tax									**–**	–
Profit for the year									**55,255**	7,482

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31 December 2007

4. SEGMENT INFORMATION (CONTINUED)

(a) BUSINESS SEGMENTS (CONTINUED)

Group

	Wholesale and retail of fashion wear and accessories		Telecom-munications operations		Resort and recreational club operations		Investments and treasury		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Segment assets	**101,732**	97,568	**24,065**	18,280	**178,765**	190,637	**754,459**	704,035	**1,059,021**	1,010,520
Interests in associates	**–**	–	**–**	–	**8,304**	8,942	**8,954**	11,569	**17,258**	20,511
Total assets									**1,076,279**	1,031,031
Segment liabilities	**16,090**	14,464	**10,233**	23,141	**42,359**	45,970	**6,787**	3,068	**75,469**	86,643
Unallocated liabilities									**10,323**	14,971
Total liabilities									**85,792**	101,614
Other segment information:										
Depreciation and amortisation	**7,757**	7,028	**40**	107	**1,883**	1,781	**107**	105	**9,787**	9,021
Impairment losses recognised in the income statement	**–**	–	**–**	–	**206**	30	**55**	4,480	**261**	4,510
Write-back of accrued payables	**–**	–	**12,570**	8,060	**–**	–	**–**	–	**12,570**	8,060
Other non-cash expenses	**–**	–	**–**	26	**–**	40	**1,788**	12,038	**1,788**	12,104
Capital expenditure on:										
Property, plant and equipment	**1,687**	8,393	**–**	10	**78**	322	**159**	345	**1,924**	9,070
Investment properties	**–**	–	**–**	–	**586**	18	**–**	–	**586**	18
Surplus on revaluation of land and buildings recognised directly in equity attributable to equity holders of the Company	**–**	1,007	**–**	–	**–**	–	**–**	–	**–**	1,007

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 2007 and 2006.

Group

	Hong Kong		Mainland China		Other Asia Pacific regions		Others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**262,413**	224,132	**1,234**	3,070	**–**	4	**2,380**	–	**266,027**	227,206
Other segment information:										
Segment assets	**906,532**	843,390	**138,334**	155,991	**30,946**	30,706	**467**	944	**1,076,279**	1,031,031
Capital expenditure on:										
Property, plant and equipment	**1,924**	9,060	**–**	10	**–**	–	**–**	–	**1,924**	9,070
Investment properties	**–**	–	**586**	18	**–**	–	**–**	–	**586**	18

5. REVENUE, OTHER INCOME AND GAINS

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

	2007	2006
	HK$'000	*HK$'000*
Revenue		
Wholesale and retail of fashion wear and accessories	**214,168**	174,710
Telecommunications operations	**3,535**	2,985
Resort and recreational club operations	**17,134**	19,268
Dividend income from listed investments	**5,122**	4,765
Interest income	**26,068**	25,478
	266,027	227,206
Other income and gains		
Rental income	**894**	455
Management fees	**1,014**	1,833
Others	**4,650**	2,815
	6,558	5,103

6. PROFIT BEFORE TAX

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

	Notes	**2007 HK$'000**	2006 HK$'000
Cost of inventories sold		**108,988**	97,272
Depreciation*	13	**9,710**	8,944
Auditors' remuneration for audit services		**1,398**	1,315
Amortisation of deferred revenue		**(3,335)**	(1,852)
Recognition of prepaid land premiums*	15	**77**	77
Operating lease payments for land and buildings:			
Minimum lease payments		**44,884**	36,307
Contingent rentals		**3,182**	1,854
Impairment of other receivables*		**–**	4,480
Write-back of accrued payables*		**(12,570)**	(8,060)
Fair value losses/(gains), net:			
Available-for-sale equity investments (transfer from equity)*		**55**	–
Equity investments at fair value through profit or loss*		**(38,147)**	2,065
Derivative instrument - a transaction not qualifying as a hedge*		**104**	(104)
Gains on disposal of equity investments at fair value through profit or loss, net*		**(4,626)**	(1,308)
Loss/(gain) on disposal of items of property, plant and equipment*		**(5,168)**	66
Net rental income		**(890)**	(449)
Employee benefits expense (including directors' remunerations *(note 8)*):			
Salaries, wages and other benefits		**57,009**	56,013
Pension scheme contributions under defined contribution schemes		**1,940**	2,011
Less: Forfeited contributions^		**–**	(48)
		58,949	57,976
Exchange gains, net*		**(8,579)**	(8,791)
Impairment of trade receivables		**206**	30
Fair value losses/(gains) on revaluation of investment properties, net	14	**18,600**	(9,982)
Write-back of deficits on revaluation of resort and recreational club properties	13	**(8,268)**	(2,563)
Write-down of inventories to net realisable value		**1,000**	1,000

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

^ At 31 December 2007, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2006: Nil).

