# ANNUAL REPORT 2011

安寧控股有限公司

ENM Holdings Limited

Stock Code : 0128

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# 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 2011.

## FINANCIAL RESULTS

Turnover from continuing operations for the year was HK$333,485,000 (2010: HK$289,058,000), an increase of 15% as compared to last year. The increase was mainly driven by the growth in the fashion retail business and the dividend income of HK$17,797,000 received from SinoPay.com Holdings Limited.

Profit for the year amounted to HK$36,221,000 (2010: HK$48,012,000), a decrease of 25% on the year before. Such decrease was mainly attributable to the fair value losses on investments in the financial instruments resulting from the downturn in the global financial market. However, during the year, the Group recovered the previous years' disputed services fee of approximately HK$43,205,000 from the discontinued telecommunications operation which was one-off and non-recurring income. Moreover, the fashion retail business performed well during the year and recorded a 139% growth in operating profit for the year.

## BUSINESS REVIEW

### RETAIL FASHION - SWANK

***Hong Kong***

The year 2011 has provided Swank with another fruitful year. Sales reached HK$273,328,000, a 9% increase over 2010 despite the closure of "Galliano" shop and the renovation of "The Swank" shop for 5 weeks during August/September in Harbour City. Gross profit increased by 19% while gross profit margin was 5% better at 58%. This was mainly due to the improved sell-through resulting in fewer discounts offered during sales period. Profit before tax arrived at HK$29,146,000, an 88% increase over the previous year.

Mainland tourists continued to be the driving force of the retail business and more focused merchandising contributed to the improved sell-through. Two new boutiques were added to our staple at the end of February 2012, "Just Cavalli" in Pacific Place and Time Square. A second boutique of "Brunello Cucinelli" will be opened in Harbour City in May 2012 followed by the second boutique of "Paule Ka" to be opened at the end of 2012 or early 2013. Swank in Pacific Place will be closed for renovation this summer and will reopen in September 2012.

In 2012, we remain cautious but optimistic. The fragile European economy is affecting China's export and could possibly lead to the reduction of spending by the Mainland tourists.

***Beijing***

After 2.5-year of operation, Swank Beijing continues to gain strength and recognition in Beijing. Sales reached RMB11,142,000, a growth of 17% over the previous year. Loss of RMB3,800,000 in 2010 was narrowed to the breakeven point with a marginal profit in 2011.

The luxury retail market continues to grow in China, coupled with the fact that Swank Beijing identity gaining recognition. These have created opportunities for Swank Beijing to establish our foothold in Xian this summer. Our first in-house brand "Cesare di Pino" will open its first boutique in Beijing Jinbao Place Shopping Centre in May/June 2012, with design and production of 100% from Italy.

All these developments have created a hint of excitement within the Swank group.

## RESORT AND RECREATIONAL CLUB OPERATIONS

### *Hong Kong Hilltop Country Club ("Hilltop")*

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

Operating results of Hilltop showed significant improvement during the first half of 2011. However, due to license requirement, Hilltop needs to revise business composition and the revenue was adversely affected during the second half of the year. For the whole year of 2011, Hilltop reported a slight decrease in revenue compared to 2010.

### *VivaSha Club Resort ("VivaSha")*

Located in the Putao district of Shanghai with gross floor area of 41,000 square meters, VivaSha is a complex of clubhouse, convention center and 298 hotel rooms, and is operated by Shanghai Landis Hospitality Management Ltd., a 35%-owned associate of the Company.

The oversupply of hotel rooms in the Shanghai hotel industry after the 2010 Shanghai World Expo caused the revenue of VivaSha hotel section sales dropped from HK$18,280,000 in 2010 to HK$8,616,000 in 2011. Food and Beverage sales and Club Membership business remain stable. Total sales of VivaSha for 2011 were HK$43,770,000. In view of oversupply situation in hotels and expected costly maintenance, VivaSha's management has anticipated the business would remain challenging in coming years.

## FINANCIAL INSTRUMENTS INVESTMENTS

Due to the downturn in the global financial market during the second half of the year, the Group's investment portfolio of financial instruments held for trading including equities and bonds for short-term investment suffered substantial fair values losses. For the year ended 31 December 2011, the total net fair value losses on financial assets held for trading amounted to HK$52,338,000.

## TELECOMMUNICATIONS

Due to the continuing reduction of the total accounting rate and adverse market environment as reported in the 2010 annual report, the Board of Directors resolved to cease the telecommunications operation in December 2010. The telecommunications operation was then classified as discontinued operation and the Management focused on the collection of outstanding payment and successfully recovered the previous years' disputed services fee of approximately HK$43,205,000 from an international telecommunications carrier in 2011. This final and conclusive income generated from the discontinued telecommunications operation was one-off, non-recurring and no income with similar nature is expected to be generated in the future.

## OTHER INVESTMENTS

### *Skyjoy Assets Management Limited ("Skyjoy")*

The Group through its wholly owned subsidiary, Cosy Good Limited, subscribed HK$100,000,000 12% Convertible Bonds issued by Skyjoy on 9 July 2010. Skyjoy is the beneficial owner of a commercial real estate project in Shijiazhuang, Hebei Province, PRC through its wholly owned subsidiary, Shijiazhuang Lerthai Property Development Company Limited ("Shijiazhuang Lerthai").

Shijiazhuang Lerthai owns a site at Qiaodong District, city centre of Shijiazhuang, PRC with area of approximately 62,000 square meters for the development of Lerthai Commercial Plaza (勒泰中心) (the "Project") with retail shops, services apartment, office, hotel and car park. The total gross floor area is approximately 623,000 square meters. Lerthai has obtained the pre-sales approval certificates in the third quarter of 2011 and has also started its sale campaign in the same time. The whole Project is scheduled to be completed by the end of 2013.

***Genovate Biotechnology Company Limited ("Genovate")***

Genovate is a fully integrated specialty pharmaceutical company that focuses on new drug development, drug manufacturing, drug marketing and distribution in Taiwan and the region. The Group has 12.48% shareholdings in Genovate. In September 2011, Genovate received approval from Taiwan GreTai Securities Market to get listed in the Open Market (stock code: 4130) and its stocks have been publicly traded since 12 January 2012.

Antidiabetic drug DBPR108 filed US and Taiwan IND in November/December of 2011 and received approval in January/February 2012. Phase I clinical trial will commence shortly to study "first in man" safety and pharmacokinetic evaluation. Preparation works of Phase III study for Granpatch and Phase II study for PMR have progressed according to schedule. With more new products approved in 2011, revenue of Genovate is expected to increase in 2012.

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

Smartdot is engaged in the development of office automation software and solution projects in the PRC. The Group previously had 8.95% shareholdings in Smartdot.

Based on Smartdot's management accounts, Smartdot recorded revenue of RMB223,000,000 with profit of RMB26,000,000 in 2011. Smartdot's management hopes to transform Smartdot from a Sino-foreign joint venture company to a domestic company in order to enhance its competition advantages in IT industry in China; therefore, Smartdot's chief executive officer together with its management team has proposed to buy back all the Group's shares in Smartdot. In view of Smartdot's past operation result and future development, the Group has decided to dispose all its shares in Smartdot at a profit. The Group entered into agreements of transfer of equity interest with Smartdot's chief executive officer and a company formed by Smartdot's staff on 16 January 2012. The registration of transfer of equity interests was completed on 29 January 2012 with the tax clearance for sale proceeds in progress.

***SinoPay.com Holdings Limited ("SinoPay")***

The Group has 15.38% shareholdings in SinoPay, a Cayman Islands company. Through SinoPay, the Group previously had an effective interest of approximately 0.29% in China UnionPay Merchant Services Co., Ltd. ("China UMS"), which is a subsidiary of China UnionPay and mainly engages in bankcard acquiring and e-payment business in the PRC with dominant market position.

SinoPay disposed its total shareholdings in China UMS at a profit in February 2011 and received all sales proceeds in August 2011. SinoPay also declared an interim dividend in the amount of USD14,880,000 in November 2011 and the Group received dividend income of USD2,290,000 from SinoPay in December 2011. The net gain from the investment in SinoPay amounted to HK$16,500,000. Since SinoPay has no other business after selling China UMS shares, it will apply for the members' voluntary winding-up in 2012.

## MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

Subsequent to the year end, Lion Dragon Limited, a wholly owned subsidiary of the Company, on 16 January 2012, entered into agreements of transfer of equity interest to dispose to Weixingfeng (Tianjin) Investment Partnership Enterprise and Mr. Jiangxiaodan respectively 5.39% and 3.56% equity interest in Smartdot at the consideration of RMB10,802,450 (equivalent to approximately HK$13,179,000) and RMB7,125,000 (equivalent to approximately HK$8,693,000) respectively (the "Disposal"). The Disposal constituted a discloseable transaction for the Company, details of which are set out in the Company's announcement dated 16 January 2012. The registration of transfer of equity interests in Smartdot was completed on 29 January 2012 with the tax clearance for sale proceeds in progress. The Group now ceases to hold any equity interest in Smartdot.

Save as disclosed above, the Group had no other material acquisition and disposal of investments during the year ended 31 December 2011 and up to the date of this report.

## LIQUIDITY AND FINANCIAL POSITION

At 31 December 2011, the Group was in solid financial position with cash and non-pledged deposit holdings of HK$373,681,000 (2010: HK$356,525,000). At 31 December 2011, total borrowings amounted to HK$7,356,000 (2010: HK$25,056,000) with HK$4,110,000 (2010: HK$20,455,000) 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 0.7% at the year end date (2010: 2.5%). The current ratio at 31 December 2011 was 17.4 times (2010: 11.6 times).

At 31 December 2011, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars and United States dollars and exchange differences were reflected in the audited financial statements. Other than the fixed interest rate of 5% for the finance lease arrangement, all borrowings of the Group are either interest free or on a floating rate basis.

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

## PLEDGE OF ASSETS

Pledges of the Group's fixed deposits of HK$11,000,000 (2010: HK$11,342,000) were given to banks to secure general banking facilities to the extent of HK$21,000,000 as at 31 December 2011 (2010: HK$21,342,000).

## EMPLOYEE AND REMUNERATION POLICIES

At the date of this report, the Group employs 267 staff. The Group's remuneration policies are performance based and are in line with the salary trends in the respective locations. The Group provides employee benefits such as staff insurance schemes, provident and pension funds, discretionary performance bonus, external training support, and a performance based share option scheme.

## FUTURE OUTLOOK

### RETAIL FASHION

Looking ahead, with the European economy slowly on the recovery path and China's income per capita continues to rise, Hong Kong will benefit and will maintain a steady growth while China will present more opportunities for the further development of Swank and "Cesare di Pino".

### RESORT AND RECREATIONAL CLUB OPERATIONS

Refurbishment work for all 64 guest rooms in Hilltop has been completed. This will provide better services to members. The Group is also under discussion with various parties on any possible joint venture for long term club rejuvenation.

### INVESTMENTS

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 financial and net cash positions also provide the flexibility to capitalise on investment opportunities when the circumstance arises.

## APPRECIATION

In March 2011, the Company appointed Mr. Victor Yiu Keung CHIANG, the Chief Financial Officer of the Group, as an Executive Director of the Company. Mr. Chiang has extensive accounting and financial management experience.

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

**Joseph Wing Kong LEUNG**
*Chairman and Acting Chief Executive Officer*

Hong Kong, 29 March 2012

# BIOGRAPHIES OF DIRECTORS

## EXECUTIVE DIRECTORS

**Mr. Joseph Wing Kong LEUNG**, 65, is the Chairman and the Acting Chief Executive Officer of the Group. Mr. Leung joined the Group in December 2000 as an Executive Director and has been the Chairman since March 2001. He is also the chairman of the Corporate Governance Committee, the Investment Committee, and the Nomination Committee of the Company, a member of the Remuneration Committee of the Company, and a director of all subsidiaries of the Company. Mr. Leung has over 40 years of experience in finance and management in property development. Mr. Leung is currently a group executive director, chief investment officer and member of executive committee of the Chinachem Group. He is also the chairman of Genovate Biotechnology Company Limited, a company whose shares are listed on the GreTai Securities Market in Taiwan, an independent non-executive director of Cheuk Nang (Holdings) Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, and a supervisor of Yang Ming Marine Transport Corporation, a company whose shares are listed on Taiwan Stock Exchange Corporation. He is a Vice President and a member of the executive committee of The Real Estate Developers Association of Hong Kong and a fellow of the Hong Kong Institute of Real Estate Administration. Mr. Leung is a director of each of Diamond Leaf Limited and Solution Bridge Limited, which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Future Ordinance.

**Mr. Raymond Siu Wing CHAN**, 47, joined the Group in December 2008. Mr. Chan is also a member of the Investment Committee of the Company and a director of certain subsidiaries of the Company. Mr. Chan has over 20 years of experience in the field of accounting, taxation, finance and trust. Mr. Chan holds the position of independent non-executive director of each of Phoenitron Holdings Limited, a company whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, and China Flooring Holding Company Limited, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Chan is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a Certified Practising Accountant of CPA Australia, and a founding member of the Macau Society of Certified Practising Accountants. Mr. Chan holds a Bachelor of Economics degree from the University of Sydney.

Mr. Chan was an independent non-executive director of each of Karce International Holdings Company Limited and Prosperity Investment Holdings Limited, both companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Chan was also an independent non-executive director of each of Pan Asia Mining Limited, a company whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, and Orient Energy and Logistics Holdings Limited, a company whose shares are listed on the Frankfurt Stock Exchange.

## EXECUTIVE DIRECTORS (CONTINUED)

**Mr. Victor Yiu Keung CHIANG**, 47, joined the Group in November 2003 and has been a Director of the Company since March 2011. Mr. Chiang is also the Chief Financial Officer of the Group, a member of the Corporate Governance Committee of the Company, and a director of certain subsidiaries of the Company. He is responsible for overseeing the financial management of the Group. He has over 18 years' experience in professional accountancy practice and financial management experience with listed companies. Mr. Chiang is an associate member of the Institute of Chartered Accountants in England & Wales, and a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also a Certified Public Accountant practising in Hong Kong. Mr. Chiang holds a bachelor's degree in business administration from the Chinese University of Hong Kong.

**Mr. Derek Wai Choi LEUNG**, 61, joined the Group in December 2000. Mr. Leung is also a member of the Investment Committee of the Company and a director of certain subsidiaries of the Company. Mr. Leung is currently an executive director and group chief treasury officer of Chinachem Group. He had been in the banking industry for 16 years and in charge of the treasury and capital markets division of a wholly owned banking subsidiary of one of the largest banks in the world for about ten years. Mr. Leung is a member of The Institute of Chartered Accountants of Scotland. Mr. Leung holds a BSc (Engineering) degree.

