ANNUAL REPORT 2012

安寧控股有限公司
ENM Holdings Limited

Stock Code : 0128

CONTENTS

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of ENM Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

FINANCIAL RESULTS

Turnover from continuing operations for the year was HK$337,241,000 (2011: HK$333,485,000), a slight increase of 1.1% on the year before. The Group's profit attributable to owners of the Company for the year ended 31 December 2012 was HK$22,770,000 compared to HK$36,253,000 for the last year. The decrease in profit was mainly attributable to the fact that no profit was recognised from the discontinued telecommunications operation for the year ended 31 December 2012. For the year ended 31 December 2011, the Group recorded a profit of HK$37,278,000 from the discontinued operation mainly because the Group recovered disputed services fee of approximately HK$43,205,000 arose from the discontinued telecommunications operation in previous years which was one-off and non-recurring income. Nevertheless, the Group recorded a profit of HK$22,713,000 from the continuing operations for the year ended 31 December 2012 as compared with a loss for 2011. Such turnaround was mainly attributable to the gain on disposal of 8.95% equity interest in Beijing Smartdot Technologies Co. Ltd. of approximately HK$13,500,000 and substantial improvement in the performance of the Group's financial instrument investment.

BUSINESS REVIEW

Retail Fashion

The Swank – Hong Kong

The year 2012 The Swank Hong Kong witnessed a roller coaster year with strong sales in the first quarter and then slowed down in the second and third quarters and pickup again in the last quarter. Turnover for the year ended 31 December 2012 was HK$293,200,000 against HK$273,300,000 of last year, a 7% growth.

Gross profit margin slightly increased and gross profit was HK$173,900,000, an increase of 10% over last year of HK$158,200,000.

Profit after tax was HK$20,200,000 as compared to last year of HK$29,100,000 representing a drop of 31% compare with last year. This was mainly due to the increase of occupancy and labour cost as well as depreciation.

The Swank Hong Kong has opened two shops during 2012:

– Brunello Cucinelli in Harbour City in April 2012.

– Paule Ka in Pacific Place in December 2012.

In addition, The Swank Hong Kong has taken over the exclusive franchise operation of Just Cavalli in Hong Kong since February 2012.

The Swank – China

The total turnover of The Swank China was RMB11,000,000 almost stagnant compare to 2011. These were the results of the softening retail market and the renovation of Jin Bao Place in Beijing for six months. Loss after tax was RMB7,000,000 compared with a breakeven position with a marginal profit last year. This was mainly caused by the increase in charge for inventory allowance.

The Swank at Takashimaya in Shanghai was opened in December 2012 and like any new shop it is going through its infant stage and we are optimistic of the future of this shop going forward.

Cesare di Pino

In June 2012, we opened our first standalone store in Beijing. A further two shops will be added in Beijing by the end of 2013. Management is targeting to expand the retail network and is focusing mainly on the tier one and two cities in the northern part of China.

China economy was showing signs of recovery in the second half of 2012 despite the continuing sluggish performance in Europe and the USA. A large supply of retail space will be made available across the whole of China in the next few years. However, for the more distinguished and traditional high-end shopping malls, particularly in tier one and two cities, we anticipate that rent will remain stable or still in the stage of upward cycle.

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, Hilltop is ideally suited for recreational and outdoor activities, conferences, dining and lodging. Hilltop is one of a few private clubs which offers lodging facilities for members.

During 2012, Hilltop has focused more on banquet and conference. Revenue from these sources has partially compensated the business loss for group lodging as a result of license requirement.

Shanghai Hilltop Resort Hotel Limited ("Shanghai Hilltop")

Shanghai Hilltop is a Sino-foreign co-operative joint venture established in the PRC by the Company and Shanghai Xingyuan Shiyei Company Limited ("Xingyuan") in 1992 for a period of 30 years for operating of a resort club in Putao District, Shanghai. In June 2003, Shanghai Hilltop entered into a sub-contracting agreement with Shanghai Landis Hospitality Management Co. Ltd. ("Shanghai Landis"), a 35% associate of the Group, for the period from 1 July 2003 to 30 June 2016. At present, the resort club is operated under the name of "VivaSha" with 298 guest rooms, club house, convention and various sport facilities.

On 4 August 2012, the Group and Xingyuan entered into two agreements of transfer of equity interest to conditionally dispose the Group's entire interest in Shanghai Hilltop and the 35% interest in Shanghai Landis to Xingyuan with a total consideration of RMB70,000,500 and these two disposal transactions were approved by shareholders of the Company at the Extraordinary General Meeting of the Company held on 24 September 2012.

Accordingly, Xingyuan made the first deposit into the escrow account in October 2012 and the Company has completed the capitalisation of shareholders' loan USD8,898,610 to Shanghai Hilltop as registered capital in January 2013 pursuant to the Shanghai Hilltop disposal agreement. Since then, the handover of Shanghai Hilltop and Shanghai Landis to Xingyuan is taking place gradually. As additional time is required for the application for the Hilltop Transfer Approval and Landis Transfer Approval (defined in the Circular of the Company dated 4 September 2012), all parties to the agreements have agreed to extend the long stop date for obtaining such approvals from 31 March 2013 to 31 August 2013. A separate announcement in respect of this extension was made by the Company on 22 March 2013.

Financial Instruments Investments

Due to the deterioration of Euro debt crisis and the slow down of worldwide economy, the Hong Kong stock market as well as the global financial market were volatile during the first half of 2012. Under this investment environment, the Group took a strategy to increase its investment proportion in fixed income products in order to limit the investment risk and maintain stable income.

For the full year 2012, the investment portfolio of financial instruments held for trading and available-for-sales debt investment (excluding the investment in convertible bonds issued by Skyjoy Assets Management Limited and Genovate shares) contributed HK$15,924,000 total gain (2011: total loss of HK$39,664,000) to the Group. As of 31 December 2012, the total carrying value of the Group's investment portfolio of financial instruments held for trading and available-for-sales debt investment was HK$278,329,000.

Other Investments

Skyjoy Assets Management Limited ("Skyjoy")

The Group through its wholly owned subsidiary, Cosy Good Limited, subscribed HK$100,000,000 with 12% coupon rate Convertible Bonds issued by Skyjoy in 2010. Skyjoy is the beneficial owner of a commercial real estate project named Lerthai Commercial Plaza (勒泰中心) (the "Project") in the city centre of Shijiazhuang, Hebei Province, PRC through its wholly owned subsidiary, Shijiazhuang Lerthai Property Development Company Limited ("Lerthai"). Lerthai Commercial Plaza includes four tower buildings (office, services apartment and hotels) on top of a commercial mall (retail shops, hyper-market, restaurants, cinema and car park, etc.). The site area and gross floor area of the Project are approximately 62,000 square meters and 623,000 square meters respectively.

The commercial mall has its grand opening in December 2012 and the whole Project is scheduled to be completed in 2013. The management of Skyjoy projects that the property sales of the Project will be improved after the opening of the commercial mall.

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 12.38% shareholdings in Genovate, which has been listed on the Taiwan GreTai Securities Market (Open Market) since 12 January 2012.

Phase Ia clinical trial for anti-diabetic drug DBPR108 to study "first in man" has gone smoothly. The result for both safety and pharmacokinetic evaluation is satisfactory. The license for Mainland China market was granted to CSPC Pharmaceutical Group Limited (one of the largest new drug development pharmaceutical company in China), an important milestone to expedite the clinical development of DBPR108 in the world's second largest diabetic market.

In December 2012, Genovate received the Taiwan Food and Drug Administration's approval of anti-fungal mouthwash MycostatinOS which was acquired from BMS. The approval of MycostatinOS will enrich Genovate product pipeline in cancer supportive care.

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

Smartdot is engaged in the development of office automation software and solution projects in the PRC. The Group had sold all its shareholdings in Smartdot to Smartdot's CEO and a company formed by Smartdot's staff respectively at total proceeds of RMB17,900,000 in January 2012. This disposal has contributed approximately HK$13,500,000 gain to the Group in 2012. Total proceeds have been received in escrow accounts in PRC pending approval of relevant government authorities including SAFE for repatriation to Hong Kong.

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

On 16 January 2012, Lion Dragon Limited, an indirect wholly owned subsidiary of the Company, 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 "Smartdot Disposal"). The Smartdot 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 foreign exchange clearance for sale proceeds in progress. The Group now ceases to hold any equity interest in Smartdot.

On 4 August 2012, (i) the Company entered into an agreement of transfer of equity interest to conditionally dispose to Xingyuan the entire registered capital in Shanghai Hilltop at the consideration of RMB46,750,000 (equivalent to approximately HK$57,503,000) and (ii) Jackpot International Business Inc. ("Jackpot"), an indirect wholly owned subsidiary of the Company, together with other vendors and Xingyuan entered into an agreement of transfer of equity interest pursuant to which Jackpot conditionally dispose to Xingyuan 35% equity interest in Shanghai Landis at the consideration of RMB23,250,500 (equivalent to approximately HK$28,598,000) (collectively the "Shanghai Hilltop Disposal"). The Shanghai Hilltop Disposal constituted a discloseable and connected transaction for the Company, details of which are set out in the Company's circular dated 4 September 2012. The Shanghai Hilltop Disposal was approved by shareholders of the Company at the extraordinary general meeting of the Company held on 24 September 2012.

Save as disclosed above, the Group had no other material acquisition and disposal of investments during the year ended 31 December 2012 and up to the date of this report.

LIQUIDITY AND FINANCIAL POSITION

At 31 December 2012, the Group was in solid financial position with cash and non-pledged deposit holdings of HK$332,839,000 (2011: HK$373,681,000). At 31 December 2012, total borrowings amounted to HK$6,572,000 (2011: HK$7,356,000) with HK$4,165,000 (2011: HK$4,110,000) 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 0.6% at the year end date (2011: 0.7%). The current ratio at 31 December 2012 was 9.3 times (2011: 17.4 times).

At 31 December 2012, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars, Renminbi and United States dollars and exchange differences were reflected in the audited financial statements. All bank borrowings of the Group are on a floating rate basis. All club debentures of Hilltop are interest free.

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 (2011: HK$11,000,000) were given to banks to secure general banking facilities to the extent of HK$31,000,000 as at 31 December 2012 (2011: HK$21,000,000).

EMPLOYEE AND REMUNERATION POLICIES

At the date of this report, the Group employs 286 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 and external training support.

PROSPECTS AND STRATEGIES

Retail Fashion

Outlook for the year 2013 has to be viewed as challenging with escalating rental, reduced consumption of Mainland tourists and soft retail sales.

