



安寧控股有限公司

ENM Holdings Limited *Stock Code : 00128*

2015 Annual Report

CONTENTS

2	Report of the Directors	41	Consolidated Statement of Financial Position
10	Management Discussion and Analysis	43	Consolidated Statement of Changes in Equity
19	Biographies of Directors	44	Consolidated Statement of Cash Flows
22	Biographies of Senior Management	46	Notes to the Consolidated Financial Statements
23	Corporate Governance Report	106	Particulars of Properties
37	Independent Auditor's Report	107	Five-Year Financial Summary
39	Consolidated Statement of Profit or Loss	108	Corporate Information
40	Consolidated Statement of Profit or Loss and Other Comprehensive Income		

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements of ENM Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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.

Further discussion and analysis of the Group’s principal activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “Companies Ordinance”), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group’s business, can be found in the section headed “Management Discussion and Analysis” on pages 10 to 18 of this Annual Report. The section headed “Management Discussion and Analysis” forms part of this Report of the Directors.

RESULTS AND DIVIDENDS

The result of the Group for the year ended 31 December 2015 is set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 39 and 40.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2015.

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 consolidated financial statements and restated/reclassified as appropriate, is set out on page 107.

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

INVESTMENT PROPERTIES

Particulars of the investment properties of the Group are set out on page 106.

DEBENTURES

Particulars of the club debentures of the Group are set out in note 30 to the consolidated financial statements.

SHARE CAPITAL

There were no movements in the Company’s issued share capital during the year.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year or subsisted at the end of 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 ended 31 December 2015.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company had no reserve available for distribution to shareholders of the Company.

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 45% and 14% of the Group's total purchases for the year, respectively.

None of the Directors of the Company, their close associates or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued shares) 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.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Derek Wai Choi LEUNG (*Acting Chief Executive Officer*)

Mr. Victor Yiu Keung CHIANG (*Chief Financial Officer*)

Mr. Wing Tung YEUNG

REPORT OF THE DIRECTORS

NON-EXECUTIVE DIRECTOR

Mr. Joseph Wing Kong LEUNG (resigned effective 15 May 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Jen CHEN

Mr. David Kwok Kwei LO

Mr. Ian Grant ROBINSON

Mr. Chi Keung WONG

Mr. Derek Wai Choi LEUNG has been appointed as the Acting Chief Executive Officer of the Company with effect from 23 March 2016.

Mr. Joseph Wing Kong LEUNG, with effect from the close of business on 5 May 2015, resigned from the positions of the Chairman and Acting Chief Executive Officer, and was re-designated from an Executive Director to a Non-executive Director. Mr. Joseph Wing Kong LEUNG has resigned as a Non-executive Director with effect from 15 May 2015.

In accordance with Article 103 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, or such higher number of Directors to be determined by the Board, 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.

Particulars of Directors seeking for re-election at the forthcoming annual general meeting are set out in the related notice to shareholders.

DIRECTORS OF SUBSIDIARIES

The persons who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report included Ms. Lai King CHAN, Mr. Victor Yiu Keung CHIANG, Mr. David Kin Hay HONG, Mr. Jackie Sze Wai LEE, Mr. Derek Wai Choi LEUNG, Mr. Joseph Wing Kong LEUNG*, Ms. Kim Hung WONG*, Mr. Sai Lai Kenneth WONG* and Mr. Wing Tung YEUNG.

* no longer a director of any subsidiaries of the Company as at the date of this report

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, subject to the statutes, every Director shall be entitled to be indemnified out of the assets of the Company against all losses and liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Group.

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 19 to 22.

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' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2015, 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 Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were required to be 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 to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as adopted by the Company.

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 specified undertakings a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted at any time during the year.

REPORT OF THE DIRECTORS

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, persons 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 the Company:

Name	Capacity	Number of shares held		Percentage of the Company's issued shares
Diamond Leaf Limited	Beneficial owner	162,216,503		9.83%
Solution Bridge Limited	Beneficial owner	408,757,642		24.76%
Ms. KUNG, Nina (deceased)	Interest of controlled corporations	570,974,145	Note (i)	34.59%
Mr. CHAN, Wai Tong Christopher	Trustee	730,974,145	Notes (ii) & (iii)	44.28%
Mr. JONG, Yat Kit	Trustee	730,974,145	Notes (ii) & (iii)	44.28%
Mr. WONG, Tak Wai	Trustee	730,974,145	Notes (ii) & (iii)	44.28%

Notes:

- (i) The interests 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 (as per the late Ms. KUNG, Nina's last disclosure of interests notice dated 4 April 2006).
- (ii) Both Diamond Leaf Limited and Solution Bridge Limited are controlled corporations of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai, as joint and several administrators of the Estate of Kung, Nina. Thus, each of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai is deemed to be interested in the same block of shares.
- (iii) Each of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai is a trustee of the Estate of Kung, Nina also known as Nina Kung and Nina T H Wang and Nina Teh Huei Wang.

Save as disclosed above, the Company has not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company as at 31 December 2015 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

(1) CONNECTED TRANSACTION

On 9 January 2015, Wintalent International Limited, an indirect wholly-owned subsidiary of the Company, took up its full entitlement of 184,764 rights shares of Genovate Biotechnology Co., Ltd. (“Genovate”) under Genovate’s Capital Increase as announced on 18 December 2014, at the total consideration of NT\$10,346,784 (equivalent to approximately HK\$2,586,696) (the “Full Acceptance of Genovate Rights Issue”).

As at the date of the Full Acceptance of Genovate Rights Issue, Mr. JONG, Yat Kit, Mr. LAM, Hok Chung Rainier and Mr. YU, Sai Hung jointly held approximately 34.59% of the issued shares of the Company. In addition, Mr. JONG, Yat Kit held another approximately 9.69% of the issued shares of the Company jointly with Mr. CHAN, Wai Tong Christopher and Mr. WONG, Tak Wai as at the date of the Full Acceptance of Genovate Rights Issue. Each of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit, Mr. LAM, Hok Chung Rainier, Mr. WONG, Tak Wai and Mr. YU, Sai Hung was a trustee of the Estate of Kung, Nina also known as Nina Kung and Nina T H Wang and Nina Teh Huei Wang.

Since 臺灣華懋投資股份有限公司 (Taiwan Chinachem Investments Company Limited) (“Taiwan Chinachem”) was a company controlled by Mr. JONG, Yat Kit, Mr. LAM, Hok Chung Rainier and Mr. YU, Sai Hung as joint and several administrators of the Estate of Nina Kung, Taiwan Chinachem was an associate of connected persons of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

As at the date of the Full Acceptance of Genovate Rights Issue, since Taiwan Chinachem was a substantial shareholder (as defined under the Listing Rules) of Genovate holding approximately 11.06% of the total issued share capital of Genovate and an associate of connected persons of the Company, the Full Acceptance of the Genovate Rights Issue by Wintalent constituted a connected transaction for the Company under Rule 14A.28 of the Listing Rules.

The details of the Full Acceptance of Genovate Rights Issue are set out in the Company’s announcement dated 9 January 2015.

(2) CONTINUING CONNECTED TRANSACTIONS

On 22 November 2012, the Company, as tenant, entered into a tenancy agreement (the “Office Tenancy Agreement I”) with Ying Ho Company Limited, Cheong Ming Investment Company Limited, Dorfolk Investments Limited, Kwong Fook Investors & Developers Limited, The World Realty Limited, On Lee Investment Company Limited, Yau Fook Hong Company Limited, and Tsing Lung Investment Company Limited, (collectively the “Landlords”), as landlords, to renew the tenancy of the premises situated at Suites 3301 to 3303, 33rd Floor, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong for three years from 1 December 2012 to 30 November 2015 at a monthly rent of HK\$268,719. The details of the Office Tenancy Agreement I are set out in the Company’s announcement dated 22 November 2012.

On 5 January 2015, The Swank Shop Limited, a wholly owned subsidiary of the Company, as tenant, entered into a tenancy agreement (the “Shop Tenancy Agreement”) with the 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 two years from 1 January 2015 to 31 December 2016 at a monthly rent equal to 8% of the monthly gross sales turnover from the Shop Premises. The details of the Shop Tenancy Agreement are set out in the Company’s announcement dated 5 January 2015.

REPORT OF THE DIRECTORS

On 27 November 2015, the Company, as tenant, entered into a tenancy agreement (the “Office Tenancy Agreement II”) with the Landlords to lease the premises situated at Suites 3301 to 3303A, 33rd Floor, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong for three years from 1 December 2015 to 30 November 2018 at a monthly rent of HK\$291,438. The details of the Office Tenancy Agreement II are set out in the Company’s announcement dated 27 November 2015.

The Landlords are companies controlled by Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai, as joint and several administrators of the Estate of Kung, Nina, all of them are substantial shareholders of the Company. Each of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai is a trustee of the Estate of Kung, Nina also known as Nina Kung and Nina T H Wang and Nina Teh Huei Wang. Therefore, the Office Tenancy Agreement I, Shop Tenancy Agreement and Office Tenancy Agreement II constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The aforesaid continuing connected transactions have been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors have confirmed that the aforesaid continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; 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.56 of the Listing Rules, the Company has engaged the auditor of the Company to report on the aforesaid continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “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:

- (a) nothing has come to its attention that causes it to believe that the aforesaid continuing connected transactions have not been approved by the Company’s Board of Directors;
- (b) nothing has come to its attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (c) with respect to the aggregate amount of each of the aforesaid continuing connected transactions, nothing has come to its attention that causes it to believe that the aforesaid continuing connected transactions have exceeded the annual cap as set by the Company.

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed above, there were no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year nor there were any other contracts of significance in relation to the Group's business between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, subsisted at the end of the year or at any time during the year.

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 23 to 36.

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 Hong Kong 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

Derek Wai Choi LEUNG

Executive Director and Acting Chief Executive Officer

Hong Kong, 23 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

2015 continued to be a challenging and difficult year to the Group. High end luxury retail market of Hong Kong has not recovered since the Occupy Central Movement during the last quarter of 2014. Situation has further deteriorated as a result of the drop in tourism arrivals, especially those from Mainland China and the change in spending power/pattern from high end luxury products to affordable consumer goods including fashion and apparel by Mainland tourists and shoppers. Moreover, weak EURO relative to strong US dollar widens the gap of price difference between Europe and Asian regions particularly for Greater China and Hong Kong. This became a trend for Asian customers/shoppers to shop directly in European countries. Slack local demand and financial market volatility also impacted consumer sentiment. The fall in sales was significantly reflected in luxury products, including jewellery and watches, with no exception to top tier luxury fashion apparel. On the other hand, rental level in Hong Kong's prime shopping locations remains high relative to turnover even with sign of moderate relief in the near future.

Volatile stock market condition in Hong Kong during the second half of 2015 also has substantial negative impact to the performance of the Group's financial instrument investments.

FINANCIAL REVIEW

Net loss attributable to shareholders for the year ended 31 December 2015 amounted to HK\$106,896,000 as compared with net profit of HK\$29,001,000 for the last corresponding year. Loss per share was HK\$6.48 cents (2014: Earnings per share HK\$1.76 cents).

The Group recorded a consolidated turnover of HK\$215,537,000 for the year ended 31 December 2015, a decrease of 22% as compared with HK\$275,385,000 for the last corresponding year. Such decline was mainly attributable to the decrease in sales of fashion apparel in both Hong Kong and the PRC. Gross profit decreased by 20% to HK\$117,607,000 from HK\$146,559,000 which was in line with the decrease in turnover.

Selling and distribution expenses only dropped by 7% (as compared to 20% decrease in gross profit) from HK\$112,911,000 to HK\$104,832,000 which was mainly due to the high rental and staff costs.

Administrative expenses decreased by 15% which was considered to be reasonable and was in line with the decrease in gross profit after taking into account of general inflation for the year.

Depreciation and amortisation expenses decreased by 44% which was due to the close down of shops with poor performance both in Hong Kong and China.

Loss for the year amounted to HK\$107,117,000 as compared to profit of HK\$28,889,000 last year. Major reasons for the substantial losses incurred during the year were (i) fashion and accessories retailing business and recreational club operation continued to operate at losses (ii) the turnaround effect of unrealised fair value loss of approximately HK\$36,489,000 from financial assets at fair value through profit or loss during 2015 as compared to a fair value gain of approximately HK\$54,590,000 in 2014, an unfavorable variance of over HK\$91,079,000 year on year, (iii) no further available-for-sale equity investment (Genovate) was sold in 2015 whereas gain on such disposal in 2014 amounted to HK\$17,513,000; and (iv) gain on disposal of Shanghai Hilltop and Shanghai Landis in 2014 amounted to HK\$21,294,000 was one-off and non-recurring.

Share of loss of an associate for the year ended 31 December 2015 represents the joint Venture business with Brunello Cucinelli S.p.a. which contributed a loss of HK\$1,076,000 (2014: Profit of HK\$525,000) due to a drop in turnover and the high operating costs.

During the year, the Group converted all of its RMB bank deposits kept in Hong Kong into US Dollar and Hong Kong Dollar to avoid further exchange loss as a result of depreciation of the RMB. The exchange loss realised during the year was approximately HK\$4,600,000 and has been included in “other operating gains/(losses), net”.

