安寧控股有限公司
ENM Holdings Limited
Stock Code: 00128

2016 ANNUAL REPORT

CONTENTS

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 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and securities trading. The principal activities of the subsidiaries comprise the wholesale and retail of fashion wear and accessories, resort and recreational club operations, investment holding and securities trading.

BUSINESS REVIEW

A fair review of the Group's business, an analysis using financial key performance indicators, an indication of likely future development in the Group's business, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2016 as well as a discussion on the Group's compliance with the relevant laws and regulations that have a significant impact on the Group are set out in the "Chief Executive Officer's Statement" on pages 10 to 19. Discussions on the Group's environmental policies and performance and the account of the Group's key relationships with its employee, customers and suppliers are contained in the "Environmental, Social and Governance Report" on pages 40 to 47. The above discussions form part of this Report of the Directors.

RESULTS AND DIVIDENDS

The result of the Group for the year ended 31 December 2016 is set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 52 and 53.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016.

FIVE-YEAR FINANCIAL SUMMARY

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 117.

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 116.

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 2016.

DISTRIBUTABLE RESERVES

As at 31 December 2016, 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 49% and 15% 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.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. David Charles PARKER *(Chief Executive Officer)* (appointed on 13 January 2017)
Mr. Wing Tung YEUNG
Mr. Victor Yiu Keung CHIANG (retired on 3 June 2016)

NON-EXECUTIVE DIRECTOR

Mr. Derek Wai Choi LEUNG *(Non-executive Chairman)*
(re-designated from an Executive Director to a Non-executive Director on 13 January 2017)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Jen CHEN
Mr. Kin Wing CHEUNG (elected on 3 June 2016)
Mr. Kiu Sang Baldwin LEE (elected on 3 June 2016)
Mr. Chi Keung WONG
Mr. David Kwok Kwei LO (retired on 3 June 2016)
Mr. Ian Grant ROBINSON (retired on 3 June 2016)

REPORT OF THE DIRECTORS

In accordance with Article 94 of the Company's Articles of Association, a Director appointed by the Board of Directors (the "Board") either to fill a casual vacancy or as an addition to the Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

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. Kim Tao Frankie HO, Mr. David Kin Hay HONG*, Mr. Jackie Sze Wai LEE, Mr. Derek Wai Choi LEUNG, Mr. David Charles PARKER 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, 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 an 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 20 to 23.

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 2016, 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, 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 2016 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 TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

(i) Tenancy Agreements

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 Ying Ho Company Limited, Cheong Ming Investment Company Limited, Dorfolk Investments Limited, Kwong Fook Investors And Developers Limited, The World Realty Limited, On Lee Investment Company Limited, Yau Fook Hong Company Limited, and Tsing Lung Investment Company Limited, (collectively the "Landlords"), as landlords, to renew the tenancy of the premises situated at Shop Nos. 222 & 223 on 2nd Floor (Level 3), Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong (the "Shop Premises") for 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 Shop Tenancy Agreement was subsequently renewed for another six months to 30 June 2017 at the same rental. The details of the Shop Tenancy Agreement are set out in the Company's announcement dated 5 January 2015.

On 27 November 2015, the Company, as tenant, entered into a tenancy agreement (the "Office Tenancy Agreement") 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 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 Shop Tenancy Agreement and the Office Tenancy Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 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;

(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.

(ii) Offer Letter

On 19 February 2016, White Haven Limited, a wholly owned subsidiary of the Company, as tenant, entered into an offer letter (the "Offer Letter") with Grand Monrovia Enterprises Limited, as landlord, to lease the premises (the "City Club Premises") situated at 2nd floor to 4th floor of Chinachem Central I, Nos. 22 & 22A, Des Voeux Road Central, Hong Kong, together with a terrace at the 3rd floor for five years commencing from the actual date of handover and delivery the possession of the City Club Premises to White Haven Limited at a monthly rental of HK$587,000 for the first three years of the lease term, and HK$632,000 for the 4th year and the 5th year of the lease term.

Pursuant to the Offer letter, the Company shall enter into a guarantee (the "Guarantee") in favour of Grand Monrovia Enterprises Limited prior to the commencement of the lease term of the City Club Premise in relation to the performance by White Haven Limited of its obligations under the Offer Letter and a formal tenancy agreement in respect of the City Club Premises.

The Landlord is a company 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 Offer Letter constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules and the Guarantee constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

On 22 July 2016, White Haven Limited and Grand Monrovia Enterprises Limited entered into a cancellation agreement (the "Cancellation Agreement") to cancel the Offer Letter with effect from 22 July 2016. The Guarantee has not been executed by the Company.

The details of the Offer Letter and the Cancellation Agreement are set out in the Company's announcements dated 19 February 2016 and 22 July 2016 respectively.

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 24 to 39.

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
Non-executive Chairman

Hong Kong, 29 March 2017

CHIEF EXECUTIVE OFFICER'S STATEMENT

OVERVIEW

In 2016, the Group continued to face challenges and difficulties, ranging from tightened consumer spending on high end luxury products, adjustments in the Chinese economy, a strong US dollar trend and economic and political volatility.

The operating environment of the fashion retail business for the year remained difficult, which together with the closure of a number of Points of Sale resulted in a significant decline in sales. Notwithstanding, as a consequence of some progress in disciplined management of certain ancillary operating expenses, the Group recorded a decrease in the operating loss of the fashion retail business in Hong Kong. Strategically, the Group closed down all shops in China during the year, and the operating loss from the fashion retail business in China was substantially decreased.

Thanks to the diversified businesses of the Group, the loss for the year ended 31 December 2016 significantly further decreased by net realised and unrealised gains contributed by our investments in financial instruments.

FINANCIAL REVIEW

Net loss attributable to shareholders for the year ended 31 December 2016 amounted to HK$3,935,000 as compared with a net loss of HK$106,896,000 for the last corresponding year. The net loss mainly included the combination of a loss from fashion retail business of HK$34,730,000 (2015: HK$63,932,000), a loss from recreational club operation of HK$8,550,000 (2015: HK$8,903,000), netted off against a segment profit of HK$44,787,000 contributed by investments segment (2015: segment loss HK$32,936,000). Loss per share was HK$0.24 cents (2015: HK$6.48 cents).

The significant decrease in loss by 96% was mainly attributable to the following factors:

(1) a drop in loss HK$29,202,000 from the fashion retail business (excluding the share of an associate's result) mainly due to the closure of China operations and certain cost savings; and

(2) before general and administrative expenses, net realised and unrealised gains of HK$60,054,000 contributed by the investments in financial instruments for the year ended 31 December 2016 as compared to net realised and unrealised losses HK$16,970,000 for the year ended 31 December 2015. These net realised and unrealised gains for the year ended 31 December 2016 mainly comprised the gain on disposal of certain of the Group's shares in China Motor Bus Company, Limited ("China Motor") which amounted to HK$12,757,000 and Genovate Biotechnology Company, Limited ("Genovate") which amounted to HK$33,489,000 and also a net gain HK$9,101,000 contributed by available-for-sale debt investments.