There will be two new shops opening in Year 2013: Flagship store of Brunello Cucinelli at The New World Tower in April 2013 and Just Cavalli at Festival Walk in the fourth quarter of 2013. The opening of shop at Shanxi Zhong Da International in Xian is progressing well and tentatively scheduled to be opened in April 2013.

We continue to commit to the Fashion and our customers by introducing more new brands, improving our brand mix and opening shops at prime location, both in Hong Kong and the PRC. Our other focus is our private label "Cesare di Pino". Through a sound business and marketing plans, the brand awareness shall be further enhanced.

Resort and Recreational Club Operations

To turn around Hilltop's loss situation, Management will endeavor new possible themes to the club for sustaining business growth, and continue to identify suitable collaboration partners for Hilltop's long term development.

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 position also provide the flexibility to capitalise on investment opportunities when the circumstance arises.

APPRECIATION

I welcome Ms. Kim Hung WONG who assumed the role of Chief Operating Officer of The Swank in November 2012. The Group will benefit from Ms. Wong's extensive experience and knowledge in the luxury retail.

Dr. Cecil Sze Tsung CHAO and Mr. Raymond Shing Loong WONG resigned as Directors of the Company with effect from 1 January 2013. I would like to take this opportunity to express my sincere gratitude to Dr. Chao and Mr. Wong for their valuable contribution to the Company during their tenure of service.

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, 22 March 2013

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Joseph Wing Kong LEUNG, 66, 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 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, 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. Leung was 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.

Mr. Raymond Siu Wing CHAN, 48, 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 and Quali-Smart Holdings Limited, companies 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, a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, 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.

Mr. Victor Yiu Keung CHIANG, 48, 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 and the Investment 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, 62, 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, 58, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Jen CHEN, 58, 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, 53, 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 the 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, 73, 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 an independent non-executive 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, and the chief financial officer of L&L Energy, Inc., a company whose shares are listed on NASDAQ. He is also a member 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 each of L&L Energy, Inc., a company whose shares are listed on NASDAQ and Revonergy Inc., a company whose shares are quoted on the OTC Bulletin Board of the USA.

BIOGRAPHIES OF DIRECTORS

Mr. Chi Keung WONG, 58, 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 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, Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited, Paliburg Holdings Limited, Regal Hotels International Holdings Limited, TPV Technology Limited and Zhuguang Holdings Group Company 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 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 was an independent non-executive director of FU JI Food and Catering Services Holdings Limited (provisional liquidators appointed), a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Notes:

1) Directors' emoluments are determined by the Remuneration Committee with reference to their duties, responsibilities, individual performances, the Group's operating results and comparable market statistics. The details of the emoluments of the Directors on a named basis are disclosed in note 13 to the financial statements.

2) All Independent Non-executive Directors are appointed for a specified term 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, 65, joined the Group in October 2003 as the Managing Director of The Swank Shop Limited ("The Swank"), a fashion retail subsidiary of the Company. Mr. Hong started his career in Fashion when he joined his family business in The 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 The Swank since 1991 and has valuable experience in the high-end fashion retailing.

Due to his contribution in the Fashion Industry, Mr. Hong was decorated with the following awards:

From The President of France

- July 1996 – Chevalier de l'Ordre National du Merite
- June 2003 – Chevalier de la Legion d'Honneur

From the President of Italy

- June 2012 – Ordine Della Stella D'Italia (Ufficiale)

Ms. Kim Hung WONG, 49, joined the Group as Chief Operating Officer of The Swank in November 2012. Before joining the Group, Ms Wong held management positions with various international companies such as DFS, Lane Crawford, GRI and Burberry, both in Hong Kong and the USA. She has over 20 years of expertise and experience in luxury retail, including from merchandising to sales operation, and from brand positioning to management. Ms Wong holds a Bachelor of Science degree in Fashion Merchandising from the University of Hawaii.

Mr. Tony Kwok Wing LAM, 55, 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 The 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, 40, 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, 51, joined the Group as Vice President of Investments in July 2001. Prior to this appointment, Mr. Wong was the Vice President of Commercial Banking Business of the former First Pacific Bank, and Corporate Banking Officer of a major US bank where he gained international finance exposure in Chicago and New York. Before joining the banking industry, Mr. Wong had worked for an international accounting firm in performing project investment evaluation and feasibility study. Mr. Wong 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 2012.

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 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 105.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2012.

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 107.

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 106.

DEBENTURES

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

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. 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 32(b) to the financial statements and in the consolidated statement of changes in equity on page 40, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company had no reserves available for distribution as calculated in accordance with the provisions of Section 79B of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong (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 57% and 25% 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.

EMOLUMENT POLICY

The emoluments of the employees of the Group are determined on their job responsibilities, work performance, professional experience and prevailing industry practices.

The emoluments of the Directors of the Company are determined by the Remuneration Committee with reference to their duties, responsibilities, individual performances, the Group's operating results and comparable market statistics.

REPORT OF THE DIRECTORS

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
Mr. Derek Wai Choi LEUNG
Mr. Wing Tung YEUNG

NON-EXECUTIVE DIRECTOR:

Mr. Raymond Shing Loong WONG (resigned on 1 January 2013)

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Dr. Jen CHEN
Mr. David Kwok Kwei LO
Mr. Ian Grant ROBINSON
Mr. Chi Keung WONG
Dr. Cecil Sze Tsung CHAO (resigned on 1 January 2013)

In accordance with Article 101 of the Company's Articles of Association, Mr. Derek Wai Choi LEUNG, Mr. David Kwok Kwei LO and Mr. Chi Keung WONG will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 8 to 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 2012, 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
Joseph Wing Kong LEUNG	200,000	0.012%

Save as disclosed above, as at 31 December 2012, 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 33 to the financial statements. The share option scheme expired on 13 June 2012.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2012, 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:

		Number of shares held				
Name	Capacity	Personal Interest	Corporate Interest	Other Interest	Total	Percentage of the issued share capital
Diamond Leaf Limited	Beneficial owner	162,216,503	–	–	162,216,503	9.83%
Solution Bridge Limited	Beneficial owner	408,757,642	–	–	408,757,642	24.76%
KUNG, Nina (deceased) (Note 1)	Interest of controlled corporations	–	570,974,145	–	570,974,145	34.59%
JONG, Yat Kit (Notes 2 and 3)	Trustee	–	–	570,974,145	570,974,145	34.59%
LAM, Hok Chung Rainier (Notes 2 and 4)	Trustee	–	–	570,974,145	570,974,145	34.59%
YU, Sai Hung (Notes 2 and 5)	Trustee	–	–	570,974,145	570,974,145	34.59%

Notes:

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

2. Both Diamond Leaf Limited and Solution Bridge Limited are wholly owned by Mr. JONG, Yat Kit, Mr. LAM, Hok Chung Rainier and Mr. YU, Sai Hung, as joint and several administrators of the estate of Kung, Nina. Each of Mr. JONG, Yat Kit, Mr. LAM, Hok Chung Rainier and Mr. YU, Sai Hung is a trustee of the Estate of Nina KUNG, also known as Nina T. H. Wang.

3. The interest disclosed under Mr. JONG, Yat Kit represents his deemed interests in the shares of the Company by virtue of his interests in Diamond Leaf Limited and Solution Bridge Limited.

4. The interest disclosed under Mr. LAM, Hok Chung Rainier represents his deemed interests in the shares of the Company by virtue of his interests in Diamond Leaf Limited and Solution Bridge Limited.

5. The interest disclosed under Mr. YU, Sai Hung represents his deemed interests in the shares of the Company by virtue of his 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 2012 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) SHANGHAI HILLTOP DISPOSAL

On 4 August 2012, (i) the Company entered into an agreement of transfer of equity interest to conditionally dispose to Shanghai Xingyuan Shiyei Company Limited ("Xingyuan") the entire registered capital in Shanghai Hilltop Resort Hotel Limited ("Shanghai Hilltop") at the consideration of RMB46,750,000 (equivalent to approximately HK$57,503,000) and (ii) Jackpot International Business Inc. ("Jackpot"), an indirect wholly owned subsidiary of the Company, together with other vendors and Xingyuan entered into an agreement of transfer of equity interest pursuant to which Jackpot conditionally dispose to Xingyuan 35% equity interest in Shanghai Landis Hospitality Management Co. Ltd. at the consideration of RMB23,250,500 (equivalent to approximately HK$28,598,000) (collectively the "Shanghai Hilltop Disposal").

Xingyuan, by virtue of it being a party to the co-operative joint venture agreement in relation to Shanghai Hilltop, is a connected person of the Company as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Accordingly, the Shanghai Hilltop Disposal constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. The Shanghai Hilltop Disposal also constituted a discloseable transaction under Chapter 14 of the Listing Rules.

The details of the Shanghai Hilltop Disposal are set out in the Company's Circular dated 4 September 2012. The Shanghai Hilltop Disposal was approved by shareholders of the Company at the extraordinary general meeting of the Company held on 24 September 2012.

(B) TENANCY AGREEMENT FOR A SHOP

On 23 December 2011, The Swank Shop Limited, a wholly owned subsidiary of the Company, as tenant, entered into a tenancy agreement (the "Shop Tenancy Agreement") 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 renew the tenancy of the premises situated at Shop Nos. 222 & 223 on 2nd Floor (Level 3), Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong (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 Mr. LAM, Hok Chung Rainier, Mr. JONG, Yat Kit and Mr. YU, Sai Hung as joint and several administrators of the Estate of Kung, Nina, who are controlling shareholders of the Company. Each of Mr. LAM, Hok Chung Rainier, Mr. JONG, Yat Kit and Mr. YU, Sai Hung is a trustee of the Estate of Nina Kung, also known as Nina T.H. Wang. Therefore, the Shop Tenancy Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The details of the Shop Tenancy Agreement are set out in the Company's announcements dated 23 December 2011.

(C) 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 the premises situated at Suites 3301 to 3303, 33rd Floor, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong (the "Head Office Premises") for three years from 1 December 2009 to 30 November 2012 at a monthly rent of HK$221,298.

On 22 November 2012, the Company, as tenant, entered into a tenancy agreement (the "Office Tenancy Agreement II") with the Landlords to renew the tenancy of the Head Office Premises for three years from 1 December 2012 to 30 November 2015 at a monthly rent of HK$268,719.

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 III") with the Landlords to lease the premises situated at 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 Mr. LAM, Hok Chung Rainier, Mr. JONG, Yat Kit and Mr. YU, Sai Hung as joint and several administrators of the Estate of Kung, Nina, who are controlling shareholders of the Company. Each of Mr. LAM, Hok Chung Rainier, Mr. JONG, Yat Kit and Mr. YU, Sai Hung is a trustee of the Estate of Nina Kung, also known as Nina T.H. Wang. Therefore, the Office Tenancy Agreement I, II and III constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The details of the Office Tenancy Agreement I, II and III are set out in the Company's announcements dated 5 October 2009, 22 November 2012 and 6 April 2011 respectively.