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7. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**935**	704
Interest on a finance lease	**14**	14
Accretion of interest on debentures	**342**	359
	1,291	1,077

8. DIRECTORS' REMUNERATION

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees	**400**	400
Other emoluments:		
Salaries, allowances and benefits in kind	**5,869**	5,806
Pension scheme contributions	**36**	36
Performance related bonuses	**242**	117
	6,147	5,959
	6,547	6,359

No share options or any other forms of share-based payments were granted to directors during the year (2006: Nil).

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) INDEPENDENT NON-EXECUTIVE DIRECTORS

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

	2007	2006
	HK$'000	*HK$'000*
Dr. Cecil Sze Tsung CHAO	**20**	20
Dr. Jen CHEN	**20**	20
Mr. Ian Grant ROBINSON	**240**	240
	280	280

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

NOTES TO FINANCIAL STATEMENTS
31 December 2007

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*
2007					
Executive directors:					
Mr. Joseph Wing Kong LEUNG	**40**	**288**	**12**	**12**	**352**
Mr. James C. NG	**20**	**3,958**	**12**	**165**	**4,155**
Mr. Derek Wai Choi LEUNG	**20**	**–**	**–**	**–**	**20**
Mr. Wing Tung YEUNG	**20**	**1,623**	**12**	**65**	**1,720**
	100	**5,869**	**36**	**242**	**6,247**
Non-executive director:					
Mr. Raymond Wai Pun LAU	**20**	**–**	**–**	**–**	**20**
	120	**5,869**	**36**	**242**	**6,267**
2006					
Executive directors:					
Mr. Joseph Wing Kong LEUNG	40	288	12	12	352
Mr. James C. NG	20	3,958	12	–	3,990
Mr. Derek Wai Choi LEUNG	20	–	–	–	20
Mr. Wing Tung YEUNG	20	1,560	12	105	1,697
	100	5,806	36	117	6,059
Non-executive director:					
Mr. Raymond Wai Pun LAU	20	–	–	–	20
	120	5,806	36	117	6,079

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2006: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2006: three) non-director, highest paid employees for the year are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**4,357**	4,492
Pension scheme contributions	**126**	144
	4,483	4,636

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

	Number of employees	
	2007	2006
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	—
HK$2,500,001 to HK$3,000,000	**1**	1
	3	3

No share options or any other forms of share-based payments were granted to the five highest paid employees during the year (2006: Nil).

NOTES TO FINANCIAL STATEMENTS
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10. TAX

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2007 (2006: Nil) as the Company and its subsidiaries either did not generate any assessable profits for the year or have available tax losses brought forward from prior years to offset against any assessable profits generated during the year.

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

	Group			
	2007		2006	
	HK$'000	**%**	*HK$'000*	%
Profit before tax	**55,255**		7,482	
Tax charge at the applicable tax rate	**10,346**	**18.7**	1,716	22.9
Income not subject to tax	**(8,347)**	**(15.1)**	(7,970)	(106.5)
Expenses not deductible for tax	**3,747**	**6.8**	3,749	50.1
Tax losses not recognised	**3,946**	**7.1**	3,723	49.8
Tax losses utilised from previous periods	**(9,692)**	**(17.5)**	(1,218)	(16.3)
Tax charge at the Group's effective rate	**–**	**–**	–	–

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a profit of HK$44,861,000 (2006: HK$21,163,000) which has been dealt with in the financial statements of the Company (note 34(b)).

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$52,426,000 (2006: HK$12,047,000), and the weighted average number of ordinary shares in issue during the year of 1,650,658,676 (2006: 1,650,658,676).

Diluted earnings per share amounts for the years ended 31 December 2007 and 2006 have not been disclosed as there were no diluting events during these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

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

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

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

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
31 December 2007			
Cost:			
At beginning of year	**183**	**164**	**347**
Additions	**100**	**60**	**160**
At 31 December 2007	**283**	**224**	**507**
Accumulated depreciation:			
At beginning of year	**25**	**51**	**76**
Depreciation provided during the year	**38**	**69**	**107**
At 31 December 2007	**63**	**120**	**183**
Net book value:			
At 31 December 2007	**220**	**104**	**324**
31 December 2006			
Cost:			
At beginning of year	—	3	3
Additions	183	161	344
At 31 December 2006	183	164	347
Accumulated depreciation:			
At beginning of year	—	3	3
Depreciation provided during the year	25	48	73
At 31 December 2006	25	51	76
Net book value:			
At 31 December 2006	158	113	271

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of a motor vehicle held under a finance lease included in the total amount of the Group's motor vehicles at 31 December 2007 amounted to HK$248,000 (2006: HK$341,000).