The Group's consolidated turnover for the year ended 31 December 2016 declined by 22% to HK$167,119,000 which was mainly attributable to the drop in sales of fashion retail products in both Hong Kong and China. The Group's gross profit decreased by 16% to HK$98,792,000 (2015: HK$117,607,000). The Group's gross profit margin for the year ended 31 December 2016 was 59% as compared to 55% in 2015. The comparatively lower gross profit margin in 2015 was mainly due to an additional stock provision was made with a view to the closure of the fashion retail business in China.

The Group's other income mainly comprised (i) rental income from the Group's investment properties situated in Hong Kong and (ii) management fees received from an associate.

The Group's selling and distribution expenses dropped by 31% to HK$72,509,000 (2015: HK$104,832,000) and depreciation and amortization expenses decreased by 49% to HK$5,473,000 (2015: HK$10,654,000). The decreases were primarily attributable to the closure of non-performing shops both in Hong Kong and China.

The Group's administrative expenses sustained at HK$78,984,000, similar to that of last year.

The Group's "other operating gains, net" mainly comprised realised and unrealised fair value gains/(losses) on investment in financial instruments, gain/(losses) on disposal of property, plant and equipment, reversal of provisions and exchange gains/(losses). "Other operating gains, net" for the year ended 31 December 2016 amounted to HK$47,394,000 as compared to "other operating losses, net" of HK$36,129,000 for last year. The turnaround effect was mainly due to (i) the significant increase in gains on disposal (net) of investment in financial instruments to HK$46,707,000 for the year ended 31 December 2016 (2015: HK$3,933,000) and (ii) the significant drop in fair value losses (net) on investment in financial instruments to HK$1,589,000 for the year ended 31 December 2016 (2015: HK$36,489,000).

Share of profit of an associate for the year ended 31 December 2016 amounted to HK$2,926,000 (2015: Loss HK$1,076,000), which represented the share of result of the joint venture business with Brunello Cucinelli S.p.A. This turnaround was contributed mainly from the higher gross profit margin as a result of stringent control pricing guidelines and the success in negotiation for rental reduction in the renewal of the lease of one store.

BUSINESS REVIEW

Retail Fashion

Swank Hong Kong

Overall turnover decreased by 24% to HK$130,131,000 versus last year while gross profit decreased 29% to HK$64,521,000 and the gross margin decreased by 3 points to 50% due to lengthier discount periods and higher discount percentages being offered for prompt clearance of stock. Operating loss (excluding our share of the associate's result) of the year 2016 fell 18% to HK$32,322,000 compared to a loss in 2015 of HK$39,387,000. The decline in turnover can be attributed to the closure of certain points of sale, a continuing difficult macro-economic environment, the continuing decline in inbound tourism from mainland China, the Hong Kong-wide continuing decline in spending on luxury retail products, whilst at the same time, ongoing rental commitments remained high. The containment of the losses was as a result of containment of labour costs, reduction in occupancy costs as a result of the closure of unprofitable points of sale and certain lease renegotiations. Senior management and the Board are currently reviewing the overall structure and performance of Swank Hong Kong in order to "right-size" the operation, particularly the support functions for the smaller and more localised operation, ensuring the correct product mix of product and improving the marketing performance.

Swank China

In the reporting year, the Group closed down the last shop in Beijing Jinbao Place. Owing to the closure of the China operations, the sales for the year ended 31 December 2016 decreased by HK$7,138,000 to HK$1,622,000. The significant reduction in selling and distribution expenses and stock provisions made during this year contributed to the decrease in operating loss. Operating loss for the year ended 31 December 2016 amounted to HK$1,111,000 (2015: HK$20,963,000).

Cesare di Pino

In the reporting year, the last Beijing shop was closed down. With the closure of that shop, sales and operating losses for the year ended 31 December 2016 were recorded at HK$183,000 (2015: 2,276,000) and HK$1,297,000 (2015: HK$3,582,000) respectively. Cesare di Pino products continue to be sold in the Hong Kong stores.

Brunello Cucinelli

The Group's 49% joint venture partnership with Brunello Cucinelli S.p.A. outperformed many other international fashion brands in 2016 with an increase in total retail turnover to HK$74,808,000 compared with HK$72,096,000 in 2015 with gross margins increasing, as a result of tighter pricing and discount control, by 10% to HK$48,498,000 compared with HK$44,227,000 in 2015. Together with the renegotiation of a lease for one of the shops at a lower price during the year, this improvement in turnover and gross margin resulted in a small net profit attributable to the Group of HK$2,926,000 for the year from the joint venture operation, compared with a negative contribution to the Group in 2015 of HK$1,076,000.

Resort and Recreational Club Operations

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.

With the ageing of Club facilities, the number of individual members decreased gradually over the last several years, causing the reduction in monthly subscription fees revenue and other related income. Therefore, the Club management has focused on promoting corporate members' event in 2016 as a result of which total sales increased by 26% to HK$17,173,000 in compared to HK$13,609,000 in 2015. However, the cost of major components, especially the labour cost, in Club operations increased steadily over the years and continued to give high financial pressure to the Club. Overall, the Club still suffered from an operating loss of HK$8,550,000 notwithstanding the substantial increment in turnover, which is nevertheless an improvement of 4% over last year (2015: Loss HK$8,903,000).

Investment in Financial Instruments

The Group's financial instruments are categorized as financial assets at fair value through profit and loss ("FVTPL") which are held for trading or designated as such upon initial recognition, available-for-sale debt investments ("AFS debt investments") and available-for-sale equity investments ("AFS equity investments") which are mainly for earning distribution/long term capital appreciation purpose. As of 31 December 2016, the total carrying value of the Group's investment portfolio in financial instruments was HK$321,878,000 (2015: HK$490,073,000), representing approximately 32% of carrying value of the Group's net assets as of 31 December 2016. Before general and administrative expenses, financial instruments investments totally contributed a gain of HK$60,054,000 (2015: loss of HK$16,970,000) in the 12 months ended 31 December 2016 to the Group.

Financial assets at fair value through profit and loss ("FVTPL") and Available-for-sales debt investment ("AFS debt investments")

In 2016, "black swan" events continued to affect the global financial market. The global economic slowdown, the outcome of the "Brexit" vote in June, and that of the US presidential election in November, the anticipation of US Federal Reserve initiated interest rate increases and the substantial devaluation of RMB caused high volatility in the financial market during the year. However, the Group adopted a prudent approach on its investment strategy during the year, to keep a higher proportion on bond investment, so the investment results in financial instruments still maintained a comparatively stable return in 2016.