**Mr. Wing Tung YEUNG**, 57, joined the Group as Executive Vice President in October 2001 and has been a Director of the Company since November 2002. Mr. Yeung is also a member of the Corporate Governance Committee and the Investment Committee of the Company, and a director of certain subsidiaries of the Company. He is responsible for the investments of the Group. Prior to joining the Group, Mr. Yeung was the Personal Assistant to the Managing Director of a listed company in Hong Kong for more than ten years, in charge of project investments and developments in Hong Kong, PRC and South East Asia. He had also worked in an American Bank as Manager of Commercial Banking and an international audit firm as auditor. Mr. Yeung obtained his MBA from Indiana University, USA in 1978 and passed the board examination of the American Institute of Certified Public Accountants in the same year.

## NON-EXECUTIVE DIRECTOR

**Mr. Raymond Shing Loong WONG**, 62, joined the Group in December 2008. Mr. Wong is also a member of the Audit Committee of the Company. Mr. Wong currently holds a senior position with responsibility for budgeting and planning in the Chinachem Group. He has engaged in financial posts in financial institutions, wholesale, investment, manufacturing and retail companies since early eighties. Mr. Wong has over 10 years of experience in the finance and administration in listed companies. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong holds a MBA degree from the Chinese University of Hong Kong and a BSc (Engineering) degree from the University of Hong Kong.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Cecil Sze Tsung CHAO**, 75, joined the Group in September 2004. Dr. Chao is also a member of the Audit Committee and the Remuneration Committee of the Company. Dr. Chao is the founder and executive chairman of Cheuk Nang (Holdings) Limited, a company whose shares are listed on the Main Board of The Stock Exchange 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, and architectural design for over forty years. He also worked for Hong Kong Government Building Department and Architectural Office and was a director of The Real Estate Developers Association of Hong Kong for consecutive 30 years. Dr. Chao is a Hong Kong registered architect and a member of the Royal Institute of British Architect. He holds a Honorary Doctor Degree (Ph. D.) from the U.S. Morrison University. Dr. Chao is awarded 2004's World Outstanding Chinese.

**Dr. Jen CHEN**, 57, joined the Group in February 2003. Dr. Chen is also a member of the Audit Committee of the Company. Dr. Chen is currently a director and general manager of Genovate Biotechnology Company Limited, a company whose shares are listed on the GreTai Securities Market in Taiwan. Prior to this appointment, Dr. Chen was a vice president of Asian Operation in Genelabs Technologies, Inc. in the USA and had worked in Novartis Pharmaceuticals Corporation for eight years in areas of new drug discovery and research. Dr. Chen has extensive experience and professional knowledge in the biopharmaceutical industry and is the author or co-author of more than 30 papers and 10 patents in the field. Dr. Chen holds a Ph.D. (Chemistry) from the University of Rochester in New York, USA.

**Mr. David Kwok Kwei LO**, 52, joined the Group in June 2010. Mr. Lo holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from the University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984. He has been a member of The Law Society of Hong Kong since 1987. He has been practicing as a solicitor in Hong Kong for over 20 years and is a partner in a law firm, David Lo & Partners. Mr. Lo is currently an independent non-executive director of each of eSun Holdings Limited and Man Yue Technology Holdings Limited, both companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

**Mr. Ian Grant ROBINSON**, 72, joined the Group in September 2004. Mr. Robinson is also the chairman of the Audit Committee and the Remuneration Committee of the Company, and a member of the Nomination Committee of the Company. Mr. Robinson heads up Robinson Management Limited, a consulting and management company. Prior to setting up his own firm in 1995, he was a Senior Partner of Ernst and Young, one of the largest international accounting firms. Mr. Robinson has been based in Hong Kong since 1980, servicing the Asian region, and has accounting experience in major countries around the world. Mr. Robinson is currently a director and the chief financial officer of L&L Energy, Inc., a company whose shares are listed on NASDAQ, and an independent director and the chairman of the audit committee of China Medicine Corporation, a company whose shares are quoted on the OTC Bulletin Board of the USA. He is also a member of the supervisory board and the chairman of the audit committee of the Hong Kong Housing Society. Mr. Robinson is a fellow member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Robinson was a director of Revonergy Inc., a company whose shares are quoted on the OTC Bulletin Board of the USA.

## INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

**Mr. Chi Keung WONG**, 57, joined the Group in June 2010. Mr. Wong is also a member of the Audit Committee, the Nomination Committee, and the Remuneration Committee of the Company. Mr. Wong has over 33 years of experience in finance, accounting and management. He is a fellow member of Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and CPA Australia, and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a Responsible Officer for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited under the Securities and Futures Ordinance of Hong Kong. Mr. Wong holds a master's degree in business administration from the University of Adelaide in Australia.

Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as Yuexiu Property Company Limited), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, for over ten years.

Mr. Wong is currently an independent non-executive director and a member of the audit committee of each of Asia Orient Holdings Limited, Asia Standard International Group Limited, Century City International Holdings Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, First Natural Foods Holdings Limited (provisional liquidators appointed), Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited and TPV Technology Limited, all of these companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Wong was an independent non-executive director of each of Great Wall Motor Company Limited and FU JI Food and Catering Services Holdings Limited (provisional liquidators appointed), both companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Notes:

1) Directors' emoluments are determined by the Board with reference to the Group's remuneration policy. The details of the emoluments of the Directors on a named basis are disclosed in note 13 to the financial statements.

2) All Non-executive Directors (including Independent Non-executive Directors) are appointed for a specific term of three years, subject to retirement by rotation. At each annual general meeting, one-third of the Directors (including those appointed for a special term) 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.

3) Save as disclosed above, none of the Directors (i) holds any other position with the Company or any of its subsidiaries; (ii) held a directorship in any other listed public companies in the past three years; and (iii) has any relationship with any directors, senior management, substantial or controlling shareholders of the Company.

# BIOGRAPHIES OF SENIOR MANAGEMENT

**Mr. David Kin Hay HONG**, 64, joined the Group in October 2003. Mr. Hong is the Managing Director of The Swank Shop Limited ("Swank"), a fashion retail subsidiary of the Company. Mr. Hong joined Swank in 1974 after his graduation from business studies in England. He had been in charge of the manufacturing arm in the first few years and moved on to the retail business unit in the early 1980's. Mr. Hong has headed Swank since 1991. He has valuable experience in the high-end fashion retailing.

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

**Mr. Tony Kwok Wing LAM**, 54, joined the Group in October 2003. Mr. Lam is the Managing Director of Cesare di Pino Company Limited, a high-end apparel development subsidiary of the Company and the General Manager of The Swank Shop (Beijing) Limited. Prior to his current roles, Mr. Lam was the Head of Sales and Marketing of Swank. Mr. Lam has extensive experience of brand building and retail management. Before joining the Group, Mr. Lam held various key roles in a number of well-known multinational corporations. Mr. Lam holds a Higher Diploma in Communication from Hong Kong Baptist College (now known as Hong Kong Baptist University).

**Ms. Pui Man CHENG**, 39, joined the Group in September 1999. Ms. Cheng is the Company Secretary of the Group. Prior to her current role, Ms. Cheng was a financial controller of the Company until June 2001. Before joining the Group, Ms. Cheng worked in the audit and assurance department of an international accounting firm. Ms. Cheng is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. She is also a member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms. Cheng holds a Bachelor of Business Administration.

**Mr. Kenneth Sai Lai WONG**, 50, joined the Group as Vice President of Investments in July 2001. Before joining the Group, Mr. Wong was the Vice President of Commercial Banking Business of the former First Pacific Bank, and Corporate Banking Officer of a major US bank where he gained international finance exposure in Chicago and New York. Before joining the banking industry, Mr. Wong had worked for an international accounting firm in performing project investment evaluation and feasibility study. Mr. Wong is currently a director of Genovate Biotechnology Company Limited, a company whose shares are listed on the GreTai Securities Market in Taiwan. Mr. Wong holds a Bachelor of Social Sciences Degree from the University of Hong Kong.

# REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

## 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, resort and recreational club operations, investment holding and securities trading.

## RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 115.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2011.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and non-controlling 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 117.

This summary does not form part of the audited financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 16 to the financial statements.

## INVESTMENT PROPERTIES

Details of movements in the investment properties of the Company and the Group during the year are set out in note 17 to the financial statements.

Particulars of the investment properties are set out on page 116.

## DEBENTURES

Particulars of the club debentures of the Group are set out in note 31 to the financial statements.

## SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. There were no movements in the Company's share options during the year.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34(b) to the financial statements and in the consolidated statement of changes in equity on page 37, respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company had no reserves available for distribution as calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance.

## MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers accounted for less than 10% of the Group's total turnover for the year. The five largest suppliers and the largest supplier accounted for approximately 52% and 17% of the Group's total purchases for the year, respectively.

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

## DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

### EXECUTIVE DIRECTORS:

Mr. Joseph Wing Kong LEUNG *(Chairman and Acting Chief Executive Officer)*
Mr. Raymond Siu Wing CHAN
Mr. Victor Yiu Keung CHIANG (appointed on 14 March 2011)
Mr. Derek Wai Choi LEUNG
Mr. Wing Tung YEUNG

### NON-EXECUTIVE DIRECTOR:

Mr. Raymond Shing Loong WONG

### INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Cecil Sze Tsung CHAO
Dr. Jen CHEN
Mr. David Kwok Kwei LO
Mr. Ian Grant ROBINSON
Mr. Chi Keung WONG

In accordance with Article 101 of the Company's Articles of Association, Mr. Raymond Siu Wing CHAN, Dr. Cecil Sze Tsung CHAO, Mr. Raymond Shing Loong WONG and Mr. Wing Tung YEUNG will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 7 to 11.

## DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company that is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

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

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2011, the interest or short positions of the Directors and chief executives of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as adopted by the Company (the "Model Code"), to be notified to the Company and the Stock Exchange, were 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 2011, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## 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 Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

Details of the Company's share option scheme are disclosed in note 35 to the financial statements.

## EMOLUMENT POLICY

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

The emoluments of the Directors of the Company are determined by the Board with reference to the Group's remuneration policy.

The Company has adopted a share option scheme to provide incentives to Executive Directors and employees. The details of the share option scheme are set out in note 35 to the financial statements.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

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

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

Save as disclosed above, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as at 31 December 2011 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## CONNECTED TRANSACTIONS

The Company and the Group have entered into the following connected transactions during the year and up to the date of this report:

### (A) TENANCY AGREEMENT FOR A SHOP

On 20 January 2009, The Swank Shop Limited ("Swank"), a wholly owned subsidiary of the Company, as tenant, entered into a tenancy agreement (the "Shop Tenancy Agreement I") with Ying Ho Company Limited, Cheong Ming Investment Company Limited, Dorfolk Investments Limited, Kwong Fook Investors & Developers Limited, The World Realty Limited, On Lee Investment Company Limited, Yau Fook Hong Company Limited, and Tsing Lung Investment Company Limited, (collectively the "Landlords"), as landlords, to lease Shop Nos. 222 & 223 on 2/F (Level 3), Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong (the "Shop Premises") for three years from 1 January 2009 to 31 December 2011 at a monthly rent equal to 10% of the monthly gross sales turnover from the Shop Premises.

On 23 December 2011, Swank, as tenant, entered into a tenancy agreement (the "Shop Tenancy Agreement II") with the Landlords to renew the tenancy of the Shop Premises for three years from 1 January 2012 to 31 December 2014 at a monthly rent equal to 8% of the monthly gross sales turnover from the Shop Premises.

The Landlords are companies controlled by the estate of Ms. Nina KUNG, a controlling shareholder of the Company; therefore, the Shop Tenancy Agreement I and II were continuing connected transactions for the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The details of the Shop Tenancy Agreement I and II are set out in the Company's announcements dated 20 January 2009 and 23 December 2011 respectively.

### (B) TENANCY AGREEMENT FOR OFFICE PREMISES

On 5 October 2009, the Company, as tenant, entered into a tenancy agreement (the "Office Tenancy Agreement I") with the Landlords to lease Suites 3301 to 3303, 33rd Floor, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong for three years from 1 December 2009 to 30 November 2012 at a monthly rent of HK$221,298.

On 6 April 2011, Cesare di Pino Company Limited (Formerly Cesare Di Pino Company Limited), a wholly owned subsidiary of the Company, as tenant, entered into a tenancy agreement (the "Office Tenancy Agreement II") with the Landlords to lease Suite 1603B, 16th Floor, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong for three years from 6 May 2011 to 5 May 2014 at a monthly rent of HK$39,440.

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

## CONNECTED TRANSACTIONS (CONTINUED)

The details of the Office Tenancy Agreement I and II are set out in the Company's announcements dated 5 October 2009 and 6 April 2011 respectively.

The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions contemplated in the Shop Tenancy Agreement I, Office Tenancy Agreement I and Office Tenancy Agreement II (the "2011 Continuing Connected Transactions") and have confirmed that the 2011 Continuing Connected Transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) either on normal commercial terms or on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and

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

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditor of the Company to report on the 2011 Continuing Connected Transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has confirmed in writing to the Board of Directors that nothing has come to its attention that causes it to believe that the 2011 Continuing Connected Transactions

(i) have not been approved by the Board of Directors of the Company;

(ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iii) have exceeded the maximum aggregate annual value disclosed in the previous announcements dated 23 December 2011 made by the Company in respect of the 2011 Continuing Connected Transactions.

The Company confirms that it has complied with the disclosure requirements, where appropriate, in accordance with Chapter 14A of the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company maintained the prescribed public float under the Listing Rules.

## AUDITOR

RSM Nelson Wheeler was first appointed as auditor of the Company in 2009 to fill the vacancy following the resignation of Ernst & Young.

RSM Nelson Wheeler retires and a resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**Joseph Wing Kong LEUNG**
*Chairman and Acting Chief Executive Officer*

Hong Kong, 29 March 2012

# 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 complied with the Code Provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2011, except for the deviation from Code Provision A.2.1 and Code Provision A.4.1 of the CG Code.

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

Under Code Provision A.4.1 of the CG Code, Non-executive Directors should be appointed for a specific term and subject to re-election. During the year ended 31 December 2011, none of the existing Non-executive and Independent Non-executive Directors of the Company was appointed for a specific term. However, all of the Non-executive and Independent Non-executive Directors were subject to retirement by rotation in accordance with the Company's Articles of Association. In March 2012, a letter of appointment was formally signed with each of Non-executive Directors (including Independent Non-executive Directors), and the term of their appointment is three years, subject to retirement by rotation.

## BOARD OF DIRECTORS

### (A) BOARD COMPOSITION

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

The Board members during the year ended 31 December 2011 and up to date of this report are:

**Executive Directors**
Mr. Joseph Wing Kong LEUNG *(Chairman and Acting Chief Executive Officer)*
Mr. Raymond Siu Wing CHAN
Mr. Victor Yiu Keung CHIANG (appointed on 14 March 2011)
Mr. Derek Wai Choi LEUNG
Mr. Wing Tung YEUNG

**Non-executive Director**
Mr. Raymond Shing Loong WONG

## BOARD OF DIRECTORS (CONTINUED)

### (A) BOARD COMPOSITION (Continued)

**Independent Non-executive Directors**
Dr. Cecil Sze Tsung CHAO
Dr. Jen CHEN
Mr. David Kwok Kwei LO
Mr. Ian Grant ROBINSON
Mr. Chi Keung WONG

The composition of the Board is reviewed regularly to ensure that it has a good balance of expertise, skills and experience, which can meet the requirements of the business of the Group. The Directors' biographical information is set out on pages 7 to 10.