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

The Group's resort and recreational club properties were revalued at 31 December 2007 and 2006 by independent professionally qualified valuers, DTZ Debenham Tie Leung Limited ("DTZ"), on a depreciated replacement cost basis. The revaluation surplus of HK$8,268,000 (2006: HK$2,563,000) for the year ended 31 December 2007 has been credited to the income statement to write-back deficits on previous revaluations.

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

14. INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 January	**123,900**	109,700
Additions	**586**	18
Net profit/(loss) from a fair value adjustment	**(18,600)**	9,982
Exchange realignment	**8,014**	4,200
Carrying amount at 31 December	**113,900**	123,900

14. INVESTMENT PROPERTIES (CONTINUED)

At 31 December 2007, the Group's investment properties comprised industrial property units situated in Hong Kong of HK$11,400,000 (2006: HK$5,900,000) and resort and recreational club properties situated in Mainland China of HK$102,500,000 (2006: HK$118,000,000). These properties are held under medium term leases.

The Group's industrial property units are held for capital appreciation purpose whereas its resort and recreational club properties are held for leasing to an associate of the Group, Shanghai Landis Hospitality Management Co. Ltd., under an operating lease arrangement for resort and recreational club operations. Further summary details of the lease are included in note 37(a) to the financial statements.

	Company	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 January	**127,900**	122,700
Net profit from a fair value adjustment	**500**	5,200
Carrying amount at 31 December	**128,400**	127,900

At 31 December 2007, the Company's investment properties comprised industrial property units of HK$11,400,000 (2006: HK$5,900,000) and resort and recreational club properties of HK$117,000,000 (2006: HK$122,000,000) which are situated in Hong Kong and are held under medium term leases.

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

The Group's and the Company's investment properties were revalued individually at 31 December 2007 and 2006 by independent professionally qualified valuers, DTZ, on an open market, existing use basis.

Further particulars of the Group's investment properties are included on page 102.

15. PREPAID LAND PREMIUMS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 January	**3,140**	3,217
Recognised during the year	**(77)**	(77)
Carrying amount at 31 December	**3,063**	3,140
Current portion	**(77)**	(77)
Non-current portion	**2,986**	3,063

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

16. GOODWILL

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

	Group
	HK$'000
Cost:	
At 1 January 2006, 31 December 2006, 1 January 2007 and 31 December 2007	8,045
Accumulated impairment:	
At 1 January 2006, 31 December 2006, 1 January 2007 and 31 December 2007	1,435
Net carrying amount:	
At 31 December 2007 and 2006	6,610

Impairment testing of goodwill

Goodwill of a carrying amount of HK$6,610,000 (2006: HK$6,610,000) as at 31 December 2007 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 that cover a 15-year period. Assumptions have been made by management that the cash flows from the Group's Fashion Business will continue beyond at least the forecast period in view of management's long term experience in running the business. The discount rate applied to the cash flow projections is 7.5%.

16. GOODWILL (CONTINUED)

The annual growth rate used to extrapolate the cash flows of the Group's Fashion Business during the forecast period is 6% 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 growth in market demand for upscale fashion wear and accessories.

Management has considered the assumptions used in the cash flow projections, taking into account the business expansion plan going forward, which includes the strategic expansion in Hong Kong and other cities in China, and believes that there is no impairment in the goodwill related to the Fashion Business. Management believes that any reasonably foreseeable change in any of the key assumptions would not cause the carrying amount of the goodwill to exceed its recoverable amount.

17. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**12,700**	12,700
Due from subsidiaries	**1,308,746**	1,282,104
	1,321,446	1,294,804
Provision for impairment	**(1,095,836)**	(1,070,024)
	225,610	224,780

Impairment losses were recognised for investments in the unlisted shares of subsidiaries and amounts due from subsidiaries with carrying amounts (before deducting the impairment losses) of HK$12,700,000 and HK$1,083,136,000, respectively, because these subsidiaries have insufficient assets to be realised for the Company to recover its interests therein. During the year ended 31 December 2007, there was no movement in the impairment recognised for the investments in unlisted shares (2006: Nil) and the increase in impairment for amounts due from subsidiaries was HK$25,812,000 (2006: HK$15,543,000).