The Group's existing FVTPL mainly include listed equities, equity and bond funds and perpetual USD bonds investments. As of 31 December 2016, the total carrying value of the Group's investment portfolio in FVTPL was HK$110,178,000 (2015: HK$251,967,000), representing approximately 10.9% of carrying value to the Group's net assets 2016. The substantial differential between 2016 and 2015 is mainly explained by the sales mentioned below, meaning that the proceeds were in a different category. Hong Kong listed securities shared around 75% of the total carrying value in this category. For the 12 months ended 31 December 2016, FVTPL recorded a net gain of HK$17,086,000 (2015: net loss HK$24,457,000).

For the year ended 31 December 2016, the Group disposed 1,276,400 China Motor Shares in total amount of HK$112,316,000 with a gain on disposal of approximately HK$12,757,000. This disposal transaction enabled the Group to realize an investment gain from what had been a substantial but illiquid asset, and to obtain additional cash flows for its future investment purposes.

AFS debt investments are listed USD bond investments with fixed tenor for yield enhancement. For the 12 months ended 31 December 2016, AFS debt investments contributed a net gain of HK$9,101,000 (2015: HK$6,849,000), and their carrying value was HK$168,644,000 (2015: HK$136,448,000) as at 31 December 2016, representing approximately 16.6% of carrying value of the Group's net assets as of 31 December 2016.

There is no single security, bond or fund held in either "financial assets at fair value through profit and loss" nor "available-for-sales debt investments" that exceeded 5% the net assets of the Group as at 31 December 2016.

Available-for-sales equity investments ("AFS equity investments")

The Group's AFS equity investment comprises a shareholding interest in Genovate and a private equity fund namely Asian China Investment Fund III ("ACIF III" or the "Fund"). As at 31 December 2016, the total carrying value of AFS equity investments was HK$43,056,000 (2015: HK$101,658,000), representing approximately 4.2% of carrying value to the Group's net assets as at 31 December 2016.

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. Genovate is listed on the Taipei Exchange in Taiwan (TPEx, stock code: 4130).

The Group has disposed its Genovate shareholdings gradually to realize the investment return. In 2016, a total of 3,826,000 shares (or 3.79% of Genovate total outstanding shares) was sold with a realized profit of HK$33,489,000. As at 31 December 2016, the Group still held a 2.54% shareholding in Genovate with a carrying value of HK$24,767,000.

ACIF III

In July 2016, the Group made an investment commitment of USD4 million in ACIF III to obtain a 1.532% share. ACIF III is managed out of Singapore by UOB Venture Management Private Limited, and is a “follow-on” fund to its predecessors (ACIF I and ACIF II) that targets investments in growth-oriented companies operating in East and South East Asia and China. As at 31 December 2016, the Group has invested HK$18,289,000 in the Fund.

Investment Portfolio

The Group’s investment portfolio as at 31 December 2016 was as follows:

Stock code/ ISIN code/ Bloomberg code	Company Name	Principal businesses	Number of shares/units held as at 31 December 2016	Percentage of shareholding as at 31 December 2016	For the year ended 31 December 2016: Fair value gain/(loss)	Gain/(loss) on disposal	Interest income	Dividend income	Total	Fair value as at 31 December 2016	Percentage to the Group's total assets as at 31 December 2016
			'000	*%*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*%*
Financial Assets at fair value through profit or loss											
Held-for-trading											
26	China Motor Bus Company, Limited	Property development and investment	292	0.64%	3,266	12,757	–	3,590	19,613	26,011	2.5%
UBSCHOA	UBS (CAY) China A Opportunity Fund	Chinese equity ETF	5	N/A	(45)	–	–	–	(45)	6,100	0.6%
CSFMIAU	Credit Suisse Nova (Lux) Fixed Maturity Bond Fund 2019	Bond fund	1	N/A	15	–	–	116	131	7,795	0.7%
	Other listed and unlisted securities, bond and equity fund *(Note 1)*	Mainly insurance, finance, bond and equity fund			(1,276)	(265)	985	644	88	31,238	3.0%
					1,960	12,492	985	4,350	19,787	71,144	6.8%
Designated as such upon initial recognition											
1498	PuraPharm Corporation Limited	Chinese medicine company	9,857	4.38%	(3,549)	(64)	–	912	(2,701)	39,034	3.7%
Available-for-sale equity investments											
4130	Genovate Biotechnology Company, Limited	Pharmaceutical company	2,563	2.54%	–	33,489	–	378	33,867	24,767	2.4%
N/A	ASEAN China Investment Fund III L.P.	Private equity fund	2,323 *(Note 2)*	1.532%	–	–	–	–	–	18,289	1.7%
					–	33,489	–	378	33,867	43,056	4.1%
Available-for-sale debt investments - notes receivables											
Listed in Hong Kong											
4309	RKI Overseas Finance 2016 (B) Limited	USD bond with fixed tenor	1,200 *(Note 3)*	N/A	–	–	139	–	139	8,939	0.9%
5938	Beijing Enterprises Water Capital Management Limited	USD bond with fixed tenor	1,000 *(Note 3)*	N/A	–	–	357	–	357	7,949	0.8%
4560	Dynamic Talent Limited	USD bond with fixed tenor	1,000 *(Note 3)*	N/A	–	–	354	–	354	7,863	0.7%
5323	Guangzhou Silk Road Investment Limited	USD bond with fixed tenor	1,000 *(Note 3)*	N/A	–	–	19	–	19	7,613	0.7%
Listed Overseas											
XS1328315723	China Energy Reserve and Chemicals Group Overseas Company Limited	USD bond with fixed tenor	1,236 *(Note 3)*	N/A	–	–	557	–	557	9,661	0.9%
XS1485578535	Country Garden Holdings Company Limited	USD bond with fixed tenor	880 *(Note 3)*	N/A	–	–	86	–	86	6,659	0.6%
XS0872804207	Shimao Property Holdings Limited	USD bond with fixed tenor	700 *(Note 3)*	N/A	–	–	374	–	374	5,634	0.5%
	Others listed in HK and overseas *(Note 4)*	USD bond with fixed tenor	14,753 *(Note 3)*	N/A	–	790	6,425	–	7,215	114,326	10.9%
					–	790	8,311	–	9,101	168,644	16.0%
	Total				(1,589)	46,707	9,296	5,640	60,054	321,878	30.6%

Notes:

(1) Others represent the Group's 26 investments in listed and unlisted securities, bond and equity fund. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 31 December 2016.

(2) It represents the Partners' capital paid-up amount in Thousand US Dollars which the Group paid as at 31 December 2016.

(3) It represents the principal amount of USD bonds with fixed tenor in Thousand US Dollars which the Group held as at 31 December 2016.

(4) Others represent the Group's 32 investments in USD bonds with fixed tenor which are listed as selectively marketed securities on The Stock Exchange of Hong Kong Limited, The Singapore Exchange Securities Trading Limited and other overseas stock exchanges. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 31 December 2016.

The Group considers that the performance of the investment in financial instruments is generally affected by uncertain and volatile markets with increasing interest rate. In order to limit the investment risk and maintain stable income, we will maintain our cautious investment strategy of keeping a higher percentage of our portfolio in bonds investment, but looking for those shorter duration and other debt instruments such as those that incorporate floating rate investments.