The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions mentioned in paragraphs (B) and (C) (the "2012 Continuing Connected Transactions") and have confirmed that the 2012 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 2012 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 2012 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 announcement dated 22 November 2012 made by the Company in respect of the 2012 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 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, 22 March 2013

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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 and safeguard the interests of shareholders and other stakeholders. The Company has adopted a Corporate Governance Practice Manual which gives guidance on how corporate governance principles are applied to the Company.

On 1 April 2012, the Code on Corporate Governance Practices (the "Former CG Code") set out in Appendix 14 of the Listing Rules was amended and renamed as Corporate Governance Code and Corporate Governance Report (the "CG Code").

In the opinion of the Directors, the Company complied with the Code Provisions of the Former CG Code throughout the period from 1 January 2012 to 31 March 2012 and the Code Provisions of the CG Code throughout the period from 1 April 2012 to 31 December 2012, save for the following:

Under Code Provision A.2.1 of each of the Former CG Code and 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 each of the Former CG Code and the CG Code, Non-executive Directors should be appointed for a specific term and subject to re-election. Before 1 March 2012, the Non-executive and Independent Non-executive Directors of the Company were not appointed for a specific term, and were subject to retirement by rotation in accordance with the Company's Articles of Association. On 1 March 2012, a letter of appointment was formally issued to each Non-executive Director (including Independent Non-executive Director), and the term of appointment is three years, subject to retirement by rotation in accordance with the Company's Articles of Association. The Company has complied Code Provision A.4.1 of each of the Former CG Code and the CG Code since 1 March 2012.

Under Code Provision A.6.7 of the CG Code, Non-executive Directors should attend general meetings of the Company. Due to other business engagements, Dr Cecil Sze Tsung CHAO and Mr. David Kwok Kwei LO, Independent Non-executive Directors, were unable to attend the 2012 Annual General Meeting of the Company held on 19 June 2012, and Mr. David Kwok Kwei LO and Mr. Ian Grant ROBINSON, Independent Non-executive Directors, were unable to attend the Extraordinary General Meeting of the Company held on 24 September 2012.

BOARD OF DIRECTORS

Board Composition

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

The number of Independent Non-executive Directors represents more than one-third of the Board as required by Rule 3.10A of the Listing Rules. In addition, as required by Rule 3.10(2) of the Listing Rules, at least one of the Independent Non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. The Directors' biographical information is set out on pages 8 to 10.

The Board members during the year ended 31 December 2012 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
Mr. Derek Wai Choi LEUNG
Mr. Wing Tung YEUNG

Non-executive Director
Mr. Raymond Shing Loong WONG (resigned on 1 January 2013)

Independent Non-executive Directors
Dr. Jen CHEN
Mr. David Kwok Kwei LO
Mr. Ian Grant ROBINSON
Mr. Chi Keung WONG
Dr. Cecil Sze Tsung CHAO (resigned on 1 January 2013)

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company, based on such confirmations considers that all Independent Non-executive Directors are independent.

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.

An updated list of the Directors and their roles and functions is maintained on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

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.

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.

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.

During the year ended 31 December 2012, the Chairman held a meeting with the Non-executive Directors (including Independent Non-executive Directors) without the presence of the Executive Directors.

Appointments, Re-election and Removal of Directors

All Directors have formal letters of appointment setting out the key terms of their appointment.

Before 1 March 2012, the Non-executive and Independent Non-executive Directors of the Company were not appointed for a specific term, and were subject to retirement by rotation in accordance with the Company's Articles of Association. On 1 March 2012, a letter of appointment was formally issued to each Non-executive Director (including Independent Non-executive Director), and the term of appointment is three years, subject to retirement by rotation in accordance with the Company's Articles of Association.

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.

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 2012.

Directors' Induction and Continuing Professional development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. The Company Secretary from time to time provides Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements. A summary of training received by Directors during the year ended 31 December 2012 is as follows:

	Training Areas	
	Corporate Governance/ updates on laws, rules & regulations	Accounting/financial/ management or other professional skills
Executive Directors		
Mr. Joseph Wing Kong LEUNG	√	
Mr. Raymond Siu Wing CHAN	√	√
Mr. Victor Yiu Keung CHIANG	√	√
Mr. Derek Wai Choi LEUNG	√	√
Mr. Wing Tung YEUNG	√	√
Non-executive Director		
Mr. Raymond Shing Loong WONG	√	√
Independent Non-executive Directors		
Dr. Jen CHEN	√	
Mr. David Kwok Kwei LO	√	
Mr. Ian Grant ROBINSON	√	√
Mr. Chi Keung WONG	√	√
Dr. Cecil Sze Tsung CHAO	√	

Delegation by the Board

The Board, led by the Chairman, is responsible for formulating overall group strategies and overseeing the management's performance. The Board delegates the authority and responsibilities for implementing the strategies and policies and the day-to-day operations of the Group to the Executive Directors and senior management and certain specific responsibilities to the Board committees.

Where the Board delegates aspects of its management and administrative functions to the management, it gives clear directions as to the powers of management and periodically reviews the delegations to the management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

The Board has matters reserved for its decision and these include:

(i) Business strategies;

(ii) Material acquisition or disposal;

(iii) Funding decision;

(iv) Internal control and risk management; and

(v) Annual and interim financial results, and shareholder communications.

Board Meetings

The full Board held four regular meetings and one non-regular meeting during the year ended 31 December 2012.

A tentative schedule for regular Board meetings for each year is provided to Directors prior to the commencement of each calendar year. In addition, at least 14 days' notice of all regular Board meetings is given to all Directors.

The Company Secretary assists the Chairman to prepare the agenda of the Board meetings and each Director may request to include any matters in the agenda. An agenda and accompanying Board papers are circulated to all Directors at least three days in advance of every regular Board meeting.

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 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 record the matters discussed and decisions resolved at 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.

Should a potential conflict of interest involving a substantial shareholder or director arise, the matter is discussed in a physical Board meeting, as opposed to being dealt with by written resolution. Independent Non-executive Directors with no conflict of interest will be present at Board meetings dealing with conflict issues.

Directors' and Officers' Liabilities

The Company has arranged appropriate liability insurance for the Directors and officers of the Group in respect of legal action against them.

BOARD COMMITTEES

In order to assist the Board in the execution of its duties, the Board has established Audit Committee, Corporate Governance Committee, Investment Committee, Nomination Committee and Remuneration Committee with respective terms of reference which clearly defined its authorities and duties. All Board Committees are provided with sufficient resources to discharge their duties. The Chairmen of the Board Committees report regularly to the Board their work, findings and recommendations.

Audit Committee

The Audit Committee was established in January 1999 and currently comprises three Independent Non-executive Directors, namely Mr. Ian Grant ROBINSON (Chairman of the Audit Committee), Dr. Jen CHEN and Mr. Chi Keung WONG.

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

The Audit Committee is responsible for (i) reviewing and supervising the Group's financial reporting system and internal control procedures, (ii) reviewing the Group's financial information, and (iii) overseeing the relationship with the auditor of the Company.

The Audit Committee held two meetings during the year ended 31 December 2012 and reviewed the audited financial statements of the Group for the year ended 31 December 2011 and the unaudited interim financial statements for the six months 30 June 2012. The Audit Committee also reviewed the non-audit services provided by the external auditors, and discussed and recommended to the Board for the re-appointment 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 Audit Committee's specific terms of reference are posted on the websites of the Company and HKEx.

Corporate Governance Committee

The Corporate Governance Committee was established in March 2012 and currently comprises three Executive Directors, namely Mr. Joseph Wing Kong LEUNG (Chairman of the Corporate Governance Committee), Mr. Victor Yiu Keung CHIANG and Mr. Wing Tung YEUNG.

The Corporate Governance Committee is responsible for formulating, reviewing and making recommendations on the Company's policies and practices of corporate governance.

During the year ended 31 December 2012, the Corporate Governance Committee held one meeting and reviewed the Company's compliance with the Former CG Code and the CG Code as well as established the Company's corporate governance practice manual and the Policy on Disclosure and Handling of Inside Information.

Investment Committee

The Investment Committee was established in April 2002 and currently comprises five Executive Directors, namely Mr. Joseph Wing Kong LEUNG (Chairman of the Investment Committee), Mr. Raymond Siu Wing CHAN, Mr. Victor Yiu Keung CHIANG, Mr. Derek Wai Choi LEUNG and Mr. Wing Tung YEUNG.

The Investment Committee is responsible for (i) formulating and reviewing the investment strategies, policies and guideline, and (ii) advising the Board on the Group's investment projects.

Nomination Committee

The Nomination Committee was established in March 2012 and currently comprises one Executive Director, namely Mr. Joseph Wing Kong LEUNG (Chairman of the Nomination Committee) and two Independent Non-executive Directors, namely Mr. Ian Grant ROBINSON and Mr. Chi Keung WONG. The majority of the members of the Nomination Committee is Independent Non-executive Director.

The Nomination Committee is responsible for (i) reviewing the structure, size and composition of the Board; (ii) assessing the suitability and qualification of any proposed director candidate; and (iii) assessing the independence of the Independent Non-executive Directors.

During the year ended 31 December 2012, the Nomination Committee held one meeting and reviewed the structure, size and composition of the Board.

The Nomination Committee's specific terms of reference are posted on the websites of the Company and HKEx.

Remuneration Committee

The Remuneration Committee was established in April 2002 and currently comprises two Independent Non-executive Directors, namely Mr. Ian Grant ROBINSON (Chairman of the Remuneration Committee) and Mr. Chi Keung WONG, and one Executive Director, namely Mr. Joseph Wing Kong LEUNG. The majority of the members of the Remuneration Committee is Independent Non-executive Director.

The Company has adopted the model to delegate the determination of the remuneration packages of individual Executive Directors and senior management to the Remuneration Committee. The Remuneration Committee is responsible for formulating and recommending remuneration policy to the Board and reviewing and making recommendations on compensation-related issues. The Remuneration Committee consults the Chairman and/or the Chief Executive Officer about its proposals relating to remuneration of other Directors and senior management if necessary.

During the year ended 31 December 2012, the Remuneration Committee held one meeting and discussed the Group's remuneration policy.

The Remuneration Committee's specific terms of reference are posted on the websites of the Company and HKEx.