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

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

17. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Asia Pacific Telecommunications Limited	Hong Kong	HK$2,000	—	100	Provision of telecom-munications services
e-New Media Technology Limited	British Virgin Islands/ Hong Kong	US$1	100	—	Investment holding
e-Media (Asia) Limited	Cayman Islands/ Hong Kong	US$1	100	—	Investment holding
ENM Investments Limited	Cayman Islands/ Hong Kong	US$1	100	—	Investment holding
Fortress Global Limited	Hong Kong	HK$2	—	100	Investment holding
Hill Top Country Club Limited	Hong Kong	HK$10,000,000	100	—	Recreational club operations
Jackpot International Business Inc.	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
Kenmure Limited	Hong Kong	HK$55,000,000	—	60	Investment holding
Lion Dragon Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Investment holding
New Media Corporation	Cayman Islands/ Hong Kong	US$2,227,280	—	100	Investment holding
Powerbridge Limited	British Virgin Islands/ Hong Kong	US$600,000	—	75	Investment holding

17. INTERESTS IN SUBSIDIARIES (CONTINUED)

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

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

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

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

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

17. INTERESTS IN SUBSIDIARIES (CONTINUED)

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

18. INTERESTS IN ASSOCIATES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Unlisted shares, at cost	**–**	–	**1**	1
Share of net assets	**15,406**	14,276	**–**	–
Goodwill on acquisition	**14,986**	14,986	**–**	–
	30,392	29,262	**1**	1
Due from associates	**1,385**	5,768	**346**	321
	31,777	35,030	**347**	322
Provision for impairment	**(14,519)**	(14,519)	**–**	–
	17,258	20,511	**347**	322

The amounts due from associates are unsecured, interest-free and not due for settlement within one year. The carrying amounts of all balances with associates approximate to their fair values.

Included in goodwill on acquisition was an amount of HK$14,519,000 (2006: HK$14,519,000) as at 31 December 2007 which arose from the acquisition of 20% equity interest in Beijing Smartdot Technologies Co. Ltd.. This goodwill balance had been fully impaired in prior years.

18. INTERESTS IN ASSOCIATES (CONTINUED)

Particulars of the principal associates are as follows:

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

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

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

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

	2007	2006
	HK$'000	*HK$'000*
Assets	**174,490**	167,828
Liabilities	**(110,757)**	(99,928)
Revenues	**122,864**	96,337
Loss	**(20,211)**	(4,721)

19. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Overseas listed equity investments, at fair value	**70**	125
Unlisted equity investments, at cost less impairment loss	**35,378**	35,378
	35,448	35,503

During the year ended 31 December 2007, the gross loss of the Group's available-for-sale equity investments recognised directly in equity amounted to HK$55,000 (2006: Nil) and this entire balance was removed from equity and recognised in the income statement for the year. No gross gain or loss of the Group's available-for-sale equity investments was recognised directly in equity for the year ended 31 December 2006.

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

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

20. INVENTORIES

As at 31 December 2007 and 2006, all of the Group's inventories represented finished goods.

21. TRADE RECEIVABLES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**9,098**	10,567
Impairment	**(1,937)**	(1,866)
	7,161	8,701

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

21. TRADE RECEIVABLES (CONTINUED)

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	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**4,128**	5,847
2 to 3 months	**844**	290
Over 3 months	**2,189**	2,564
	7,161	8,701

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 January	**1,866**	1,872
Impairment losses recognised *(note 6)*	**206**	30
Amount written off as uncollectible	**(135)**	(36)
At 31 December	**1,937**	1,866

Included in the above provision for impairment of trade receivables was a provision for individually impaired trade receivables of HK$1,937,000 (2006: HK$1,866,000) with a carrying amount of HK$1,937,000 (2006: HK$1,866,000). The individually impaired trade receivables relate to customers that have been in default for prolonged periods and there is significant uncertainty over the recovery of the balances. The Group does not hold any collateral or other credit enhancements over these balances.

21. TRADE RECEIVABLES (CONTINUED)

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	**4,160**	5,847
Less than 1 month past due	**290**	276
1 to 3 months past due	**522**	252
Over 3 months past due	**2,189**	2,326
	7,161	8,701

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

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

The carrying amounts of trade receivables approximate to their fair values.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits	**17,463**	17,713	**446**	381
Prepayments and other receivables	**16,193**	15,554	**5,699**	6,274
	33,656	33,267	**6,145**	6,655

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

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed equity investments, at market value:				
Hong Kong	**197,497**	153,881	**177,201**	143,381
Elsewhere	**397**	731	**–**	–
	197,894	154,612	**177,201**	143,381

The above equity investments at 31 December 2007 and 2006 were classified as held for trading and included the ordinary shares of HK$2 each of China Motor Bus Company, Limited, a company incorporated in Hong Kong, as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Market value of ordinary shares of China Motor Bus Company, Limited	**131,384**	118,413	**130,601**	117,706
Proportion of ownership interest	**4.5%**	4.5%	**4.5%**	4.5%

At the date of approval of these financial statements, the market value of the Group's short term equity investments held as at 31 December 2007 was approximately HK$179,353,000.