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

Other than as outlined above, the Group had no material acquisition and disposal of investments during the year ended 31 December 2016.

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

The performance of the luxury goods market is substantially influenced by general economic conditions. Moreover, the designer fashion and specialty retailing industries are sensitive to fast changing consumer preferences. Brand image, service provision and reputation are critical to succeeding in the luxury retail industry. There are many competitors in the market place, many of which have substantial pricing and marketing capacity which can impact Swank's competitiveness. Also the popularity of online shopping has posed a growing threat to Swank's existing traditional business model.

Swank has responded by employing a seasoned merchandising team with professional knowledge to keep pace with the customer demand. Great emphasis is placed on selecting brand partners with outstanding product style and design, high quality of materials used and prospective brand credentials. It is also actively developing and enhancing strategies for strengthening customer loyalty, to add unique value to the shopping experience and enhancing marketing communication with customers and potential customers.

b. ***Resort and Recreation Club***

The existing facilities of Hilltop have been operating for almost forty years without any substantial capital investment during recent times. With the ageing of the club facilities and the advent of competitive alternatives, the club members’ base has been shrinking steadily as the relative attractiveness of the Club gradually diminishes. Over several years, this has reduced the monthly subscription fees revenue and other related income contributed by members’ on-site expenditure. Overall, this reduced members’ spending resulted in a drop in sales for both the food & beverage and the lodging businesses. Although Management has managed to organize and secure diversified functions and activities to bring more attractions for club members, the trend of club members’ withdrawal and its consequences are still the major concern from the operational and revenue point of view.

c. ***Financial Instruments Investments***

Volatility in currency exchange rates and oil prices, an anticipated hiking of interest rates and uncertain local and international government policies have brought increasing difficulties for making sound investment decisions. Associated financial risks are inevitably higher while the Group’s management has been balancing the risk and return across investment types and durations in a prudent investment framework.

Strategic Direction Risk

The success of our businesses 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.

Appropriate measures have been adopted by management to enhance budget control and variance analysis to enable intelligent input into strategic decisions. The Board of Directors, with its broad knowledge and experience, has continued to provide strategic thinking and leadership, as well as oversight on behalf of all shareholders, in steering the direction and the parameters of Group decision-making.

Manpower and Retention Risk

Hong Kong suffers from a labour shortage in many sectors, meaning that the competition for talent in the open market within which the Group operates, together with the our desire to minimize all of our input costs (including that of labour) have led to the risk that the Group may not be able to attract and retain key personnel and talent with appropriate and required skills, experience and competence to assist in meeting our business objectives.

The Group has well recognized this risk and is committed attempting to provide, consistent with its overall need to conserve expenditure, attractive remuneration packages and training opportunities to suitable candidates and current personnel. Effective and regular performance evaluation has also been adopted in order to reward the outstanding staff for their career path development.

Legal and Compliance Risks

Legal and compliance risks relate to risks arising from the government and regulatory environment and actions, including those resulting from our obligations to the Hong Kong Stock Exchange and Securities and Futures Commission, legal proceedings and compliance with local laws and regulations, including those relating to financial reporting, labour, environmental, and health and safety.

We are exposed to certain legal risks in the course of our businesses, which may lead to enforcement actions, fines and penalties or the assertion of litigation claims and damages. While we believe that we have adopted appropriate risk management and compliance programs, and where necessary made what we consider to be appropriate provisions, legal and compliance risks will continue to exist with possible legal exposures and other contingencies, the outcome of which cannot be predicted with certainty.

LIQUIDITY AND FINANCIAL POSITION

At 31 December 2016, the Group was in a solid financial position with cash and non-pledged deposit holdings of HK$511,268,000 (2015: HK$400,252,000). At 31 December 2016, total borrowings amounted to HK$8,920,000 (2015: HK$10,809,000) with HK$8,920,000 (2015: HK$9,665,000) repayment falling due within one year. The Group's gearing ratio (a comparison of total borrowings with equity attributable to equity holders of the Company) was 0.9% at the year end date (2015: 1%). The current ratio at 31 December 2016 was 18.4 times (2015: 19.7 times).

At 31 December 2016, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars and United States dollars and exchange differences were reflected in the audited consolidated financial statements. All borrowings of the Group are on a floating rate basis. All club debentures of the Hilltop Club 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

As at 31 December 2016, pledge of the Group's fixed deposits of HK$12,334,000 (2015: HK$11,000,000) was given to banks to secure general banking facilities to the extent of HK$30,000,000 (2015: HK$31,000,000) and foreign exchange facilities.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

On the Retail Fashion Business, Swank complies with the requirements of the Sales of Goods Ordinance and the Trade Descriptions Ordinance in respect of the sale of merchandise in Hong Kong.

On the Resort and Recreational Club Operation, Hilltop is strictly in compliance with the Clubs (Safety of Premises) Ordinance and related laws and regulations to obtain the Home Affairs Department Club License to operate Hilltop Country Club.

The Group is committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance with a view to protecting the privacy our staff, of Swank's customers including its VIP customers, and of Hilltop's members.

In relation to Human Resources, the Group is committed to complying with the requirements of all applicable ordinances including the Employment Ordinance, the Minimum Wage Ordinance, the Personal Data (Privacy) Ordinance, ordinances which deal with discrimination against disability, sex, family status and race, and ordinances relating to occupational safety of employees of the Group, so as to safeguard the interests and well-being of its employees. The Group also values the good conduct of its employees and wishes to ensure the safeguarding of shareholder funds and the integrity of our businesses and our business decisions, and has thus adopted a Code of Conduct to set out clear guidelines to prevent bribery and to regulate and restrict the acceptance of benefits by employees.

On the corporate level, the Group complies with the requirements under the Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Securities and Futures Ordinance for, among other things, the disclosure of information and proper and effective corporate governance.

During the year ended 31 December 2016, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group.

IMPORTANT EVENTS AFTER THE FINANCIAL YEAR

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

CONTINGENT LIABILITIES

The Group's significant contingent liabilities as at 31 December 2016 are set out in note 36 to the consolidated financial statements.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2016, the Group had 182 employees, including Executive Directors. Total employees' costs (including Directors' emoluments) were approximately HK$62,613,000 for the year ended 31 December 2016. Employees' remuneration is determined with reference to individual duties, responsibilities and performance. The Group provides employee benefits such as staff insurance schemes, provident and pension funds, discretionary performance bonus and internal/external training support. As mentioned above, the Group has also introduced, and the Board of Directors has adopted, a Code of Conduct to be adhered to by all Group employees (including Executive Directors).

FUTURE OUTLOOK AND STRATEGIES

Swank Hong Kong

There has been no diminution in the external challenges faced by Swank. These relate to the macro and Hong Kong centred economic environment, the general and luxury-specific retail environment in Hong Kong, the pricing differential between Hong Kong and Europe and the advent of substantial competition from on-line commercial platforms.