ATTENDANCE RECORD AT MEETINGS

Details of Directors' attendance at the general meetings, Board meetings, and Board Committee meetings held during the year ended 31 December 2012 are set out in the following table:

	Meetings Attended/Held						
	Board	Audit Committee	Corporate Governance Committee	Nomination Committee	Remuneration Committee	Annual[(a)] General Meeting	Extraordinary[(b)] General Meeting
Executive Directors							
Mr. Joseph Wing Kong LEUNG	5/5		1/1	1/1	1/1	1/1	1/1
Mr. Raymond Siu Wing CHAN	5/5					1/1	1/1
Mr. Victor Yiu Keung CHIANG	4/5		1/1			1/1	1/1
Mr. Derek Wai Choi LEUNG	4/5					1/1	1/1
Mr. Wing Tung YEUNG	5/5		1/1			1/1	1/1
Non-executive Director							
Mr. Raymond Shing Loong WONG	4/5	1/2				1/1	1/1
Independent Non-executive Directors							
Dr. Jen CHEN	3/5	1/2				1/1	1/1
Mr. David Kwok Kwei LO	4/5					0/1	0/1
Mr. Ian Grant ROBINSON	4/5	2/2		1/1	1/1	1/1	0/1
Mr. Chi Keung WONG	5/5	2/2		1/1	1/1	1/1	1/1
Dr. Cecil Sze Tsung CHAO	2/5	1/2			1/1	0/1	1/1

Notes:

(a) The Annual General Meeting was held on 19 June 2012.

(b) The Extraordinary General Meeting was held on 24 September 2012.

ACCOUNTABILITY AND AUDIT

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. Management provides the Board with monthly updates, with a view to giving it a balanced and understandable assessment of the Group's performance, financial position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Directors are responsible for the preparation of the Group's financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year. In preparing the financial statements for the year ended 31 December 2012, the Directors have selected suitable accounting policies and applied them consistently; made prudent, fair and reasonable judgments and estimates and prepared the financial statements on a going concern basis.

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 32 and 33.

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.

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 2012, the Board conducted a review on the Group's internal control handbook covering financial, operational and compliance controls, and risk management functions and 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.

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 2012 were:

	HK$'000
Audit services	**999**
Non-audit services:	
Consultancy services in relation to the disposal of interests in Shanghai Hilltop and Shanghai Landis	**546**
Taxation services	**87**
Other assurance services	**158**
Other reporting services	**110**
	1,900

Note: Auditor's remuneration for audit services disclosed in note 12 to the financial statements included the audit fees charged by other auditors of the Group of HK$10,000.

COMMUNICATION WITH SHAREHOLDERS

In March 2012, the Board adopted a shareholders' communication policy which aims to set out the provisions with the objective of ensuring that shareholders are provided with ready and timely access to balanced and understandable information about the Company and its corporate strategies. Information would be communicated to shareholders mainly through the Company's corporate communications (such as interim and annual report, announcements and circulars), general meetings and disclosure on the Company's website.

Interim reports, annual reports and circulars are sent to shareholders in a timely manner and are also available on the website of the Company. The Company's website also provides shareholders with the updated and key information of the Group. For efficient communication with shareholders and in the interest of environmental protection, arrangements have been made to allow shareholders to elect to receive corporate communications of the Company by electronic means through the Company's website.

The Company's annual general meeting provides a forum for shareholders to raise comments and exchange views with the Directors. To facilitate enforcement of shareholders' rights, separate resolutions are proposed at general meetings on each substantially separate issue. The Chairmen of Board Committees and the Company's auditor also attend the annual general meeting to answer questions from shareholders.

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. All resolutions put to vote at general meetings are taken by poll. Procedures regarding the conduct of the poll are explained to shareholders at each general meeting, and questions from shareholders regarding the voting procedures are answered. Voting results are posted on the websites of the Company and HKEx on the day of the general meeting.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Company Secretary
ENM Holdings Limited
Suites 3301-03, 33rd Floor
Tower 2, Nina Tower
8 Yeung Uk Road
Tsuen Wan
New Territories
Hong Kong
Email: comsec@enmholdings.com
Fax: (852) 2827 1491

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the shareholders' questions.

Shareholders can also contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meeting

Pursuant to Section 113 of the Hong Kong Companies Ordinance, registered shareholder(s) holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company can make a requisition to convene an extraordinary general meeting (the "EGM"). The requisition must state the objects of the EGM, be signed by all the shareholder(s) concerned in one or more documents in like form and, be deposited at the registered office of the Company (the "Registered Office"), which is presently situated at Suites 3301-03, 33rd Floor, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong for the attention of the Company Secretary.

If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene an EGM for a day not more than 28 days after the date on which the notice convening an EGM is given, the shareholder(s) concerned or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of the deposit of the requisition.

Procedures for Putting Forward Proposals at General Meetings

Pursuant to Section 115A of the Hong Kong Companies Ordinance, any number of registered shareholders representing not less than one-fortieth (2.5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, or not less than 50 registered shareholders holding shares in the Company on which there has been paid up an average sum of not less than HK$2,000 per shareholder can make a requisition to the Company in writing to (a) give to the shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and/or (b) circulate to the shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting, at their own expense (unless the Company otherwise resolves).

The requisition must be signed by all the shareholder(s) concerned in one or more documents in like form and be deposited at the Registered Office for the attention of the Company Secretary with a sum reasonably sufficient to meet the Company's relevant expenses, not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution and not less than one week before the meeting in the case of any other requisition.

Pursuant to Article 105 of the Company's Articles of Association, a shareholder can propose a person for election to the office of Director at any general meeting by giving the Company notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected at least seven days before the date of the general meeting. The period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

COMPANY SECRETARY

The Company Secretary supports the Board and Board Committees by ensuring good information flow within the Board and that Board policy and procedures are followed.

The Company Secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary is appointed by the Board and reports to the Chairman.

The Company Secretary also plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

During the year ended 31 December 2012, the Company Secretary undertook over 15 hours of relevant professional training to update her skills and knowledge.

MEMORANDUM AND ARTICLES OF ASSOCIATION

During the year ended 31 December 2012, there was no change in the Company's Memorandum and Articles of Association. An up to date version of the Company's Memorandum and Articles of Association is available on the websites of the Company and HKEx.

INDEPENDENT AUDITOR'S REPORT

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 34 to 105, which comprise the consolidated and Company statements of financial position as at 31 December 2012, 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 2012, 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.

RMS Nelson Wheeler
Certified Public Accountants
Hong Kong

22 March 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012 *HK$'000*	2011 *HK$'000*
Continuing operations			
Revenue	7	**337,241**	333,485
Cost of sales		**(136,962)**	(124,485)
Gross profit		**200,279**	209,000
Other income	8	**5,723**	6,595
Selling and distribution costs		**(120,065)**	(99,931)
Administrative expenses		**(90,307)**	(72,492)
Depreciation and amortisation		**(19,935)**	(15,436)
Other operating gains/(losses), net	12	**45,721**	(19,540)
Profit from operations		**21,416**	8,196
Fair value gains/(losses) on investment properties, net		**1,400**	(3,700)
Deficits write-back/(deficits) on revaluation of resort and recreational club properties		**2,623**	(2,491)
Finance costs	9	**(750)**	(865)
Share of losses of an associate		**(1,976)**	(2,197)
Profit/(loss) before tax		**22,713**	(1,057)
Income tax expense	10	**—**	—
Profit/(loss) for the year from continuing operations		**22,713**	(1,057)
Discontinued operation			
Profit for the year from discontinued operation	11	**—**	37,278
Profit for the year	12	**22,713**	36,221

		2012	2011
		HK$'000	*HK$'000*
Attributable to:			
Owners of the Company			
Profit/(loss) from continuing operations		22,770	(1,057)
Profit from discontinued operation		–	37,310
Profit attributable to owners of the Company		22,770	36,253
Non-controlling interests			
Loss from continuing operations		(57)	–
Loss from discontinued operation		–	(32)
Loss attributable to non-controlling interests		(57)	(32)
		22,713	36,221

	Note	2012	2011
		HK$	*HK$*
Earnings/(loss) per share			
From continuing and discontinued operations			
– basic	15(a)(i)	1.38 cents	2.20 cents
– diluted	15(b)	N/A	N/A
From continuing operations			
– basic	15(a)(ii)	1.38 cents	(0.06 cents)
– diluted	15(b)	N/A	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 *HK$'000*	2011 *HK$'000*
Profit for the year	22,713	36,221
Other comprehensive income:		
Exchange differences on translating foreign operations	782	1,271
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	115,353	25,745
Fair value changes of available-for-sale debt investments	7,186	(6,390)
Release of revaluation reserve to income statement upon disposal of available-for-sale equity investments	(12,563)	–
Release of exchange fluctuation reserve to the income statement upon disposal of available-for-sale equity investments	(895)	–
Release of revaluation reserve to the income statement upon disposal of available-for-sale debt investments	657	(4,537)
Other comprehensive income for the year, net of tax	110,520	15,276
Total comprehensive income for the year	133,233	51,497
Attributable to:		
Owners of the Company	133,276	51,455
Non-controlling interests	(43)	42
	133,233	51,497

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	2012 *HK$'000*	2011 *HK$'000*
Non-current assets			
Property, plant and equipment	16	**105,850**	101,910
Investment properties	17	**100,000**	98,000
Intangible assets	18	**1,466**	1,551
Interest in an associate	20	**17,059**	18,965
Financial assets at fair value through profit or loss	21	**147,489**	123,600
Available-for-sale equity investments	22	**155,336**	39,983
Available-for-sale debt investments - notes receivables	23	**65,723**	20,697
Total non-current assets		**592,923**	404,706
Current assets			
Inventories	24	**63,713**	56,053
Trade and other receivables	25	**65,365**	35,331
Financial assets at fair value through profit or loss	21	**212,606**	211,847
Available-for-sale equity investments	22	**—**	23,849
Pledged bank deposits	26	**11,000**	11,000
Time deposits	26	**217,584**	293,896
Cash and bank balances	26	**115,255**	79,785
Total current assets		**685,523**	711,761
Current liabilities			
Trade and other payables	27	**69,443**	36,895
Interest-bearing bank and other borrowings	28	**2,390**	1,508
Current portion of debentures	29	**1,775**	2,602
Total current liabilities		**73,608**	41,005
Net current assets		**611,915**	670,756
Total assets less current liabilities		**1,204,838**	1,075,462