BUSINESS REVIEW

Retail Fashion

Swank Hong Kong

Overall turnover for the year decreased by 21% to HK\$171,099,000 versus last year, while gross profit fell by 19% to HK\$90,531,000 and the gross margin was maintained for the same period as a result of strict control pricing guidelines for second half of 2015. Operating loss (exclude our share of the associate’s result) of the year 2015 was HK\$39,387,000 compared to HK\$24,749,000 in 2014. The decline in turnover can be attributed to the uncertain and tough macro-environment which created a slow and inactive local economy plus a falling stock market together with a persistent decline of inbound tourism from mainland China and a significantly lower retail spending on luxury goods. Other contributing factors include the depreciation of Euro and other Asian currencies against Renminbi and the US Dollar, causing an increased outflow of Asian tourists to shop overseas, particularly in Europe. Another contributing factors to lower turnover and gross profit include changing the merchandising mix to include more contemporary collections plus the Landlord’s forced lease termination of “Paule Ka” shop located at Pacific Place in November 2015, due to the mall’s revamp of tenant mix. “Just Cavalli” shop located at Festival Walk was also closed in May 2015.

Hong Kong’s rental levels and conditions for prime shopping district remained quite high, but with signs of decline, as there was success in negotiating for rental reduction for a short-term lease renewal of one of our key mono-brand store.

Faced with diminishing gross profit, austerity measures were taken to reduce overall expenditure in terms of labour and operational costs. Furthermore, administrative and operational procedures were also reviewed to improve productivity and efficiency.

Strategic action was taken to scale-down existing portfolio of brands while at the same time, effort was focused on developing new brands with potential to project a more luxurious and sophisticated image for improving both productivity and profitability targeting second half of 2016.

Swank China

In 2015, the Group closed down three shops with unsatisfactory results in China, namely, the Xian shop, Hangzhou shop and Beijing outlet and was planning to close the last one in Beijing Jinbao Place in the near future. Owing to the close down of China operations, the sales decreased by 49% to HK\$8,760,000 for the year 2015 from HK\$17,175,000 in 2014. Operating loss of the year 2015 was HK\$20,963,000 compared to HK\$22,368,000 in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Cesare di Pino

In 2015, shops in Hangzhou, Beijing Lafayette department store and Beijing Jinbao Place have been closed down and the management was negotiating with the landlord of the last Beijing shop to early terminate the lease in the near future. With the closure of shops, sales for the year 2015 was recorded at HK\$2,276,000, a decrease of 54% from 2014 and the operating loss also reduced from HK\$15,129,000 in the year 2014 to HK\$3,582,000 in 2015.

Brunello Cucinelli

The Group's 49% joint venture partnership with Brunello Cucinelli S.p.a. suffered some set-back, however, not as severe as many other International Fashion brands. Total retail turnover of the abovesaid joint venture decreased by 10% to HK\$72,096,000 and gross profit decreased by 11% to HK\$44,227,000 versus last year. Faced with lower consumer spending, turnover decrease is unavoidable, but significant reduction in overall operating costs contributed to the nominal decrease in profitability. The Group's share of losses of this joint venture was HK\$1,076,000 for the year 2015 compared to profit of HK\$525,000 in 2014.

Resort and Recreational Club Operations

Hong Kong Hilltop Country Club ("Hilltop")

Situated in Tsuen Wan with a total site area of over 400,000 square feet, Hilltop is one of the earliest private country clubs in Hong Kong providing recreational and outdoor activities, conferences, dining and lodging facilities to its members.

Due to slack members' spending, the sales in 2015 recorded a 6% drop to HK\$13,609,000 from HK\$14,410,000 in 2014 and the operating loss for the year amounted to HK\$8,903,000 (2014: Loss HK\$7,565,000). In the coming year, the Club management will focus on the banquet and conference business for corporate members so as to increase the revenue.

Financial instruments investments

For the year ended 31 December 2015, the investment portfolio of financial instruments held for trading and available-for-sales debt investments (excluding the investment in shares of Genovate and PuraPharm) recorded a net loss of HK\$13,558,000 (2014: Gain HK\$64,730,000), in which a loss of HK\$17,013,000 was resulted from a single listed share held for trading (2014: Gain HK\$50,927,000 from the same listed share). As of 31 December 2015, total carrying value of the Group's investment portfolio of financial instruments held for trading and available-for-sales debt investments (excluding the investment in shares of Genovate and PuraPharm) was HK\$344,111,000 (2014: HK\$365,403,000).

The financial markets were highly volatile in 2015. The collapse of A shares market in PRC started in June and the devaluation of RMB announced by PBOC in August had severe adverse impact on both equity and fixed income investments. In addition, US started the interest rate increase cycle in December causing the strengthening of US dollars have brought further volatilities to the global economic environment and financial markets. Under the more complex and difficult investment environment, the Group will continue to manage the financial instruments investments portfolio prudently and maintain a balance portfolio of bonds and equities in order to limit the investment risk and maintain stable income.

Other Investments

The Group has invested in two Pharmaceutical companies under its investment profile. Both investments were Pre-IPO investments and the two companies were successfully listed in Taiwan GreTai Securities Market in January 2012 and the Stock Exchange of Hong Kong in July 2015, respectively.

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. It is listed in the Taiwan GreTai Securities Market (Open Market, stock code: 4130). As of 31 December 2015, the Group held 6.3% shareholding in Genovate with an investment cost of HK\$16,377,000.

The revenue of Genovate for the year of 2015 was relatively stable with an amount of TWD477,597,000 when compared to TWD475,450,000 in 2014 but the net profit in 2015 decreased by 36% to TWD46,493,000 (2014: TWD72,533,000). The drop in profit in 2015 compared to last year was due to the decrease of gross margin caused by reduction of the price of prescription drugs sold in Taiwan medical system in early part of 2015 by the Taiwan Government and increase of research and development expenses.

The most notable product development of Genovate in 2015 was the TFDA new drug approval of a third generation bowel cleansing agent for colonoscopy named BOWKLEAN. It is developed through their collaboration with JING-ANN, a marketing company that successfully completed a 600 subjects study to demonstrate the better efficacy and compliance in comparison with current marketed product.

To expand their product portfolio, Genovate made a very important investment in Medeor Therapeutic which is developing a groundbreaking cellular immunotherapy to minimize or eliminate the need for chronic anti-rejection drug therapy in organ transplant recipients. Medeor’s core technologies were spun out of Stanford University and Genovate is jointly exploring the market feasibility in Asia.

PuraPharm Corporation Limited (“PuraPharm”)

PuraPharm is a leading Hong Kong-based Chinese medicine company engaged in the research and development, production, marketing and sale of Concentrated Chinese Medicine Granules (“CCMG”) products which PuraPharm markets under its brand “Nong’s (農本方)”. Beside CCMG products business, PuraPharm is also expanding its network of Nong’s clinic, which uses traditional Chinese herbal medicine (CCMG) for curing diseases, in Hong Kong to strengthen its distribution channels of CCMG products.

The Group has totally invested HK\$67,424,000 in PuraPharm for 10.13% shareholdings. PuraPharm (stock code: 1498) has been listed on the Main Board of the Stock Exchange on 8 July 2015 and the Group has sold 40% of its investment in PuraPharm during PuraPharm’s IPO and realised a net profit of HK\$12,277,000 after deduction of underwriting expenses of which approximately HK\$8,070,000 has been recognised as fair value gain through valuation in prior years. The net investment return of the 40% shares sold in IPO was 45.5% during the whole investment period from June 2013 to July 2015.

The overall profit and loss contribution from our investment in PuraPharm was net losses of HK\$4,050,000 for 2015 with gain of approximately HK\$20,176,000 in aggregate has been recognised as fair value gain through valuation in prior years. The Group is currently holding approximately 4.56% shareholdings in PuraPharm after its listing.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

The Group had no material acquisition and disposal of investments during the year ended 31 December 2015.

KEY RISKS AND UNCERTAINTIES

The Group's business prospects, operating results and financial condition have been affected by a number of risks and uncertainties. The following sections list out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

Business Risks

(a) *Retail Fashion Market*

Adverse macro-economic environment continues to have negative impact on the high end fashion retail market in Hong Kong. Overall profitability is deteriorating for the decline in contribution resulting from price reduction. Customer sentiment has been weak with general slowdown in spending momentum. Fierce competition together with high rental and staff cost continue to be challenges for the management.

(b) *Resort and Recreation Club*

Hilltop's operation has been running at loss with the ageing of the club premises and facilities. Due to the downturn of economy in Hong Kong, club members have cut back expenditure on dining out and holding corporate residential seminars, which has resulted in the sales drop for both food & beverage and lodging businesses.

(c) *Financial Instruments Investments*

Global and regional economic slowdown, together with volatility in currency exchange rates, crude oil prices and interest rates has brought increasing uncertainties for making investment decisions. Associated financial risks are inevitably higher while the management has been balancing the risk and return across investment types and durations in a sound investment framework.

Strategic Direction Risk

The success of our future business depends on achieving our strategic objectives, including through acquisitions, joint ventures, dispositions and restructurings. The Group faces risk in its application of its assets and capital towards suitable investments and seizure of business and investment opportunities when such opportunities arise.

Manpower and Retention Risk

The competition for talents in the open market that the Group operates has led to the risk that the Group is not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of the Group.

Legal and Compliance Risk

Legal risk is the risk that unenforceable contracts, lawsuits or adverse judgments may disrupt or otherwise negatively affect the operations or financial conditions of the Group. Compliance risk is the risk of legal or regulatory sanctions, financial losses or losses in reputation the Group may suffer as a result of its failure to comply with all applicable laws and regulations.

LIQUIDITY AND FINANCIAL POSITION

At 31 December 2015, the Group was in solid financial position with cash and non-pledged deposit holdings of HK\$400,252,000 (2014: HK\$428,142,000). At 31 December 2015, total borrowings amounted to HK\$10,809,000 (2014: HK\$14,251,000) with HK\$9,665,000 (2014: HK\$12,401,000) repayment falling due within one year. The Group's gearing ratio (a comparison of total borrowings with equity attributable to equity holders of the Company) was 1% at the year end date (2014: 1.2%). The current ratio at 31 December 2015 was 19.7 times (2014: 16.6 times).

At 31 December 2015, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars and United States dollars and exchange difference were reflected in the audited consolidated financial statements. All 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

At 31 December 2015, pledge of the Group's fixed deposits of HK\$11,000,000 (2014: HK\$11,000,000) was given to banks to secure general banking facilities to the extent of HK\$31,000,000 (2014: HK\$31,000,000).

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

IMPORTANT EVENTS AFTER THE FINANCIAL YEAR

There have been no important events affecting the Group that have occurred since the end of the financial year.

CONTINGENT LIABILITIES

The Group's significant contingent liabilities as at 31 December 2015 are set out in note 36 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The principal activities of the Group comprise the wholesale and retail of fashion wear and accessories, resort and recreational club operations, investment holding and securities trading and are not considered as environmental sensitive businesses. There is no formal written guideline or policy made by the Group in relation to environmental protection in the Group's business sector.

The Group commits to effectively and efficiently use the resources and has introduced various energy conservation measures in the office, including:

- (a) Turning off unused electrical equipment (lighting, air conditioning, computers, monitors and printers) when away from office.
- (b) Double-sided printing and copying
- (c) Using recycled paper and avoiding unnecessary printing or photocopying
- (d) Re-using envelopes for internal mail

To conserve the environment, since September 2011, arrangements have been made to allow the Company's shareholders to elect to receive corporate communications of the Company by electronic means through the Company's website and the website of Hong Kong Exchanges and Clearing Limited ("HKEx").

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

The Group provides competitive remuneration package to attract and motivate its employees. The Group regularly reviews the remuneration package of employee and makes necessary adjustments to conform to the market standard.

The Group treats its employees with respect and fairness, and encourages a culture of equal opportunity and diversity regardless of age, gender, marital status and race.

The Group provides trainings for employees to keep them abreast of the latest developments in the products, market and industry, in the form of both internal trainings and trainings provided by experts from external organisations.

Customers

The keys customers of the Group include the customers of the fashion retail stores (the "Store Customers") and the members of Hilltop (the "Club Members"). The Group's Swank VIP program provides a range of privileges to its frequent Store Customers and Swank's website provides store news and merchandise information. As to the Club Members, club newsletter and Hilltop's website provide the Club Members with club news, club events and special promotions. During the year, there was no material and significant dispute between the Group and the Store Customers/Club Members.

Suppliers

The key suppliers of the Group are the suppliers of fashion retail (the "Suppliers"). The Group has established a long term, good and firm business relationship with the Suppliers, which ensure steady supply and stable quality of the merchandises. During the year, there was no material and significant dispute between the Group and the Suppliers.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2015, the Group had 213 staff, including the Directors. Total staff costs (including Directors' emoluments) were approximately HK\$72,833,000 for the year ended 31 December 2015. 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 internal/external training support.

FUTURE OUTLOOKS AND STRATEGIES

Swank Hong Kong

The outlook for first half 2016 appears to be more challenging with forecasts for a continued downward trend in overall retail performance coupled with intimidating macro and micro issues, in particular, Hong Kong's political development and stock market fluctuation, extending the negative effect of this past year's unrest on local consumer sentiment.

With the significant retail price differential between Europe and Greater China, there is difficulty in overcoming this issue especially in the near future as well-heeled and affluent consumers will continue to shop directly in various European countries either personally or via personal shoppers. New strategies will be formulated to capture and strengthen customer loyalty which may include enhanced marketing communications via digital format/media plus achieving a higher level of unique shopping experiences and VIP customer services.

Following austerity measures implemented in 2015, prudent and realistic actions are scheduled to be taken in order to further reduce/minimize expenditure as well as other pertinent action to stem further financial losses including close down of shops with unsatisfactory results and low efficiency.

Additional outlet venue is being considered as an option to improve stock turnover via clearance of past season merchandise which targets budget conscious local and tourist consumers.

Significant changes is scheduled for our Men's store located at Landmark, at Landlord's request for their major renovation works as well as a redesign and relocation of our Men's store tentatively scheduled for second half of 2016. Furthermore, our Corneliani mono shop is scheduled to be relocated in near future.