These have been added to by the substantial reduction in Swank's overall turnover together with pressure on gross margins mentioned above, and the impact that has on its costs, its capacity to contribute to substantial overhead, and its capacity to ultimately return to profit. As set out above, Swank needs to "right size" its operations to its current turnover, and assess its market positioning and opportunities with a view to becoming "fit for growth".

Senior management and the Board of Directors are currently considering the implications of this and are developing plans to deal with these problems and issues, which are currently consuming shareholder' funds.

Hilltop Club

In 2017, the Club management will continue to focus on the banquet and conference business for corporate members and prepare to organize more seasonal events for individual members so as to increase the revenue. At the same time, it will look at the overall pricing and cost ratios to try to translate the higher turnover into better returns.

Investments

For 2017, under an environment of interest rate increases and uncertain and volatile markets, we will maintain our cautious investment strategy of keeping a higher percentage of our portfolio in bonds investment, but looking for those of shorter duration and other debt instruments such as those that incorporate floating rate investments in order to limit the investment risk and maintain stable income.

David Charles PARKER
Chief Executive Officer

Hong Kong, 29 March 2017

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. David Charles PARKER, 63, joined the Group in January 2017. Mr. Parker is the Chief Executive Officer of the Company, the chairman of the Investment Committee of the Company, a member of the Corporate Governance Committee of the Company, a member of the Remuneration Committee of the Company, and a director of all principal subsidiaries of the Company. Mr. Parker was educated at the University of Western Australia and has extensive senior managerial experience in both listed and unlisted companies in Hong Kong in industries including financial services, property development, hotels ownership and operation, and oil transportation, logistics and storage. Before joining the Group, Mr. Parker had been the chief executive officer or the chief operating officer of companies listed on The Stock Exchange of Hong Kong Limited and over the past close to eight years, held various positions in Chinachem Group, including chief operating officer, director of corporate governance and executive director with responsibilities at various times including investments, legal, corporate secretarial, insurance, internal controls, information technology, hotel operations, cinema operations and corporate social responsibility activities, and had represented it for various external investments and bodies. Mr. Parker was appointed by the Securities and Futures Commission of Hong Kong (SFC) to its Working Group on the restructuring of the Financial Services Industry, which led to the reform of the margin financing and capital adequacy laws relating to the brokerage industry in Hong Kong.

Mr. Wing Tung YEUNG, 62, joined the Group as Executive Vice President in October 2001 and has been a Director of the Company since November 2002. Mr. Yeung is also a member of the Corporate Governance Committee of the Company, a member of the Investment Committee of the Company, 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.

NON-EXECUTIVE DIRECTOR

Mr. Derek Wai Choi LEUNG, 66, joined the Group in December 2000. Mr. Leung is the Non-executive Chairman of the Board of the Company, the chairman of the Corporate Governance Committee of the Company, a member of the Investment Committee of the Company, the chairman of the Nomination Committee of the Company, a member of the Remuneration Committee of the Company, and a director of certain subsidiaries of the Company. Mr. Leung was an Executive Director and the Acting Chief Executive Officer of the Company prior to his re-designation as a Non-executive Director of the Company and his resignation as the Acting Chief Executive Officer of the Company in January 2017. 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 was 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. Leung is a member of the executive committee of each of Diamond Leaf Limited and Solution Bridge Limited, which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Future Ordinance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Jen CHEN, 62, joined the Group in February 2003. Dr. Chen is also a member of the Audit Committee, the Corporate Governance Committee and the Remuneration 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 Taipei Exchange in Taiwan. Prior to this appointment, Dr. Chen was a vice president of Asian Operation in Genelabs Technologies, Inc. in the USA and had worked in Novartis Pharmaceuticals Corporation for eight years in areas of new drug discovery and research. Dr. Chen has extensive experience and professional knowledge in the biopharmaceutical industry and is the author or co-author of more than 30 papers and 10 patents in the field. Dr. Chen holds a Ph.D. (Chemistry) from the University of Rochester in New York, USA.

Mr. Kin Wing CHEUNG, 62, joined the Group in June 2016. Mr. Cheung is also the chairman of the Audit Committee of the Company and a member of the Nomination Committee of the Company. Mr. Cheung holds a Bachelor of Commerce from the University of Calgary, Canada. Mr. Cheung has been a member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales since May 1986 and January 2005, respectively.

Mr. Cheung has around 30 years of experience in information technology, financial accounting, auditing and management. Since February 1999, Mr. Cheung has been a director and lead consultant of Sunplex Consultants Limited, a company providing human resources management and information technology consultancy services to its clients (including government organisations and private companies).

Mr. Cheung had held several positions, including assistant manager, manager and senior manager between September 1980 and July 1991 in Coopers & Lybrand. Mr. Cheung had been a partner of Coopers & Lybrand since March 1995, and had been a partner of PricewaterhouseCoopers since Coopers & Lybrand was merged with Price Waterhouse into PricewaterhouseCoopers in October 1998 until his resignation in May 1999. Mr. Cheung was a director of the finance and operation department of the Hong Kong Institute of Certified Public Accountants between July 2004 and April 2008 and a consultant of the Hong Kong Institute of Certified Public Accountants between April 2008 and August 2008.

Mr. Cheung has been an independent non-executive director of BaWang International (Group) Holding Limited, a company whose shares are listed on The Stock Exchange of Hong Kong Limited, since November 2014, and an independent non-executive director of Bank of Communications Trustee Limited since November 2003.

Mr. Cheung was also an independent director of AXA China Region Trustees Limited from August 1999 until August 2015, when that company sold its retirement scheme (ORSO & MPF) business and ceased to be an approved MPF Trustee.

Mr. Kiu Sang Baldwin LEE, 60, joined the Group in June 2016. Mr. Lee is also a member of the Audit Committee of the Company and the chairman of the Remuneration Committee of the Company. Mr. Lee holds a degree of Master of Business Administration from Concordia University in Montreal, Canada and a degree of Bachelor of Commerce from McGill University in Montreal, Canada. Mr. Lee is a fellow member of the Institute of Canadian Bankers and a senior fellow member of the Hong Kong Securities and Investment Institute.

Mr. Lee has been the managing director of Centurion Corporate Finance Limited since 1994. Mr. Lee is also a responsible officer for the dealing in securities, advising on securities, advising on corporate finance and asset management of Centurion Corporate Finance Limited, a licensed corporation under the Securities and Futures Ordinance of Hong Kong. Prior to his present posting, Mr. Lee was a director at Sun Hung Kai International Limited, the corporate finance arm of Sun Hung Kai & Co. Limited where he was involved in the supervision and management of the corporate finance team of Sun Hung Kai International Limited. Prior to returning to Hong Kong in 1991, Mr. Lee worked as a banker and a corporate finance professional in Toronto, Canada. Mr. Lee has experience in banking, asset management, securities trading and corporate finance.