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2012

	Note	2012 *HK$'000*	2011 *HK$'000*
Total assets less current liabilities		**1,204,838**	1,075,462
Non-current liabilities			
Debentures	29	**2,407**	3,246
Deferred revenue		**7,555**	10,573
Total non-current liabilities		**9,962**	13,819
NET ASSETS		**1,194,876**	1,061,643
Capital and reserves			
Issued capital	31	**16,507**	16,507
Reserves	32	**1,177,503**	1,044,227
Equity attributable to owners of the Company		**1,194,010**	1,060,734
Non-controlling interests		**866**	909
TOTAL EQUITY		**1,194,876**	1,061,643

Approved by the Board of Directors on 22 March 2013

Joseph Wing Kong LEUNG
Chairman and Acting Chief Executive Officer

Derek Wai Choi LEUNG
Executive Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**1,457**	3,477
Investment properties	17	**104,200**	98,000
Interests in subsidiaries	19	**565,316**	344,398
Available-for-sale debt investments - notes receivables	23	**12,617**	20,697
Total non-current assets		**683,590**	466,572
Current assets			
Prepayments, deposits and other receivables	25	**5,882**	6,596
Due from a subsidiary	19	**375**	1,986
Financial assets at fair value through profit or loss	21	**194,892**	204,614
Pledged bank deposits	26	**10,000**	10,000
Time deposits	26	**215,442**	293,896
Cash and bank balances	26	**43,055**	29,624
Total current assets		**469,646**	546,716
Current liabilities			
Accruals and other payables		**7,894**	3,240
Net current assets		**461,752**	543,476
NET ASSETS		**1,145,342**	1,010,048
Capital and reserves			
Issued capital	31	**16,507**	16,507
Reserves	32	**1,128,835**	993,541
TOTAL EQUITY		**1,145,342**	1,010,048

Approved by the Board of Directors on 22 March 2013

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 2012

	Attributable to owners of the Company									
	Issued capital *HK$'000*	Share premium account *HK$'000* *(Note 32(c)(i))*	Capital redemption reserve *HK$'000* *(Note 32(c)(ii))*	Special reserve *HK$'000* *(Note 32(c)(iii))*	Available-for-sale investment revaluation reserve *HK$'000* *(Note 32(c)(v))*	Exchange fluctuation reserve *HK$'000* *(Note 32(c)(vi))*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
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
At 1 January 2012	**16,507**	**1,189,721**	**478**	**808,822**	**20,871**	**11,053**	**(986,718)**	**1,060,734**	**909**	**1,061,643**
Total comprehensive income and changes in equity for the year	**–**	**–**	**–**	**–**	**110,633**	**(127)**	**22,770**	**133,276**	**(43)**	**133,233**
At 31 December 2012	**16,507**	**1,189,721**	**478**	**808,822**	**131,504**	**10,926**	**(963,948)**	**1,194,010**	**866**	**1,194,876**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	22,713	36,221
Adjustments for:		
Depreciation	19,850	15,376
Amortisation of intangible assets	85	85
Amortisation of deferred revenue	(3,122)	(3,156)
Finance costs	750	865
Dividend income from listed equity investments	(5,541)	(5,738)
Dividend income from available-for-sale equity investment	—	(17,797)
Dividend income from an unlisted fund investment	(222)	—
Charge for inventories allowances	16,009	4,512
Interest income from:		
Financial assets at fair value through profit or loss	(22,150)	(17,808)
Other financial assets	(9,116)	(7,564)
Share of losses of an associate	1,976	2,197
Fair value losses/(gains) on investment properties, net	(1,400)	3,700
Deficits/(deficits write-back) on revaluation of resort and recreational club properties	(2,623)	2,491
Write-back of accrued payables	(382)	(23)
Impairment of trade receivables, net	30	35
Loss on disposal of property, plant and equipment	5	34
Fair value losses/(gains) of financial assets at fair value through profit or loss, net	(4,428)	55,292
Losses/(gains) on disposal of financial assets at fair value through profit or loss, net	(1,643)	1,195
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 equity investments	(13,475)	—
Gain on disposal of available-for-sales debt investments	(1,566)	(4,004)
Impairment loss of property, plant and equipment	490	—
Foreign exchange gains, net	(26)	(4,282)
Operating profit/(loss) before working capital changes	(3,786)	55,464
Increase in inventories	(23,669)	(13,384)
Increase in trade and other receivables	(12,970)	(2,238)
Increase/(decrease) in trade and other payables	33,007	(975)
Cash generated from/(used in) operations	(7,418)	38,867

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2012

	2012 *HK$'000*	2011 *HK$'000*
Cash generated from/(used in) operations	(7,418)	38,867
Interest received	10,581	6,647
Dividends received from listed investments	5,477	5,689
Dividends received from an unlisted fund investment	222	42
Dividends received from available-for-sale equity investment	—	17,797
Purchases of financial assets at fair value through profit or loss	(35,549)	(108,139)
Proceeds from disposal of financial assets at fair value through profit or loss	37,184	64,591
Net cash generated from operating activities	10,497	25,494
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(21,637)	(10,974)
Purchases of available-for-sale debt investments	(58,940)	(5,524)
Repayment from an associate, net	49	1,456
Proceeds by way of distribution in species from available-for-sale equity investments	7,262	—
Proceeds from disposal of property, plant and equipment	4	212
Proceeds from disposal of available-for-sale debt investments	23,370	16,823
Recovery of loan and other receivables	—	7,500
Decrease in pledged bank deposits	—	342
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	(5,203)	582
Net cash generated from/(used in) investing activities	(55,095)	10,417
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans raised	95,143	83,540
Repayment of bank loans	(94,257)	(101,168)
New issue of debenture	990	1,167
Redemption of debentures	(2,750)	(1,347)
Capital element of finance lease rental payments	(4)	(20)
Interest paid	(629)	(709)
Interest element of finance lease rental payments	—	(1)
Net cash used in financing activities	(1,507)	(18,538)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(46,105)	17,373
Effect of foreign exchange rate changes, net	60	365
CASH AND CASH EQUIVALENTS AT 1 JANUARY	373,324	355,586
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	327,279	373,324
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	115,255	79,785
Non-pledged time deposits with original maturity of less than three months when acquired	212,024	293,539
	327,279	373,324

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 2012. 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 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 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 translation 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 (z) 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 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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Operating leases

The Group as lessee

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.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(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.

(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) 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.

(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) 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.

(iii) Dividend income

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

(iv) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition (continued)

(v) Rental income

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

(vi) Consultancy, management and other services

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

(vii) Financial guarantee contracts

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

(t) 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)

(u) 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.

(v) 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.

(w) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Taxation (continued)

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.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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)

(x) 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).

(y) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) 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.

(aa) 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.

(bb) 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.

(c) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

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 note 21 to the financial statements, the fair value of the investment in convertible bonds classified as financial assets at fair value through profit or loss at the end of the reporting period was 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.

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, Euro dollar and Renminbi. 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 2012, 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$1,327,000 lower/higher (2011: HK$1,598,000), arising mainly as a result of the net foreign exchange gain/loss on notes receivables, bank deposits and trade payables denominated in US dollar.

At 31 December 2012, 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$763,000 higher/lower (2011: HK$321,000), arising mainly as a result of the foreign exchange gain/loss on bank deposits and trade payables denominated in Euro dollar.

At 31 December 2012, if the Hong Kong dollar had strengthened/weakened 5% against the Renminbi with all other variables held constant, consolidated profit after tax for the year would have been HK$3,199,000 lower/higher (2011: HK$27,000), arising mainly as a result of the foreign exchange gain/loss on bank deposits denominated in Renminbi.

(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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Price risk (continued)

The Group's equity investments classified as fair value through profit or loss 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 2012	2012 High/low	31 December 2011	2011 High/low
Hong Kong – Hang Seng Index	22,657	22,719/ 18,056	18,434	24,469/ 16,170

At 31 December 2012, 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$8,079,000 higher/lower (2011: HK$8,605,000), arising as a result of the fair value gain/loss of these investments.

The Group's equity investment classified as available-for-sale equity investments is listed on GreTai Security Market ("GTSM") in Taiwan. At 31 December 2012, if the share price of available-for-sale equity investment increase/decrease by 5%, other comprehensive income after tax for the year would have been HK$7,767,000 higher/lower arising as a result of the fair value gain/loss of this investment.

The Group's debt investments are primarily listed on The Stock Exchange of Hong Kong Limited, The Singapore Exchange Securities Trading Limited or traded over-the-counter. At 31 December 2012, if the prices of the debt investments increase/decrease by 5%, consolidated profit after tax for the year would have been HK$2,228,000 higher/lower (2011: HK$1,696,000), 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$3,286,000 higher/lower (2011: HK$1,035,000), 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 and investments 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 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 the counterparties fail to meet its obligation when dealing in listed investments or investments traded over-the-counter is limited because the counterparties are well-established securities broker firms or banks 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 2012				
Trade payables and financial liabilities included in other payables	**61,064**	**—**	**—**	**61,064**
Interest-bearing bank and other borrowings	**2,390**	**—**	**—**	**2,390**
Debentures	**1,800**	**627**	**1,830**	**4,257**
	65,254	**627**	**1,830**	**67,711**

	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)

(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 2012, 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$1,048,000 higher/lower (2011: HK$1,510,000), 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.

(f) Categories of financial instruments at 31 December

	2012 *HK$'000*	2011 *HK$'000*
Financial assets:		
Financial assets at fair value through profit or loss		
– held for trading	**212,606**	211,847
– designated as such upon initial recognition	**147,489**	123,600
Loans and receivables (including cash and cash equivalents and time deposits)	**404,465**	417,474
Available-for-sale financial assets	**221,059**	84,529
	985,619	837,450
Financial liabilities:		
Financial liabilities at amortised costs	**67,636**	35,020

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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).

Disclosures of level in fair value hierarchy at 31 December 2012:

	Fair value measurement using:			**Total**
	Level 1	**Level 2**	**Level 3**	**2012**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets at fair value through profit or loss:				
Equity and debt investments	**212,606**	**—**	**—**	**212,606**
Convertible bonds	**—**	**—**	**147,489**	**147,489**
Available-for-sale financial assets:				
Debt investments	**65,723**	**—**	**—**	**65,723**
Equity investments	**155,336**	**—**	**—**	**155,336**
Total	**433,665**	**—**	**147,489**	**581,154**

	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

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 2011	109,843	—	109,843
Transfers to level 3 *(note)*	—	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 and 1 January 2012	**123,600**	**23,849**	**147,449**
Total gain or loss recognised			
– in consolidated income statement	**23,889**	**—**	**23,889**
Disposal	**—**	**(23,849)**	**(23,849)**
At 31 December 2012	**147,489**	**—**	**147,489**

Note: During the year ended 31 December 2011, available-for-sale equity investments, which were carried at cost less impairment as at 1 January 2011, were measured at fair value based on level 3.