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 or other material relationship among the Directors. All of them are free to exercise their independent judgment.

### (B) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Joseph Wing Kong LEUNG serves as the Chairman and the Acting Chief Executive Officer. He has assumed the responsibility of managing the Board and running the Group's business operation.

The division of responsibility between the Chairman and the Chief Executive Officer is clearly defined.

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

Mr. Joseph Wing Kong LEUNG took up the position of the Acting Chief Executive Officer in addition to his role of being the Chairman upon the retirement of former chief executive officer in June 2009. The Board believes that the balance of power and authority is ensured through the supervision of the full Board and the Board committees. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

### (C) INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2011, the Board, at all times, met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

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, based on such confirmations considers that all Independent Non-executive Directors are independent.

## BOARD OF DIRECTORS (CONTINUED)

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

During the year ended 31 December 2011, the Board as a whole was responsible for the selection and approval of candidates for appointment to the Board, and did not therefore establish a nomination committee. The Board reviewed the composition of the Board, and considered and approved the appointment of Mr. Victor Yiu Keung CHIANG, the Chief Financial Officer of the Group, as an Executive Director with effective from 14 March 2011.

On 29 March 2012, the Board established a Nomination Committee which comprises one Executive Director, namely, Mr. Joseph Wing Kong LEUNG and two Independent Non-executive Directors, namely, Mr. Ian Grant ROBINSON, and Mr. Chi Keung WONG, and is chaired by Mr. Joseph Wing Kong LEUNG. The terms of reference of the Nomination Committee are available on the Company's website.

During the year ended 31 December 2011, none of the existing Non-executive and Independent Non-executive Directors of the Company was appointed for a specific term. However, all of the Non-executive and Independent Non-executive Directors were subject to retirement by rotation in accordance with the Company's Articles of Association. In March 2012, a letter of appointment was formally signed with each of Non-executive Directors (including Independent Non-executive Directors), and the term of their appointment is three years, subject to retirement by rotation.

In accordance with Article 92 of the Company's Articles of Association, 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.

In accordance with Article 101 of the Company's Articles of Association, 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.

### (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 its own code of conduct regarding Directors' securities transactions. Based on specific enquiry of all Directors, all Directors complied with the required standards set out in the Model Code during the year ended 31 December 2011.

## BOARD OF DIRECTORS (CONTINUED)

### (G) BOARD MEETINGS

The Board held four regular Board meetings during the year ended 31 December 2011. The attendance record of each Director is set out below:

| | Attendance |
|---|---|
| **Executive Directors** | |
| Mr. Joseph Wing Kong LEUNG *(Chairman and Acting Chief Executive Officer)* | 4/4 |
| Mr. Raymond Siu Wing CHAN | 3/4 |
| Mr. Victor Yiu Keung CHIANG | 4/4 |
| Mr. Derek Wai Choi LEUNG | 4/4 |
| Mr. Wing Tung YEUNG | 4/4 |
| **Non-executive Director** | |
| Mr. Raymond Shing Loong WONG | 4/4 |
| **Independent Non-executive Directors** | |
| Dr. Cecil Sze Tsung CHAO | 1/4 |
| Dr. Jen CHEN | 3/4 |
| Mr. David Kwok Kwei LO | 3/4 |
| Mr. Ian Grant ROBINSON | 4/4 |
| Mr. Chi Keung WONG | 4/4 |

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

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

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

The agenda and accompanying board papers are circulated not less than three days before 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 are aligned with the Code Provisions of the CG Code and are available on the Company's website.

The Remuneration Committee currently comprises one Executive Director, namely, Mr. Joseph Wing Kong LEUNG and three Independent Non-executive Directors, namely, Dr Cecil Sze Tsung CHAO, Mr. Ian Grant ROBINSON, and Mr. Chi Keung WONG. The majority of the members of the Remuneration Committee are Independent Non-executive Directors. During the year ended 31 December 2011, the Remuneration Committee was chaired by Mr. Joseph Wing Kong LEUNG. On 29 March 2012, Mr. Ian Grant Robinson was appointed as the chairman of the Remuneration Committee in place of Mr. Joseph Wing Kong LEUNG.

The principal duties of the Remuneration Committee include (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management; (ii) determining the specific remuneration packages of all Executive Directors and senior management; and (iii) reviewing and making recommendations on compensation-related issues. No Director is involved in deciding his own remuneration.

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

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

The Remuneration Committee held three meetings during the year ended 31 December 2011. The attendance record of each Director is set out below:

| | **Attendance** |
|---|---|
| Mr. Joseph Wing Kong LEUNG | 3/3 |
| Dr. Cecil Sze Tsung CHAO | 1/3 |
| Mr. Ian Grant ROBINSON | 3/3 |
| Mr. Chi Keung WONG | 3/3 |

During the year ended 31 December 2011, the Remuneration Committee reviewed and approved the fees and remuneration for Directors and senior management, as well as discussed the Group's remuneration policy.

## 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 auditor of the Company about its responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 29 and 30.

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 the year ended 31 December 2011, the Board 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 that the internal control systems of the Group are adequate and effective. The Board also conducted a review of the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget, and considered that they are adequate.

### (C) AUDIT COMMITTEE

The Company established the Audit Committee in January 1999. The terms of reference of the Audit Committee are aligned with the Code Provisions of the CG Code and are available on the Company's website.

The Audit Committee currently comprises one Non-executive Director, namely, Mr. Raymond Shing Loong WONG, and four Independent Non-executive Directors, namely, Dr. Cecil Sze Tsung CHAO, Dr. Jen CHEN, Mr. Ian Grant ROBINSON and Mr. Chi Keung WONG. The majority of the members of the Audit Committee are Independent Non-executive Directors. The Audit Committee is chaired by Mr. Ian Grant ROBINSON.

None of the five Audit Committee members is a former partner of the Company's existing auditor one year before joining the Company.

## ACCOUNTABILITY AND AUDIT (CONTINUED)

### (C) AUDIT COMMITTEE (Continued)

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 auditor 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.

The Audit Committee held two meetings during the year ended 31 December 2011. The attendance record of each Director is set out below:

| | **Attendance** |
|---|---|
| Mr. Ian Grant ROBINSON | 2/2 |
| Dr. Cecil Sze Tsung CHAO | 0/2 |
| Dr. Jen CHEN | 2/2 |
| Mr. Chi Keung WONG | 2/2 |
| Mr. Raymond Shing Loong WONG | 2/2 |

During the year ended 31 December 2011, the Audit Committee's work included:

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

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

(iii) Recommending to the Board of the reappointment of external auditors.

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

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

## ACCOUNTABILITY AND AUDIT (CONTINUED)

### (D) AUDITORS' REMUNERATION

The remuneration in respect of audit and non-audit services provided to the Group by the Company's auditor, RSM Nelson Wheeler and other RSM network firms for the year ended 31 December 2011 were:

| | *HK$'000* |
|---|---|
| Audit services | 905 |
| Non-audit services: | |
| Taxation services | 94 |
| Other assurance services | 228 |
| Other reporting services | 33 |
| | 1,260 |

## 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 Acting 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 has established five Board Committees, including four corporate governance related committees (being the Audit Committee, Corporate Governance Committee, Nomination Committee and Remuneration Committee) and the Investment Committee. All Board Committees have specific written terms of reference clearly defining their authorities and duties. Board Committees report regularly to the Board on their work and findings.

## COMMUNICATION WITH SHAREHOLDERS

### (A) EFFECTIVE COMMUNICATION

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

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

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

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

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

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

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

The Chairman of the Board, the Directors, the chairmen of Board Committees and the Company's Auditor attended the 2011 Annual General Meeting of the Company to answer questions at the meeting.

### (B) VOTING BY POLL

An explanation of the detailed procedures of conducting a poll is provided to shareholders at the commencement of every general meeting, to ensure that shareholders are familiar with such procedures.

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

# INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the consolidated financial statements of ENM Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 115, which comprise the consolidated and Company statements of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**RSM Nelson Wheeler**
Certified Public Accountants
Hong Kong

29 March 2012

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 7 | **333,485** | 289,058 |
| Cost of sales | | **(124,485)** | (128,922) |
| **Gross profit** | | **209,000** | 160,136 |
| Other income | 8 | **6,595** | 6,477 |
| Selling and distribution costs | | **(99,931)** | (95,573) |
| Administrative expenses | | **(72,492)** | (65,677) |
| Other operating income/(expenses), net | 12 | **(34,976)** | 55,307 |
| **Profit from operations** | | **8,196** | 60,670 |
| Fair value losses on investment properties, net | | **(3,700)** | (6,400) |
| Deficits write-back/(deficits) on revaluation of resort and recreational club properties | | **(2,491)** | 2,098 |
| Finance costs | 9 | **(865)** | (1,133) |
| Share of profits/(losses) of an associate | | **(2,197)** | 1,390 |
| **Profit/(loss) before tax** | | **(1,057)** | 56,625 |
| Income tax expense | 10 | **—** | — |
| **Profit/(loss) for the year from continuing operations** | | **(1,057)** | 56,625 |
| **Discontinued operation** | | | |
| Profit/(loss) for the year from discontinued operation | 11 | **37,278** | (8,613) |
| **Profit for the year** | 12 | **36,221** | 48,012 |

## CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the year ended 31 December 2011

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Attributable to:** | | | |
| **Owners of the Company** | | | |
| Profit/(loss) from continuing operations | | **(1,057)** | 56,625 |
| Profit/(loss) from discontinued operation | | **37,310** | (8,574) |
| Profit attributable to owners of the Company | 14 | **36,253** | 48,051 |
| **Non-controlling interests** | | | |
| Loss from discontinued operation attributable to non-controlling interests | | **(32)** | (39) |
| | | **36,221** | 48,012 |

| | Note | 2011 HK$ | 2010 HK$ |
|---|---|---|---|
| **Earnings/(loss) per share** | | | |
| From continuing and discontinued operations | | | |
| – basic | 15(a)(i) | **2.20 cents** | 2.91 cents |
| – diluted | 15(b) | **N/A** | N/A |
| From continuing operations | | | |
| – basic | 15(a)(ii) | **(0.06) cents** | 3.43 cents |
| – diluted | 15(b) | **N/A** | N/A |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| **Profit for the year** | **36,221** | 48,012 |
| **Other comprehensive income:** | | |
| Exchange differences on translating foreign operations | **1,271** | 1,654 |
| Exchange reserve release to the income statement from other comprehensive income upon dissolution of foreign subsidiaries | **(813)** | — |
| Fair value changes of available-for-sale equity investments | **25,745** | — |
| Fair value changes of available-for-sale debt investments | **(6,390)** | 2,599 |
| Release of revaluation reserve to the income statement upon disposal of available-for-sale debt investments | **(4,537)** | (1,706) |
| **Other comprehensive income for the year, net of tax** | **15,276** | 2,547 |
| **Total comprehensive income for the year** | **51,497** | 50,559 |
| **Attributable to:** | | |
| Owners of the Company | **51,455** | 50,525 |
| Non-controlling interests | **42** | 34 |
| | **51,497** | 50,559 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

| | Note | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **101,910** | 108,860 |
| Investment properties | 17 | **98,000** | 98,200 |
| Intangible assets | 18 | **1,551** | 1,636 |
| Interest in an associate | 20 | **18,965** | 21,932 |
| Financial assets at fair value through profit or loss | 21 | **123,600** | 109,843 |
| Available-for-sale equity investments | 22 | **39,983** | 30,842 |
| Available-for-sale debt investment - convertible bond | 23 | **—** | 15,201 |
| Available-for-sale debt investments - notes receivables | 24 | **20,697** | 21,509 |
| Total non-current assets | | **404,706** | 408,023 |
| **Current assets** | | | |
| Inventories | 25 | **56,053** | 47,181 |
| Trade and other receivables | 26 | **35,331** | 31,807 |
| Financial assets at fair value through profit or loss | 21 | **211,847** | 221,832 |
| Available-for-sale equity investments | 22 | **23,849** | 8,578 |
| Option derivative - convertible bond | 23 | **—** | 1,510 |
| Pledged bank deposits | 27 | **11,000** | 11,342 |
| Time deposits | 27 | **293,896** | 257,969 |
| Cash and bank balances | 27 | **79,785** | 98,556 |
| Total current assets | | **711,761** | 678,775 |
| **Current liabilities** | | | |
| Trade and other payables | 28 | **36,895** | 37,929 |
| Interest-bearing bank and other borrowings | 29 | **1,508** | 19,152 |
| Current portion of debentures | 31 | **2,602** | 1,303 |
| Total current liabilities | | **41,005** | 58,384 |
| **Net current assets** | | **670,756** | 620,391 |
| **Total assets less current liabilities** | | **1,075,462** | 1,028,414 |

| | Note | 2011 | 2010 |
|---|---|---|---|
| | | **HK$'000** | HK$'000 |
| **Total assets less current liabilities** | | **1,075,462** | 1,028,414 |
| **Non-current liabilities** | | | |
| Debentures | 31 | **3,246** | 4,597 |
| Interest-bearing bank and other borrowings | 29 | **—** | 4 |
| Deferred revenue | | **10,573** | 13,667 |
| Total non-current liabilities | | **13,819** | 18,268 |
| **NET ASSETS** | | **1,061,643** | 1,010,146 |
| **Capital and reserves** | | | |
| Issued capital | 33 | **16,507** | 16,507 |
| Reserves | 34 | **1,044,227** | 992,772 |
| Equity attributable to owners of the Company | | **1,060,734** | 1,009,279 |
| Non-controlling interests | | **909** | 867 |
| **TOTAL EQUITY** | | **1,061,643** | 1,010,146 |

Approved by the Board of Directors on 29 March 2012

**Joseph Wing Kong LEUNG**
*Chairman and Acting Chief Executive Officer*

**Derek Wai Choi LEUNG**
*Executive Director*

# STATEMENT OF FINANCIAL POSITION

At 31 December 2011

| | Note | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **3,477** | 4,789 |
| Investment properties | 17 | **98,000** | 97,700 |
| Interests in subsidiaries | 19 | **344,398** | 393,699 |
| Available-for-sale debt investment - convertible bond | 23 | **—** | 15,201 |
| Available-for-sale debt investments - notes receivables | 24 | **20,697** | 21,509 |
| Total non-current assets | | **466,572** | 532,898 |
| **Current assets** | | | |
| Prepayments, deposits and other receivables | 26 | **6,596** | 5,191 |
| Due from a subsidiary | 19 | **1,986** | — |
| Financial assets at fair value through profit or loss | 21 | **204,614** | 212,040 |
| Option derivative - convertible bond | 23 | **—** | 1,510 |
| Pledged bank deposits | 27 | **10,000** | 10,342 |
| Time deposits | 27 | **293,896** | 257,969 |
| Cash and bank balances | 27 | **29,624** | 46,720 |
| Total current assets | | **546,716** | 533,772 |
| **Current liabilities** | | | |
| Accruals and other payables | | **3,240** | 6,314 |
| Due to a subsidiary | 19 | **—** | 57,799 |
| Total current liabilities | | **3,240** | 64,113 |
| **Net current assets** | | **543,476** | 469,659 |
| **NET ASSETS** | | **1,010,048** | 1,002,557 |
| **Capital and reserves** | | | |
| Issued capital | 33 | **16,507** | 16,507 |
| Reserves | 34 | **993,541** | 986,050 |
| **TOTAL EQUITY** | | **1,010,048** | 1,002,557 |