Mr. Chi Keung WONG, 62, joined the Group in June 2010. Mr. Wong is also a member of the Audit Committee, the Investment Committee, the Nomination Committee and the Remuneration Committee of the Company. Mr. Wong has over 36 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 a responsible officer for asset management and advising on securities of CASDAQ International Capital Market (HK) Company 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, Heng Xin China Holdings Limited, Nickel Resources International 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 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 Stock Exchange of Hong Kong Limited, for over ten years.

Mr. Wong was an independent non-executive director of PacMOS Technologies Holdings Limited (now known as PacRay International Holdings Limited), a company whose shares are listed on The Stock Exchange of Hong Kong Limited, during the period from August 1995 to June 2014.

Notes:

1. Directors' emoluments are determined with reference to their duties, responsibilities, 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 Company's Articles of Association.

3. All Non-executive Directors (including Independent Non-executive Directors) are appointed for a specific term and are subject to retirement by rotation in accordance with the Company's Articles of Association.

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

Ms. Maureen Mo Youn CHEUNG, 52, joined the Group in July 2015. Ms. Cheung is the Chief Operating Officer of The Swank Shop Limited, a fashion retail subsidiary of the Company. Prior to joining the Group, 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, Bally HK 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", "Bally", "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).

Ms. Siu Mei LEE, 43, joined the Group in August 2016. Ms. Lee is the Chief Financial Officer of the Company. Prior to joining the Group, Ms. Lee worked for a Hong Kong listed company for over 17 years and was the group chief financial officer and the company secretary. She also worked for an international accounting firm for about 3 years. Ms. Lee is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Lee holds a Bachelor of Business Administration Degree in Professional Accountancy from The Chinese University of Hong Kong and a Master of Science Degree in Engineering Business Management from The University of Warwick.

Mr. Jackie Sze Wai LEE, 51, 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, 44, 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 standards 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2016, save for the following:

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. During the period from 1 January 2016 to 22 March 2016, the positions of chairman and chief executive officer were vacant and the duties of chairman and chief executive officer were assumed by the then three Executive Directors, namely, Mr. Victor Yiu Keung CHIANG, Mr. Derek Wai Choi LEUNG and Mr. Wing Tung YEUNG. The Board of Directors (the "Board") of the Company believed that the balance of power and authority is ensured through supervision of the full Board and the Board committees. Since 23 March 2016, the roles of chairman and chief executive officer have been separate and performed by different Directors.

BOARD OF DIRECTORS

Board Composition

The Board of the Company currently comprises seven Directors, namely, Mr. David Charles PARKER (Chief Executive Officer) and Mr. Wing Tung YEUNG as Executive Directors; Mr. Derek Wai Choi LEUNG (Non-executive Chairman) as a Non-executive Director; and Dr. Jen CHEN, Mr. Kin Wing CHEUNG, Mr. Kiu Sang Baldwin LEE and Mr. Chi Keung WONG as Independent Non-executive Directors, whose biographies are set out on pages 20 to 22 of this annual report and also available on the Company's website. An updated list of the Directors and their roles and functions is available on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

The changes to the composition of the Board and Board committees during the year ended 31 December 2016 and up to the date of this report were as follows:

23 March 2016	Mr. Derek Wai Choi LEUNG, was appointed as the Acting Chief Executive Officer of the Company.
23 March 2016	Mr. Wing Tung YEUNG, an Executive Director, was appointed as the chairman of the Corporate Governance Committee in place of Mr. Derek Wai Choi LEUNG.
3 June 2016	Mr. Victor Yiu Keung CHIANG retired as an Executive Director of the Company at the annual general meeting of the Company held on 3 June 2016 (the "2016 AGM") and accordingly ceased to be a member of the Corporate Governance Committee and a member of the Investment Committee.
3 June 2016	Mr. David Kwok Kwei LO retired as an Independent Non-executive Director of the Company at the 2016 AGM and accordingly ceased to be a member of the Audit Committee.

3 June 2016	Mr. Ian Grant ROBINSON retired as an Independent Non-executive Director of the Company at the 2016 AGM and accordingly ceased to be a member and the chairman of the Audit Committee, a member of the Nomination Committee, and a member and the chairman of the Remuneration Committee.
3 June 2016	Mr. Kin Wing CHEUNG was elected as an Independent Non-executive Director of the Company at the 2016 AGM and was appointed as a member and the chairman of the Audit Committee, and a member of the Nomination Committee.
3 June 2016	Mr. Kiu Sang Baldwin LEE was elected as an Independent Non-executive Director of the Company at the 2016 AGM and was appointed as a member of the Audit Committee, and a member and the chairman of the Remuneration Committee.
3 June 2016	Dr. Jen CHEN, an Independent Non-executive Director, was appointed as a member of the Corporate Governance Committee.
3 June 2016	Mr. Chi Keung WONG, an Independent Non-executive Director, was appointed as a member of the Investment Committee.
13 January 2017	Mr. Derek Wai Choi LEUNG resigned as the Acting Chief Executive Officer of the Company.
13 January 2017	Mr. Derek Wai Choi LEUNG was re-designated from an Executive Director of the Company to a Non-executive Director of the Company.
13 January 2017	Mr. Derek Wai Choi LEUNG, a Non-executive Director, was appointed as (a) the Non-executive Chairman of the Board, (b) the chairman of the Corporate Governance Committee in place of Mr. Wing Tung YEUNG, and (c) the chairman of the Nomination Committee in place of Mr. Chi Keung WONG.
13 January 2017	Mr. David Charles PARKER was appointed as (a) an Executive Director of the Company, (b) the Chief Executive Officer of the Company, (c) a member of the Corporate Governance Committee, (d) a member of the Investment Committee, (e) a member of the Remuneration Committee, and (f) the chairman of the Investment Committee in place of Mr. Derek Wai Choi LEUNG.
13 January 2017	Dr. Jen CHEN, an Independent Non-executive Director, was appointed as a member of the Remuneration Committee.

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 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 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.

Non-executive Chairman and Chief Executive Officer

The Non-executive Chairman and the Chief Executive Officer positions are currently held by Mr. Derek Wai Choi LEUNG, a Non-executive Director and Mr. David Charles PARKER, an Executive Director respectively.

The Non-executive Chairman is responsible for leadership of the Board, finalising and approving Board agendas and taking into account any matters proposed by other Directors for inclusion in the agendas, facilitating effective contributions from and dialogue with all Directors and constructive relations between them, ensuring that all Directors are properly briefed on issues arising at Board meetings and that they receive accurate, timely and clear information, and ensuring that good corporate governance practices and procedures are established. The Chief Executive Officer is responsible for implementing the policies and strategies set by the Board and the day-to-day operation and management of the Group's business. Division of responsibilities between the Non-executive Chairman and the Chief Executive Officer is clearly defined in the Company's Corporate Governance Practice Manual.

During the period from 1 January 2016 to 22 March 2016, the positions of chairman and chief executive officer were vacant and the duties of chairman and chief executive officer were assumed by the then three Executive Directors, namely, Mr. Victor Yiu Keung CHIANG, Mr. Derek Wai Choi LEUNG and Mr. Wing Tung YEUNG.