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 including lodging 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 losses of an associate;
- Fair value gains/(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 2012:					
Revenue from external customers	307,387	–	14,975	14,879	337,241
Segment profit/(loss)	2,615	–	(8,398)	33,386	27,603
Segment profit/(loss)includes:					
Fair value gains on financial assets at fair value through profit or loss, net	–	–	–	4,428	4,428
Gains on disposal of financial assets at fair value through profit or loss, net	–	–	–	1,643	1,643
Gain on disposal of available-for-sale debt investments	–	–	–	1,566	1,566
Gain on disposal of available-for-sale equity investments	–	–	–	13,475	13,475
Interest income from:					
– Financial assets at fair value through profit or loss	–	–	–	22,150	22,150
– Other financial assets	–	–	–	9,116	9,116
Write-back of accrued payables	143	–	239	–	382
Depreciation and amortisation	14,160	–	4,330	1,445	19,935
Charge for inventories allowances	16,009	–	–	–	16,009
Impairment of trade receivables, net	–	–	30	–	30
Impairment loss of property, plant and equipment	490	–	–	–	490
Other segment information:					
Share of losses of an associate	–	–	(1,976)	–	(1,976)
Additions to property, plant and equipment	21,059	–	578	–	21,637
As at 31 December 2012:					
Segment assets	178,388	–	159,319	923,680	1,261,387
Segment liabilities	(45,625)	–	(21,648)	(13,907)	(81,180)
Interest in an associate	–	–	17,059	–	17,059

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
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)

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

	2012 *HK$'000*	2011 *HK$'000*
Profit or loss		
Total profit or loss of reportable segments	27,603	50,436
Unallocated corporate administrative expenses	(6,187)	(4,962)
Share of losses of an associate	(1,976)	(2,197)
Fair value gains/(losses) on investment properties, net	1,400	(3,700)
Deficits write-back/(deficits) on revaluation of resort and recreational club properties	2,623	(2,491)
Finance costs	(750)	(865)
Elimination of discontinued operation	—	(37,278)
Consolidated profit/(loss) for the year from continuing operations	22,713	(1,057)
Assets		
Total assets of reportable segments	1,261,387	1,097,502
Interest in an associate	17,059	18,965
Consolidated total assets	1,278,446	1,116,467
Liabilities		
Total liabilities of reportable segments	(81,180)	(53,316)
Interest-bearing bank and other borrowings	(2,390)	(1,508)
Consolidated total liabilities	(83,570)	(54,824)

Geographical information:

	Revenue		Non-current assets	
	2012 *HK$'000*	2011 *HK$'000*	2012 *HK$'000*	2011 *HK$'000*
Hong Kong	318,681	316,429	294,427	240,902
Mainland China	14,310	13,832	100,328	102,450
Other Asia Pacific regions	3,999	3,206	198,168	61,354
Others	251	18	—	—
Discontinued operation	—	43,205	—	—
Consolidated total	337,241	376,690	592,923	404,706

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:

	2012 *HK$'000*	2011 *HK$'000*
Wholesale and retail of fashion wear and accessories	307,387	287,033
Resort and recreational club operations	14,975	15,353
Dividend income from listed equity investments	5,541	5,738
Dividend income from available-for-sale unlisted equity investments	—	17,797
Dividend income from an unlisted fund investment	222	—
Interest income	9,116	7,564
	337,241	333,485

8. OTHER INCOME

	2012 *HK$'000*	2011 *HK$'000*
Rental income	805	1,950
Management fees	1,002	1,116
Others	3,916	3,529
	5,723	6,595

9. FINANCE COSTS

	2012 *HK$'000*	2011 *HK$'000*
Interest on bank loans and overdrafts	629	709
Interest on a finance lease	—	1
Accretion of interest on debentures	121	155
	750	865

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2012 (2011: 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.

The tax rate applicable for the assessable profit arising in Hong Kong is 16.5% (2011: 16.5%).

The tax rate applicable to the subsidiaries in the PRC for PRC enterprise income tax is 25% (2011: 25%).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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:

	2012		2011	
	HK$'000	**%**	*HK$'000*	%
Profit before tax from continuing and discontinued operations	**22,713**		36,221	
Tax at the weighted average tax rate	**395**	**1.7**	6,080	16.8
Tax effect of income that is not taxable	**(5,567)**	**(24.5)**	(15,105)	(41.7)
Tax effect of expenses that are not deductible	**6,441**	**28.4**	5,792	16.0
Tax effect of utilisation of tax losses not previously recognised	**(6,499)**	**(28.6)**	(6,025)	(16.6)
Tax effect of tax losses not recognised	**5,230**	**23.0**	9,258	25.5
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 31 December 2011, which have been included in consolidated income statement, are as follows:

	HK$'000
Revenue	43,205
Other income	908
Administrative expenses	(7,603)
Depreciation and amortisation	(25)
Other operating gains, net	793
Profit before tax	37,278
Income tax expense *(note 10)*	—
Profit for the year	37,278

During the year ended 31 December 2011, the discontinued operation received net cash of approximately HK$35,742,000 in respect of operating activities.

The revenue from discontinued operation for the year ended 31 December 2011 represents the recovery of disputed services fee income amounting to approximately US$5,500,000 from an international telecommunications carrier which arose in previous year.

12. PROFIT FOR THE YEAR

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

	2012 *HK$'000*	2011 *HK$'000*
Cost of inventories sold#	**136,745**	124,257
Depreciation	**19,850**	15,376
Amortisation of intangible assets	**85**	85
Auditor's remuneration for audit services	**1,009**	918
Other operating lease charges for land and buildings (included contingent rentals of HK$5,789,000 (2011: HK$8,534,000))	**71,754**	58,415
Charge for inventories allowances	**16,009**	4,512
Direct operating expenses of investment properties that generate rental income	**61**	—
Losses/(gains) from financial assets at fair value through profit or loss, net*:		
Held-for-trading		
Interest income	**(1,992)**	(1,097)
Fair value losses/(gains), net	**(697)**	52,338
Losses/(gains) on disposal, net	**(1,643)**	1,195
	(4,332)	52,436
Designated as such upon initial recognition		
Interest income	**(20,158)**	(16,711)
Fair value losses/(gains), net	**(3,731)**	2,954
	(23,889)	(13,757)
Fair value losses/(gains) on investment properties, net	**(1,400)**	3,700
Gain on disposal of available-for-sales debt investments*	**(1,566)**	(4,004)
Gain on disposal of available-for-sales equity investments*	**(13,475)**	—
Loss on disposal of property, plant and equipment*	**5**	34
Employee benefits expense (including directors' emoluments *(note 13)*):		
Salaries, wages and other benefits	**75,290**	70,150
Pension scheme contributions under defined contribution schemes	**2,964**	2,465
	78,254	72,615
Amortisation of deferred revenue	**(3,122)**	(3,156)
Write-back of accrued payables*	**(382)**	(23)
Rental income	**(805)**	(1,950)
Foreign exchange gains, net*	**(2,572)**	(9,772)
Impairment of trade receivables, net	**30**	35
Impairment loss of property, plant and equipment*	**490**	—
Deficits/(deficits write-back) on revaluation of resort and recreational club properties	**(2,623)**	2,491
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 gains/(losses), net" from continuing and discontinued operations.

\# Cost of inventories sold included charge of inventories allowances of HK$16,009,000 (2011: HK$4,512,000).

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) The emoluments of each director, including the Chief Executive, 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	215	–	1,715
Mr. Raymond Siu Wing CHAN	60	2,040	100	14	2,214
Mr. Victor Yiu Keung CHIANG	60	1,776	100	14	1,950
Mr. Derek Wai Choi LEUNG	60	–	100	–	160
Mr. Wing Tung YEUNG	60	2,128	100	14	2,302
Non-executive director:					
Mr. Raymond Shing Loong WONG *(note ii)*	60	–	–	–	60
Independent non-executive directors:					
Dr. Cecil Sze Tsung CHAO *(note ii)*	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 2012	900	7,324	615	42	8,881

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) The emoluments of each director, including the Chief Executive, were as follows: (continued)

	Fees *HK$'000*	Salaries allowances and benefits in kind *HK$'000*	Performance related bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total *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 i)*	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

Notes:

(i) Appointed on 14 March 2011

(ii) Resigned on 1 January 2013

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Five highest paid individuals:

The five highest paid individuals in the Group during the year included four (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2011: two) individuals are set out below:

	2012	2011
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,445**	3,808
Performance related bonuses	**100**	100
Pension scheme contributions	**14**	22
	2,559	3,930

The emoluments fell within the following bands:

	Number of individuals	
	2012	2011
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**1**	1
	1	2

No share options or any other forms of share-based payments were granted to the directors and highest paid individuals during the year (2011: 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.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(c) Emoluments of senior management

The emoluments of the senior management, whose profiles are included in Senior Management Profile section of 2012 and 2011 annual report of the Company and included one (2011: one) of the five highest paid individuals analysis presented above, fell within the following bands:

	Number of individuals	
	2012	2011
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$1,500,000	**2**	2
HK$2,000,001 to HK$2,500,000	**—**	—
HK$2,500,001 to HK$3,000,000	**1**	1
	5	4

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit for the year of approximately HK$129,068,000 (2011: HK$18,418,000) attributable to owners of the Company was 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$22,770,000 (2011: HK$36,253,000) and the weighted average number of ordinary shares of 1,650,658,676 (2011: 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 profit for the year from continuing operations attributable to owners of the Company of HK$22,770,000 (2011: loss of HK$1,057,000) and the denominator used is the same as that detailed above for basic earnings per share.

(iii) From discontinued operation

For the year ended 31 December 2011, the calculation of basic earnings per share from discontinued operation of 2.26 HK cents is based on the profit for the year from discontinued operation attributable to the owners of the Company of HK$37,310,000 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 2012 and 2011.