Approved by the Board of Directors on 29 March 2012

**Joseph Wing Kong LEUNG**
*Chairman and Acting Chief Executive Officer*

**Derek Wai Choi LEUNG**
*Executive Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital HK$'000 | Share premium account HK$'000 (Note 34(c)(i)) | Capital redemption reserve HK$'000 (Note 34(c)(ii)) | Special reserve HK$'000 (Note 34(c)(iii)) | Available-for-sale investment revaluation reserve HK$'000 (Note 34(c)(v)) | Exchange fluctuation reserve HK$'000 (Note 34(c)(vi)) | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 January 2010 | 16,507 | 1,189,721 | 478 | 808,822 | 5,160 | 9,088 | (1,071,022) | 958,754 | 833 | 959,587 |
| Total comprehensive income and changes in equity for the year | — | — | — | — | 893 | 1,581 | 48,051 | 50,525 | 34 | 50,559 |
| At 31 December 2010 | 16,507 | 1,189,721 | 478 | 808,822 | 6,053 | 10,669 | (1,022,971) | 1,009,279 | 867 | 1,010,146 |
| At 1 January 2011 | **16,507** | **1,189,721** | **478** | **808,822** | **6,053** | **10,669** | **(1,022,971)** | **1,009,279** | **867** | **1,010,146** |
| Total comprehensive income and changes in equity for the year | **–** | **–** | **–** | **–** | **14,818** | **384** | **36,253** | **51,455** | **42** | **51,497** |
| At 31 December 2011 | **16,507** | **1,189,721** | **478** | **808,822** | **20,871** | **11,053** | **(986,718)** | **1,060,734** | **909** | **1,061,643** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit for the year | **36,221** | 48,012 |
| Adjustments for: | | |
| Depreciation | **15,376** | 14,216 |
| Amortisation of intangible assets | **85** | 64 |
| Amortisation of deferred revenue | **(3,156)** | (3,162) |
| Finance costs | **865** | 1,133 |
| Dividend income from listed equity investments | **(5,738)** | (5,661) |
| Dividend income from an unlisted fund investment | **—** | (84) |
| Dividend income from available-for-sale equity investment | **(17,797)** | — |
| Charge for inventories allowances | **4,512** | 3,958 |
| Interest income from: | | |
| Financial assets at fair value through profit or loss | **(17,808)** | (7,097) |
| Other financial assets | **(7,564)** | (6,078) |
| Share of losses/(profits) of an associate | **2,197** | (1,390) |
| Fair value losses on investment properties, net | **3,700** | 6,400 |
| Deficits/(deficits write-back) on revaluation of resort and recreational club properties | **2,491** | (2,098) |
| Write-back of accrued payables | **(23)** | (659) |
| Write-back of other loans | **—** | (5,427) |
| Impairment of trade receivables, net | **35** | 30 |
| Loss on disposal of property, plant and equipment | **34** | 125 |
| Fair value losses/(gains), net: | | |
| Financial assets at fair value through profit or loss | **55,292** | (36,732) |
| Option derivatives - convertible bonds | **—** | 1,233 |
| Losses/(gains) on disposal of financial assets at fair value through profit or loss, net | **1,195** | (9,470) |
| Impairment loss of available-for-sale unlisted equity investment | **1,333** | — |
| Impairment loss reversed for loan and other receivables | **(7,500)** | — |
| Gain on disposal of available-for-sales debt investments | **(4,004)** | (612) |
| Foreign exchange gains, net | **(4,282)** | (3,319) |
| Operating profit/(loss) before working capital changes | **55,464** | (6,618) |
| Decrease/(increase) in inventories | **(13,384)** | 2,351 |
| Decrease/(increase) in trade and other receivables | **(2,238)** | 8,198 |
| Increase/(decrease) in trade and other payables | **(975)** | 1,988 |
| **Cash generated from operations** | **38,867** | 5,919 |

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Cash generated from operations** | **38,867** | 5,919 |
| Interest received | **6,647** | 3,426 |
| Dividends received from listed investments | **5,689** | 5,618 |
| Dividends received from an unlisted fund investment | **42** | 84 |
| Dividends received from available-for-sale equity investment | **17,797** | — |
| Purchases of financial assets at fair value through profit or loss | **(108,139)** | (40,424) |
| Proceeds from disposal of financial assets at fair value through profit or loss | **64,591** | 60,377 |
| **Net cash generated from operating activities** | **25,494** | 35,000 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of property, plant and equipment | **(10,974)** | (17,103) |
| Acquisition of intangible assets | **—** | (1,700) |
| Purchases of available-for-sale debt investments | **(5,524)** | (19,978) |
| Subscription of unlisted convertible bonds designated as financial assets at fair value through profit or loss upon initial recognition | **—** | (100,000) |
| Repayment from an associate, net | **1,456** | 791 |
| Proceeds from disposal of property, plant and equipment | **212** | 101 |
| Proceeds from disposal of available-for-sale debt investments | **16,823** | 13,584 |
| Recovery of loan and other receivables | **7,500** | — |
| Repayment of note receivables | **—** | 27,230 |
| Decrease/(increase) in pledged bank deposits | **342** | (1,000) |
| Decrease in non-pledged time deposits with original maturity of more than three months when acquired | **582** | 332,228 |
| **Net cash generated from investing activities** | **10,417** | 234,153 |

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2011

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| New bank loans raised | **83,540** | 74,516 |
| Repayment of bank loans | **(101,168)** | (71,350) |
| New issue of debenture | **1,167** | 240 |
| Redemption of debentures | **(1,347)** | (300) |
| Capital element of finance lease rental payments | **(20)** | (47) |
| Interest paid | **(709)** | (971) |
| Interest element of finance lease rental payments | **(1)** | (5) |
| **Net cash generated from/(used in) financing activities** | **(18,538)** | 2,083 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | **17,373** | 271,236 |
| Effect of foreign exchange rate changes, net | **365** | 919 |
| **CASH AND CASH EQUIVALENTS AT 1 JANUARY** | **355,586** | 83,431 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | **373,324** | 355,586 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | |
| Cash and bank balances | **79,785** | 98,556 |
| Non-pledged time deposits with original maturity of less than three months when acquired | **293,539** | 257,030 |
| | **373,324** | 355,586 |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011

## 1. CORPORATE INFORMATION

The Company was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. The address of its registered office and principal place of business is Suites 3301-03, 33/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the financial statements.

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2011. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, resort and recreational club properties, certain available-for-sale equity and debt investments, derivative financial instruments and financial assets at fair value through profit or loss, which are carried at their fair values.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

### (a) Consolidation

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

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange fluctuation reserve.

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated income statement as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated income statement. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

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

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Associates

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

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

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

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated exchange fluctuation reserve.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

(iii) Translation on consolidation

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Property, plant and equipment

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

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

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

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

| | |
|---|---|
| Resort and recreational club properties | Over the remaining lease terms |
| Leasehold improvements | Over the shorter of the remaining lease terms and 5 to 6 years |
| Furniture, fixtures and equipment | 2 to 7 years |
| Motor vehicles | 3 to 5 years |

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Investment properties

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

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

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

### (g) Leases

(i) Operating leases

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

(ii) Finance leases

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

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

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

### (h) Trademarks

Trademarks are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 20 years.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Inventories

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

### (j) Recognition and derecognition of financial instruments

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Investments

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

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

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

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

(ii) Available-for-sale financial assets

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Trade and other receivables

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

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

### (m) Cash and cash equivalents

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

### (n) Financial liabilities and equity instruments

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

### (o) Borrowings

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Financial guarantee contract liabilities

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

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

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

### (q) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (r) Equity instruments

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

### (s) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value.

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

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

### (t) Revenue recognition

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (t) Revenue recognition (continued)

(i) Wholesale and retail of fashion wear and accessories

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

(ii) 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.

(iii) Resort and recreational club operations

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

(iv) Dividend income

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

(v) Interest income

Interest income for interest-bearing financial instruments, including financial assets at fair value through profit or loss, is recognised on a time-proportion basis using the effective interest method.

(vi) Rental income

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

(vii) Consultancy, management and other services

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

(viii) Financial guarantee contracts

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

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

(iii) Termination benefits

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Share-based payments

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

### (w) Borrowing costs

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) Taxation

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

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (y) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group.

(B) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (z) Discontinued operations

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the consolidated income statement, which comprises:

— The post-tax profit or loss of the discontinued operation; and

— The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

### (aa) Impairment of assets

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (bb) Provisions and contingent liabilities

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

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

### (cc) Events after the reporting period

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

## 4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Critical judgements in applying accounting policies

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

(a) Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on certain of its investment properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it does not transfer substantially all the risks and rewards of ownership of these properties which are leased out on operating leases.

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

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

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

## 4. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

**Key sources of estimation uncertainty**

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

(a) Allowances for inventories

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

(b) Fair values of properties

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

(c) Fair values of convertible bonds

As disclosed in notes 21 and 23 to the financial statements, the fair values of the investments in convertible bonds classified as financial assets at fair value through profit or loss and available-for-sale debt investments at the end of the reporting period were determined with reference to the valuation performed by independent professional valuers using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative component, the expected volatility of the share prices of the issuer and the potential dilution in the share prices of the issuer. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the convertible bonds in the period in which such determination is made.

(d) Fair value and impairment of available-for-sale equity investments

In the absence of quoted market prices in an active market, the directors estimate the fair value of Group's listed and unlisted equity investments, details of which are set out in note 22 to the financial statements, by considering information from a variety of sources, including the latest financial information, recent arm's length market transactions and projected cash flow analysis. In case the range of reasonable fair value estimates is so significant and the probabilities of the various estimates cannot be reasonably assessed, such investments are carried at cost. The Group will reassess the estimates and determines whether the available-for-sale equity investments are impaired at least semi-annually based on financial information available.

## 5. FINANCIAL RISK MANAGEMENT

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

### (a) Foreign currency risk

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

At 31 December 2011, if the Hong Kong dollar had strengthened/weakened 0.5% against the US dollar with all other variables held constant, consolidated profit after tax for the year would have been HK$1,598,000 lower/higher (2010: HK$1,441,000), arising mainly as a result of the net foreign exchange gain/loss on note receivables, bank deposits and trade payables denominated in US dollar.

At 31 December 2011, if the Hong Kong dollar had strengthened/weakened 5% against the Euro dollar with all other variables held constant, consolidated profit after tax for the year would have been HK$321,000 higher/lower (2010: HK$260,000), arising mainly as a result of the foreign exchange gain/loss on trade payables denominated in Euro dollar.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Price risk

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

The Group's equity investments are primarily listed on The Stock Exchange of Hong Kong Limited. The market equity index for The Stock Exchange of Hong Kong Limited, at the close of business of the nearest trading day in the year to the end of the reporting period, and its highest and lowest points during the year were as follows:

| | **31 December 2011** | **High/low 2011** | 31 December 2010 | High/low 2010 |
|---|---|---|---|---|
| Hong Kong - Hang Seng Index | **18,434** | **24,469/ 16,170** | 23,035 | 24,989/ 18,972 |

At 31 December 2011, if the share prices of the equity investments listed on The Stock Exchange of Hong Kong Limited increase/decrease by 5%, consolidated profit after tax for the year would have been HK$8,605,000 higher/lower (2010: HK$10,277,000), arising as a result of the fair value gain/loss of these investments.

The Group's debt investments are primarily listed on The Singapore Exchange Securities Trading Limited or traded over-the-counter.

At 31 December 2011, if the prices of the debt investments increase/decrease by 5%, consolidated profit after tax for the year would have been HK$1,696,000 higher/lower (2010: HK$329,000), arising as a result of the fair value gain/loss of debt investments classified as financial assets at fair value through profit or loss; and other comprehensive income after tax for the year would have been HK$1,035,000 higher/lower (2010: HK$1,835,000), arising as a result of the fair value gain/loss of debt investments classified as available-for-sales financial assets.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk

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

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

The credit risk on bank deposits is limited because the counterparties are banks with sound credit standing.

The Group mitigates credit risk by conducting credit analysis on potential debt investments and obtaining collateral and guarantees. The Group's debt and option derivative investments include: (i) listed and unlisted debt investments with quoted market prices. These are mainly issued or guaranteed by listed companies or their group companies with sound financial position or good credit standing; and (ii) unlisted convertible bonds issued by Skyjoy Assets Management Limited ("Skyjoy") (note 21(b)) in the principal amount of HK$100,000,000. Major collateral obtained by the Group includes, among other things, (a) share mortgage over the entire equity interests in Skyjoy and its subsidiary; and (b) share mortgage over the entire equity interests in Tangshan Yuan Yang City Real Estate Development Company Limited (唐山遠洋城房地產開發有限公司). Skyjoy's subsidiary is principally engaged in property development in the PRC and owns a piece of land with a site area of approximately 62,000 square meters in the centre of Shijiazhuang, PRC. Tangshan Yuan Yang City Real Estate Development Co Ltd (唐山遠洋城房地產開發有限公司) is principally engaged in property development in the PRC and owns a shopping mall in Tangshan, PRC. Management continuously monitors the market value of the collateral and performs impairment assessments when applicable.