Mr. Derek Wai Choi LEUNG, the then Executive Director, served as the Acting Chief Executive Officer of the Company from 23 March 2016 to 13 January 2017. Mr. David Charles PARKER, an Executive Director, was appointed as the Chief Executive Officer of the Company on 13 January 2017.

During the period from 23 March 2016 to conclusion of the 2016 AGM, the duties of chairman were assumed by the then two Executive Directors, namely, Mr. Victor Yiu Keung CHIANG and Mr. Wing Tung YEUNG. During the period from conclusion of the 2016 AGM to 13 January 2017, the duties of chairman were assumed by Mr. Wing Tung YEUNG, an Executive Director. Mr. Derek Wai Choi LEUNG, a Non-executive Director, was appointed as the Non-executive Chairman on 13 January 2017.

Appointments, Re-election and Removal of Directors

All Directors have formal letters of appointment setting out the key terms of their appointment. Non-executive Director and Independent Non-executive Directors are appointed for a specific term and are subject to retirement by rotation and re-election at the Company's annual general meeting at least once every three years 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.

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 a measureable objective for achieving the Board diversity, which aims to appoint a female member to the Board.

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 2016.

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.

Delegation by the Board

The Board is responsible for (i) formulating and approving overall group strategies, management policies, and risk management and internal control systems; (ii) reviewing the policies and practices on corporate governance; (iii) monitoring performance of the management; and (iv) providing guidance to the management. Management is responsible for the implementation of the strategies and policies as determined by the Board and the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

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.

Board Meetings

The full Board held four regular meetings and four non-regular meetings during the year ended 31 December 2016.

A schedule for regular Board meetings for each year is provided to Directors at end of the preceding year and any amendments to the schedule are notified to Directors at least 14 days before the meetings. 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 minutes of Board meetings 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.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, such a matter should be dealt with by a physical Board meeting, as opposed to being dealt with by a written resolution. Independent Non-executive Directors with no conflict of interest will be present at Board meetings dealing with conflict issues.

The Company has arranged appropriate liability insurance for the Directors 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 the Audit Committee, the Corporate Governance Committee, the Investment Committee, the Nomination Committee and the 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.

The terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the websites of the Company and HKEx.

Audit Committee

The Audit Committee was established in January 1999 and currently comprises four Independent Non-executive Directors (namely, Dr. Jen CHEN, Mr. Kin Wing CHEUNG (Chairman of the Audit Committee), Mr. Kiu Sang Baldwin LEE and Mr. Chi Keung WONG).

None of the members of the Audit Committee is a former or existing partner of the Company's existing auditor.

The Audit Committee is responsible for (i) monitoring and reviewing the effectiveness of 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.

During the year ended 31 December 2016, the Audit Committee held three meetings and its major works performed were:

- Reviewed and endorsed the audited consolidated financial statements for the year ended 31 December 2015 and the unaudited condensed consolidated financial statements for the six months ended 30 June 2016;
- Reviewed the continuing connected transactions of the Group for the year ended 31 December 2015;
- Reviewed and approved the external auditor's audit and non-audit fees for 2015;
- Recommended the re-appointment of RSM Hong Kong as the external auditor of the Company at the 2016 AGM;
- Reviewed the effectiveness of the risk management and internal control systems;
- Reviewed the report from the external consultant on the review of the internal control system of the Group;
- Reviewed the Group's internal control handbook;
- Reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget;
- Reviewed the risk management report and the Group's Risk Register, and discussed the enhancement procedures;
- Reviewed and approved the internal audit plans for 2016 and 2017;
- Reviewed periodic reports from the Internal Audit Department and progress in resolving any matters identified in them;
- Monitored the operation of the Whistleblowing Policy; and
- Reviewed the Internal Audit Charter and the Risk Management Policy.

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

Corporate Governance Committee

The Corporate Governance Committee was established in March 2012 and currently comprises two Executive Directors (namely, Mr. David Charles PARKER and Mr. Wing Tung YEUNG), one Non-executive Director (namely, Mr. Derek Wai Choi LEUNG (Chairman of the Corporate Governance Committee)) and one Independent Non-executive Director (namely, Dr. Jen CHEN).

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 2016, the Corporate Governance Committee held one meeting and its major works performed were:

- Reviewed the Company's Corporate Governance Practice Manual;
- Reviewed the Company's compliance with the CG Code;
- Reviewed the 2015 Corporate Governance Report; and
- Reviewed the continuous professional development of Directors.

Investment Committee

The Investment Committee was established in April 2002 and currently comprises two Executive Directors (namely, Mr. David Charles PARKER (Chairman of the Investment Committee) and Mr. Wing Tung YEUNG), one Non-executive Director (namely, Mr. Derek Wai Choi LEUNG), and one Independent Non-executive Director (namely, Mr. Chi Keung WONG).

The Investment Committee is responsible for (i) formulating and reviewing the investment strategies, policies and guidelines; (ii) reviewing and approving investment projects; and (iii) advising the Board on material investment projects.

During the year ended 31 December 2016, the Investment Committee held three meeting and passed written resolutions and its major works performed were:

- Reviewed the investment portfolio;
- Reviewed and formulated the investment strategies, policies and guideline;
- Reviewed and approved the investment projects; and
- Reviewed and recommended to the Board for any material investment projects.

Nomination Committee

The Nomination Committee was established in March 2012 and currently comprises one Non-executive Director (namely, Mr. Derek Wai Choi LEUNG (Chairman of the Nomination Committee)), and two Independent Non-executive Directors (namely Mr. Kin Wing CHEUNG and Mr. Chi Keung WONG). A majority of the members of the Nomination Committee consists of Independent Non-executive Directors.

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) monitoring and reviewing the implementation of the Board Diversity Policy.

During the year ended 31 December 2016, the Nomination Committee held two meetings and its major works performed were:

- Reviewed the structure, size and composition of the Board;
- Reviewed the measurable objective for achieving the board diversity;
- Assessed and reviewed the independence of Independent Non-executive Directors;
- Recommended the re-election of retiring Director at the 2016 AGM; and
- Recommended the director candidates for election by shareholders of the Company at the 2016 AGM.

Remuneration Committee

The Remuneration Committee was established in April 2002 and currently comprises one Executive Director (namely, Mr. David Charles PARKER), one Non-executive Director (namely, Mr. Derek Wai Choi LEUNG), and three Independent Non-executive Directors (namely, Dr. Jen CHEN, Mr. Kiu Sang Baldwin LEE (Chairman of the Remuneration Committee) and Mr. Chi Keung WONG). A majority of the members of the Remuneration Committee consists of Independent Non-executive Directors.

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 (i) formulating remuneration policies; (ii) determining remuneration packages of individual Executive Directors and senior management; (iii) making recommendations to the Board on the Directors' fee structure; and (iv) reviewing and approving compensation-related issues.