24. DERIVATIVE FINANCIAL INSTRUMENTS

The foreign exchange option contract held by the Group as at 31 December 2006 was carried at its fair value of HK$104,000.

The foreign exchange option contract was entered into by the Group to manage its exchange rate exposure and did not meet the criteria for hedge accounting. The fair value loss of the foreign exchange option contract for the year ended 31 December 2007 and up to its expiry amounted to HK$104,000, and was charged to the income statement for the year. During the year ended 31 December 2006, the fair value gain of the foreign exchange option of HK$104,000 was credited to the income statement for that year.

The Group had no outstanding foreign exchange option contracts as at 31 December 2007.

25. CASH AND BANK BALANCES AND DEPOSITS

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$9,280,000 (2006: HK$7,042,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

26. TRADE AND OTHER PAYABLES

Included in the Group's trade and other payables as at 31 December 2007 were trade and bills payables of HK$12,893,000 (2006: HK$25,948,000). As at 31 December 2007, the Company had no trade and bills payables (2006: Nil). An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within 1 month	**4,704**	5,700
2 to 3 months	**281**	274
Over 3 months	**7,908**	19,974
	12,893	25,948

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

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2007			2006		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payables *(note 28)*	**3**	**2008**	**92**	3	2007	91
Bank loans - unsecured	**7 to 8**	**2008**	**4,620**	7.75 to 8	2007	9,177
			4,712			9,268
Non-current						
Finance lease payables *(note 28)*	**3**	**2009-2010**	**114**	3	2008-2010	206
			4,826			9,474

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.

The carrying amounts of the Group's current borrowings approximate to their fair values. The fair value of the Group's non-current finance lease payables with a carrying amount of HK$114,000 (2006: HK$206,000) was HK$119,000 (2006: HK$218,000) at the balance sheet date and was calculated by discounting the expected future cash flows at the prevailing interest rates.

28. FINANCE LEASE PAYABLES

The Group leases a motor vehicle under a finance lease arrangement with a remaining lease term of two years and three months as at 31 December 2007.

At 31 December 2007, the Group's total future minimum lease payments under the finance lease and their present values were as follows:

Group

	Minimum lease payments 2007 *HK$'000*	Minimum lease payments 2006 *HK$'000*	**Present value of minimum lease payments 2007 *HK$'000***	Present value of minimum lease payments 2006 *HK$'000*
Amounts payable:				
Within one year	**105**	105	**92**	91
In the second year	**105**	105	**91**	91
In the third to fifth years, inclusive	**26**	131	**23**	115
Total minimum finance lease payments	**236**	341	**206**	297
Future finance charges	**(30)**	(44)		
Total net finance lease payables	**206**	297		
Portion classified as current liabilities *(note 27)*	**(92)**	(91)		
Non-current portion *(note 27)*	**114**	206		

29. DEBENTURES

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**2,670**	4,102
In the second year	**385**	2,557
In the third to fifth years, inclusive	**3,077**	1,197
	3,462	3,754
	6,132	7,856

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

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

30. OTHER LOANS

As at 31 December 2007, the unsecured loans from a minority shareholder of a subsidiary denominated in foreign currencies amounted to RMB1,216,241 (2006: RMB1,216,241) and US$521,859 (2006: 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.

31. DEFERRED TAX

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

Group

	Depreciation allowance in excess of related depreciation	Losses available for offset against future taxable profit	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2006	2,666	(2,666)	–
Deferred tax charged/(credited) to the income statement during the year	5,495	(5,495)	–
At 31 December 2006 and at 1 January 2007	8,161	(8,161)	–
Deferred tax charged/(credited) to the income statement during the year	1,559	(1,559)	–
At 31 December 2007	**9,720**	**(9,720)**	**–**

The Group has tax losses arising in Hong Kong of HK$496,029,000 (2006: HK$528,212,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. As disclosed above, deferred tax assets have been recognised in respect of these losses only to the extent to offset any deferred tax liabilities of the same subsidiaries. Deferred tax assets have not been recognised for tax losses of HK$440,487,000 (2006: HK$481,577,000) as the losses have arisen in subsidiaries that have either been loss-making for some time or whose availability of future taxable profits is unpredictable.

At 31 December 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associates as the Group has no liability to additional tax should such amounts be remitted.

32. SHARE CAPITAL

SHARES

	2007 HK$'000	2006 HK$'000
Authorised:		
100,000,000,000 (2006: 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 (2006: 1,650,658,676) ordinary shares of HK$0.01 each	**16,507**	16,507

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

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

(b) upon such reduction of capital taking effect:

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

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

SHARE OPTIONS

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

33. SHARE OPTION SCHEMES

In an extraordinary general meeting of the Company held on 14 June 2002, the shareholders of the Company formally approved the termination of the share option scheme adopted on 30 December 1997 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme"), in compliance with the amended Chapter 17 of the Listing Rules and for the purpose of providing the Company a flexible means of giving incentives and rewards to executive directors and employees for their contributions to the Group. The Old Scheme expired on 29 December 2007 and all outstanding options granted under this scheme also lapsed.