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

Other than concentration of credit risk on unlisted convertible bonds issued by Skyjoy, the Group has no other significant concentration of credit risk with exposure spread over a number of counterparties and customers.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Liquidity risk

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

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

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

| | Less than 1 year/ on demand/ no fixed terms *HK$'000* | Between 1 and 2 years *HK$'000* | Between 2 and 5 years *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **At 31 December 2011** | | | | |
| Trade payables and financial liabilities included in other payables | **27,664** | **—** | **—** | **27,664** |
| Interest-bearing bank and other borrowings | **1,508** | **—** | **—** | **1,508** |
| Debentures | **2,690** | **1,800** | **1,527** | **6,017** |
| | **31,862** | **1,800** | **1,527** | **35,189** |

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Liquidity risk (continued)

| | Less than 1 year/ on demand/ no fixed terms | Between 1 and 2 years | Between 2 and 5 years | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 31 December 2010** | | | | |
| Trade payables and financial liabilities included in other payables | 26,272 | — | — | 26,272 |
| Interest-bearing bank and other borrowings | 19,153 | 4 | — | 19,157 |
| Debentures | 1,347 | 2,630 | 2,220 | 6,197 |
| | 46,772 | 2,634 | 2,220 | 51,626 |

### (e) Interest rate risk

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

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

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

At 31 December 2011, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated profit after tax for the year would have been HK$1,510,000 higher/lower (2010: HK$1,189,000), arising mainly as a result of the net of increase/decrease in the interest income from bank deposits and interest expense on short term bank borrowings.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (f) Categories of financial instruments at 31 December

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Financial assets:** | | |
| Financial assets at fair value through profit or loss | | |
| – held for trading (including option derivatives) | **211,847** | 223,342 |
| – designated as such upon initial recognition | **123,600** | 109,843 |
| Loans and receivables (including cash and cash equivalents and time deposits) | **417,474** | 397,395 |
| Available-for-sale financial assets | **84,529** | 76,130 |
| | **837,450** | 806,710 |
| **Financial liabilities:** | | |
| Financial liabilities at amortised costs | **35,020** | 51,328 |

### (g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

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

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

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

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

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (g) Fair values (continued)

Disclosures of level in fair value hierarchy at 31 December 2011:

| | Fair value measurement using: | | | Total |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **2011** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Financial assets at fair value through profit or loss: | | | | |
| Equity and debt investments | **211,847** | **—** | **—** | **211,847** |
| Convertible bonds | **—** | **—** | **123,600** | **123,600** |
| Available-for-sale financial assets: | | | | |
| Debt investments | **20,697** | **—** | **—** | **20,697** |
| Equity investments | **39,983** | **—** | **23,849** | **63,832** |
| Total | **272,527** | **—** | **147,449** | **419,976** |

| | Level 1 | Level 2 | Level 3 | 2010 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Financial assets at fair value through profit or loss: | | | | |
| Equity and debt investments | 219,248 | — | — | 219,248 |
| Fund investments | 2,584 | — | — | 2,584 |
| Convertible bonds | — | — | 109,843 | 109,843 |
| Derivatives | — | 1,510 | — | 1,510 |
| Available-for-sale financial assets: | | | | |
| Debt investments | 21,509 | 15,201 | — | 36,710 |
| Total | 243,341 | 16,711 | 109,843 | 369,895 |

During the year, available-for-sale equity investments, which were carried at cost less impairment as at 31 December 2010, were measured at fair value based on level 1 and level 3. Details of the above were set out in note 22 to the financial statements.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (g) Fair values (continued)

Reconciliation of assets measured at fair value based on level 3:

| | Financial assets at fair value through profit or loss - Unlisted convertible bonds *HK$'000* | Available for-sale financial assets - Equity investment *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| At 1 January 2010 | | | |
| Purchase | 100,000 | — | 100,000 |
| Total gain or loss recognised in consolidated income statement | 9,843 | — | 9,843 |
| At 31 December 2010 and 1 January 2011 | 109,843 | — | 109,843 |
| Transfers to level 3 | — | 12,619 | 12,619 |
| Total gain or loss recognised | | | |
| – in consolidated income statement | 13,757 | (1,333) | 12,424 |
| – in other comprehensive income | — | 12,563 | 12,563 |
| At 31 December 2011 | 123,600 | 23,849 | 147,449 |

## 6. SEGMENT INFORMATION

The Group has four reportable segments as follows:

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

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

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

Segment profits or losses do not include the following:

– Unallocated corporate administrative expenses;

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

– Fair value losses on investment properties, net;

– Deficits write-back/(deficits) on revaluation of resort and recreational properties;

– Finance costs; and

– Income tax expense.

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

## 6. SEGMENT INFORMATION (CONTINUED)

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

| | Wholesale and retail of fashion wear and accessories *HK$'000* | (Discontinued operation) Telecom-munications operation *HK$'000* | Resort and recreational club operations *HK$'000* | Investments and treasury *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **Year ended 31 December 2011:** | | | | | |
| Revenue from external customers | **287,033** | **43,205** | **15,353** | **31,099** | **376,690** |
| Segment profit/(loss) | **27,028** | **37,278** | **(435)** | **(13,435)** | **50,436** |
| *Segment profit/(loss) includes:* | | | | | |
| Fair value losses on financial assets at fair value through profit or loss, net | **—** | **—** | **—** | **(55,292)** | **(55,292)** |
| Loss on disposal of financial assets at fair value through profit or loss, net | **—** | **—** | **—** | **(1,195)** | **(1,195)** |
| Gain on disposal of available-for-sale debt investments | **—** | **—** | **—** | **4,004** | **4,004** |
| Interest income from: | | | | | |
| – Financial assets at fair value through profit or loss | **—** | **—** | **—** | **17,808** | **17,808** |
| – Other financial assets | **—** | **—** | **—** | **7,564** | **7,564** |
| Write-back of accrued payables | **—** | **23** | **—** | **—** | **23** |
| Depreciation and amortisation | **10,038** | **25** | **3,951** | **1,447** | **15,461** |
| Charge for inventories allowances | **4,512** | **—** | **—** | **—** | **4,512** |
| Impairment of trade receivables, net | **—** | **5** | **30** | **—** | **35** |
| Impairment loss reversed/(recognised) for: | | | | | |
| – Available-for-sale equity investment | **—** | **—** | **—** | **(1,333)** | **(1,333)** |
| – Loan and other receivables | **—** | **—** | **—** | **7,500** | **7,500** |

## 6. SEGMENT INFORMATION (CONTINUED)

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

| | Wholesale and retail of fashion wear and accessories HK$'000 | (Discontinued operation) Telecom-munications operation HK$'000 | Resort and recreational club operations HK$'000 | Investments and treasury HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2011:** | | | | | |
| *Other segment information:* | | | | | |
| Share of losses of an associate | — | — | (2,197) | — | (2,197) |
| Additions to property, plant and equipment | 7,573 | — | 2,666 | 735 | 10,974 |
| **As at 31 December 2011:** | | | | | |
| Segment assets | 140,414 | — | 170,077 | 787,011 | 1,097,502 |
| Segment liabilities | (26,234) | — | (23,177) | (3,905) | (53,316) |
| Interest in an associate | — | — | 18,965 | — | 18,965 |

## 6. SEGMENT INFORMATION (CONTINUED)

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

| | Wholesale and retail of fashion wear and accessories *HK$'000* | (Discontinued operation) Telecommunications operation *HK$'000* | Resort and recreational club operations *HK$'000* | Investments and treasury *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **Year ended 31 December 2010:** | | | | | |
| Revenue from external customers | 261,400 | — | 15,835 | 11,823 | 289,058 |
| Segment profit/(loss) | 11,980 | (8,613) | 4,062 | 48,742 | 56,171 |
| *Segment profit/(loss) includes:* | | | | | |
| Fair value gains on financial assets at fair value through profit or loss, net | — | — | — | 35,499 | 35,499 |
| Gain on disposal of financial assets at fair value through profit or loss, net | — | — | — | 9,470 | 9,470 |
| Gain on disposal of available-for-sale debt investments | — | — | — | 612 | 612 |
| Interest income from: | | | | | |
| – Financial assets at fair value through profit or loss | — | — | — | 7,097 | 7,097 |
| – Other financial assets | — | — | — | 6,078 | 6,078 |
| Write-back of other loans | — | — | 5,427 | — | 5,427 |
| Write-back of accrued payables | — | 332 | 327 | — | 659 |
| Depreciation and amortisation | 9,205 | 27 | 3,634 | 1,414 | 14,280 |
| Charge for inventories allowances | 3,958 | — | — | — | 3,958 |
| Impairment of trade receivables, net | — | — | 30 | — | 30 |

## 6. SEGMENT INFORMATION (CONTINUED)

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

| | Wholesale and retail of fashion wear and accessories | (Discontinued operation) Telecommunications operation | Resort and recreational club operations | Investments and treasury | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Year ended 31 December 2010:** | | | | | |
| *Other segment information:* | | | | | |
| Share of profits of an associate | — | — | 1,390 | — | 1,390 |
| Additions to property, plant and equipment | 15,384 | — | 1,487 | 232 | 17,103 |
| Additions to intangible assets | 1,700 | — | — | — | 1,700 |
| **As at 31 December 2010:** | | | | | |
| Segment assets | 134,549 | 2,200 | 173,221 | 754,896 | 1,064,866 |
| Segment liabilities | (24,292) | (517) | (25,625) | (7,062) | (57,496) |
| Interest in an associate | — | — | 21,932 | — | 21,932 |

## 6. SEGMENT INFORMATION (CONTINUED)

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

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| **Profit or loss** | | |
| Total profit or loss of reportable segments | **50,436** | 56,171 |
| Unallocated corporate administrative expenses | **(4,962)** | (4,114) |
| Share of profits/(losses) of an associate | **(2,197)** | 1,390 |
| Fair value losses on investment properties, net | **(3,700)** | (6,400) |
| Deficits write-back/(deficits) on revaluation of resort and recreational club properties | **(2,491)** | 2,098 |
| Finance costs | **(865)** | (1,133) |
| Elimination of discontinued operation | **(37,278)** | 8,613 |
| Consolidated profit/(loss) for the year from continuing operations | **(1,057)** | 56,625 |
| **Assets** | | |
| Total assets of reportable segments | **1,097,502** | 1,064,866 |
| Interest in an associate | **18,965** | 21,932 |
| Consolidated total assets | **1,116,467** | 1,086,798 |
| **Liabilities** | | |
| Total liabilities of reportable segments | **(53,316)** | (57,496) |
| Interest-bearing bank and other borrowings | **(1,508)** | (19,156) |
| Consolidated total liabilities | **(54,824)** | (76,652) |

## 6. SEGMENT INFORMATION (CONTINUED)

Geographical information:

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **316,429** | 275,295 | **240,902** | 229,543 |
| Mainland China | **13,832** | 11,307 | **102,450** | 114,259 |
| Other Asia Pacific regions | **3,206** | 2,456 | **61,354** | 64,221 |
| Others | **18** | — | **—** | — |
| Discontinued operation | **43,205** | — | **—** | — |
| Consolidated total | **376,690** | 289,058 | **404,706** | 408,023 |

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

## 7. REVENUE

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Wholesale and retail of fashion wear and accessories | **287,033** | 261,400 |
| Resort and recreational club operations | **15,353** | 15,835 |
| Dividend income from listed equity investments | **5,738** | 5,661 |
| Dividend income from available-for-sale unlisted equity investments | **17,797** | — |
| Dividend income from an unlisted fund investment | **—** | 84 |
| Interest income | **7,564** | 6,078 |
| | **333,485** | 289,058 |

## 8. OTHER INCOME

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Rental income | **1,950** | 1,953 |
| Management fees | **1,116** | 999 |
| Others | **3,529** | 3,525 |
| | **6,595** | 6,477 |

## 9. FINANCE COSTS

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans and overdrafts | **709** | 971 |
| Interest on a finance lease | **1** | 5 |
| Accretion of interest on debentures | **155** | 157 |
| | **865** | 1,133 |

## 10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2011 (2010: Nil) as the Company and its subsidiaries (including continuing and discontinued operations) either did not generate any assessable profits for the year or have available tax losses brought forward from prior years to offset against any assessable profits generated during the year.

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

| | **2011** | | 2010 | |
|---|---|---|---|---|
| | ***HK$'000*** | **%** | *HK$'000* | % |
| Profit before tax from continuing and discontinued operations | **36,221** | | 48,012 | |
| Tax at the weighted average tax rate | **6,080** | **16.8** | 7,590 | 15.8 |
| Tax effect of income that is not taxable | **(15,105)** | **(41.7)** | (3,838) | (8.0) |
| Tax effect of expenses that are not deductible | **5,792** | **16.0** | 5,661 | 11.8 |
| Tax effect of utilisation of tax losses not previously recognised | **(6,025)** | **(16.6)** | (13,726) | (28.6) |
| Tax effect of tax losses not recognised | **9,258** | **25.5** | 4,313 | 9.0 |
| Income tax expense at effective tax rate | **—** | **—** | — | — |

## 11. DISCONTINUED OPERATION

In December 2010, the Group decided to discontinue the telecommunications operation which constitutes a major line of business. The related telecommunication equipments are ceased to be used.

The results of the discontinued operation for the year ended, which have been included in consolidated income statement, are as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue | **43,205** | — |
| Other income | **908** | — |
| Administrative expenses | **(7,603)** | (8,785) |
| Other operating income, net | **768** | 172 |
| Profit/(loss) before tax | **37,278** | (8,613) |
| Income tax expense *(note 10)* | **—** | — |
| Profit/(loss) for the year | **37,278** | (8,613) |

During the year, the discontinued operation received net cash of approximately HK$35,742,000 (2010: paid HK$9,832,000) in respect of operating activities.

The revenue from discontinued operation represents the recovery of disputed services fee income amounting to approximately US$5,500,000 from an international telecommunications carrier which arose in previous years.

## 12. PROFIT FOR THE YEAR

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

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| Cost of inventories sold# | 124,257 | 128,690 |
| Depreciation* | 15,376 | 14,216 |
| Amortisation of intangible assets* | 85 | 64 |
| Auditor's remuneration for audit services | 918 | 928 |
| Other operating lease charges for land and buildings (included contingent rentals of HK$8,534,000 (2010: HK$8,659,000)) | 58,415 | 55,001 |
| Charge for inventories allowances | 4,512 | 3,958 |
| Losses/(gains) from financial assets at fair value through profit or loss, net*: | | |
| Held-for-trading (including option derivatives) | | |
| Interest income | (1,097) | — |
| Fair value losses/(gains), net | 52,338 | (32,753) |
| Losses/(gains) on disposal, net | 1,195 | (9,470) |
| | 52,436 | (42,223) |
| Designated as such upon initial recognition | | |
| Interest income | (16,711) | (7,097) |
| Fair value losses/(gains), net | 2,954 | (2,746) |
| | (13,757) | (9,843) |
| Fair value losses on investment properties, net | 3,700 | 6,400 |
| Gain on disposal of available-for-sales debt investments* | (4,004) | (612) |
| Loss on disposal of property, plant and equipment* | 34 | 125 |
| Employee benefits expense (including directors' emoluments *(note 13)*): | | |
| Salaries, wages and other benefits | 70,150 | 64,225 |
| Pension scheme contributions under defined contribution schemes | 2,465 | 2,367 |
| | 72,615 | 66,592 |
| Amortisation of deferred revenue | (3,156) | (3,162) |
| Write-back of accrued payables* | (23) | (659) |
| Write-back of other loan* | — | (5,427) |
| Rental income | (1,950) | (1,953) |
| Foreign exchange gains, net* | (9,772) | (11,120) |
| Impairment of trade receivables, net | 35 | 30 |
| Deficits/(deficits write-back) on revaluation of resort and recreational club properties | 2,491 | (2,098) |
| Recovery of loan and other receivables* | (7,500) | — |
| Impairment loss of available-for-sale equity investments* | 1,333 | — |

* These amounts are included in "Other operating income/(expenses), net" from continuing and discontinued operations.

\# Cost of inventories sold included charge of inventories allowances of HK$4,512,000 (2010: HK$3,958,000).