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 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 and 1 January 2012	**80,000**	**7,836**	**58,546**	**–**	**3,432**	**149,814**
Additions	**423**	**–**	**21,214**	**–**	**–**	**21,637**
Disposals	**–**	**–**	**(11,642)**	**–**	**(481)**	**(12,123)**
Deficits write-back on revaluation	**2,623**	**–**	**–**	**–**	**–**	**2,623**
Elimination of accumulated depreciation	**(3,246)**	**–**	**–**	**–**	**–**	**(3,246)**
Exchange realignment	**–**	**2**	**62**	**–**	**6**	**70**
At 31 December 2012	**79,800**	**7,838**	**68,180**	**–**	**2,957**	**158,775**
Accumulated depreciation and impairment:						
At 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 and 1 January 2012	**–**	**4,863**	**39,667**	**–**	**3,374**	**47,904**
Depreciation provided during the year	**3,246**	**1,775**	**14,804**	**–**	**25**	**19,850**
Impairment loss	**–**	**–**	**490**	**–**	**–**	**490**
Write-back on revaluation	**(3,246)**	**–**	**–**	**–**	**–**	**(3,246)**
Disposals	**–**	**–**	**(11,633)**	**–**	**(481)**	**(12,114)**
Exchange realignment	**–**	**2**	**34**	**–**	**5**	**41**
At 31 December 2012	**–**	**6,640**	**43,362**	**–**	**2,923**	**52,925**

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 2012	**79,800**	**1,198**	**24,818**	**–**	**34**	**105,850**
At 31 December 2011	80,000	2,973	18,879	–	58	101,910

The analysis of the cost or valuation at 31 December 2012 of the above assets is as follows:

At cost	**–**	**7,838**	**68,180**	**–**	**2,957**	**78,975**
At valuation	**79,800**	**–**	**–**	**–**	**–**	**79,800**
	79,800	**7,838**	**68,180**	**–**	**2,957**	**158,775**

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 Group's resort and recreational club properties were revalued at 31 December 2012 and 2011 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$31,244,000 (2011: HK$31,727,000) 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.

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Company		
	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
Cost:			
At 1 January 2011	6,669	1,239	7,908
Additions	732	3	735
At 31 December 2011, 1 January 2012 and 31 December 2012	**7,401**	**1,242**	**8,643**
Accumulated depreciation and impairment:			
At 1 January 2011	2,635	484	3,119
Depreciation provided during the year	1,793	254	2,047
At 31 December 2011 and 1 January 2012	**4,428**	**738**	**5,166**
Depreciation provided during the year	**1,775**	**245**	**2,020**
At 31 December 2012	**6,203**	**983**	**7,186**
Net carrying amount:			
At 31 December 2012	**1,198**	**259**	**1,457**
At 31 December 2011	2,973	504	3,477

17. INVESTMENT PROPERTIES

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 January	**98,000**	98,200
Fair value gains/(losses), net	**1,400**	(3,700)
Exchange realignment	**600**	3,500
At 31 December	**100,000**	98,000

At 31 December 2012, the Group's investment properties comprised industrial property units situated in Hong Kong of HK$24,400,000 (2011: HK$18,000,000) and resort and recreational club properties situated in Mainland China of HK$75,600,000 (2011: HK$80,000,000). These properties are held under medium term leases.

The Group's industrial property units are held to earn rental income and capital appreciation purpose whereas its resort and recreational club properties are held for lease 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 35 to the financial statements.

The Group's investment properties were revalued individually at 31 December 2012 and 2011 by independent professional qualified valuers, DTZ. Valuation of industrial property was based on current prices in an active market for both years. Valuation of resort and recreational club properties as at 31 December 2012 was based on direct comparison method (2011: open market, existing use basis).

As disclosed in note 19 to the financial statements, the Group has conditionally agreed to dispose of its wholly-owned subsidiary which held its resort and recreational club properties. Taking into consideration of the intended disposal, the management was of the view that the direct comparison method by reference to market evidence of recent and comparable sales transactions should be more appropriate to reflect the fair value of resort and recreational club properties as at 31 December 2012.

17. INVESTMENT PROPERTIES (CONTINUED)

	Company	
	2012	2011
	HK$'000	*HK$'000*
At 1 January	**98,000**	97,700
Fair value gains, net	**6,200**	300
At 31 December	**104,200**	98,000

At 31 December 2012, the Company's investment properties comprised industrial property units of HK$24,400,000 (2011: HK$18,000,000) and resort and recreational club properties of HK$79,800,000 (2011: HK$80,000,000) which are situated in Hong Kong. These properties are held under medium term leases.

The Company's industrial property units are held to earn rental income and 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 Company's investment properties were revalued individually at 31 December 2012 and 2011 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 106.

18. INTANGIBLE ASSETS

	Group Trademarks HK$'000
Cost:	
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	**1,700**
Accumulated amortisation:	
At 1 January 2011	64
Amortisation for the year	85
At 31 December 2011 and 1 January 2012	**149**
Amortisation for the year	**85**
At 31 December 2012	**234**
Net carrying amount:	
At 31 December 2012	**1,466**
At 31 December 2011	1,551

The Group's trademarks protect the design and specification of the Group's products. The average remaining amortisation period of the trademarks is approximately 17 years (2011: 18 years).

19. INTERESTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	*HK$'000*
Unlisted shares, at cost	**12,700**	12,700
Due from subsidiaries	**1,563,971**	1,443,268
	1,576,671	1,455,968
Provision for impairment	**(1,011,355)**	(1,111,570)
	565,316	344,398

As at 31 December 2012, non-current portion of the amounts due from subsidiaries are unsecured, interest-free and not due for settlement within one year except for the principal amount of HK$100,000,000 (2011: HK$100,000,000) which bears interest at 12% per annum compounded semi-annually.

The amount due from a subsidiary which is classified as current assets is unsecured, interest-free and has 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 Direct	Indirect	Principal activities
Cesare di Pino Company Limited	Hong Kong	HK$10,000	–	100	Retail and wholesale of fashion wear and accessories
Cesare di Pino (Beijing) Limited (帝奇諾(北京)時裝有限公司)*#	PRC/Mainland China	US$300,000	–	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
ENM Wealth Management Limited (formerly known as e-New Media Technology Limited)	British Virgin Islands/Hong Kong	US$1	100	–	Investment holding and securities trading
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

19. INTERESTS IN SUBSIDIARIES (CONTINUED)

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	
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
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	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.

On 4 August 2012, the Group entered into an agreement (the "First Disposal Agreement") with Shanghai Xingyuan Shiyei Company Limited (上海興遠實業有限公司) pursuant to which the Group conditionally agreed to dispose of its entire equity interest in its wholly-owned subsidiary, Shanghai Hilltop Resort Hotel Ltd., for a consideration of RMB46,750,000 (equivalent to approximately HK$57,503,000). Details of the First Disposal Agreement are set out in the Company's announcement and circular dated 4 August 2012 and 4 September 2012 respectively.

The disposal constitutes a connected transaction, as defined in Chapter 14A of the Listing Rules, further details of which are included in the Report of the Directors on page 17.

The successful completion of the disposal is subject to the fulfillment of the conditions stated in the First Disposal Agreement which include the approval from relevant authorities in the PRC. As of the date of these financial statements, the approval from relevant authorities in the PRC has not yet obtained and all parties to the First Disposal Agreement have agreed to extend the long stop date for obtaining such approval from 31 March 2013 to 31 August 2013. Accordingly, the assets and liabilities attributable to Shanghai Hilltop were not classified as disposal group held for sale as at 31 December 2012.

20. INTEREST IN AN ASSOCIATE

	Group	
	2012	2011
	HK$'000	*HK$'000*
Unlisted investment:		
Share of net assets	**12,770**	14,627
Goodwill on acquisition	**467**	467
	13,237	15,094
Due from an associate	**3,822**	3,871
	17,059	18,965

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$144,000 (equivalent to HK$1,117,000) (2011: US$165,000 (equivalent to HK$1,284,000)) 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
			2012	2011	
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.

On 4 August 2012, the Group together with other vendors entered into an agreement (the "Second Disposal Agreement") with Shanghai Xingyuan Shiyei Company Limited (上海興遠實業有限公司) pursuant to which the Group conditionally agreed to dispose of its entire equity interest of 35% in its associate, Shanghai Landis, for a consideration of RMB23,250,500 (equivalent to approximately HK$28,598,000). Details of the Second Disposal Agreement are set out in the Company's announcement and circular dated 4 August 2012 and 4 September 2012 respectively.

The disposal constitutes a connected transaction, as defined in Chapter 14A of the Listing Rules, further details of which are included in the Report of the Directors on page 17.

The successful completion of the disposal is subject to the fulfillment of the conditions stated in the Second Disposal Agreement which include the approval from relevant authorities in the PRC. As of the date of these financial statements, the approval from relevant authorities in the PRC has not yet obtained and all parties to the Second Disposal Agreement have agreed to extend the long stop date for obtaining such approval from 31 March 2013 to 31 August 2013. Accordingly, the interest in the associate, Shanghai Landis was not classified as non-current assets held for sale as at 31 December 2012.

20. INTEREST IN AN ASSOCIATE (CONTINUED)

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

	2012 HK$'000	2011 HK$'000
At 31 December		
Total assets	63,266	72,847
Total liabilities	(26,781)	(31,056)
Net assets	36,485	41,791
Year ended 31 December		
Revenue	34,357	43,770
Loss for the year	(5,646)	(6,277)

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Listed investments, at fair value *(note a)*:				
Hong Kong	172,146	175,582	169,994	168,349
Outside Hong Kong	17,246	24,308	17,246	24,308
Market value of listed investments	189,392	199,890	187,240	192,657
Unlisted investments, at fair value:				
Convertible bonds *(note b)*	147,489	123,600	—	—
Others *(note c)*	23,214	11,957	7,652	11,957
	170,703	135,557	7,652	11,957
	360,095	335,447	194,892	204,614
Analysed as:				
Current assets	212,606	211,847	194,892	204,614
Non-current assets	147,489	123,600	—	—
	360,095	335,447	194,892	204,614

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

Notes:

(a) The listed investments at 31 December 2012 and 2011 were classified as held for trading. The fair values of listed investments are based on quoted market prices.

As at 31 December 2012 and 2011, 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	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Market value of ordinary shares of China Motor Bus Company, Limited	**132,517**	131,896	**132,517**	131,323
Proportion of ownership interest	**4.5%**	4.5%	**4.5%**	4.5%

(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 CBRE HK 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 2012	At 31 December 2011
Expected volatility	**36.26%**	36.54%
Expected life	**2.49 years**	3.49 years
Risk free rate	**0.12%**	1.01%
Discount rate	**11.19%**	25.42%

Interest income from the Unlisted Convertible Bonds is recognised based on effective interest rates at 19.66% (2011: 19.66%).

(c) Other unlisted investments at 31 December 2012 and 2011 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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Equity investment listed outside Hong Kong, at fair value *(note a)*	**155,336**	39,983
Unlisted equity investments, at fair value *(note b)*	**–**	23,849
	155,336	63,832
Analysed as:		
Current assets	**–**	23,849
Non-current assets	**155,336**	39,983
	155,336	63,832

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.

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 fair value of investment in Genovate as at 31 December 2012 was based on quoted market price.

(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.

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. The disposal was completed on 29 January 2012 and a gain on disposal of HK$13,458,000 was recognised in profit or loss 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.