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 2007 was 243,415,800 (2006: 243,415,800), which represented 14.7% (2006: 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 2007 and the date of approval of these financial statements, no share options were outstanding. At 31 December 2006, the employees of the Company had 312,000 options granted under the Old Scheme to subscribe for shares of the Company (the market value per share of the Company at 31 December 2006 was HK$0.51). During the years ended 31 December 2007 and 2006, no share options were granted to the directors of the Company or the employees of the Group.

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

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

33. SHARE OPTION SCHEMES (CONTINUED)

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

Date of grant of share options*	Exercise period of share options	Exercise price of share options per share**	Number of share options At 1 January 2007	Lapsed during the year	At 31 December 2007
		HK$			
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	264,000	(264,000)	—
			312,000	(312,000)	—

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

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

34. RESERVES

(a) GROUP

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on page 29 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 32(b)(ii))			
At 1 January 2006	1,189,721	808,822	478	(1,090,795)	908,226
Profit for the year	—	—	—	21,163	21,163
At 31 December 2006 and 1 January 2007	1,189,721	808,822	478	(1,069,632)	929,389
Profit for the year	—	—	—	44,861	44,861
At 31 December 2007	**1,189,721**	**808,822**	**478**	**(1,024,771)**	**974,250**

35. MAJOR NON-CASH TRANSACTION

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

36. CONTINGENT LIABILITIES

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

(a) 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 changes of rates 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 reconciliation of traffic volumes and other related items. Thereafter, there has been no communication in respect of the mentioned claims between the subsidiary and the content provider.

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

(b) The Company had corporate guarantees executed as part of the security for general banking facilities granted to certain subsidiaries to the extent of HK$342,000 (2006: HK$342,000).

37. OPERATING LEASE ARRANGEMENTS

(a) AS LESSOR

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

At 31 December 2007, the Group had total future minimum lease receivables under a non-cancellable operating lease with the associate falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**1,134**	800
In the second to fifth years, inclusive	**5,682**	5,090
After five years	**4,971**	6,030
	11,787	11,920

During the year, no income was recognised by the Group in respect of contingent rentals receivable (2006: Nil).

(b) AS LESSEE

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

At 31 December 2007, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**36,773**	38,528	**809**	510
In the second to fifth years, inclusive	**37,116**	51,698	**—**	—
	73,889	90,226	**809**	510

38. COMMITMENTS

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

(a) CAPITAL COMMITMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Contracted, but not provided, for development of resort properties	**–**	338

(b) OTHER COMMITMENT

The Company, acting on behalf of Hill Top Country Club Limited, a wholly-owned subsidiary of the Company, is a party to a co-operative joint venture agreement with a Mainland China joint venture partner in respect of the resort and recreational club properties of Shanghai Hilltop. According to the terms of the co-operative joint venture agreement and supplementary agreements entered into between 1996 and 2002, Shanghai Hilltop is committed to pay the Mainland China joint venture partner a minimum annual fee of RMB1,650,000 (equivalent to HK$1,749,000) and US$268,000 (equivalent to HK$2,085,000) from 2001 to 2008 and from 2009 to 2022, respectively. In 2003, Shanghai Hilltop entered into a management subcontracting agreement with Shanghai Landis, an associate of the Group, under which Shanghai Landis has undertaken to absorb any such amounts payable to the Mainland China joint venture partner by Shanghai Hilltop up to 30 June 2016, the expiry date of the management sub-contracting agreement.

At 31 December 2007, the minimum amount payable to the Mainland China joint venture partner by Shanghai Hilltop up to 2022 under the above arrangement was HK$30,940,000 (2006: HK$32,490,000), of which HK$17,387,000 (2006: HK$18,938,000) will be absorbed by Shanghai Landis up to 30 June 2016.

39. RELATED PARTY TRANSACTIONS

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

	Notes	Group 2007 HK$'000	2006 HK$'000
Rental expenses and building management fees paid to related companies	(i)	**2,027**	1,747
Rental income from an associate	(ii)	**848**	400

Notes:

(i) The rental expenses and building management fees paid to related companies controlled by a substantial shareholder of the Company were determined by reference to relevant industry practice, and included rental expenses of HK$1,735,000 (2006: HK$1,456,000) which constituted continuing connected transactions of the Company as defined under the Listing Rules. Details of the connected transactions of the Company are included in the report of the directors on pages 14 and 15.