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

| | Fees | Salaries allowances and benefits in kind | Performance related bonuses | Pension scheme contributions | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Executive directors:** | | | | | |
| Mr. Joseph Wing Kong LEUNG | **120** | **1,380** | **315** | **9** | **1,824** |
| Mr. Raymond Siu Wing CHAN | **60** | **1,170** | **200** | **12** | **1,442** |
| Mr. Victor Yiu Keung CHIANG *(note iii)* | **48** | **1,339** | **200** | **10** | **1,597** |
| Mr. Derek Wai Choi LEUNG | **60** | **—** | **200** | **—** | **260** |
| Mr. Wing Tung YEUNG | **60** | **1,996** | **300** | **12** | **2,368** |
| **Non-executive director:** | | | | | |
| Mr. Raymond Shing Loong WONG | **60** | **—** | **—** | **—** | **60** |
| **Independent non-executive directors:** | | | | | |
| Dr. Cecil Sze Tsung CHAO | **60** | **—** | **—** | **—** | **60** |
| Dr. Jen CHEN | **60** | **—** | **—** | **—** | **60** |
| Mr. David Kwok Kwei LO | **60** | **—** | **—** | **—** | **60** |
| Mr. Ian Grant ROBINSON | **240** | **—** | **—** | **—** | **240** |
| Mr. Chi Keung WONG | **60** | **—** | **—** | **—** | **60** |
| **Total for 2011** | **888** | **5,885** | **1,215** | **43** | **8,031** |

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

| | Fees<br>*HK$'000* | Salaries allowances and benefits in kind<br>*HK$'000* | Performance related bonuses<br>*HK$'000* | Pension scheme contributions<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|
| **Executive directors:** | | | | | |
| Mr. Joseph Wing Kong LEUNG | 83 | 1,380 | 115 | 12 | 1,590 |
| Mr. Raymond Siu Wing CHAN | 41 | 600 | 50 | 12 | 703 |
| Mr. Derek Wai Choi LEUNG | 41 | — | — | — | 41 |
| Mr. Wing Tung YEUNG | 41 | 1,766 | 148 | 12 | 1,967 |
| **Non-executive directors:** | | | | | |
| Mr. Raymond Wai Pun LAU *(note i)* | 9 | — | — | — | 9 |
| Mr. Raymond Shing Loong WONG | 41 | — | — | — | 41 |
| **Independent non-executive directors:** | | | | | |
| Dr. Cecil Sze Tsung CHAO | 41 | — | — | — | 41 |
| Dr. Jen CHEN | 41 | — | — | — | 41 |
| Mr. David Kwok Kwei LO *(note ii)* | 32 | — | — | — | 32 |
| Mr. Ian Grant ROBINSON | 240 | — | — | — | 240 |
| Mr. Chi Keung WONG *(note ii)* | 32 | — | — | — | 32 |
| Total for 2010 | 642 | 3,746 | 313 | 36 | 4,737 |

*Notes:*

(i) Retired on 17 June 2010

(ii) Elected on 17 June 2010

(iii) Appointed on 14 March 2011

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

The five highest paid individuals in the Group during the year included three (2010: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2010: three) individuals are set out below:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries, allowances and benefits in kind | **3,808** | 4,394 |
| Performance related bonuses | **100** | 167 |
| Pension scheme contributions | **22** | 36 |
| | **3,930** | 4,597 |

The emoluments fell within the following bands:

| | **Number of individuals** | |
|---|---|---|
| | **2011** | 2010 |
| HK$1,000,001 to HK$1,500,000 | **1** | 2 |
| HK$1,500,001 to HK$2,000,000 | **—** | — |
| HK$2,000,001 to HK$2,500,000 | **—** | 1 |
| HK$2,500,001 to HK$3,000,000 | **1** | — |
| | **2** | 3 |

No share options or any other forms of share-based payments were granted to the directors and highest paid individuals during the year (2010: Nil).

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

## 14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit for the year attributable to owners of the Company included a profit of approximately HK$18,418,000 (2010: HK$38,505,000) which has been dealt with in the financial statements of the Company.

## 15. EARNINGS/(LOSS) PER SHARE

**(a) Basic earnings/(loss) per share**

(i) From continuing and discontinued operations

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of HK$36,253,000 (2010: profit of HK$48,051,000) and the weighted average number of ordinary shares of 1,650,658,676 (2010: 1,650,658,676) in issue during the year.

(ii) From continuing operations

The calculation of basic earnings/(loss) per share from continuing operations attributable to owners of the Company is based on the loss for the year from continuing operations attributable to owners of the Company of HK$1,057,000 (2010: profit of HK$56,625,000) and the denominator used is the same as that detailed above for basic earnings per share.

(iii) From discontinued operation

Basic earnings per share from the discontinued operation is 2.26 HK cents per share (2010: loss of 0.52 HK cents per share) based on the profit for the year from discontinued operation attributable to the owners of the Company of HK$37,310,000 (2010: loss of HK$8,574,000) and the denominator used is the same as that detailed above for basic earnings per share.

**(b) Diluted earnings/(loss) per share**

No diluted earnings/(loss) per share from continuing and discontinued operations are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2011 and 2010.

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Resort and recreational club properties HK$'000 | Leasehold improvements HK$'000 | Furniture, fixtures and equipment HK$'000 | Com-munications equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
| **Cost or valuation:** | | | | | | |
| At 1 January 2010 | 83,600 | 6,925 | 40,766 | 4,020 | 3,372 | 138,683 |
| Additions | 296 | 143 | 16,664 | — | — | 17,103 |
| Disposals | — | — | (2,287) | — | — | (2,287) |
| Deficits write-back on revaluation | 2,098 | — | — | — | — | 2,098 |
| Elimination of accumulated depreciation | (2,694) | — | — | — | — | (2,694) |
| Exchange realignment | — | 18 | 301 | — | 30 | 349 |
| At 31 December 2010 and 1 January 2011 | **83,300** | **7,086** | **55,444** | **4,020** | **3,402** | **153,252** |
| Additions | **2,110** | **732** | **8,132** | **—** | **—** | **10,974** |
| Disposals | **—** | **—** | **(5,330)** | **(4,020)** | **—** | **(9,350)** |
| Deficits on revaluation | **(2,491)** | **—** | **—** | **—** | **—** | **(2,491)** |
| Elimination of accumulated depreciation | **(2,919)** | **—** | **—** | **—** | **—** | **(2,919)** |
| Exchange realignment | **—** | **18** | **300** | **—** | **30** | **348** |
| At 31 December 2011 | **80,000** | **7,836** | **58,546** | **—** | **3,432** | **149,814** |

## 16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **Resort and recreational club properties** *HK$'000* | **Leasehold improvements** *HK$'000* | **Furniture, fixtures and equipment** *HK$'000* | **Com-munications equipment** *HK$'000* | **Motor vehicles** *HK$'000* | **Total** *HK$'000* |
| **Accumulated depreciation and impairment:** | | | | | | |
| At 1 January 2010 | — | 1,269 | 26,327 | 4,020 | 3,212 | 34,828 |
| Depreciation provided during the year | 2,694 | 1,765 | 9,671 | — | 86 | 14,216 |
| Write-back on revaluation | (2,694) | — | — | — | — | (2,694) |
| Disposals | — | — | (2,061) | — | — | (2,061) |
| Exchange realignment | — | 18 | 61 | — | 24 | 103 |
| At 31 December 2010 and 1 January 2011 | **—** | **3,052** | **33,998** | **4,020** | **3,322** | **44,392** |
| Depreciation provided during the year | **2,919** | **1,793** | **10,639** | **—** | **25** | **15,376** |
| Write-back on revaluation | **(2,919)** | **—** | **—** | **—** | **—** | **(2,919)** |
| Disposals | **—** | **—** | **(5,084)** | **(4,020)** | **—** | **(9,104)** |
| Exchange realignment | **—** | **18** | **114** | **—** | **27** | **159** |
| At 31 December 2011 | **—** | **4,863** | **39,667** | **—** | **3,374** | **47,904** |

## 16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **Resort and recreational club properties** *HK$'000* | **Leasehold improvements** *HK$'000* | **Furniture, fixtures and equipment** *HK$'000* | **Com-munications equipment** *HK$'000* | **Motor vehicles** *HK$'000* | **Total** *HK$'000* |
| **Net carrying amount:** | | | | | | |
| At 31 December 2011 | **80,000** | **2,973** | **18,879** | **—** | **58** | **101,910** |
| At 31 December 2010 | 83,300 | 4,034 | 21,446 | — | 80 | 108,860 |

The analysis of the cost or valuation at 31 December 2011 of the above assets is as follows:

| | | | | | | |
|---|---|---|---|---|---|---|
| At cost | **—** | **7,836** | **58,546** | **—** | **3,432** | **69,814** |
| At valuation | **80,000** | **—** | **—** | **—** | **—** | **80,000** |
| | **80,000** | **7,836** | **58,546** | **—** | **3,432** | **149,814** |

The analysis of the cost or valuation at 31 December 2010 of the above assets is as follows:

| | | | | | | |
|---|---|---|---|---|---|---|
| At cost | — | 7,086 | 55,444 | 4,020 | 3,402 | 69,952 |
| At valuation | 83,300 | — | — | — | — | 83,300 |
| | 83,300 | 7,086 | 55,444 | 4,020 | 3,402 | 153,252 |

The Group's resort and recreational club properties were revalued at 31 December 2011 and 2010 by independent professional qualified valuers, DTZ Debenham Tie Leung Limited ("DTZ"), based on open market, existing use basis.

The carrying amounts of the Group's resort and recreational club properties would have been HK$31,727,000 (2010: HK$30,511,000) had they been stated at cost less accumulated depreciation and impairment losses.

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

At 31 December 2011 the carrying amount of office equipment held by the Group under finance leases amounted to HK$10,000 (2010: HK$28,000).

## 16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Company | | |
|---|---|---|---|
| | **Leasehold improvements** *HK$'000* | **Furniture, fixtures and equipment** *HK$'000* | **Total** *HK$'000* |
| **Cost:** | | | |
| At 1 January 2010 | 6,526 | 1,153 | 7,679 |
| Additions | 143 | 89 | 232 |
| Disposal | — | (3) | (3) |
| At 31 December 2010 and 1 January 2011 | 6,669 | 1,239 | 7,908 |
| Additions | 732 | 3 | 735 |
| At 31 December 2011 | 7,401 | 1,242 | 8,643 |
| **Accumulated depreciation:** | | | |
| At 1 January 2010 | 870 | 238 | 1,108 |
| Depreciation provided during the year | 1,765 | 249 | 2,014 |
| Disposal | — | (3) | (3) |
| At 31 December 2010 and 1 January 2011 | 2,635 | 484 | 3,119 |
| Depreciation provided during the year | 1,793 | 254 | 2,047 |
| At 31 December 2011 | 4,428 | 738 | 5,166 |
| **Net carrying amount:** | | | |
| At 31 December 2011 | **2,973** | **504** | **3,477** |
| At 31 December 2010 | 4,034 | 755 | 4,789 |

## 17. INVESTMENT PROPERTIES

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **98,200** | 100,700 |
| Fair value losses, net | **(3,700)** | (6,400) |
| Exchange realignment | **3,500** | 3,900 |
| At 31 December | **98,000** | 98,200 |

At 31 December 2011, the Group's investment properties comprised industrial property units situated in Hong Kong of HK$18,000,000 (2010: HK$14,400,000) and resort and recreational club properties situated in Mainland China of HK$80,000,000 (2010: HK$83,800,000). These properties are held under medium term leases.

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

| | Company | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **97,700** | 95,000 |
| Fair value gains, net | **300** | 2,700 |
| At 31 December | **98,000** | 97,700 |

At 31 December 2011, the Company's investment properties comprised industrial property units of HK$18,000,000 (2010: HK$14,400,000) and resort and recreational club properties of HK$80,000,000 (2010: HK$83,300,000) which are situated in Hong Kong. These properties 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 2011 and 2010 by independent professional qualified valuers, DTZ. Valuations were based on current prices in an active market for all properties except for the resort and recreational club properties, which were valued based on open market, existing use basis.

Further particulars of the Group's investment properties are included on page 116.

## 18. INTANGIBLE ASSETS

| | Group Trademarks (purchased) *HK$'000* |
|---|---|
| **Cost:** | |
| At 1 January 2010 | — |
| Additions | 1,700 |
| At 31 December 2010, 1 January 2011 and 31 December 2011 | 1,700 |
| **Accumulated amortisation:** | |
| At 1 January 2010 | — |
| Amortisation for the year | 64 |
| At 31 December 2010 and 1 January 2011 | 64 |
| Amortisation for the year | 85 |
| At 31 December 2011 | 149 |
| **Net carrying amount:** | |
| At 31 December 2011 | **1,551** |
| At 31 December 2010 | 1,636 |

The Group's trademarks protect the design and specification of the Group's products. The average remaining amortisation period of the trademarks is approximately 18 years (2010: 19 years).

## 19. INTERESTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Unlisted shares, at cost | **12,700** | 12,700 |
| Due from subsidiaries | **1,443,268** | 1,529,361 |
| | **1,455,968** | 1,542,061 |
| Provision for impairment | **(1,111,570)** | (1,148,362) |
| | **344,398** | 393,699 |

As at 31 December 2011, non-current portion of the amounts due from subsidiaries are unsecured, interest-free and not due for settlement within one year except for the following:

(i) Principal amount of US$6,000,000 (2010: US$Nil) which bears interest at 12-month LIBOR plus 1.5% per annum; and

(ii) Principal amount of HK$100,000,000 (2010: HK$100,000,000) which bears interest at 12% per annum compounded semi-annually.

The amounts due from/to subsidiaries which are classified as current assets/liabilities are unsecured, interest-free and have no fixed terms of repayment.

## 19. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries are as follows:

| Name | Place of incorporation/ registration and operation | Nominal value of issued ordinary/ registered share capital | Percentage of ownership attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Cesare di Pino Company Limited | Hong Kong | HK$10,000 | — | 100 | Retail and wholesale of fashion wear and accessories |
| Cosy Good 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 |
| Grand Bond Holdings Limited | Hong Kong | HK$10,000 | — | 100 | Investment holding |
| Hill Top Country Club Limited | Hong Kong | HK$10,000,000 | 100 | — | Recreational club operations |
| Jackpot International Business Inc. | British Virgin Islands/ Hong Kong | US$1 | — | 100 | Investment holding |
| Kenmure Limited | Hong Kong | HK$55,000,000 | — | 100 | Investment holding |
| Lion Dragon Limited | British Virgin Islands/ Hong Kong | US$1 | — | 100 | Investment holding |
| Richtime Management Limited | British Virgin Islands/ Hong Kong | US$1 | — | 100 | Investment holding |
| Shanghai Hilltop Resort Hotel Ltd.（上海顯達渡假酒店有限公司）(“Shanghai Hilltop”) **# | PRC/ Mainland China | US$7,200,000 | 100 | — | Property investment in a resort and recreational club |

## 19. INTERESTS IN SUBSIDIARIES (CONTINUED)

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

| Name | Place of incorporation/ registration and operation | Nominal value of issued ordinary/ registered share capital | Percentage of ownership attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| The Swank Shop (Beijing) Limited (安寧詩韻（北京）時裝有限公司) *# | PRC/ Mainland China | US$1,000,000 | — | 100 | Retail and wholesale of fashion wear and accessories |
| The Swank Shop Limited ("Swank Shop") | Hong Kong | HK$104,500,000 | — | 100 | Retail and wholesale of fashion wear and accessories |
| Wintalent International Limited | British Virgin Islands/ Hong Kong | US$1 | — | 100 | Investment holding |

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

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

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

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

## 20. INTEREST IN AN ASSOCIATE

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Unlisted investment: | | |
| Share of net assets | **14,627** | 16,139 |
| Goodwill on acquisition | **467** | 467 |
| | **15,094** | 16,606 |
| Due from an associate | **3,871** | 5,326 |
| | **18,965** | 21,932 |

The amount due from an associate is unsecured, interest-free and not due for settlement within one year, except for a principal amount of US$165,000 (equivalent to HK$1,284,000) (2010: US$330,000 (equivalent to HK$2,568,000)) which bears interest at London interbank offered rate plus 2%.