During the year ended 31 December 2011, 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 ended 31 December 2011. During the year ended 31 December 2012, SinoPay applied for members' voluntary winding-up. The liquidation was completed on 27 August 2012. Final distribution of HK$7,262,000 was received by the Group and a gain on disposal of HK$17,000 was recognised in profit or loss for the year.

23. AVAILABLE-FOR-SALE DEBT INVESTMENTS - NOTES RECEIVABLES

	Group	
	2012	2011
	HK$'000	*HK$'000*
Listed senior notes*, at fair value:		
Market value of listed senior notes	**65,723**	20,697

* Listed as selectively marketed securities on The Stock Exchange of Hong Kong Limited and The Singapore Exchange Securities Trading Limited.

At 31 December 2012, the Group held listed senior notes with an aggregate principal amount of US$7,999,000 (equivalent to HK$62,232,000) (2011: US$3,360,000 (equivalent to HK$26,141,000)), which were mainly issued/guaranteed by companies listed on The Stock Exchange of Hong Kong Limited. The fair value of the listed senior notes is based on quoted market prices. The senior notes have maturity dates ranging from 16 February 2015 to 20 September 2022 (2011: 11 August 2015 to 3 August 2017).

Interest income from the listed senior notes is recognised based on effective interest rate ranging from 3.3% to 12.45% (2011: 9.10% to 11.45%).

	Company	
	2012	2011
	HK$'000	*HK$'000*
Listed senior notes*, at fair value:		
Market value of listed senior notes	**12,617**	20,697

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

At 31 December 2012, the Company held listed senior notes with an aggregate principal amount of US$1,454,000 (equivalent to HK$11,312,000) (2011: US$3,360,000 (equivalent to HK$26,141,000)), which were mainly issued/guaranteed by companies listed on The Stock Exchange of Hong Kong 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 16 October 2017 (2011: 11 August 2015 to 3 August 2017).

Interest income from the listed senior notes is recognised based on effective interest rate ranging from 5.41% to 12.45% (2011: 9.10% to 11.45%).

24. INVENTORIES

As at 31 December 2012 and 2011, all of the Group's inventories represented finished goods.

25. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**4,957**	3,762	**–**	–
Less: Impairment of trade receivables	**(321)**	(291)	**–**	–
	4,636	3,471	**–**	–
Rental and other deposits	**32,093**	23,133	**1,087**	945
Prepayments and other receivables	**28,636**	8,727	**4,795**	5,651
	65,365	35,331	**5,882**	6,596

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.

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

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**4,257**	3,185
2 to 3 months	**371**	262
Over 3 months	**8**	24
	4,636	3,471

Reconciliation of impairment of trade receivables:

	Group	
	2012	2011
	HK$'000	*HK$'000*
At 1 January	**291**	365
Amount written off as uncollectible	**–**	(109)
Impairment losses recognised, net	**30**	35
At 31 December	**321**	291

25. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2012, trade receivables of HK$219,000 (2011: 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	
	2012	2011
	HK$'000	*HK$'000*
Less than 1 month past due	**193**	253
1 to 3 months past due	**22**	22
Over 3 months past due	**4**	11
	219	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.

26. 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 28 to the financial statements.

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**61,662**	53,310	**17,305**	16,476
US dollars	**199,804**	319,559	**188,989**	316,480
Renminbi*	**80,543**	11,169	**61,662**	509
Others	**1,830**	643	**541**	55
	343,839	384,681	**268,497**	333,520

* 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.

27. TRADE AND OTHER PAYABLES

Included in the Group's trade and other payables as at 31 December 2012 are trade and bills payables of HK$21,568,000 (2011: HK$11,328,000). As at 31 December 2012, the Company had no trade and bills payables (2011: Nil). An ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**20,004**	11,288
2 to 3 months	**1,116**	23
Over 3 months	**448**	17
	21,568	11,328

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

	2012	2011
	HK$'000	*HK$'000*
Hong Kong dollars	**599**	613
US dollars	**166**	31
Euro dollars	**20,245**	10,641
Others	**558**	43
Total	**21,568**	11,328

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2012	2011
	HK$'000	*HK$'000*
Bank loans	**2,390**	1,504
Finance lease payables	**—**	4
	2,390	1,508

The interest-bearing bank and other borrowings of the Group are repayable within one year and denominated in Hong Kong dollars.

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

The effective interest rates at 31 December were as follows:

	2012	2011
Bank loans	2.4% to 5.25%	3% to 6%
Finance lease payables	–	5%

Bank loans of HK$1,092,000 (2011: HK$1,320,000) are secured by a charge over the Group's time deposits and the remaining balance is unsecured.

29. DEBENTURES

Each debenture holder is entitled to be a debenture member of the Hilltop Country Club (the "Club") operated by a subsidiary of the 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 2012, the redeemable periods of the Group's debentures carried at amortised cost were as follows:

	Group	
	2012 *HK$'000*	2011 *HK$'000*
Within one year classified as current liabilities	1,775	2,602
In the second year	621	1,750
In the third to fifth years, inclusive	1,786	1,496
Non-current portion	2,407	3,246
	4,182	5,848

All redeemable debentures are denominated in Hong Kong dollars, interest-free and may be renewed upon maturity.

30. DEFERRED TAX

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

	Group		
	Depreciation allowance in excess of related depreciation *HK$'000*	Losses available for offsetting against future taxable profits *HK$'000*	Total *HK$'000*
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 and at 1 January 2012	**9,795**	**(9,795)**	**—**
Deferred tax charged/(credited) to the consolidated income statement for the year	**(6,257)**	**6,257**	**—**
At 31 December 2012	**3,538**	**(3,538)**	**—**

At the end of the reporting period, the Group has unused tax losses of HK$589,107,000 (2011: HK$551,832,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$21,443,000 (2011: HK$59,363,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$567,664,000 (2011: HK$492,469,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$10,395,000 (2011: HK$7,755,000) 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.

31. SHARE CAPITAL

	Group and Company	
	2012	2011
	HK$'000	*HK$'000*
Authorised:		
100,000,000,000 (2011: 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 (2011: 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.

31. 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 2012 and 31 December 2011.

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	
	2012	2011
	HK$'000	*HK$'000*
Interest-bearing bank and other borrowings	**2,390**	1,508
Debentures	**4,182**	5,848
Total borrowings	**6,572**	7,356
Owners' equity	**1,194,010**	1,060,734
Gearing ratio	**0.55%**	0.69%

32. 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 36 and 40 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 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 and 1 January 2012	**1,189,721**	**478**	**808,822**	**(4,873)**	**(1,000,607)**	**993,541**
Changes in fair value of available-for-sale debt investments	**–**	**–**	**–**	**5,903**	**–**	**5,903**
Release of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments	**–**	**–**	**–**	**323**	**–**	**323**
Profit for the year	**–**	**–**	**–**	**–**	**129,068**	**129,068**
At 31 December 2012	**1,189,721**	**478**	**808,822**	**1,353**	**(871,539)**	**1,128,835**

(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.

32. RESERVES (CONTINUED)

(c) Nature and purpose of reserves (continued)

(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 31(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.

33. 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.

No options have been granted under the Scheme since its inception and Scheme was expired on 13 June 2012.

34. CONTINGENT LIABILITIES

At 31 December 2012, 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$50,000,000 (2011: HK$40,000,000).

(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 (2011: 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$7,364,000 (2011: HK$8,020,000) and HK$7,440,000 (2011: HK$2,281,000) respectively.

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

35. 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 2012, the Group had total future minimum lease receivables under a non-cancellable operating lease with the associate falling due as follows:

	Group	
	2012	2011
	HK$'000	*HK$'000*
Within one year	**1,662**	1,648
In the second to fifth years, inclusive	**4,154**	5,769
	5,816	7,417

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 2012, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**74,737**	55,326	**2,956**	2,826
In the second to fifth years, inclusive	**90,313**	68,642	**5,912**	—
	165,050	123,968	**8,868**	2,826

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.

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following material commitments as at the end of the reporting period:

(a) Capital commitments

	Group	
	2012	2011
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Renovation of leased properties	885	—
Furniture, fixtures and equipment	49	—
	934	—

(b) Other commitment

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$2,790,000) 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$2,046,000) 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 2012, the minimum amount payable to the Mainland China joint venture partner by Shanghai Hilltop up to 2022 under the above arrangement was HK$27,900,000 (2011: HK$30,443,000), of which HK$7,161,000 (2011: HK$9,133,000) will be absorbed by Shanghai Landis up to 30 June 2016.

37. 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	
	Note	**2012**	2011
		HK$'000	*HK$'000*
Rental expenses, building management fees and air-conditioning charges paid to related companies	(i)	**4,071**	3,909
Rental income from an associate	(ii)	**690**	1,950

Notes:

(i) 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.

(ii) 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.

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

	2012	2011
	HK$'000	*HK$'000*
Short term employee benefits	**14,951**	15,096
Pension scheme contributions	**98**	103
Total compensation paid to key management personnel	**15,049**	15,199

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

The related party transactions in respect of item (a)(i) above constitute continuing connected transactions, as defined in Chapter 14A of the Listing Rules, further details of which are included in the Report of the Directors on pages 17 to 19.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2013.

PARTICULARS OF PROPERTIES

31 December 2012

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
2737-2779 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	Industrial	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				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**337,241**	333,485	289,058	231,526	261,920
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**25,439**	39,283	47,755	32,069	(93,848)
Finance costs	**(750)**	(865)	(1,133)	(930)	(820)
Share of profits and losses of associates	**(1,976)**	(2,197)	1,390	(549)	7,420
PROFIT/(LOSS) BEFORE TAX	**22,713**	36,221	48,012	30,590	(87,248)
Tax	**—**	—	—	—	4,413
PROFIT/(LOSS) FOR THE YEAR	**22,713**	36,221	48,012	30,590	(82,835)
Attributable to:					
Equity holders of the Company	**22,770**	36,253	48,051	30,612	(82,739)
Non-controlling interests	**(57)**	(32)	(39)	(22)	(96)
	22,713	36,221	48,012	30,590	(82,835)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,278,446**	1,116,467	1,086,798	1,040,281	995,492
TOTAL LIABILITIES	**(83,570)**	(54,824)	(76,652)	(80,694)	(69,500)
NON-CONTROLLING INTERESTS	**(866)**	(909)	(867)	(833)	(855)
	1,194,010	1,060,734	1,009,279	958,754	925,137

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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, 33rd Floor, 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

286

WEB SITE

www.enmholdings.com

STOCK CODE

Hong Kong Stock Exchange: 0128
American Depositary Receipt: ENMHY

CORPORATE COMMUNICATIONS

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