With regards to our JV with "Brunello Cucinelli", 2016 will be a year of consolidation, however, given a possible downturn in rental rates at key locations, there is a possibility to capitalize on the situation for an increase in number of shops to improve brand awareness and market coverage and/or a relocation to a more favorable location with greater shop exposure and customer traffic flow.

Cesare Di Pino

For Cesare di Pino, brand building within Hong Kong continues via selecting superior quality merchandise at reasonable costs. Merchandise also continues to be presented and retailed within our Swank boutiques. Expansions and developments will be on-hold for 2016 to minimize expenditure until overall market conditions turn favourable in the foreseeable future.

MANAGEMENT DISCUSSION AND ANALYSIS

China Operation

With the closure of all Swank and Cesare di Pino shops in 2016, the loss for Swank's fashion retail business in China will be minimized and the management will consolidate the Swank group and turn it into a more competitive operation in Hong Kong.

Investment

The financial market is expected to be extremely volatile in the coming year. The investment environment will be more complicated and difficult. In order to reduce investment risk, the Group will increase the proportion of fixed income investment to maintain a stable income from financial instruments investments portfolio. Also, the Group is looking for other potential investment opportunities in private equities to diversify its investment portfolio.

Hilltop

In order to explore the potential of Hilltop, the Group has appointed a professional club consultant company to conduct a feasibility study and strategic review ("Hilltop Study") on the operation and positioning of Hilltop. Currently, management is reviewing the consultant report on possible revamp of the existing club facilities and going to come up with a renovation plan upon further in-depth study in the near future.

City Club

According to the Hilltop Study's result, the addition of a city club located at the central business district of Hong Kong as an additional feature would add value to the Group's club business. On 19 February 2016, a subsidiary of the Company accepted the offer letter for the lease of a 3 floors of an office building at Central for the operation of a membership city club. It is expected that the city club can also serve as a stand-alone business to enhance the revenue of the Group.

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Derek Wai Choi LEUNG, 65, is the Acting Chief Executive Officer of the Company. Mr. Leung joined the Group in December 2000. He is also the chairman of the Investment Committee of the Company, a member of the Corporate Governance Committee, the Nomination Committee and the Remuneration Committee of the Company and a director of all principal subsidiaries of the Company. Mr. Leung is currently an executive director, group chief treasury officer and head of lands/valuation 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. Victor Yiu Keung CHIANG, 51, 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 20 years' experience in professional accountancy practice and financial management experience with listed companies. Mr. Chiang is a fellow member of the Institute of Chartered Accountants in England & Wales, 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. Wing Tung YEUNG, 61, 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 the chairman of the Corporate Governance Committee of the Company, a member of the Investment Committee and a director of all 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 chairman 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, 61, joined the Group in February 2003. Dr. Chen is also a member of the Audit Committee of the Company. Dr. Chen is currently the chairman 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.

BIOGRAPHIES OF DIRECTORS

Mr. David Kwok Kwei LO, 56, joined the Group in June 2010. Mr. Lo is also a member of the Audit Committee of the Company. Mr. Lo holds the degrees of Bachelor of Laws and Bachelor of Jurisprudence from the University of New South Wales, Australia. He was admitted as a solicitor of the Supreme Court of New South Wales, Australia in 1984. He has been a member of The Law Society of Hong Kong since 1987. He has been practicing as a solicitor in Hong Kong for over 20 years and is a partner in a law firm, David Lo & Partners. Mr. Lo is currently an independent non-executive director of each of eSun Holdings Limited and Man Yue Technology Holdings Limited, both companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Ian Grant ROBINSON, 76, 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 a member of the supervisory board of the Hong Kong Housing Society. He is a fellow member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Robinson retired from the board of directors of China Medicine Corporation, a company whose shares are quoted on the OTC Bulletin Board of the USA, on 12 April 2014.

Mr. Chi Keung WONG, 61, joined the Group in June 2010. Mr. Wong is also the chairman of the Nomination Committee of the Company, and a member of the Audit Committee and the Remuneration Committee of the Company. Mr. Wong has over 35 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 Shanshui Cement Group Limited, China Ting Group Holdings Limited, Fortunet e-Commerce Group Limited, Golden Eagle Retail Group Limited, Nickel Resources International Holdings Company Limited (formerly known as China Nickel Resources Holdings Company Limited), Paliburg Holdings Limited, Regal Hotels International Holdings Limited, TPV Technology Limited, Yuan Heng Gas Holdings 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 each of First Natural Foods Holdings Limited (now known as Imperial Pacific International Holdings Limited) (retired on 21 November 2013) and PacMOS Technologies Holdings Limited (now known as PacRay International Holdings Limited) (resigned on 1 July 2014), both companies whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Notes:

- (1) Directors' emoluments are determined by the 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 15 to the consolidated financial statements.
- (2) All Executive Directors do not have any fixed term of service with the Company and are subject to retirement by rotation in accordance with the Articles of Association of the Company.
- (3) All Independent Non-executive Directors are appointed for a term of approximately three years commencing from the date of the annual general meeting at which they are re-elected and expiring at the annual general meeting to be held three years thereafter, subject to retirement by rotation in accordance with the Articles of Association of the Company.
- (4) 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, 68, joined the Group in October 2003. Mr. Hong is a Non-executive Vice Chairman of The Swank Shop Limited (“The Swank”), a fashion retail subsidiary of the Company. Prior to his current position, Mr. Hong was the Managing Director of The Swank until December 2014. Mr. Hong has valuable experience in the high-end fashion retailing. For Mr. Hong’s contribution to the fashion industry, he was decorated “Chevalier de l’Ordre National du Merite” in July 1996 and “Chevalier de la Legion d’Honneur” in June 2003, both from the President of France, and “Ordine Della Stella D’Italia (Ufficiale)” in June 2012 from the President of Italy.

Ms. Maureen Mo Youn CHEUNG, 51, joined the Group in July 2015. Ms. Cheung is the Chief Operating Officer of The Swank. Prior to joining, Ms. Cheung held senior management positions with various international and locally listed companies involved in the luxury and premium fashion industry within the Asia Pacific region, notably, Ralph Lauren Asia Pacific Limited, Dickson Concepts (Retail) Limited and Lane Crawford Limited. She has over 2 decades of extensive experiences working with major international brand names such as “Ralph Lauren”, “Lanvin”, “Ermenegildo Zegna”, “YSL”, “Emmanuel Ungaro”, “Kenzo”, “Givenchy” etc., across multiple operational and management levels including branding and merchandising, retail and distribution, and business development. She holds a Bachelor of Arts degree in Economics from The University of Winnipeg (Canada).

Mr. Jackie Sze Wai LEE, 50, joined the Group in October 2001. Mr. Lee is the Vice President of Investments of the Group and the General Manager of Hilltop Country Club. Before joining the Group, Mr. Lee was the assistant vice president of a direct investment management company for a major multinational bank. Mr. Lee holds a Bachelor of Business Administration and Master of Business Administration from the Florida Atlantic University, USA.

Ms. Pui Man CHENG, 43, joined the Group in September 1999. Ms. Cheng is the Company Secretary of the Company. 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 Hong Kong Institute of Certified Public Accountants, and 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.

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.

In the opinion of the Directors, the Company complied with all Code Provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2015, save for the following:

- (1) Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Joseph Wing Kong LEUNG assumed the roles of the Chairman and the Acting Chief Executive Officer from 1 January 2015 until his resignation from the positions of the Chairman and Acting Chief Executive Officer on the close of business on 5 May 2015. During the period from the close of business on 5 May 2015 to 22 March 2016, the positions of the chairman and chief executive officer were vacant and the duties of chairman and chief executive officer were assumed by three Executive Directors, namely, Mr. Victor Yiu Keung CHIANG, Mr. Derek Wai Choi LEUNG and Mr. Wing Tung YEUNG. The Board believed that the balance of power and authority is ensured through supervision of the full Board and the Board committees. With effect from 23 March 2016, Mr. Derek Wai Choi LEUNG has been appointed as the Acting Chief Executive Officer of the Company and the duties of chairman have been assumed by two Executive Directors, namely, Mr. Victor Yiu Keung CHIANG and Mr. Wing Tung YEUNG. The Board shall nevertheless review this arrangement from time to time.
- (2) Under Code Provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. Mr. Joseph Wing Kong LEUNG, the ex-chairman did not hold any meeting with the Independent Non-executive Directors without the presence of the Executive Directors during the period from 1 January 2015 to his resignation from the positions of the Chairman and Acting Chief Executive Officer on the close of business on 5 May 2015. Since then, the position of the chairman has been vacant. During the year, the Board held eight physical board meetings to provide more opportunities for the face to face communication between the Executive Directors and the Independent Non-executive Directors.
- (3) Under Code Provision A.5.1 of the CG Code, the chairman of the Nomination Committee of the Company should be the chairman of the board or an independent non-executive director. The chairman of the Nomination Committee was taken by Mr. Joseph Wing Kong LEUNG, ex-chairman from 1 January 2015 until his resignation from the positions of the Chairman and Acting Chief Executive Officer on the close of business on 5 May 2015. Since then, the position of the chairman has been vacant. During the period from the close of business on 5 May 2015 to 29 October 2015, the chairman of the Nomination Committee was Mr. Derek Wai Choi LEUNG, Executive Director, but no meeting was held nor any resolutions were approved by the Nomination Committee. The Board has appointed Mr. Chi Keung WONG, Independent Non-executive Director, as the chairman of the Nomination Committee with effect from 30 October 2015 and the Company has complied with Code Provision A.5.1 of the CG Code from 30 October 2015 onwards.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

Board Composition

The Board currently comprises three 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 19 to 21.

The Board members during the year ended 31 December 2015 and up to date of this report are:

Executive Directors

Mr. Derek Wai Choi LEUNG (*Acting Chief Executive Officer*)

Mr. Victor Yiu Keung CHIANG (*Chief Financial Officer*)

Mr. Wing Tung YEUNG

Non-executive Director

Mr. Joseph Wing Kong LEUNG (resigned effective 15 May 2015)

Independent Non-executive Directors

Dr. Jen CHEN

Mr. David Kwok Kwei LO

Mr. Ian Grant ROBINSON

Mr. Chi Keung WONG

Mr. Derek Wai Choi LEUNG has been appointed as the Acting Chief Executive Officer of the Company with effect from 23 March 2016.

Mr. Joseph Wing Kong LEUNG, with effect from the close of business on 5 May 2015, resigned from the positions of the Chairman and Acting Chief Executive Officer, and was re-designated from an Executive Director to a Non-executive Director. Mr. Joseph Wing Kong LEUNG has resigned as a Non-executive Director with effect from 15 May 2015.

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 Nomination Committee and the Board, based on such confirmations consider that all Independent Non-executive Directors continue to be independent.

Independent Non-executive Directors are identified as such in all corporate communications containing the names of the Directors.

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 HKEx.

Chairman and Chief Executive Officer

Mr. Joseph Wing Kong LEUNG assumed the roles of the Chairman and the Acting Chief Executive Officer until his resignation from such roles on the close of business on 5 May 2015. During the period from the close of business on 5 May 2015 to 22 March 2016, the positions of the chairman and chief executive officer were vacant and the duties of chairman and chief executive officer were assumed by three Executive Directors, namely, Mr. Victor Yiu Keung CHIANG, Mr. Derek Wai Choi LEUNG and Mr. Wing Tung YEUNG. The Board believed that the balance of power and authority is ensured through supervision of the full Board and the Board committees. With effect from 23 March 2016, Mr. Derek Wai Choi LEUNG has been appointed as the Acting Chief Executive Officer of the Company and the duties of chairman have been assumed by two Executive Directors, namely, Mr. Victor Yiu Keung CHIANG and Mr. Wing Tung YEUNG.

The division of responsibility between the Chairman and the Chief Executive Officer is clearly defined in the Company's Corporate Governance Practice Manual.

Appointments, Re-election and Removal of Directors

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

Independent Non-executive Directors are appointed for a term of approximately 3 years commencing from the date of the annual general meeting at which they are re-elected and expiring at the annual general meeting to be held three years thereafter, subject to retirement by rotation in accordance with the Company's Articles of Association.

In accordance with Article 94 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 103 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, or such higher number of Directors to be determined by the Board, 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.

CORPORATE GOVERNANCE REPORT

Board Diversity

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has adopted its Board Diversity Policy setting out the approach to achieve diversity on the Board.

In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee has set the following measurable objectives for achieving the Board diversity:

Measurable Objectives	Progress on achieving the objective
(i) The Board aims to appoint a female member to the Board.	This objective is carried over to Year 2016.
(ii) If there is a Board vacancy, at least one woman is shortlisted as a candidate for Board appointment; and if, at the end of the selection process, a female candidate is not selected, the Board must be satisfied that there are objective reasons to support its determination.	Since the implementation of the Board Diversity Policy and the measurable objectives, no Board position has become vacant.

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 2015.

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 2015 is as follows:

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

* Mr. Joseph Wing Kong LEUNG was re-designated from an Executive Director to a Non-executive Director on the close of business on 5 May 2015 and has resigned a Non-executive Director with effect from 15 May 2015.

Delegation by the Board

The Board 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.

CORPORATE GOVERNANCE REPORT

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 four non-regular meetings during the year ended 31 December 2015.