Particulars of the associate are as follows:

| **Name** | **Particulars of registered capital** | **Place of registration** | **Percentage of ownership interest attributable to the Group** | | **Principal activities** |
|---|---|---|---|---|---|
| | | | **2011** | 2010 | |
| Shanghai Landis Hospitality Management Co. Ltd. （上海麗致育樂經營管理有限公司） ("Shanghai Landis") # | US$8,000,000 | PRC | **35** | 35 | Resort and recreational club management |

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

## 20. INTEREST IN AN ASSOCIATE (CONTINUED)

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| At 31 December | | |
| Total assets | **72,847** | 76,556 |
| Total liabilities | **(31,056)** | (30,442) |
| Net assets | **41,791** | 46,114 |
| Year ended 31 December | | |
| Revenue | **43,770** | 56,429 |
| Profit/(loss) for the year | **(6,277)** | 3,973 |

## 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Listed investments, at fair value *(note a)*: | | | | |
| Hong Kong | **175,582** | 205,536 | **168,349** | 195,744 |
| Outside Hong Kong | **24,308** | 8,627 | **24,308** | 8,627 |
| Market value of listed investments | **199,890** | 214,163 | **192,657** | 204,371 |
| Unlisted investments, at fair value: | | | | |
| Convertible bonds *(note b)* | **123,600** | 109,843 | **—** | — |
| Others *(note c)* | **11,957** | 7,669 | **11,957** | 7,669 |
| | **135,557** | 117,512 | **11,957** | 7,669 |
| | **335,447** | 331,675 | **204,614** | 212,040 |
| Analysed as: | | | | |
| Current assets | **211,847** | 221,832 | **204,614** | 212,040 |
| Non-current assets | **123,600** | 109,843 | **—** | — |
| | **335,447** | 331,675 | **204,614** | 212,040 |

*Notes:*

(a) The listed investments at 31 December 2011 and 2010 were classified as held for trading. The fair values of listed investments are based on quoted market prices.

As at 31 December 2011 and 2010, the above listed investments included the ordinary shares of HK$2 each of China Motor Bus Company, Limited, a company incorporated in Hong Kong, as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Market value of ordinary shares of China Motor Bus Company, Limited | **131,896** | 155,415 | **131,323** | 154,740 |
| Proportion of ownership interest | **4.5%** | 4.5% | **4.5%** | 4.5% |

## 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(b) On 7 February 2010, the Group entered into the Convertible Bonds Subscription Agreement with Skyjoy and two other subscribers. Pursuant to the agreement, Skyjoy had conditionally agreed to issue guaranteed secured convertible bonds in the principal amount of HK$400,000,000 to the subscribers (the "Subscription"), of which HK$100,000,000 was subscribed by the Group (the "Unlisted Convertible Bonds"). Skyjoy and its subsidiary, which are principally engaged in property investment and development in the PRC, have the ultimate beneficial interest of the land with a site area of approximately 62,000 square meters in Shijiazhuang, PRC. If the Group converts the Unlisted Convertible Bonds in full, 900 shares of US$1.00 each representing 9% of the issued share capital of Skyjoy on a fully diluted basis will be issued to the Group.

The Subscription was completed on 9 July 2010. The maturity date of the Unlisted Convertible Bonds is the fifth anniversary from the issue date and the conversion period is from the expiry of three years from the issue date up to maturity. Details of the principal terms of the Unlisted Convertible Bonds are set out in the Company's announcement dated 7 February 2010. The Unlisted Convertible Bonds were designated as financial assets at fair value through profit or loss. The Group intended to hold the Unlisted Convertible Bonds for long-term investment purposes.

The fair value of the Unlisted Convertible Bonds at end of each reporting date are determined with reference to the valuation performed by CB Richard Ellis Limited, a firm of independent professional qualified valuers, using the binomial model. The major input of the binomial model is the fair value of the equity interest of Skyjoy derived by assets approach, which is used as the share price input into the binomial mode. Other key inputs and assumptions used in the valuation model are as follows:

| | **At 31 December 2011** | At 31 December 2010 |
|---|---|---|
| Expected volatility | **36.54%** | 31.55% |
| Expected life | **3.49 years** | 4.49 years |
| Risk free rate | **1.01%** | 1.76% |
| Discount rate | **25.42%** | 18.20% |

Interest income from the Unlisted Convertible Bonds is recognised based on effective interest rates at 19.66% (2010: 19.66%).

(c) Other unlisted investments at 31 December 2011 and 2010 included debt and fund investments and were classified as held for trading. The fair values of the unlisted investments are based on the price quoted by the issuer/bank. The directors believe that the estimated fair value quoted by the issuer/bank is reasonable, and that it is the most appropriate value at the end of the reporting period.

## 22. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

In prior years, the available-for-sale equity investments did not have a quoted price in an active market. As the range of reasonable fair value estimates is so significant that the fair values of these investments cannot be measured reliably, the available-for-sale equity investments are carried as cost less impairment. During the year and up to date of this annual report, there are changes in the circumstances of the available-for-sale equity investments for which, in the opinion of the directors, has lowered the variability of the range of reasonable fair value estimates. Based on various source of information available, the fair value of the available-for-sale equity investments was re-measured as at 31 December 2011, details of which are set out below.

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Equity investment listed outside Hong Kong, at fair value *(note a)* | **39,983** | — |
| Market value of listed investment | **39,983** | — |
| Unlisted equity investments, at fair value *(note b)* | **23,849** | — |
| Unlisted equity investments, at cost less impairment loss | **—** | 39,420 |
| | **23,849** | 39,420 |
| | **63,832** | 39,420 |
| Analysed as: | | |
| Current assets | **23,849** | 8,578 |
| Non-current assets | **39,983** | 30,842 |
| | **63,832** | 39,420 |

## 22. AVAILABLE-FOR-SALE EQUITY INVESTMENTS (CONTINUED)

*Notes:*

**(a) Listed equity investment - Genovate Biotechnology Company Limited ("Genovate")**

Genovate is a fully integrated specialty pharmaceutical company that focuses on new drug development, drug manufacturing, drug marketing and distribution in Taiwan and the region. As at 31 December 2010, the carrying amount of the investment in Genovate amounted to HK$26,801,000.

Genovate's shares were traded in the emerging market of GreTai Security Market ("GTSM") in Taiwan since 2003. In view of the limited transaction volume of the Genovate's shares and the restricted sales of the Group's shares in Genovate before an initial public offer, the directors are therefore in the opinion that the emerging market of GTSM was not an active market for fair value estimation.

On 5 January 2012, Genovate made its initial public offering for the proposed floating of its shares on the regular market of GTSM in Taiwan. On 12 January 2012, Genovate's shares were officially listed on the GTSM. Based on the initial public offer price, the directors estimated the fair value of the investment in Genovate amounted to HK$39,983,000 as at 31 December 2011. The change in fair value of HK$13,182,000 was recognised in the other comprehensive income for the year.

**(b) Unlisted equity investments**

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

Smartdot is engaged in the development of office automation software and solution projects in the PRC. The carrying amount of the investment in Smartdot as at 31 December 2010 amounted to HK$4,041,000.

On 16 January 2012, the Group entered into two disposal agreements whereby the Group agreed to dispose of its entire equity interests in Smartdot to independent third parties for a total consideration of RMB17,927,000 (equivalent to approximately HK$21,872,000). Details of the above were set out in the Company's announcement dated 16 January 2012.

Based on the recent arm's length transaction price and projected cash flow analysis, the directors estimated the fair value of the investment in Smartdot amounted to HK$16,604,000 as at 31 December 2011. The change in fair value of HK$12,563,000 was recognised in the other comprehensive income for the year.

(ii) SinoPay.com Holdings Limited ("SinoPay")

SinoPay is an investment holding company which had an effective interest of approximately 0.29% in China UnionPay Merchant Services Co., Ltd. ("China UMS") as at 31 December 2010. China UMS is a subsidiary of China UnionPay and mainly engages in the bankcard acquiring and e-payment business in the PRC with dominant market position. As at 31 December 2010, the carrying amount of the investment in SinoPay amounted to HK$8,578,000.

In current year, SinoPay disposed of its entire equity interests in China UMS. Part of the proceeds from the disposals less transaction costs and taxation are distributed to the shareholders of SinoPay by way of dividend. The dividend income attributable to the Group amounted to HK$17,797,000 was received and recognised as revenue during the year. Based on the latest available financial information and projected cash flow analysis of SinoPay, the directors estimated the fair value of the investment in SinoPay amounted to HK$7,245,000 as at 31 December 2011. As SinoPay will apply for members' voluntary winding-up in 2012, the diminution in value of investment in SinoPay of HK$1,333,000 was recognised as impairment loss in the consolidated income statement for the year.

## 23. CONVERTIBLE BOND

| | Group and Company | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Available-for-sale debt investment, at fair value | **—** | 15,201 |
| Option derivative, at fair value | **—** | 1,510 |
| Market value of listed convertible bond* | **—** | 16,711 |

* Listed as selectively marketed securities on The Singapore Exchange Securities Trading Limited.

At 31 December 2010, the Group and the Company held a listed convertible bond with an aggregated principal amount of HK$15,000,000, which was guaranteed by a company listed on The Stock Exchange of Hong Kong Limited. The convertible bond confers rights on the bearers to convert the whole or part of the outstanding principal amount into shares of the relevant listed company and is early redeemable at the option of the Company and/or issuer under certain conditions. The convertible bond has maturity date on 4 June 2014 and is redeemable at rate of 128.3716% at maturity date. During the year, the Group has disposed of its entire interest in the listed convertible bond.

The fair values of each component of the listed convertible bond at 31 December 2010 was determined with reference to the valuation performed by Asset Appraisal Limited, a firm of independent professional qualified valuers, by using the trinomial tree pricing model. The key assumptions used are as follows:

| | 2010 |
|---|---|
| Share price | HK$14.60 |
| Exercise price | HK$26.78 |
| Expected volatility | 53.38% |
| Expected life | 3.43 years |
| Risk free rate | 1.18% |
| Credit spread | 5.96% |

Interest income from the listed convertible bond is recognised based on effective interest rates ranging from 18.79% to 18.87% (2010: ranging from 12.51% to 18.87%).

## 24. AVAILABLE-FOR-SALE DEBT INVESTMENTS - NOTES RECEIVABLES

| | Group and Company | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Listed senior notes*, at fair value: | | |
| Market value of listed senior notes | **20,697** | 21,509 |

* Listed as selectively marketed securities on The Singapore Exchange Securities Trading Limited.

At 31 December 2011, the Group and the Company held listed senior notes with an aggregate principal amount of US$3,360,000 (equivalent to HK$26,141,000) (2010: US$2,610,000 (equivalent to HK$20,306,000)), which were issued by companies listed on The Stock Exchange of Hong Kong Limited or The Singapore Exchange Securities Trading Limited. The fair value of the listed senior notes is based on quoted market prices. The senior notes have maturity dates ranging from 11 August 2015 to 3 August 2017 (2010: 11 August 2015 to 3 August 2017).

Interest income from the listed senior notes is recognised based on effective interest rate ranging from 9.10% to 11.45% (2010: 9.10% to 11.21%).

## 25. INVENTORIES

As at 31 December 2011 and 2010, all of the Group's inventories represented finished goods.

## 26. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Trade receivables | **3,762** | 3,257 | **—** | — |
| Less: Impairment of trade receivables | **(291)** | (365) | **—** | — |
| | **3,471** | 2,892 | **—** | — |
| Rental and other deposits | **23,133** | 20,614 | **945** | 942 |
| Prepayments and other receivables | **8,727** | 8,301 | **5,651** | 4,249 |
| | **35,331** | 31,807 | **6,596** | 5,191 |

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.

## 26. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **3,185** | 2,605 |
| 2 to 3 months | **262** | 188 |
| Over 3 months | **24** | 99 |
| | **3,471** | 2,892 |

Reconciliation of impairment of trade receivables:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| At 1 January | **365** | 335 |
| Amount written off as uncollectible | **(109)** | — |
| Impairment losses recognised, net | **35** | 30 |
| At 31 December | **291** | 365 |

## 26. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2011, trade receivables of HK$286,000 (2010: HK$286,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Less than 1 month past due | **253** | 140 |
| 1 to 3 months past due | **22** | 86 |
| Over 3 months past due | **11** | 60 |
| | **286** | 286 |

Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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

## 27. PLEDGED BANK DEPOSITS/ TIME DEPOSITS/ CASH AND BANK BALANCES

The Group's and the Company's pledged bank deposits were deposits pledged to banks to secure banking facilities granted to the Group as set out in note 29 to the financial statements.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong dollars | **53,310** | 50,954 | **16,476** | 12,640 |
| US dollars | **319,559** | 288,250 | **316,480** | 284,842 |
| Renminbi* | **11,169** | 27,265 | **509** | 17,510 |
| Others | **643** | 1,398 | **55** | 39 |
| | **384,681** | 367,867 | **333,520** | 315,031 |

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

## 28. TRADE AND OTHER PAYABLES

Included in the Group's trade and other payables as at 31 December 2011 are trade and bills payables of HK$11,328,000 (2010: HK$6,635,000). As at 31 December 2011, the Company had no trade and bills payables (2010: Nil). An ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **11,288** | 6,341 |
| 2 to 3 months | **23** | 217 |
| Over 3 months | **17** | 77 |
| | **11,328** | 6,635 |

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong dollars | **613** | 356 |
| US dollars | **31** | — |
| Euro dollars | **10,641** | 6,244 |
| Others | **43** | 35 |
| Total | **11,328** | 6,635 |

## 29. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Bank loans | **1,504** | 19,132 |
| Finance lease payables *(note 30)* | **4** | 24 |
| | **1,508** | 19,156 |
| The borrowings are repayable as follows: | | |
| On demand or within one year | **1,508** | 19,152 |
| In the second year | **—** | 4 |
| | **1,508** | 19,156 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | **(1,508)** | (19,152) |
| Amount due for settlement after 12 months | **—** | 4 |

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

The effective interest rates at 31 December were as follows:

| | **2011** | 2010 |
|---|---|---|
| Bank loans | **3% to 6%** | 3% to 6% |
| Finance lease payables | **5%** | 5% |

Bank loans of HK$1,320,000 (2010: HK$8,681,000) are secured by a charge over the Group's time deposits and the remaining balance is unsecured.