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

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

	2007 HK$'000	2006 HK$'000
Short term employee benefits	**10,869**	10,996
Post-employment benefits	**180**	182
Total compensation paid to key management personnel	**11,049**	11,178

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

40. FINANCIAL INSTRUMENTS BY CATEGORY

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

2007

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

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

40. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

2006

	Group			
FINANCIAL ASSETS	Financial assets at fair value through profit or loss - held for trading *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale financial assets *HK$'000*	Total *HK$'000*
Interests in associates	—	5,768	—	5,768
Available-for-sale equity investments	—	—	35,503	35,503
Trade receivables	—	8,701	—	8,701
Financial assets included in prepayments, deposits and other receivables	—	20,361	—	20,361
Equity investments at fair value through profit or loss	154,612	—	—	154,612
Derivative financial instruments	104	—	—	104
Pledged deposits	—	342	—	342
Time deposits	—	495,074	—	495,074
Cash and bank balances	—	27,148	—	27,148
	154,716	557,394	35,503	747,613

FINANCIAL LIABILITIES	Financial liabilities at amortised cost *HK$'000*
Trade and other payables	37,116
Interest-bearing bank and other borrowings	9,474
Debentures	7,856
Other loans	5,304
	59,750

40. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

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

Company

FINANCIAL ASSETS	**2007**			2006		
	Financial assets at fair value through profit or loss - held for trading	**Loans and receivables**	**Total**	Financial assets at fair value through profit or loss - held for trading	Loans and receivables	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Interests in subsidiaries	**–**	**225,610**	**225,610**	–	224,780	224,780
Interests in associates	**–**	**346**	**346**	–	321	321
Equity investments at fair value through profit or loss	**177,201**	**–**	**177,201**	143,381	–	143,381
Financial assets included in prepayments, deposits and other receivables	**–**	**5,749**	**5,749**	–	6,253	6,253
Pledged deposits	**–**	**342**	**342**	–	342	342
Time deposits	**–**	**495,798**	**495,798**	–	495,074	495,074
Cash and bank balances	**–**	**6,070**	**6,070**	–	4,553	4,553
	177,201	**733,915**	**911,116**	143,381	731,323	874,704

FINANCIAL LIABILITIES	**2007**	2006
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Other payables	**3,806**	2,186
Due to subsidiaries	**45,275**	54,974
	49,081	57,160

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has interest-bearing bank and other borrowings, and other loans for financing its operations and has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations. The main risks arising from these financial instruments of the Group are interest rate risk, foreign currency risk, credit risk and liquidity risk.

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

The Group's risk management strategy aims to minimise the adverse effects of financial risks on the financial performance of the Group and the board reviews and agrees policies, as summarised below, for managing each of these risks. It is the Group's policy that financial instruments are not held or sold for speculative purposes.

INTEREST RATE RISK

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

The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the Group is not expected to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
		HK$'000	*HK$'000*
2007			
Hong Kong dollar	**50**	**(3)**	**(3)**
Hong Kong dollar	**(50)**	**3**	**3**
2006			
Hong Kong dollar	50	(7)	(7)
Hong Kong dollar	(50)	7	7

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

FOREIGN CURRENCY RISK

The Group has transactional currency exposures. Such exposures arise from purchases in currencies other than the functional currency of the Group's subsidiaries. Approximately 99% (2006: 97%) of the Group's purchases are denominated in currencies other than the functional currency of the Group's subsidiaries.

The Group from time to time uses foreign exchange option contracts to partially manage foreign currency risk exposures and will continue to monitor such exposures and market conditions to determine if any other hedging arrangements are required in the future.

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

	Increase/ (decrease) in US$/Euro rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*HK$'000*	*HK$'000*
2007			
If Hong Kong dollar weakens against Euro	**5**	**(172)**	**(172)**
If Hong Kong dollar strengthens against Euro	**(5)**	**172**	**172**
If Hong Kong dollar weakens against US$	**5**	**24,882**	**24,882**
If Hong Kong dollar strengthens against US$	**(5)**	**(24,882)**	**(24,882)**
2006			
If Hong Kong dollar weakens against Euro	5	(210)	(210)
If Hong Kong dollar strengthens against Euro	(5)	210	210
If Hong Kong dollar weakens against US$	5	22,677	22,677
If Hong Kong dollar strengthens against US$	(5)	(22,677)	(22,677)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CREDIT RISK

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

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK

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

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

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

Group

	2007			
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Trade and other payables	**27,932**	**—**	**—**	**27,932**
Interest-bearing bank and other borrowings	**4,712**	**91**	**23**	**4,826**
Debentures	**2,787**	**420**	**3,650**	**6,857**
Other loans	**5,349**	**—**	**—**	**5,349**
	40,780	**511**	**3,673**	**44,964**