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. All Directors are invited to include any matters in the agenda. Meeting 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 their 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 four Independent Non-executive Directors, namely Mr. Ian Grant ROBINSON (Chairman of the Audit Committee), Dr. Jen CHEN, Mr. David Kwok Kwei LO (appointed as a member effective 8 July 2015) 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, risk management and internal control systems, (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 2015 and reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2014 and the unaudited interim condensed consolidated financial statements for the six months 30 June 2015. The Audit Committee also reviewed the non-audit services provided by the external auditors, the amendments to its terms of reference, and the compliance of risk management and internal audit function. The Audit Committee also 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. Wing Tung YEUNG (Chairman of the Corporate Governance Committee), Mr. Victor Yiu Keung CHIANG and Mr. Derek Wai Choi LEUNG (appointed as a member with effect from the close of business on 5 May 2015). Mr. Joseph Wing Kong LEUNG resigned as a member and the Chairman of the Corporate Governance Committee with effect from the close of business on 5 May 2015.

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 2015, the Corporate Governance Committee held one meeting and reviewed the Company's compliance with the CG Code and the Corporate Governance Report for the year ended 31 December 2014.

CORPORATE GOVERNANCE REPORT

Investment Committee

The Investment Committee was established in April 2002 and currently comprises three Executive Directors, namely Mr. Derek Wai Choi LEUNG (Chairman of the Investment Committee), Mr. Victor Yiu Keung CHIANG and Mr. Wing Tung YEUNG. Mr. Joseph Wing Kong LEUNG resigned as a member and the Chairman of the Investment Committee with effect from the close of business on 5 May 2015.

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 two Independent Non-executive Directors, namely Mr. Chi Keung WONG (Chairman of the Nomination Committee) and Mr. Ian Grant ROBINSON, and one Executive Director, namely Mr. Derek Wai Choi LEUNG (appointed as a member with effect from the close of business on 5 May 2015). The majority of the members of the Nomination Committee is Independent Non-executive Director.

The chairman of the Nomination Committee was taken by Mr. Joseph Wing Kong LEUNG, ex-chairman until his resignation from the positions of the Chairman and Acting Chief Executive Officer on the close of business on 5 May 2015. Since then, the position of the chairman has been vacant. During the period from the close of business on 5 May 2015 to 29 October 2015, the chairman of the Nomination Committee was Mr. Derek Wai Choi LEUNG, Executive Director, but no meeting was held nor any resolutions were approved by the Nomination Committee. The Board has appointed Mr. Chi Keung WONG, Independent Non-executive Director, as the chairman of the Nomination Committee with effect from 30 October 2015.

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; (iii) assessing the independence of the Independent Non-executive Directors; (iv) making recommendation to the Board on the appointment or re-appointment of Directors; and (v) reviewing the Board Diversity Policy.

During the year ended 31 December 2015, the Nomination Committee held one meeting and reviewed the structure, size and composition of the Board. The Nomination Committee also reviewed the independence of Independent Non-executive Directors; having regard to the criteria as set out in Rules 3.13 of the Listing Rules as well as the measurable objectives for achieving the board diversity.

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. Derek Wai Choi LEUNG (appointed as a member with effect from the close of business on 5 May 2015). Mr. Joseph Wing Kong LEUNG resigned as a member of the Remuneration Committee with effect from the close of business on 5 May 2015. 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.

During the year ended 31 December 2015, the Remuneration Committee held four meetings and reviewed the Group's remuneration policy, the Directors' fees, the bonus policy and the remuneration packages of Executive Directors.

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

ATTENDANCE RECORD AT MEETINGS

The attendance of Directors at the Annual General Meeting, Board meetings, and Board Committee meetings held during the year ended 31 December 2015 was as follows:

	Number of Meetings Attended/Held					
	Annual General Meeting	Board	Audit Committee	Corporate Governance Committee	Nomination Committee	Remuneration Committee
Executive Directors						
Mr. Derek Wai Choi LEUNG ¹	1/1	8/8		—	—	3/3
Mr. Victor Yiu Keung CHIANG	1/1	8/8		1/1		
Mr. Wing Tung YEUNG	1/1	8/8		1/1		
Non-executive Director						
Mr. Joseph Wing Kong LEUNG ²		3/3		1/1	1/1	1/1
Independent						
Non-executive Directors						
Dr. Jen CHEN	1/1	6/8	2/2			
Mr. David Kwok Kwei LO ³	1/1	8/8	1/1			
Mr. Ian Grant ROBINSON	1/1	8/8	2/2		1/1	4/4
Mr. Chi Keung WONG	1/1	8/8	2/2		1/1	4/4

CORPORATE GOVERNANCE REPORT

Notes:

- (1) Mr. Derek Wai Choi LEUNG has been appointed as a member of each of the Corporate Governance Committee, the Nomination Committee and the Remuneration Committee with effect from the close of business on 5 May 2015. No meeting of the Corporate Governance Committee and the Nomination Committee took place during the period between the close of business on 5 May 2015 and 31 December 2015. His attendance is shown with reference to the number of the meetings held during the year after his appointment of relevant roles.
- (2) Mr. Joseph Wing Kong LEUNG had been re-designated from an Executive Director to a Non-executive Director with effect from the close of business on 5 May 2015 and resigned as a Non-executive Director with effect from 15 May 2015. Mr. Joseph Leung has resigned as a member of each of the Corporate Governance Committee, the Nomination Committee and the Remuneration Committee with effect from the close of business on 5 May 2015. His attendance is shown with reference to the number of the meetings held during the year before his cessation of relevant roles.
- (3) Mr. David Kwok Kwei LO has been appointed as a member of the Audit Committee with effect from 8 July 2015. His attendance is shown with reference to the number of the meetings held during the year after his appointment of relevant role.

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 consolidated 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 consolidated financial statements, the Directors have selected suitable accounting policies and applied them consistently; made prudent, fair and reasonable judgments and estimates and prepared the consolidated financial statements on a going concern basis.

The statement of the auditor of the Company about its responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 37 and 38.

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 2015, the Board conducted a review on the Group's internal control system 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 Hong Kong and other RSM network firms for the year ended 31 December 2015 was:

	<i>HK\$'000</i>
Audit services	1,121
Non-audit services:	
Taxation services	106
Consultancy services in relation to the liquidation of an overseas subsidiary	43
Other assurance services	208
Other reporting services	66
	<hr/>
	1,544
	<hr/> <hr/>

COMMUNICATION WITH SHAREHOLDERS

The Board has 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.

CORPORATE GOVERNANCE REPORT

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 3301-3303A, 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

Calling of General Meeting by Shareholders

Under the Companies Ordinance, registered shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings may request to call a general meeting of the Company. The request (a) must state the general nature of the business to be dealt with at the meeting, (b) must be signed by the requisitionist(s), and (c) must be deposited at the registered office of the Company (the "Registered Office") at Suites 3301-3303A, 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 resolution is to be proposed as a special resolution, the request should include the text of the resolution and specify the intention to propose the resolution as a special resolution. The request may consist of several documents in like form, each signed by one or more requisitionist(s).

Procedures for Putting Forward Proposals at General Meetings by Shareholders

Circulation of shareholders' statement

Under the Companies Ordinance, registered shareholder(s) of the Company representing at least 2.5% of the total voting rights of all the shareholders who have a relevant right to vote, or at least 50 shareholders who have a relevant right to vote may request the Company to circulate to shareholders of the Company entitled to receive notice of a general meeting a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution or other business to be dealt with at that meeting. The request (a) must be signed by the requisitionist(s), (b) must be deposited at the Registered Office for the attention of the Company Secretary, (c) must identify the statement to be circulated, and (d) must be received by the Company at least 7 days before the meeting to which it relates.

Circulation of resolution for annual general meeting

Under the Companies Ordinance, registered shareholder(s) of the Company representing at least 2.5% of the total voting rights of all the shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate, or at least 50 shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate, may request the Company to give, to shareholders of the Company entitled to receive notice of the annual general meeting, notice of a resolution that is intended to be moved at that meeting. The request (a) must be signed by the requisitionist(s), (b) must be deposited at the Registered Office for the attention of the Company Secretary, (c) must identify the resolution of which notice is to be given, and (d) must be received by the Company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting.

Nomination of a person for election as a Director

Pursuant to Article 107 of the Company's Articles of Association, a shareholder can propose a person (not being the shareholder himself/herself) 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. 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.

Circulation of Written Resolution

Under the Companies Ordinance, registered shareholder(s) of the Company representing not less than 5% of the total voting rights of all the shareholders entitled to vote on the resolution, may request the Company to circulate a proposed written resolution to its shareholders. The requisitionist(s) may also request the Company to circulate with the proposed written resolution a statement of not more than 1,000 words in respect of the resolution. The request (a) must be signed by the requisitionist(s), (b) must be deposited at the Registered Office for the attention of the Company Secretary, and (c) must identify the resolution and any statement to be circulated.

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. The Company Secretary reported to the ex-chairman until his resignation on the close of business on 5 May 2015. During the period from the close of business on 5 May 2015 to 22 March 2016, the Company Secretary reported to three Executive Directors (namely, Mr. Victor Yiu Keung CHIANG, Mr. Derek Wai Choi LEUNG and Mr. Wing Tung YEUNG), who assumed the duties of chairman and chief executive officer during such period. Since 23 March 2016, the Company Secretary has reported to the Acting Chief Executive Officer of the Company.

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 2015, the Company Secretary undertook over 15 hours of relevant professional training to update her skills and knowledge.

CORPORATE GOVERNANCE REPORT

ARTICLES OF ASSOCIATION

During the year ended 31 December 2015, the Company adopted a revised set of articles of association (the “New Articles”) in order to incorporate the key changes under the Companies Ordinance as well as to update and modernise the Company’s articles of associations. The adoption of the New Articles was approved by the shareholders of the Company at the Annual General Meeting held on 5 June 2015. The New Articles are available on the websites of the Company and HKEx.

INDEPENDENT AUDITOR'S REPORT



TO THE MEMBERS 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 set out on pages 39 to 105, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 405 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.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

RSM Hong Kong
Certified Public Accountants
Hong Kong

23 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	9	215,537	275,385
Cost of sales		(97,930)	(128,826)
Gross profit		117,607	146,559
Other income	10	3,646	4,304
Selling and distribution costs		(104,832)	(112,911)
Administrative expenses		(80,859)	(95,497)
Depreciation and amortisation		(10,654)	(19,006)
Other operating gains/(losses), net	13	(36,129)	81,349
Profit/(loss) from operations		(111,221)	4,798
Fair value gains on investment properties, net		4,300	500
Deficits write-back on revaluation of resort and recreational club properties		1,537	2,633
Gain on disposal of disposal group held for sale		—	21,294
Finance costs	11	(657)	(861)
Share of profit/(loss) of an associate		(1,076)	525
Profit/(loss) before tax		(107,117)	28,889
Income tax expense	12	—	—
Profit/(loss) for the year	13	(107,117)	28,889
Attributable to:			
Owners of the Company		(106,896)	29,001
Non-controlling interests		(221)	(112)
		(107,117)	28,889
Earnings/(loss) per share		HK\$	HK\$
– basic	16(a)	(6.48 cents)	1.76 cents
– diluted	16(b)	N/A	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Profit/(loss) for the year	(107,117)	28,889
Other comprehensive income/(loss):		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	895	(1,705)
Fair value changes of available-for-sale equity investments	(4,681)	40,469
Fair value changes of available-for-sale debt investments	2,590	(2,365)
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale equity investments	—	(16,746)
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments	183	(911)
Reclassification of exchange fluctuation reserve to profit or loss upon disposal of disposal group held for sale	—	(11,052)
Other comprehensive income/(loss) for the year, net of tax	(1,013)	7,690
Total comprehensive income/(loss) for the year	(108,130)	36,579
Attributable to:		
Owners of the Company	(107,858)	36,719
Non-controlling interests	(272)	(140)
	(108,130)	36,579

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	18	78,641	85,871
Investment properties	19	36,300	32,000
Intangible assets	20	1,211	1,296
Interest in an associate	21	15,297	16,830
Financial assets at fair value through profit or loss	22	—	87,600
Available-for-sale equity investments	23	101,658	103,818
Available-for-sale debt investments - notes receivables	24	132,459	118,825
Total non-current assets		365,566	446,240
Current assets			
Inventories	25	49,421	66,404
Trade and other receivables	26	42,675	44,757
Financial assets at fair value through profit or loss	22	251,967	240,237
Available-for-sale debt investments - notes receivables	24	3,989	6,341
Pledged bank deposits	27	11,000	11,000
Time deposits	27	358,670	379,340
Cash and bank balances	27	41,582	48,802
Total current assets		759,304	796,881
Current liabilities			
Trade and other payables	28	28,814	35,483
Interest-bearing bank borrowings	29	8,949	12,281
Current portion of debentures	30	716	120
Total current liabilities		38,479	47,884
Net current assets		720,825	748,997
Total assets less current liabilities		1,086,391	1,195,237

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Total assets less current liabilities		1,086,391	1,195,237
Non-current liabilities			
Debentures	30	1,144	1,850
Deferred revenue		6	16
Total non-current liabilities		1,150	1,866
NET ASSETS		1,085,241	1,193,371
Capital and reserves			
Issued capital	32	1,206,706	1,206,706
Accumulated losses		(1,017,626)	(910,730)
Other reserves	34	896,369	897,331
Equity attributable to owners of the Company		1,085,449	1,193,307
Non-controlling interests		(208)	64
TOTAL EQUITY		1,085,241	1,193,371

Approved by the Board of Directors on 23 March 2016 and were signed on its behalf by:

Derek Wai Choi LEUNG
Executive Director and
Acting Chief Executive Officer

Victor Yiu Keung CHIANG
Executive Director and
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to owners of the Company									
	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i> <i>(Note 34(b)(i))</i>	Capital redemption reserve <i>HK\$'000</i> <i>(Note 34(b)(i))</i>	Special reserve <i>HK\$'000</i> <i>(Note 34(b)(iii))</i>	Available-for-sale investment revaluation reserve <i>HK\$'000</i> <i>(Note 34(b)(iii))</i>	Exchange fluctuation reserve <i>HK\$'000</i> <i>(Note 34(b)(iv))</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2014	16,507	1,189,721	478	808,822	66,531	14,260	(939,731)	1,156,588	204	1,156,792
Total comprehensive income for the year	–	–	–	–	20,447	(12,729)	29,001	36,719	(140)	36,579
Transfer upon transition to no-par value regime on 3 March 2014 <i>(Note 32(c))</i>	1,190,199	(1,189,721)	(478)	–	–	–	–	–	–	–
Changes in equity for the year	1,190,199	(1,189,721)	(478)	–	20,447	(12,729)	29,001	36,719	(140)	36,579
At 31 December 2014	1,206,706	–	–	808,822	86,978	1,531	(910,730)	1,193,307	64	1,193,371
At 1 January 2015	1,206,706	–	–	808,822	86,978	1,531	(910,730)	1,193,307	64	1,193,371
Total comprehensive loss and change in equity for the year	–	–	–	–	(1,908)	946	(106,896)	(107,858)	(272)	(108,130)
At 31 December 2015	1,206,706	–	–	808,822	85,070	2,477	(1,017,626)	1,085,449	(208)	1,085,241

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the year	(107,117)	28,889
Adjustments for:		
Depreciation	10,569	18,921
Amortisation of intangible assets	85	85
Amortisation of deferred revenue	(11)	(13)
Finance costs	657	861
Dividend income from listed equity investments	(4,283)	(5,346)
Dividend income from available-for-sale equity investment	(638)	(387)
Dividend income from an unlisted fund investments	(217)	(398)
Charge for inventories allowances	20,947	25,244
Interest income from:		
Financial assets at fair value through profit or loss	(2,937)	(2,657)
Other financial assets	(14,656)	(15,095)
Share of loss/(profit) of an associate	1,076	(525)
Fair value gains on investment properties, net	(4,300)	(500)
Deficits write-back on revaluation of resort and recreational club properties	(1,537)	(2,633)
Impairment of trade receivables, net	30	30
Loss on disposal of property, plant and equipment	1,453	358
Fair value losses/(gains) of financial assets at fair value through profit or loss, net	36,489	(54,590)
Gain on disposal of financial assets at fair value through profit or loss, net	(4,595)	(8,425)
Gain on disposal of available-for-sales equity investments	—	(17,513)
Losses/(gains) on disposal of available-for-sales debt investments	662	(360)
Gain on disposal of disposal group held for sale	—	(21,294)
Foreign exchange losses, net	8,291	4,231
Operating loss before working capital changes	(60,032)	(51,117)
Increase in inventories	(3,964)	(17,689)
Decrease in trade and other receivables	9,980	978
Decrease in trade and other payables	(6,669)	(7,995)
Cash used in operations	(60,685)	(75,823)
Interest received	18,763	17,667
Dividends received from listed investments	5,054	4,924
Dividends received from an unlisted fund investments	217	398
Dividends received from available-for-sale equity investment	638	387
Purchases of financial assets at fair value through profit or loss	(46,696)	(87,371)
Proceeds from disposal of financial assets at fair value through profit or loss	51,426	98,204
Net cash used in operating activities	(31,283)	(41,614)

	2015 HK\$'000	2014 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(3,511)	(2,077)
Purchases of available-for-sale debt investments	(56,153)	(61,841)
Acquisition of available-for-sales listed equity investments	(2,521)	—
Acquisition of unlisted equity investment designated as financial assets at fair value through profit or loss	—	(40,000)
Repayment from an associate, net	458	5,226
Proceeds from disposal of available-for-sale equity investments	—	22,641
Proceeds from disposal of disposal group held for sale	—	84,483
Proceeds from disposal of property, plant and equipment	50	28
Proceeds from disposal of available-for-sale debt investments	37,112	25,095
Proceeds from disposal of financial assets designated at fair value through profit or loss	39,247	—
Decrease in non-pledged time deposits with original maturity of more than three months when acquired	168,683	83,063
Net cash generated from investing activities	183,365	116,618
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans raised	57,464	79,433
Repayment of bank loans	(60,758)	(86,768)
New issue of debenture	—	167
Redemption of debentures	(120)	(627)
Interest paid	(646)	(848)
Net cash used in financing activities	(4,060)	(8,643)
NET INCREASE IN CASH AND CASH EQUIVALENTS	148,022	66,361
Effect of foreign exchange rate changes, net	(7,229)	(4,369)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	214,562	152,570
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	355,355	214,562
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged time deposits	358,670	379,340
Less: Non-pledged time deposits with original maturity of over three months when acquired	(44,897)	(213,580)
Non-pledged time deposits with original maturity of less than three months when acquired	313,773	165,760
Cash and bank balances	41,582	48,802
	355,355	214,562

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 3301-3303A, 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 35 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the requirements of the Hong Kong Companies Ordinance (Cap. 622).

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015:

Amendment to HKAS 16 and HKAS 38 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment clarifies how the gross carrying amount and the accumulated depreciation/amortisation are treated where an entity uses the revaluation model. This amendment had no effect on the Group's consolidated financial statements.

Amendments to HKAS 19, Defined Benefit Plans: Employee Contributions

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognised as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service). As the Group has no post-employment benefit plans requiring employees or third parties to meet some of the cost of the plan, the amendments had no effect on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS (CONTINUED)

(a) Application of new and revised HKFRSs (continued)

Amendment to HKAS 24 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment clarifies how payments to entities providing key management personnel services are to be disclosed. This amendment had no effect on the Group's consolidated financial statements.

Amendment to HKAS 40 (Annual Improvements to HKFRSs 2011–2013 Cycle)

The amendment clarifies the application of HKFRS 3 and HKAS 40 in respect of acquisitions of investment property. HKAS 40 assists preparers to distinguish between investment property and owner-occupied property, then HKFRS 3 helps them to determine whether the acquisition of an investment property is a business combination. The amendment had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 3 (Annual Improvements to HKFRSs 2011–2013 Cycle)

The amendment clarifies that HKFRS 3 excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself. This had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 8 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 13 (Annual Improvements to HKFRSs 2011–2013 Cycle)

The amendment clarifies that the portfolio exception in HKFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of HKAS 39/HKFRS 9. This had no effect on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of new and revised HKFRSs in issue but not yet effective

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ³

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁴ Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.

(c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS (CONTINUED)

(d) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange

The Stock Exchange in April 2015 released revised Appendix 16 of the Rules Governing the Listing of Securities in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. revaluation of investment properties, resort and recreational club properties and certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated 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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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 and any accumulated foreign currency translation reserve relating to that subsidiary.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

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 statement of profit or loss and consolidated statement of profit or loss and other 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.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination 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 sum of the consideration transferred 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 sum of consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

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 profit or loss. The fair value is added to the sum of consideration transferred in a business combination to calculate the goodwill.

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

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

4. 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 policy decisions 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, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of investment 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 profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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 entire carrying amount of that associate (including goodwill) and any related accumulated exchange fluctuation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. 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 profit or loss.

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 profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(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 for the period (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 other comprehensive income and accumulated in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

Property, plant and equipment, except resort and recreational club properties held for use in the provision of recreational facilities or hospitality services, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 profit or loss during the period in which they are incurred.

Resort and recreational club properties held for use in the provision of recreational facilities or hospitality services, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such resort and recreational club properties is recognised in other comprehensive income and accumulated in properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such resort and recreational club properties is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation of revalued resort and recreational club properties is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost 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 5 years
Motor vehicles	3 to 5 years

The residual values, useful lives and depreciation methods 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 profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investment properties

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

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss 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 profit or loss.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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 profit or loss.

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 profit or loss.

(k) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets 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.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets 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 financial assets, are recognised in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as loan 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 and accumulated in the available-for-sale investment revaluation reserve, 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 reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

(l) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(p) 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.

(q) Equity instruments

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

(r) 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 is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (continued)

(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.

(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.

(s) 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 operates only the defined contribution retirement schemes.

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 profit or loss 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 profit or loss when incurred.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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 profit or loss in the period in which they are incurred.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Taxation (continued)

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 profit or loss, 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.

(v) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

(x) 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.

(y) 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 consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

5. 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 consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) 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.

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.

As at 31 December 2015, allowances for inventories amounted to HK\$64,721,000 (2014: HK\$51,348,000).

(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.

The aggregated carrying amount of resort and recreational club properties and investment properties as at 31 December 2015 were HK\$112,200,000 (2014: HK\$109,300,000).

6. 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, available-for-sale equity investments and bank deposits are principally denominated in foreign currency including US dollar, Euro, Renminbi and New Taiwan dollar. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table summarises the change in the Group's consolidated profit/(loss) after tax and other comprehensive income/(loss) after tax in response to reasonably possible changes in foreign exchange rates on currencies to which the Group has exposure at the end of the reporting period and that all other variables remain constant. Such exposure relates to trade and other receivables, bank deposits, financial assets at fair value through profit or loss, available-for-sale equity investments, note receivables, trade and bills payables.

	Change in percentage in exchange rate against Hong Kong dollar	Effect on loss (2014: profit) after tax HK\$'000	Effect on other comprehensive loss (2014: income) after tax HK\$'000	Effect on equity HK\$'000
31 December 2015				
US dollar	+/- 0.5%	-/+ 1,704	-/+ 682	+/- 2,386
Euro	+/- 5%	+/- 169	—	-/+ 169
Renminbi	+/- 5%	-/+ 1,507	—	+/- 1,507
New Taiwan dollar	+/- 5%	-/+ 41	-/+ 5,083	+/- 5,124
31 December 2014				
US dollar	+/- 0.5%	+/- 1,361	+/- 626	+/- 1,987
Euro	+/- 5%	-/+ 401	—	-/+ 401
Renminbi	+/- 5%	+/- 9,045	—	+/- 9,045
New Taiwan dollar	+/- 5%	+/- 8	+/- 5,191	+/- 5,199

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Price risk

The Group's investments classified as financial assets at fair value through profit or loss and available-for-sale 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 management manages this exposure by maintaining a portfolio of investments with different risk profiles.

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 2015	2015 High/low	31 December 2014	2014 High/low
Hong Kong - Hang Seng Index	<u>21,914</u>	<u>28,589/ 20,368</u>	<u>23,605</u>	<u>25,363/ 21,138</u>

At 31 December 2015, if the share prices of the equity investments listed on The Stock Exchange of Hong Kong Limited increase/decrease by 5%, consolidated loss (2014: profit) after tax for the year would have been HK\$9,322,000 lower/higher (2014: HK\$8,018,000 higher/lower), 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 2015, if the share price of available-for-sale equity investment increase/decrease by 5%, other comprehensive loss (2014: income) after tax for the year would have been HK\$5,083,000 lower/higher (2014: HK\$5,191,000 higher/lower) arising as a result of the fair value gain/loss of this investment.

The Group's debt and fund 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 2015, if the prices of the debt and fund investments increase/decrease by 5%, consolidated loss (2014: profit) after tax for the year would have been HK\$3,067,000 lower/higher (2014: HK\$3,809,000 higher/lower), arising as a result of the fair value gain/loss of debt and fund investments classified as financial assets at fair value through profit or loss; and other comprehensive loss (2014: income) after tax for the year would have been HK\$6,822,000 lower/higher (2014: HK\$6,258,000 higher/lower), arising as a result of the fair value gain/loss of debt investments classified as available-for-sales financial assets.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

The Group's credit risk is primarily attributable to its bank deposits, trade and other receivables, note receivables and investments. In order to minimise credit risk, the Management review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the Management consider that the Group's credit risk is significantly reduced.

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. The Group's debt investments include 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.

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; and

The credit risk on rental deposits is limited because the counterparties are well established real estate developer/management companies in Hong Kong.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(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 borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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 <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2015			
Trade payables and financial liabilities included in other payables	25,755	—	25,755
Interest-bearing bank borrowings	8,949	—	8,949
Debentures	720	1,157	1,877
	<u>35,424</u>	<u>1,157</u>	<u>36,581</u>

	Less than 1 year/ on demand/ no fixed terms <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2014				
Trade payables and financial liabilities included in other payables	31,787	—	—	31,787
Interest-bearing bank borrowings	12,281	—	—	12,281
Debentures	120	720	1,157	1,997
	<u>44,188</u>	<u>720</u>	<u>1,157</u>	<u>46,065</u>

6. 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 note receivables bear interests at fixed interest rate and therefore are subject to fair value interest rate risk.