## 30. FINANCE LEASE PAYABLES

| | Group | | | |
|---|---|---|---|---|
| | **Minimum lease payments 2011 *HK$'000*** | Minimum lease payments 2010 *HK$'000* | **Present value of minimum lease payments 2011 *HK$'000*** | Present value of minimum lease payments 2010 *HK$'000* |
| Amount payable: | | | | |
| Within one year | **4** | 21 | **4** | 20 |
| In the second year | **—** | 4 | **—** | 4 |
| Total minimum finance lease payments | **4** | 25 | **4** | 24 |
| Future finance charges | **—** | (1) | | |
| Total net finance lease payables | **4** | 24 | | |
| Portion classified as current liabilities *(note 29)* | **(4)** | (20) | | |
| Non-current portion *(note 29)* | **—** | 4 | | |

The Group leases an office equipment under finance lease arrangement with lease term of 3 years (2010: 3 years). At the end of the lease term, the Group has the option to purchase the office equipment at nominal price.

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

## 31. DEBENTURES

Each debenture holder is entitled to be a debenture member of the Hilltop Country Club (the "Club") operated by a subsidiary of the Company, Hill Top Country Club Limited, subject to the rules and by-laws of the Club so long as the debentures shall remain outstanding, and has the right to use and enjoy all the facilities of the Club free from payment of monthly subscription. As at 31 December 2011, the redeemable periods of the Group's debentures carried at amortised cost were as follows:

| | Group | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Within one year classified as current liabilities | **2,602** | 1,303 |
| In the second year | **1,750** | 2,457 |
| In the third to fifth years, inclusive | **1,496** | 2,140 |
| Non-current portion | **3,246** | 4,597 |
| | **5,848** | 5,900 |

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

## 32. DEFERRED TAX

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

| | Group | | |
|---|---|---|---|
| | **Depreciation allowance in excess of related depreciation** | **Losses available for offsetting against future taxable profits** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| At 1 January 2010 | 10,354 | (10,354) | — |
| Deferred tax charged/(credited) to the consolidated income statement for the year | (1,197) | 1,197 | — |
| At 31 December 2010 and at 1 January 2011 | 9,157 | (9,157) | — |
| Deferred tax charged/(credited) to the consolidated income statement for the year | 638 | (638) | — |
| At 31 December 2011 | **9,795** | **(9,795)** | **—** |

At the end of the reporting period, the Group has unused tax losses of HK$551,832,000 (2010: HK$550,975,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$59,363,000 (2010: HK$55,498,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$492,469,000 (2010: HK$495,477,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$7,755,000 (2010: HK$6,559,000) with a time limit of five years from the year the losses were incurred. Other tax losses may be carried forward indefinitely.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2009 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. The tax rate applicable to the Group is 5%. The Group is therefore liable to withholding taxes on any dividends distributed by its subsidiaries established in the PRC in respect of earnings generated from 1 January 2009.

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

## 33. SHARE CAPITAL

| | Group and Company | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| **Authorised:** | | |
| 100,000,000,000 (2010: 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 (2010: 1,650,658,676) ordinary shares of HK$0.01 each | **16,507** | 16,507 |

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

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

(b) upon such reduction of capital taking effect:

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

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

## 33. SHARE CAPITAL (CONTINUED)

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements except for the requirement to maintain a public float of at least 25% of the shares under the Listing Rules. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

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

| | **Group** | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Interest-bearing bank and other borrowings | **1,508** | 19,156 |
| Debentures | **5,848** | 5,900 |
| Total borrowings | **7,356** | 25,056 |
| Owners' equity | **1,060,734** | 1,009,279 |
| Gearing ratio | **0.69%** | 2.48% |

## 34. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity on pages 33 and 37 of the financial statements respectively.

### (b) Company

| | Share premium account HK$'000 | Capital redemption reserve HK$'000 | Special reserve HK$'000 | Available-for-sale investment revaluation reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2010 | 1,189,721 | 478 | 808,822 | 5,161 | (1,057,530) | 946,652 |
| Changes in fair value of available-for-sale debt investments | — | — | — | 2,599 | — | 2,599 |
| Release of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments | — | — | — | (1,706) | — | (1,706) |
| Profit for the year | — | — | — | — | 38,505 | 38,505 |
| At 31 December 2010 and 1 January 2011 | 1,189,721 | 478 | 808,822 | 6,054 | (1,019,025) | 986,050 |
| Changes in fair value of available-for-sale debt investments | — | — | — | (6,390) | — | (6,390) |
| Release of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments | — | — | — | (4,537) | — | (4,537) |
| Profit for the year | — | — | — | — | 18,418 | 18,418 |
| At 31 December 2011 | **1,189,721** | **478** | **808,822** | **(4,873)** | **(1,000,607)** | **993,541** |

## 34. RESERVES (CONTINUED)

### (c) Nature and purpose of reserves

(i) Share premium account

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

(ii) Capital redemption reserve

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

(iii) Special reserve

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

(iv) Property revaluation reserve

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

(v) Available-for-sale investment revaluation reserve

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

(vi) Exchange fluctuation reserve

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

## 35. SHARE OPTION SCHEME

In an extraordinary general meeting of the Company held on 14 June 2002, the shareholders of the Company formally approved the adoption of a share option scheme (the "Scheme"), in compliance with the amended Chapter 17 of the Listing Rules and for the purpose of providing the Company a flexible means of giving incentives and rewards to executive directors and employees for their contributions to the Group.

Under the terms of the Scheme, the Board of Directors may, at its discretion, invite executive directors and employees of the Group to take up options to subscribe for shares of the Company. The Scheme shall be valid and effective for a period of 10 years ending on 13 June 2012, after which period no further options will be granted. The exercise price of options shall be determined by the board and shall be at least the highest of (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's daily quotation sheet on the offer date, which must be a business day; (ii) a price being the average of the closing prices of the Company's shares as stated in The Stock Exchange of Hong Kong Limited's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the Company's shares. A nominal consideration of HK$1 is payable on acceptance of any option granted.

The total number of shares available for issue under the Scheme at 31 December 2011 and 2010 were 243,415,800, which represented 14.7% of the issued share capital of the Company on the same dates. In respect of the maximum entitlement of each participant under the Scheme, the number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period is limited to 1% of the Company's ordinary shares in issue. Any further grant of options in excess of this limit is subject to shareholders' approval in a general meeting.

No options have been granted under the Scheme since its inception.

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

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

## 36. CONTINGENT LIABILITIES

At 31 December 2011, the Group and the Company had the following significant contingent liabilities:

(a) The Company/Group is currently conducting proceedings as the appellant at the Appeal Tribunal (Buildings) issued against the Hong Kong Building Authority ("the Building Authority") as the respondent, to appeal against building orders imposed by the Building Authority, which involves disputes on the remedial/maintenance responsibility of certain slope features in the vicinity of the Company/Group's resort and recreational club properties. The directors, based on the advice from the Group's legal counsel and third party experts engaged, believe that the Company/Group has valid grounds to dispute the remedial/maintenance responsibility of certain slope features.

Up to the date of these financial statements, there is no decision made by the Appeal Tribunal regarding the said remedial/maintenance responsibility and no monetary claim has been involved nor any expenses for any remedial/maintenance work have arisen from the proceedings, other than legal costs, expert fees and related expenses being incurred in the conduct of the proceedings. Accordingly, no provision has been made for any claims or costs of remedial/maintenance works arising from the proceedings, other than the related legal and other costs.

(b) At the end of the reporting period, the Company has issued the following guarantees:

(i) corporate guarantees to banks executed as part of the securities for general banking facilities granted to certain subsidiaries of the Company to the extent of HK$40,000,000 (2010: HK$40,342,000).

(ii) an unlimited guarantee to a bank executed as part of the securities for general banking facilities with a total limit of HK$20,000,000 (2010: HK$20,000,000) granted to a subsidiary of the Company.

At the end of the reporting period, the directors do not consider it is probable that a claim will be made against the Company under the above guarantees. The maximum liability of the Company at the end of the reporting period under guarantee (i) and (ii) are the outstanding amount of the general banking facilities drawn by the subsidiaries at that date of HK$8,020,000 (2010: HK$16,877,000) and HK$2,281,000 (2010: HK$1,097,000) respectively.

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

## 37. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group has entered into an operating lease arrangement with an associate of the Group, Shanghai Landis, for the lease of resort and recreational club properties (note 17 to the financial statements) under which the effective lease period is from 1 July 2006 to 30 June 2016.

At 31 December 2011, the Group had total future minimum lease receivables under a non-cancellable operating lease with the associate falling due as follows:

| | **Group** | |
|---|---|---|
| | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* |
| Within one year | **1,648** | 1,581 |
| In the second to fifth years, inclusive | **5,769** | 6,325 |
| After five years | **—** | 791 |
| | **7,417** | 8,697 |

The operating lease receipts of the resort and recreational club properties are based on revenue generated from the resort and recreational club plus fixed minimum rental. The minimum rental has been used to compute the above commitments.

### (b) As lessee

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

At 31 December 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Within one year | **55,326** | 44,508 | **2,826** | 2,902 |
| In the second to fifth years, inclusive | **68,642** | 52,199 | **—** | 2,826 |
| | **123,968** | 96,707 | **2,826** | 5,728 |

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

## 38. COMMITMENTS

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

The Company has entered into 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 2011, Shanghai Hilltop is committed to pay the Mainland China joint venture partner a minimum annual fee of RMB2,250,000 (equivalent to HK$2,768,000) from 2009 to 2022. 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 up to RMB1,650,000 (equivalent to HK$2,030,000) per annum 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 2011, the minimum amount payable to the Mainland China joint venture partner by Shanghai Hilltop up to 2022 under the above arrangement was HK$30,443,000 (2010: HK$25,020,000), of which HK$9,133,000 (2010: HK$11,468,000) will be absorbed by Shanghai Landis up to 30 June 2016.

## 39. RELATED/CONNECTED PARTY TRANSACTIONS

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

| | | Group | |
|---|---|---|---|
| | | **2011** | 2010 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Acquisition of trademarks from a related company | (i) | **—** | 1,700 |
| Rental expenses, building management fees and air-conditioning charges paid to related companies | (ii) | **3,909** | 3,479 |
| Rental income from an associate | (iii) | **1,950** | 1,953 |

*Notes:*

(i) During the first half of 2010, the Group acquired 9 trademarks, all of which containing the words "CESARE DI PINO" registered in Hong Kong and Taiwan, from a company which is wholly owned by Mr. David Kin Hay HONG ("Mr. Hong") and his two sisters. Mr. Hong is a director of The Swank Shop Limited, a wholly owned subsidiary of the Company. The consideration was determined after arm's length negotiations between the parties on normal commercial terms with reference to the market valuation of the trademarks prepared by an independent valuer.

(ii) The rental expenses, building management fees and air-conditioning charges paid to related companies controlled by a substantial shareholder of the Company were charged in accordance with the terms of the relevant agreements.

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

## 39. RELATED/CONNECTED PARTY TRANSACTIONS (CONTINUED)

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Short term employee benefits | **15,096** | 9,262 |
| Pension scheme contributions | **103** | 72 |
| Total compensation paid to key management personnel | **15,199** | 9,334 |

Further details of directors' and employees' emoluments are included in note 13 to the financial statements.

The related party transactions in respect of items (a)(i) and (a)(ii) above constitute a connected transaction and continuing connected transactions respectively, as defined in Chapter 14A of the Listing Rules, further details of which are included in the Report of the Directors on pages 17 and 18.

## 40. EVENT AFTER THE REPORTING PERIOD

As set out in note 22(b)(i) to the financial statements, the Group entered into disposal agreements ("Disposal Agreements") with third parties whereby the Group agreed to dispose its entire interest in the available-for-sale equity investment, Smartdot, for a total consideration of RMB17,927,000 (equivalent to approximately HK$21,872,000).

Details of the above are set out in the Company's announcement dated 16 January 2012.

## 41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2012.

# PARTICULARS OF PROPERTIES

31 December 2011

## INVESTMENT PROPERTIES

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

# FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling 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 | | | | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 | 2007 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **REVENUE** | **333,485** | 289,058 | 231,526 | 261,920 | 266,027 |
| **PROFIT/(LOSS) FROM OPERATING ACTIVITIES** | **39,283** | 47,755 | 32,069 | (93,848) | 51,311 |
| Finance costs | **(865)** | (1,133) | (930) | (820) | (1,291) |
| Share of profits and losses of associates | **(2,197)** | 1,390 | (549) | 7,420 | (6,388) |
| **PROFIT/(LOSS) BEFORE TAX** | **36,221** | 48,012 | 30,590 | (87,248) | 43,632 |
| Tax | **—** | — | — | 4,413 | — |
| **PROFIT/(LOSS) FOR THE YEAR** | **36,221** | 48,012 | 30,590 | (82,835) | 43,632 |
| **Attributable to:** | | | | | |
| Equity holders of the Company | **36,253** | 48,051 | 30,612 | (82,739) | 40,803 |
| Non-controlling interests | **(32)** | (39) | (22) | (96) | 2,829 |
| | **36,221** | 48,012 | 30,590 | (82,835) | 43,632 |

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2011** | 2010 | 2009 | 2008 | 2007 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **TOTAL ASSETS** | **1,116,467** | 1,086,798 | 1,040,281 | 995,492 | 1,121,218 |
| **TOTAL LIABILITIES** | **(54,824)** | (76,652) | (80,694) | (69,500) | (85,792) |
| **NON-CONTROLLING INTERESTS** | **(909)** | (867) | (833) | (855) | (30,547) |
| | **1,060,734** | 1,009,279 | 958,754 | 925,137 | 1,004,879 |

# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Joseph Wing Kong LEUNG
*(Chairman and Acting Chief Executive Officer)*
Raymond Siu Wing CHAN
Victor Yiu Keung CHIANG
Derek Wai Choi LEUNG
Wing Tung YEUNG

## NON-EXECUTIVE DIRECTOR

Raymond Shing Loong WONG

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Cecil Sze Tsung CHAO
Jen CHEN
David Kwok Kwei LO
Ian Grant ROBINSON
Chi Keung WONG

## COMPANY SECRETARY

Pui Man CHENG

## AUDITOR

RSM Nelson Wheeler
29th Floor
Caroline Centre, Lee Gardens Two
28 Yun Ping Road
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
Hang Seng Bank Limited
The Hongkong & Shanghai Banking Corporation Limited
CITIC Bank International Limited

## REGISTERED OFFICE

Suites 3301-03, 33/F, Tower 2
Nina Tower, 8 Yeung Uk Road
Tsuen Wan, New Territories
Hong Kong

## INCORPORATION IN HONG KONG

27 April 1966

## LISTING

16 November 1972

## NO. OF EMPLOYEES

267

## WEB SITE

www.enmholdings.com

## STOCK CODE

Hong Kong Stock Exchange: 0128
American Depositary Receipt: ENMHY

## CORPORATE COMMUNICATIONS

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