	2006			
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	37,116	—	—	37,116
Interest-bearing bank and other borrowings	9,268	92	114	9,474
Debentures	4,280	2,787	1,440	8,507
Other loans	5,304	—	—	5,304
	55,968	2,879	1,554	60,401

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

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

	Company	
	2007 Within 1 year or on demand	2006 Within 1 year or on demand
	HK$	*HK$*
Other payables	**3,806**	2,186
Due to a subsidiary	**45,275**	54,974
	49,081	57,160

EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is mainly exposed to equity price risk arising from investments in listed equity securities classified as equity investments at fair value through profit or loss as at 31 December 2007. The Group's listed investments are primarily listed on the Stock Exchange and are valued at quoted market prices at the balance sheet date.

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

	31 December 2007	**High/low 2007**	31 December 2006	High/low 2006
Hong Kong - Hang Seng Index	**27,812**	**31,638/ 18,664**	19,964	20,001/ 14,944

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

EQUITY PRICE RISK (CONTINUED)

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

	Carrying amount of equity investments	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	HK$'000	*HK$'000*	*HK$'000*
2007			
Investments listed in Hong Kong			
- Held for trading	**197,497**	**9,875/ (9,875)**	**9,875/ (9,875)**
2006			
Investments listed in Hong Kong			
- Held for trading	153,881	7,694/ (7,694)	7,694/ (7,694)

CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

CAPITAL MANAGEMENT (CONTINUED)

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

Group

	2007	2006
	HK$'000	*HK$'000*
Interest-bearing bank and other borrowings	**4,826**	9,474
Debentures	**6,132**	7,856
Other loans	**5,349**	5,304
Total borrowings	**16,307**	22,634
Shareholder's equity	**959,940**	901,904
Gearing ratio	**1.70%**	2.51%

42. POST BALANCE SHEET EVENTS

On 22 January 2008, the Company announced that on 21 January 2008, e-Media (Asia) Limited, a wholly-owned subsidiary of the Company, entered into agreements with the minority shareholders to acquire an aggregate additional 40% interest in Kenmure Limited for a total consideration of HK$22,000,000.

Kenmure Limited is currently a 60%-owned subsidiary of the Company and owns the entire interest of the Fashion Business of the Group. The proposed acquisition will be communicated to the shareholders of the Company in a circular and is subject to independent shareholders' approval in accordance with the Listing Rules.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2008.

PARTICULARS OF PROPERTIES

31 December 2007

INVESTMENT PROPERTIES

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

FIVE YEAR FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**266,027**	227,206	242,536	221,273	138,600
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**62,934**	11,411	18,802	17,646	(14,676)
Finance costs	**(1,291)**	(1,077)	(969)	(377)	(969)
Share of profits and losses of associates	**(6,388)**	(2,852)	(2,883)	(5,112)	(19,472)
PROFIT/(LOSS) BEFORE TAX	**55,255**	7,482	14,950	12,157	(35,117)
Tax	**–**	–	43	159	(111)
PROFIT/(LOSS) FOR THE YEAR	**55,255**	7,482	14,993	12,316	(35,228)
Attributable to:					
Equity holders of the Company	**52,426**	12,047	10,923	7,039	(36,746)
Minority interests	**2,829**	(4,565)	4,070	5,277	1,518
	55,255	7,482	14,993	12,316	(35,228)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,076,279**	1,031,031	1,025,839	1,030,981	1,072,868
TOTAL LIABILITIES	**(85,792)**	(101,614)	(106,497)	(129,433)	(185,680)
MINORITY INTERESTS	**(30,547)**	(27,513)	(31,407)	(26,182)	(20,006)
	959,940	901,904	887,935	875,366	867,182

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Raymond Wai Pun LAU

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cecil Sze Tsung CHAO
Jen CHEN
Ian Grant ROBINSON

QUALIFIED ACCOUNTANT

Victor Yiu Keung CHIANG

COMPANY SECRETARY

Pui Man CHENG

AUDITORS

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

SHARE REGISTRARS

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

PRINCIPAL BANKERS

UBS AG
United Commercial Bank
The Hongkong & Shanghai Banking Corporation Limited
Hang Seng Bank Limited

REGISTERED OFFICE

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77 Mody Road, Tsimshatsui East
Kowloon, Hong Kong

INCORPORATION IN HONG KONG

27 April 1966

LISTING

16 November 1972

NO. OF EMPLOYEES

258

WEB SITE

www.enmholdings.com

STOCK CODE

Hong Kong Stock Exchange: 0128
American Depositary Receipt: ENMHY

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