At 31 December 2015, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated loss (2014: profit) after tax for the year would have been HK\$1,799,000 lower/higher (2014: HK\$1,808,000 higher/lower), 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

	2015 HK\$'000	2014 HK\$'000
Financial assets:		
Financial assets at fair value through profit or loss		
– held for trading	207,663	240,237
– designated as such upon initial recognition	44,304	87,600
Loans and receivables (including cash and cash equivalents and time deposits)	453,057	487,936
Available-for-sale financial assets	238,106	228,984
	<u>943,130</u>	<u>1,044,757</u>
Financial liabilities:		
Financial liabilities at amortised cost	36,564	46,038

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December:

Description	Fair value measurements as at 31 December 2015 using:			Total 2015
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	HK\$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss:				
– Listed equity investments	190,620	–	–	190,620
– Listed debt and fund investments	–	34,566	–	34,566
– Unlisted debt and fund investments	–	26,781	–	26,781
	<u>190,620</u>	<u>61,347</u>	<u>–</u>	<u>251,967</u>
Available-for-sale financial assets:				
– Listed debt investments	–	136,448	–	136,448
– Listed equity investment	101,658	–	–	101,658
	<u>101,658</u>	<u>136,448</u>	<u>–</u>	<u>238,106</u>
Investment properties:				
– Industrial property situated in Hong Kong	–	36,300	–	36,300
Property, plant and equipment:				
– Resort and recreational club properties situated in Hong Kong	–	–	75,900	75,900
Total recurring fair value measurements	<u>292,278</u>	<u>234,095</u>	<u>75,900</u>	<u>602,273</u>

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy at 31 December: (continued)

Description	Fair value measurements as at 31 December 2014 using:			Total 2014 HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Recurring fair value measurements:				
Financial assets at fair value through profit or loss:				
– Listed equity investments	164,057	–	–	164,057
– Listed debt and fund investments	–	50,778	–	50,778
– Unlisted debt and fund investments	–	25,402	–	25,402
– Unlisted equity investment	–	–	87,600	87,600
	<u>164,057</u>	<u>76,180</u>	<u>87,600</u>	<u>327,837</u>
Available-for-sale financial assets:				
– Listed debt investments	–	125,166	–	125,166
– Listed equity investment	103,818	–	–	103,818
	<u>103,818</u>	<u>125,166</u>	<u>–</u>	<u>228,984</u>
Investment properties:				
– Industrial property situated in Hong Kong	–	32,000	–	32,000
Property, plant and equipment:				
– Resort and recreational club properties situated in Hong Kong	–	–	77,300	77,300
Total recurring fair value measurements	<u>267,875</u>	<u>233,346</u>	<u>164,900</u>	<u>666,121</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. FAIR VALUE MEASUREMENTS (CONTINUED)

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

Description	Property, plant and equipment	Financial assets at fair value through profit or loss	2015 Total HK\$'000
	Resort and recreational club properties HK\$'000	Unlisted equity investment HK\$'000	
At 1 January 2015	77,300	87,600	164,900
Total fair value gain or loss recognised in profit or loss *	1,537	5,002	6,539
Depreciation charged to profit or loss	(2,937)	—	(2,937)
Disposal	—	(39,247)	(39,247)
Transfer out of level 3	—	(53,355)	(53,355)
At 31 December 2015	75,900	—	75,900
* Include gains or losses for assets held at end of reporting period	1,537	—	1,537

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Reconciliation of assets measured at fair value based on level 3: (continued)

Description	Investment properties	Property, plant and equipment	Financial assets at fair value through profit or loss	2014 Total HK\$'000
	Resort and recreational club properties HK\$'000	Resort and recreational club properties HK\$'000	Unlisted equity investment HK\$'000	
At 1 January 2014	72,800	77,600	34,000	184,400
Total fair value gain or loss recognised in profit or loss *	(2,500)	2,633	13,600	13,733
Depreciation charged to profit or loss	—	(2,933)	—	(2,933)
Exchange differences recognised in other comprehensive income	(1,000)	—	—	(1,000)
Additions	—	—	40,000	40,000
Disposal	(69,300)	—	—	(69,300)
At 31 December 2014	—	77,300	87,600	164,900
* Include gains or losses for assets held at end of reporting period	—	2,633	13,600	16,233

During the year, unlisted equity investment amounting to HK\$53,355,000 (2014: Nil) was transferred from measurement based on level 3 to level 1 due to the successful listing of the underlying shares on the Main Board of the Stock Exchange, for which quoted market price is available for fair value measurement purpose. Details of the above is set out in note 22(b) to the consolidated financial statements.

The total fair value gains or losses recognised in profit or loss including those for assets held at end of reporting period arising from investment properties, property, plant and equipment and financial assets at fair value through profit or loss, are presented in "Other operating gains/(losses), net", "Fair value gains on investment properties, net" and "Deficits write back on revaluation of resort and recreational club properties" in the consolidated statement of profit or loss respectively.

The gains or losses recognised in other comprehensive income/(loss) are presented in the corresponding line item in the consolidated statement of profit or loss and other comprehensive income/(loss).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) **Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December:**

The Group's senior management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. In respect of level 3 fair value measurements, the Group normally engages external valuation experts with relevant recognised qualifications and experience to perform the valuations. The senior management review the fair value measurements twice a year, which is in line with the Group's reporting dates.

The valuation techniques used and the key inputs to the level 2 and level 3 fair value measurements are set out below:

Description	Valuation technique and key inputs
<i>Level 2:</i>	
Listed and unlisted debt and fund investments	Quoted price provided by counterparty financial institutions
Industrial investment properties situated in Hong Kong	Direct comparison method: – Price per square feet
<i>Level 3:</i>	
Resort and recreational club properties situated in Hong Kong	Open market and existing use basis with the use of discounted cash flow: – Long-term operating margin – Long-term revenue growth – Discount rate
Unlisted equity investment	Binomial model: – Discount rate

The information about the significant unobservable inputs used in level 3 fair value measurement is set out below.

Description	Unobservable inputs	Range	Effect on fair value for increase of inputs
		2015	2014
Resort and recreational club properties situated in Hong Kong	Discount rate	8.5%	8.9% Decrease
Unlisted equity investment	Discount rate	N/A	11.3% Decrease

During the two years, there were no changes in the valuation techniques used, except for the unlisted equity investment which was transferred out to level 1 fair value measurement base.

8. SEGMENT INFORMATION

The Group has three reportable segments as follows:

Segment	Activity
Wholesale and retail of fashion wear and accessories	The trading of fashion wear and accessories
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. Strategic business units that have similar economic characteristics are combined in a single reportable segment. 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 4 to the consolidated financial statements.

Segment profits or losses do not include the following:

- Unallocated corporate administrative expenses;
- Share of profit/(loss) of an associate;
- Fair value gains on investment properties, net;
- Deficits write-back on revaluation of resort and recreational properties;
- Gain on disposal of disposal group held for sale;
- Finance costs; and
- Income tax expense.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. SEGMENT INFORMATION (CONTINUED)

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

	Wholesale and retail of fashion wear and accessories <i>HK\$'000</i>	Resort and recreational club operations <i>HK\$'000</i>	Investments and treasury <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2015:				
Revenue from external customers	182,134	13,609	19,794	215,537
Segment loss	(63,932)	(8,903)	(32,936)	(105,771)
<i>Segment loss includes:</i>				
Fair value losses on financial assets at fair value through profit or loss, net	—	—	(36,489)	(36,489)
Gain on disposal of financial assets at fair value through profit or loss, net	—	—	4,595	4,595
Loss on disposal of available-for-sale debt investments, net	—	—	(662)	(662)
Interest income from:				
– Financial assets at fair value through profit or loss	—	—	2,937	2,937
– Other financial assets	—	—	14,656	14,656
Depreciation and amortisation	7,160	3,343	151	10,654
Charge for inventories allowances	20,947	—	—	20,947
Impairment of trade receivables, net	—	30	—	30
<i>Other segment information:</i>				
Share of loss of an associate	(1,076)	—	—	(1,076)
Additions to property, plant and equipment	3,390	121	—	3,511
As at 31 December 2015:				
Segment assets	93,546	78,583	937,444	1,109,573
Segment liabilities	(23,543)	(4,385)	(2,752)	(30,680)
Interest in an associate	15,297	—	—	15,297

8. SEGMENT INFORMATION (CONTINUED)

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

	Wholesale and retail of fashion wear and accessories <i>HK\$'000</i>	Resort and recreational club operations <i>HK\$'000</i>	Investments and treasury <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2014:				
Revenue from external customers	239,749	14,410	21,226	275,385
Segment profit/(loss)	(62,246)	(7,565)	78,311	8,500
<i>Segment profit/(loss) includes:</i>				
Fair value gains on financial assets at fair value through profit or loss, net	—	—	54,590	54,590
Gain on disposal of financial assets at fair value through profit or loss, net	—	—	8,425	8,425
Gain on disposal of available-for-sale debt investments, net	—	—	360	360
Gain on disposal of available-for-sale equity investments	—	—	17,513	17,513
Gain on disposal of disposal group held for sale	—	—	21,294	21,294
Interest income from:				
– Financial assets at fair value through profit or loss	—	—	2,657	2,657
– Other financial assets	—	—	15,095	15,095
Depreciation and amortisation	15,243	3,485	278	19,006
Charge for inventories allowances	25,244	—	—	25,244
Impairment of trade receivables, net	—	30	—	30
<i>Other segment information:</i>				
Share of profit of an associate	525	—	—	525
Additions to property, plant and equipment	1,937	140	—	2,077
As at 31 December 2014:				
Segment assets	130,584	80,708	1,014,999	1,226,291
Segment liabilities	(27,444)	(4,525)	(5,500)	(37,469)
Interest in an associate	16,830	—	—	16,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

8. SEGMENT INFORMATION (CONTINUED)

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit or loss		
Total profit or loss of reportable segments	(105,771)	8,500
Unallocated corporate administrative expenses	(5,450)	(3,702)
Share of profit/(loss) of an associate	(1,076)	525
Fair value gains on investment properties, net	4,300	500
Gain on disposal of disposal group held for sale	—	21,294
Deficits write-back on revaluation of resort and recreational club properties	1,537	2,633
Finance costs	(657)	(861)
Consolidated profit/(loss) for the year	<u>(107,117)</u>	<u>28,889</u>
Assets		
Total assets of reportable segments	1,109,573	1,226,291
Interest in an associate	15,297	16,830
Consolidated total assets	<u>1,124,870</u>	<u>1,243,121</u>
Liabilities		
Total liabilities of reportable segments	(30,680)	(37,469)
Interest-bearing bank borrowings	(8,949)	(12,281)
Consolidated total liabilities	<u>(39,629)</u>	<u>(49,750)</u>

Geographical information:

	Revenue		Non-current assets	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	200,234	248,244	130,923	131,412
Mainland China	11,088	22,248	—	4,022
Others	4,215	4,893	526	563
Consolidated total	<u>215,537</u>	<u>275,385</u>	<u>131,449</u>	<u>135,997</u>

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

9. REVENUE

The principal activities of the Group are wholesale and retail of fashion wear and accessories, resort and recreational club operations, and investment and treasury operations. An analysis of revenue of the Group by operating activities is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Wholesale and retail of fashion wear and accessories	182,134	239,749
Resort and recreational club operations	13,609	14,410
Dividend income from listed equity investments	4,283	5,346
Dividend income from an unlisted fund investment	217	398
Dividend income from available-for-sale equity investments	638	387
Interest income	14,656	15,095
	<u>215,537</u>	<u>275,385</u>

10. OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Rental income	1,056	913
Management fees	1,373	2,435
Consultancy fee income	—	256
Others	1,217	700
	<u>3,646</u>	<u>4,304</u>

11. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank loans and overdrafts	646	848
Accretion of interest on debentures	11	13
	<u>657</u>	<u>861</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

12. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2015 (2014: Nil) as the Company and its subsidiaries either did not generate any assessable profits for the year or have available tax losses brought forward from prior years to offset against any assessable profits generated during the year.

The tax rate applicable for the assessable profit arising in Hong Kong is 16.5% (2014: 16.5%).

The tax rate applicable to the subsidiaries in the PRC for PRC enterprise income tax is 25% (2014: 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/(loss) 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:

	2015		2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Profit/(loss) before tax	(107,117)		28,889	
Tax at the weighted average tax rate	(19,875)	(18.6)	(3,953)	(13.7)
Tax effect of income that is not taxable	(3,869)	(3.6)	(9,756)	(33.8)
Tax effect of expenses that are not deductible	3,652	3.4	4,677	16.2
Tax effect of utilisation of tax losses				
not previously recognised	—	—	(8,358)	(28.9)
Tax effect of tax losses not recognised	20,092	18.8	17,390	60.2
Income tax expense at effective tax rate	—	—	—	—

13. PROFIT/(LOSS) FOR THE YEAR

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of inventories sold#	97,738	128,634
Depreciation	10,569	18,921
Amortisation of intangible assets	85	85
Auditor's remuneration for audit services	1,127	1,121
Other operating lease charges for land and buildings (included contingent rentals of HK\$2,335,000 (2014: HK\$6,113,000))	67,805	67,617
Charge for inventories allowances	20,947	25,244
Direct operating expenses of investment properties that generate rental income	183	144
Losses/(gains) from financial assets at fair value through profit or loss, net**:		
Held-for-trading		
Interest income	(2,937)	(2,657)
Fair value losses/(gains), net	28,233	(40,990)
Gains on disposal, net	(389)	(8,425)
	24,907	(52,072)
Designated as such upon initial recognition		
Fair value losses/(gains), net	8,256	(13,600)
Gain on disposal	(4,206)	—
	4,050	(13,600)
Fair value gains on investment properties, net	(4,300)	(500)
Losses/(gains) on disposal of available-for-sales debt investments, net*	662	(360)
Gain on disposal of available-for-sales equity investments*	—	(17,513)
Loss on disposal of property, plant and equipment*	1,453	358
Amortisation of deferred revenue	(11)	(13)
Rental income	(1,056)	(913)
Foreign exchange losses, net*	5,057	1,838
Impairment of trade receivables, net	30	30
Deficits write-back on revaluation of resort and recreational club properties	(1,537)	(2,633)

* These amounts are included in "Other operating gains/(losses), net".

Cost of inventories sold included charge of inventories allowances of HK\$20,947,000 (2014: HK\$25,244,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

14. EMPLOYEE BENEFITS EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Employee benefits expense (including directors' emoluments):		
Salaries, bonuses and allowances	69,734	81,827
Pension scheme contributions	3,099	3,882
	<u>72,833</u>	<u>85,709</u>

(a) Five highest paid individuals:

The five highest paid individuals in the Group during the year included three (2014: four) directors whose emoluments are reflected in the analysis presented in note 15(a) to the consolidated financial statements. The emoluments of the remaining two (2014: one) individuals are set out below:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	4,137	2,460
Performance related bonuses	—	51
Pension scheme contributions	11	—
	<u>4,148</u>	<u>2,511</u>

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,000,001 to HK\$2,500,000	1	—
HK\$2,500,001 to HK\$3,000,000	—	1
	<u>2</u>	<u>1</u>

14. EMPLOYEE BENEFITS EXPENSE (CONTINUED)

(b) Emoluments of senior management

The emoluments of the senior management, whose profiles, if applicable, are included in Senior Management Profile section of 2015 and 2014 annual report of the Company and included two (2014: one) of the five highest paid individuals analysis presented above, fell within the following bands:

	Number of individuals	
	2015	2014
Nil to HK\$1,000,000	4	2
HK\$1,000,001 to HK\$1,500,000	—	2
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	—
HK\$2,500,001 to HK\$3,000,000	—	1
	<u>6</u>	<u>6</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director, including the Chief Executive, is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					Total HK\$'000
	Fees HK\$'000	Salaries HK\$'000	Estimated money value of other benefits HK\$'000 (note v)	Performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	
Executive directors						
Mr. Joseph Wing Kong LEUNG (note i)	42	762	—	80	—	884
Mr. Victor Yiu Keung CHIANG	60	2,010	296	80	18	2,464
Mr. Derek Wai Choi LEUNG (note ii)	60	866	236	80	18	1,260
Mr. Wing Tung YEUNG	60	2,377	296	80	18	2,831
Non-executive director						
Mr. Joseph Wing Kong LEUNG (note i)	1	—	—	—	—	1
Independent non-executive directors (note iv)						
Dr. Jen CHEN	173	—	—	—	—	173
Mr. David Kwok Kwei LO	178	—	—	—	—	178
Mr. Ian Grant ROBINSON	349	—	—	—	—	349
Mr. Chi Keung WONG	237	—	—	—	—	237
Total for 2015	1,160	6,015	828	320	54	8,377

Certain comparative information of directors' emoluments for the year ended 31 December 2014 disclosed in accordance with the predecessor Hong Kong Companies Ordinance (Cap. 32) have been restated in order to comply with the scope and requirements of the new Hong Kong Companies Ordinance (Cap.622).

15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (continued)

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					Total HK\$'000
	Fees HK\$'000	Salaries HK\$'000	Estimated money value of other benefits HK\$'000 (note v)	Performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	
Executive directors						
Mr. Joseph Wing Kong LEUNG	120	1,680	—	100	—	1,900
Mr. Raymond Siu Wing CHAN (note iii)	60	2,049	60	100	17	2,286
Mr. Victor Yiu Keung CHIANG	60	1,932	60	100	17	2,169
Mr. Derek Wai Choi LEUNG	60	488	—	100	12	660
Mr. Wing Tung YEUNG	60	2,286	60	100	17	2,523
Independent non-executive directors (note iv)						
Dr. Jen CHEN	95	—	—	—	—	95
Mr. David Kwok Kwei LO	85	—	—	—	—	85
Mr. Ian Grant ROBINSON	285	—	—	—	—	285
Mr. Chi Keung WONG	105	—	—	—	—	105
Total for 2014	930	8,435	180	500	63	10,108

Note:

- (i) Mr. Joseph Wing Kong LEUNG was the Company's Chairman and Acting Chief Executive officer until the close of business on 5 May 2015. With effect from the close of business on 5 May 2015, Mr. Joseph Wing Kong LEUNG was re-designated from the Company's executive director to the Company's non-executive director. On 15 May 2015, Mr. Joseph Wing Kong LEUNG resigned as non-executive director of the Company.
- (ii) Appointed as the Company's Acting Chief Executive Officer on 23 March 2016.
- (iii) Resigned on 1 January 2015.
- (iv) In addition to the annual fee, Independent Non-executive Directors are entitled to an attendance fee for attending each physical Board meeting or committee meeting or general meeting of the Company.
- (v) Estimated money values of other benefits include cash allowances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (continued)

No share options or any other forms of share-based payments were granted to the directors during the year (2014: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the loss for the year attributable to owners of the Company of HK\$106,896,000 (2014: profit of HK\$29,001,000) and the weighted average number of ordinary shares of 1,650,658,676 (2014: 1,650,658,676) in issue during the year.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2015 and 2014.

17. DIVIDENDS

The directors do not recommend the payment of any dividend to shareholders for the year ended 31 December 2015 and 2014.

18. PROPERTY, PLANT AND EQUIPMENT

	Resort and recreational club properties <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:					
At 1 January 2014	77,600	7,400	74,543	3,556	163,099
Additions	—	—	2,077	—	2,077
Disposals	—	—	(1,139)	(849)	(1,988)
Deficits write-back on revaluation	2,633	—	—	—	2,633
Elimination of accumulated depreciation	(2,933)	—	—	—	(2,933)
Exchange realignment	—	—	(588)	(7)	(595)
At 31 December 2014 and 1 January 2015	77,300	7,400	74,893	2,700	162,293
Additions	—	1,951	1,560	—	3,511
Disposals	—	(1,251)	(29,113)	(1,233)	(31,597)
Deficits write-back on revaluation	1,537	—	—	—	1,537
Elimination of accumulated depreciation	(2,937)	—	—	—	(2,937)
Exchange realignment	—	—	(1,183)	(13)	(1,196)
At 31 December 2015	75,900	8,100	46,157	1,454	131,611
Accumulated depreciation and impairment:					
At 1 January 2014	—	6,971	52,394	2,965	62,330
Depreciation provided during the year	2,933	149	15,712	127	18,921
Write-back on revaluation	(2,933)	—	—	—	(2,933)
Disposals	—	—	(753)	(849)	(1,602)
Exchange realignment	—	—	(288)	(6)	(294)
At 31 December 2014 and 1 January 2015	—	7,120	67,065	2,237	76,422
Depreciation provided during the year	2,937	1,214	6,299	119	10,569
Write-back on revaluation	(2,937)	—	—	—	(2,937)
Disposals	—	(626)	(28,235)	(1,233)	(30,094)
Exchange realignment	—	—	(976)	(14)	(990)
At 31 December 2015	—	7,708	44,153	1,109	52,970
Net carrying amount:					
At 31 December 2015	75,900	392	2,004	345	78,641
At 31 December 2014	77,300	280	7,828	463	85,871

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's resort and recreational club properties were revalued at 31 December 2015 and 2014 by independent professional qualified valuers, DTZ Debenham Tie Leung Limited ("DTZ"), based on open market and existing use basis.

If the Group's resort and recreational club properties were stated on historical cost basis, their carrying amounts would be as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost	53,777	53,777
Accumulated depreciation	<u>(25,242)</u>	<u>(24,336)</u>
	<u><u>28,535</u></u>	<u><u>29,441</u></u>

19. INVESTMENT PROPERTIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 January	32,000	29,000
Fair value gains	<u>4,300</u>	<u>3,000</u>
At 31 December	<u><u>36,300</u></u>	<u><u>32,000</u></u>

At 31 December 2015, the Group's investment properties comprised industrial property units situated in Hong Kong of HK\$36,300,000 (2014: HK\$32,000,000). The Group's industrial property units are held to earn rental income and capital appreciation and are held under medium term leases.

The Group's investment properties were revalued at 31 December 2015 and 2014 by independent professional qualified valuers, DTZ. Valuation of industrial property was based on direct comparison method.

Further particulars of the Group's investment properties are included on page 106.

20. INTANGIBLE ASSETS

	Trademarks HK\$'000
Cost:	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	<u>1,700</u>
Accumulated amortisation:	
At 1 January 2014	319
Amortisation for the year	<u>85</u>
At 31 December 2014 and 1 January 2015	404
Amortisation for the year	<u>85</u>
At 31 December 2015	489
Net carrying amount:	
At 31 December 2015	<u>1,211</u>
At 31 December 2014	<u>1,296</u>

The Group's trademarks protect the design and specification of the Group's products. The average remaining amortisation period of the trademarks is approximately 14 years (2014: 15 years).

21. INTEREST IN AN ASSOCIATE

	2015 HK\$'000	2014 HK\$'000
Unlisted investment:		
Share of net assets	483	1,558
Due from an associate	15,175	15,272
Due to an associate	<u>(361)</u>	<u>—</u>
	<u>15,297</u>	<u>16,830</u>

As at 31 December 2015, amount due from an associate with principal amount of HK\$15,043,000 (2014: HK\$15,043,000) is unsecured, bearing interest at 3.5% per annum and not due for settlement within one year. Other than the above, the amount due from/(to) associate is unsecured, interest free and have no fixed term of repayment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. INTEREST IN AN ASSOCIATE (CONTINUED)

Particulars of the associate are as follows:

Name	Issued ordinary share capital	Place of registration	Percentage of ownership interest attributable to the Group		Principal activities
			2015	2014	
Brunello Cucinelli Hong Kong Limited ("BCHK")	HK\$2,000,000	Hong Kong	49	49	Retail and wholesale of fashion wear and accessories

The following table shows information of the associate that is material to the Group. The associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information of the associate is presented in accordance with the Group's accounting policy.

	BCHK	
	2015 HK\$'000	2014 HK\$'000
At 31 December:		
Non-current assets	5,697	11,168
Current assets	29,879	34,450
Current liabilities	(33,691)	(41,338)
Non-current liabilities	(900)	(1,100)
Net assets	985	3,180
Group's share of net assets	483	1,558
Amount due from an associate	15,175	15,272
Amount due to an associate	(361)	—
Group's share of carrying amount of interests	15,297	16,830
Year ended 31 December		
Revenue	81,301	81,156
Profit/(loss) and total comprehensive income/(loss) for the year	(2,195)	1,071

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Listed investments, at fair value (<i>note a</i>):		
Hong Kong	207,886	187,412
Outside Hong Kong	17,300	27,423
	<u>225,186</u>	<u>214,835</u>
Market value of listed investments	225,186	214,835
Unlisted investments, at fair value:		
Equity investment (<i>note b</i>)	—	87,600
Others (<i>note c</i>)	26,781	25,402
	<u>26,781</u>	<u>113,002</u>
	<u>251,967</u>	<u>327,837</u>
Analysed as:		
Current assets	251,967	240,237
Non-current assets	—	87,600
	<u>251,967</u>	<u>327,837</u>

The carrying amounts of the above financial assets are classified as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Held for trading	207,663	240,237
Designated as at fair value through profit or loss on initial recognition (<i>note b</i>)	44,304	87,600
	<u>251,967</u>	<u>327,837</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

Notes:

- (a) The listed investments at 31 December 2015 and 2014 were classified as held for trading. The fair values of listed investments are based on quoted market prices. The listed investments offer the Group the opportunity for return through dividend income, coupon interest and fair value gains.

As at 31 December 2015 and 2014, the above listed investments included the ordinary shares of China Motor Bus Company, Limited, a company incorporated in Hong Kong, as follows:

	2015 HK\$'000	2014 HK\$'000
Market value of ordinary shares of China Motor Bus Company, Limited	<u>122,304</u>	<u>142,923</u>
Proportion of ownership interest	<u>3.46%</u>	<u>3.46%</u>

- (b) In 2013, pursuant to the share purchase agreement dated 13 June 2013 and a supplemental agreement dated 7 August 2013 entered into between the Group, Fullgold Development Limited ("FDL"), PuraPharm Corporation Limited (BVI) ("PuraPharm BVI") and Mr. CHAN, Yu Ling Abraham ("Mr. Abraham Chan") (who is the controlling shareholder of PuraPharm BVI), the Group acquired from FDL 5% equity interest in PuraPharm BVI at a total consideration of US\$3,524,962 (equivalent to approximately HK\$27,424,000).

In 2014, pursuant to the subscription and share purchase agreement dated 31 December 2014 entered into between the Group, FDL, PuraPharm BVI and Mr. Abraham Chan, the Group subscribed 4% equity interest in PuraPharm BVI through allotment of share capital of PuraPharm BVI and further acquired 1.33% equity interest from FDL at a total consideration of HK\$40,000,000. As of 31 December 2014, the Group held approximately 10.13% of the entire share capital of PuraPharm BVI.

PuraPharm BVI and its subsidiaries engage in the research and development, manufacturing and sale of Chinese medicines products and health supplement products, as well as the operation of Chinese medicine clinics, dispensaries of Chinese medicines and Chinese herbal plantation. Subject to certain conditions, the Group may require FDL to repurchase its shares in PuraPharm BVI; and FDL may repurchase the Group's shares in PuraPharm BVI at an agreed redemption/repurchase price. Further details of the above were set out in the Company's announcements dated 13 June 2013, 7 August 2013 and 31 December 2014.

The investment in PuraPharm BVI was designated as financial assets at fair value through profit or loss.

On 19 June 2015, the Group agreed to exchange the shares held on hand in PuraPharm BVI into the shares in PuraPharm Corporation Limited (Cayman) ("PuraPharm Cayman"). After the exchange, the Group held 17,092,500 shares in PuraPharm Cayman. On 25 June 2015, PuraPharm Cayman made the global offering of its shares on the Main Board of Stock Exchange.

On 30 June 2015, the Group and PuraPharm Cayman entered into an agreement, whereby the Group agreed to sell 40% (or 6,837,000 shares) of its shareholding of PuraPharm Cayman (the "Cayman Sale Shares") under the proposed global offering of PuraPharm Cayman, on the condition that PuraPharm Cayman could be successfully listed on the Main Board of Stock Exchange.

The global offering was completed on 7 July 2015, and the shares of PuraPharm Cayman were available for trading on 8 July 2015. Accordingly, the Group sold the Cayman Sale Shares at the selling price equivalent to the final global offering price of PuraPharm Cayman.

The fair value of the investment in PuraPharm Cayman as at 31 December 2015 is based on quoted market prices and included in above listed investment (31 December 2014: determined by valuation performed by Crowe Horwath (HK) Consulting Valuation Limited, using binominal model).

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

Notes: (continued)

- (c) Other unlisted investments at 31 December 2015 and 2014 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.

23. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Equity investment listed outside Hong Kong, at fair value	<u>101,658</u>	<u>103,818</u>

The listed equity investment as at 31 December 2015 and 2014 represents an investment in Genovate Biotechnology Company Limited ("Genovate"), which 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 fair value of investment in Genovate as at 31 December 2015 and 2014 was based on quoted market price. The carrying amounts of the Group's available-for-sale equity investment is denominated in New Taiwan dollar.

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

	2015 HK\$'000	2014 HK\$'000
Listed senior notes*, at fair value:		
Market value of listed senior notes		
– Current assets	3,989	6,341
– Non-current assets	<u>132,459</u>	<u>118,825</u>
	<u>136,448</u>	<u>125,166</u>

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

At 31 December 2015, the Group held listed senior notes with an aggregate principal amount of US\$17,570,000 (equivalent to HK\$136,695,000) (2014: US\$16,470,000 (equivalent to HK\$128,137,000)), 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 29 April 2016 to 31 January 2023 (2014: 16 February 2015 to 31 January 2023).

Interest income from the listed senior notes is recognised based on effective interest rates ranging from 3.30% to 10% (2014: 3.30% to 10.85%). The carrying amounts of the Group's available-for-sale debt investments are denominated in US dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. INVENTORIES

As at 31 December 2015 and 2014, all of the Group's inventories represented finished goods.

26. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	2,422	3,733
Less: Impairment of trade receivables	(400)	(370)
	<u>2,022</u>	<u>3,363</u>
Rental and other deposits	21,273	22,992
Prepayments and other receivables	19,380	18,402
	<u>42,675</u>	<u>44,757</u>

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	1,553	2,314
2 to 3 months	123	1,042
Over 3 months	346	7
	<u>2,022</u>	<u>3,363</u>

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

Reconciliation of impairment of trade receivables:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 January	370	351
Amount written off as uncollectible	—	(11)
Impairment losses recognised, net	<u>30</u>	<u>30</u>
At 31 December	<u><u>400</u></u>	<u><u>370</u></u>

As at 31 December 2015, trade receivables of HK\$426,000 (2014: HK\$393,000) 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Less than 1 month past due	69	291
1 to 3 months past due	17	99
Over 3 months past due	<u>340</u>	<u>3</u>
	<u><u>426</u></u>	<u><u>393</u></u>

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 the following currencies:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong dollars	1,633	1,735
Renminbi	<u>389</u>	<u>1,628</u>
	<u><u>2,022</u></u>	<u><u>3,363</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong dollars	108,972	62,775
US dollars	293,607	236,122
Renminbi*	7,509	139,481
New Taiwan dollars	821	156
Others	343	608
	<u>411,252</u>	<u>439,142</u>

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

28. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade and bills payables	7,000	12,078
Accruals for operations	10,832	10,744
Accruals for staff costs	6,444	7,862
Deposits received from customers	1,276	1,274
Other payables	3,262	3,525
	<u>28,814</u>	<u>35,483</u>

28. TRADE AND OTHER PAYABLES (CONTINUED)

An ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 1 month	4,767	10,090
2 to 3 months	2,027	1,988
Over 3 months	206	—
	<u>7,000</u>	<u>12,078</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong dollars	604	635
US dollars	52	371
Euro dollars	6,003	10,997
Others	341	75
Total	<u>7,000</u>	<u>12,078</u>

29. INTEREST-BEARING BANK BORROWINGS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank loans	<u>8,949</u>	<u>12,281</u>

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

The effective interest rates at 31 December were as follows:

	2015	2014
Bank loans	<u>2.29% to 5.25%</u>	<u>2.31% to 5.25%</u>

Bank loans of HK\$4,550,000 (2014: HK\$3,870,000) are secured by a charge over the Group's pledged time deposits of HK\$10,000,000 (2014: HK\$10,000,000). The remaining balance is unsecured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. 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 2015, the redeemable periods of the Group's debentures carried at amortised cost were as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year classified as current liabilities	716	120
In the second year	1,144	712
In the third to fifth years, inclusive	—	1,138
Non-current portion	1,144	1,850
	1,860	1,970

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

31. DEFERRED TAX

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

	Depreciation allowance in excess of related depreciation <i>HK\$'000</i>	Losses available for offsetting against future taxable profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	3,670	(3,670)	—
Deferred tax charged/(credited) to the profit/loss for the year	24	(24)	—
At 31 December 2014 and at 1 January 2015	3,694	(3,694)	—
Deferred tax charged/(credited) to the profit/loss for the year	152	(152)	—
At 31 December 2015	3,846	(3,846)	—

At the end of the reporting period, the Group has unused tax losses of HK\$717,468,000 (2014: HK\$618,040,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$23,307,000 (2014: HK\$22,386,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK\$694,161,000 (2014: HK\$595,654,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$69,200,000 (2014: HK\$56,595,000) with a time limit of five years from the year the losses were incurred. Other tax losses may be carried forward indefinitely.

31. DEFERRED TAX (CONTINUED)

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.

32. SHARE CAPITAL

Note	2015		2014	
	Number of ordinary shares '000	Amount HK\$'000	Number of ordinary shares '000	Amount HK\$'000
Ordinary shares, issued and fully paid:				
At 1 January	1,650,659	1,206,706	1,650,659	16,507
Transfer upon transition to no-par value regime on 3 March 2014	(d) —	—	—	1,190,199
At 31 December	<u>1,650,659</u>	<u>1,206,706</u>	<u>1,650,659</u>	<u>1,206,706</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

32. SHARE CAPITAL (CONTINUED)

Notes:

- (a) 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:
- (1) 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
 - (2) 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 (1) 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.
- (b) Pursuant to the new Hong Kong Companies Ordinance (Cap. 622) which became effective on 3 March 2014, the concept of authorised share capital was abolished.
- (c) In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the concept of par (or nominal) value for all shares in Hong Kong incorporated companies was abolished. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.
- (d) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, the balances of the share premium account and capital redemption reserve amounting to HK\$1,189,721,000 and HK\$478,000 respectively have been transferred to the issued capital.

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.

32. SHARE CAPITAL (CONTINUED)

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 (i) the requirement to maintain a public float of at least 25% of the shares under the Listing Rules; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group demonstrates continuing compliance of the non-public float with the 25% limit throughout the year.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 December 2015 and 2014.

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 borrowings and debentures. The gearing ratios as at the end of the reporting period was as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest-bearing bank borrowings	8,949	12,281
Debentures	1,860	1,970
Total borrowings	10,809	14,251
Owners' equity	1,085,449	1,193,307
Gearing ratio	1.0%	1.2%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 31 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	At 31 December	
		2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment		134	285
Investment properties		112,200	109,300
Interests in subsidiaries		454,640	525,725
Available-for-sale debt investments - notes receivables		10,245	10,671
Total non-current assets		577,219	645,981
Current assets			
Prepayments, deposits and other receivables		5,318	6,263
Due from a subsidiary		5,200	2,237
Financial assets at fair value through profit or loss		130,926	159,415
Pledged bank deposits		10,000	10,000
Time deposits		350,816	364,422
Cash and bank balances		8,341	8,807
Total current assets		510,601	551,144
Current liabilities			
Accruals and other payables		2,579	4,702
Net current assets		508,022	546,442
NET ASSETS		1,085,241	1,192,423
Capital and reserves			
Issued capital		1,206,706	1,206,706
Accumulated losses		(928,614)	(821,846)
Other reserves	33(b)	807,149	807,563
TOTAL EQUITY		1,085,241	1,192,423

Approved by the Board of Directors on 23 March 2016 and was signed on its behalf by:

Derek Wai Choi LEUNG
Executive Director and
Acting Chief Executive Officer

Victor Yiu Keung CHIANG
Executive Director and
Chief Financial Officer

33. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share premium account <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Available- for-sale investment revaluation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	1,189,721	478	808,822	234	(880,209)	1,119,046
Transfer upon transition to no-par value regime (<i>Note 32(d)</i>)	(1,189,721)	(478)	—	—	—	(1,190,199)
Fair value changes of available-for-sale debt investments	—	—	—	(1,305)	—	(1,305)
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments	—	—	—	(188)	—	(188)
Profit for the year	—	—	—	—	58,363	58,363
At 31 December 2014 and 1 January 2015	—	—	808,822	(1,259)	(821,846)	(14,283)
Fair value changes of available-for-sale debt investments	—	—	—	(414)	—	(414)
Loss for the year	—	—	—	—	(106,768)	(106,768)
At 31 December 2015	—	—	808,822	(1,673)	(928,614)	(121,465)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity on pages 40 and 43 of the consolidated financial statements respectively.

(b) Nature and purpose of reserves

(i) Share premium account and capital redemption reserve

Prior to 3 March 2014, the application of the share premium account and capital redemption reserve were governed by section 48B of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and capital redemption reserve have become part of the Company's share capital. The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(ii) Special reserve

The special reserve arose as a result of the Company's reorganisation in 2002 in the application of the predecessor Hong Kong Companies Ordinance (Cap.32). Nature and purpose of the special reserve are set out in note 32(a)(2)(ii) to the consolidated financial statements.

(iii) 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 4(k)(iii) to the consolidated financial statements.

(iv) 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 4(d) to the consolidated financial statements.

35. SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2015 are as follows:

Name	Place of incorporation/ registration and operation	Issued ordinary/paid up registered capital	Percentage of ownership attributable to the Company		Principal activities
			Direct	Indirect	
Cesare di Pino Company Limited	Hong Kong	HK\$10,000	—	100	Retail and wholesale of fashion wear and accessories
Cesare di Pino (Beijing) Limited (帝奇諾(北京)時裝有限公司)*#	PRC/Mainland China	US\$1,400,000	—	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	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
Kenmure Limited	Hong Kong	HK\$67,873,650	—	100	Investment holding
Richtime Management Limited	British Virgin Islands/Hong Kong	US\$1	—	100	Investment holding
The Swank Shop (Beijing) Limited (安寧詩韻(北京)時裝有限公司)*#	PRC/Mainland China	US\$4,000,000	—	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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

36. CONTINGENT LIABILITIES

At 31 December 2015, the Group had the following significant contingent liabilities:

The Group conducted legal 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 Group's resort and recreational club properties. By the decision made by the Appeal Tribunal (Buildings) on 17 September 2013 (the "Appeal Tribunal Decision"), the building orders imposed by the Building Authority should be withdrawn and/or amended with immediate effect. According to the Appeal Tribunal Decision, the remedial/maintenance obligation of the Group is limited to certain parts of the subject slope features. The management estimated that the costs of remedial/maintenance work of such area of the slope features would not be significant.

On 9 January 2014, the Building Authority was granted by High Court for a Judicial Review against the Appeal Tribunal Decision. Up to the date of these consolidated financial statements, the Judicial Review is ongoing and there is no ruling made by the High Court regarding the Appeal Tribunal Decision.

The management, after taking legal advice from the lawyer, considered that it is pre-mature to assess the probability of a favorable or unfavorable outcome of the Judicial Review. 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.

37. OPERATING LEASE ARRANGEMENTS

As lessee

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

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	41,533	57,455
In the second to fifth years, inclusive	30,111	43,578
	<u>71,644</u>	<u>101,033</u>

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

38. RELATED/CONNECTED PARTY TRANSACTIONS

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

	Note	2015 HK\$'000	2014 HK\$'000
Rental expenses, building management fees and air-conditioning charges paid to related companies	(i)	4,881	4,822
Purchase of fashion wear and accessories from an associate		647	1,363
Management fee received/receivable from an associate		1,373	2,435
Loan interest received/receivable from an associate		527	702
		<u>15,426</u>	<u>18,651</u>

Note:

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

	2015 HK\$'000	2014 HK\$'000
Short term employee benefits	15,281	18,510
Pension scheme contributions	145	141
Total compensation paid to key management personnel	<u>15,426</u>	<u>18,651</u>

Further details of employees' and directors' emoluments are included in note 14 and note 15 respectively to the consolidated 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 7 and 8.

PARTICULARS OF PROPERTIES

31 December 2015

INVESTMENT PROPERTIES OF THE GROUP HELD FOR INVESTMENT

Location	Use	Tenure	Attributable interest of the Group
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				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
REVENUE	215,537	275,385	331,399	337,241	333,485
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	(105,384)	29,225	22,216	25,439	39,283
Finance costs	(657)	(861)	(821)	(750)	(865)
Share of profits/(losses) of associates	(1,076)	525	2,109	(1,976)	(2,197)
PROFIT/(LOSS) BEFORE TAX	(107,117)	28,889	23,504	22,713	36,221
Tax	—	—	—	—	—
PROFIT/(LOSS) FOR THE YEAR	(107,117)	28,889	23,504	22,713	36,221
Attributable to:					
Equity holders of the Company	(106,896)	29,001	24,217	22,770	36,253
Non-controlling interests	(221)	(112)	(713)	(57)	(32)
	(107,117)	28,889	23,504	22,713	36,221

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
TOTAL ASSETS	1,124,870	1,243,121	1,233,623	1,278,446	1,116,467
TOTAL LIABILITIES	(39,629)	(49,750)	(76,831)	(83,570)	(54,824)
NON-CONTROLLING INTERESTS	208	(64)	(204)	(866)	(909)
	1,085,449	1,193,307	1,156,588	1,194,010	1,060,734

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Derek Wai Choi LEUNG (*Acting Chief Executive Officer*)
Victor Yiu Keung CHIANG (*Chief Financial Officer*)
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

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