During the year ended 31 December 2016, the Remuneration Committee held two meetings and its major works performed were:

- Approved the 2016 annual salary increase of Executive Directors and senior management;
- Approved the Group's 2016 annual salary increase budget;
- Recommended the fee structure for Directors, the Non-executive Chairman and the Board Committees chairmen and members; and
- Approved the remuneration package of the Acting Chief Executive Officer and the Chief Financial Officer.

2016 BOARD AND COMMITTEE ATTENDANCE AND TRAINING RECORDS

The attendance of Directors at the Annual General Meeting, Board meetings, and Board Committee meetings and training records for the year ended 31 December 2016 was as follows:

	Number of Meetings Attended/Held							
	Board	Audit Committee	Corporate Governance Committee	Investment Committee	Nomination Committee	Remuneration Committee	2016 Annual General Meeting	Type of Training
Executive Directors								
Mr. David Charles PARKER *(note 1)*	n/a		n/a	n/a		n/a	n/a	n/a
Mr. Wing Tung YEUNG	8/8		1/1	3/3			1/1	A, B
Non-executive Director								
Mr. Derek Wai Choi LEUNG *(note 2)*	8/8		1/1	3/3	2/2	2/2	1/1	A, B
Independent Non-executive Directors								
Dr. Jen CHEN *(note 3)*	7/8	3/3	0/0			n/a	1/1	A, B
Mr. Kin Wing CHEUNG *(note 4)*	4/4	2/2			0/0		n/a	A, B
Mr. Kiu Sang Baldwin LEE *(note 5)*	4/4	2/2				0/0	n/a	A, B
Mr. Chi Keung WONG *(note 6)*	8/8	3/3		3/3	2/2	2/2	1/1	A, B
Retired Directors								
Mr. Victor Yiu Keung CHIANG *(note 7)*	4/4		1/1	0/0			0/1	A, B
Mr. David Kwok Kwei LO *(note 8)*	4/4	1/1					1/1	A, B
Mr. Ian Grant ROBINSON *(note 9)*	4/4	1/1			2/2	2/2	1/1	A, B

Notes:

(1) Appointed as an Executive Director, a member of the Corporate Governance Committee, a member and the chairman of the Investment Committee, and a member of the Remuneration Committee on 13 January 2017

(2) Re-designated from an Executive Director to a Non-executive Director, and appointed as the chairman of the Corporate Governance Committee and the chairman of the Nomination Committee on 13 January 2017

(3) Appointed as a member of the Corporate Governance Committee on 3 June 2016 and as a member of the Remuneration Committee on 13 January 2017

(4) Elected as an Independent Non-executive Director and appointed as a member and the chairman of the Audit Committee, and a member of the Nomination Committee on 3 June 2016

(5) Elected as an Independent Non-executive Director and appointed as a member of the Audit Committee, and a member and the chairman of the Remuneration Committee on 3 June 2016

(6) Appointed as a member of the Investment Committee on 3 June 2016

(7) Retired as an Executive Director on 3 June 2016 and accordingly ceased to be a member of the Corporate Governance Committee and a member of the Investment Committee

(8) Retired as an Independent Non-executive Director on 3 June 2016 and accordingly ceased to be a member of the Audit Committee

(9) Retired as an Independent Non-executive Director on 3 June 2016 and accordingly ceased to be a member and the chairman of the Audit Committee, a member of the Nomination Committee, and a member and the chairman of the Remuneration Committee

(A) Reading regulatory updates

(B) Attending seminar/conferences relevant to the business or directors' duties

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 48 to 51.

The Directors 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.

Risk Management and Internal Control

Responsibility

The Board has the overall responsibility to ensure that sound and effective risk management and internal control systems are maintained. Management is responsible for designing, implementing and monitoring the risk management and internal control systems to manage risks. Sound and effective risk management and internal control systems are designed to identify and manage the risk of failure to achieve business objectives.

Risk Management Framework

Risk management is undertaken systematically and as a continuous part of day-to-day business operations for all key decision making processes and core business activities. Major activities of the risk management process include risk assessment, which constitutes the sub-processes of risk identification, risk analysis and risk evaluation. There involves also risk assessment documentation, methodologies, risk treatment, monitoring and review for ensuring the overall effectiveness of risk management. Fraud risk management through code of conduct and whistle-blowing policy is adopted to uphold honesty, integrity and fair play as our core values of the Group at all times.

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. The Audit Committee supports the Board in monitoring the Group's risk exposures, the design and operating effectiveness of the underlying risk management and internal control systems. The Audit Committee, acting on behalf of the Board, oversees the following processes:

(i) regular reviews of the principal business risks, and control measures to mitigate, reduce or transfer such risks; the strengths and weaknesses of the overall internal control system and action plans to address the weaknesses or to improve the assessment process;

(ii) regular reviews of the business process and operations reported by the Internal Audit Department, including action plans to address the identified control weaknesses and status update and monitor in implementing its recommendations; and

(iii) regular reports by the external auditors of any control issues identified in the course of their work and the discussion with the external auditors of the scope of their respective review and findings.

The Audit Committee will then report to the Board after due review of the effectiveness of the Group's risk management and internal control systems. The Board considers the works and findings of the Audit Committee in forming its own view on the effectiveness of these systems.

Internal Control System

The Group's internal control system aims at safeguarding assets from inappropriate use, maintaining proper accounts and ensuring compliance with regulations. The system is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems. The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. Policies and procedures are laid down for its key business processes and business units covering business operations, financial reporting, human resources and computer information systems. The Code of Conduct is maintained and communicated to all employees for compliance. In addition, a whistleblowing policy was established for employees to raise concerns in confidence about suspected misconducts, malpractices or fraudulent activities relating to the Group.

Internal Audit Department

The Group's Internal Audit Department (the "IA Department") has been established with direct reporting to the Audit Committee. The IA Department has rights to access all records, assets and personnel as stipulated in the Internal Audit Charter. The IA Department follows a risk-based approach to formulate the audit plan. The risks for departments and business units are assessed using the pre-determined risk criteria. The assessment results are consolidated and ranked from an enterprise-wide perspective. The Audit Committee reviews and approves annually the audit plan, which is formulated based on the risk assessment result. Summaries of major audit findings and control weaknesses, if any, are reviewed by the Audit Committee. The IA Department monitors the follow-up actions agreed upon in response to recommendations.

COSO Internal Controls

The Group's internal control model is based on that set down by the Committee of Sponsoring Organisations of the U.S. Treadway Commission ("COSO") for internal controls, and has five components, namely Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In developing the Group's internal control model based on the COSO principles, management has taken into consideration the Group's organisational structure and the nature of its business activities.

(i) Control Environment

The Board has demonstrated a commitment to integrity and ethical values. It works with independence from management and exercises oversight of the development and performance of internal control. Management establishes the structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. The Board is committed to attract, develop, and retain competent individuals in alignment with objectives. It holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

(ii) Risk Assessment

The risk assessment specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives. It identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed. It also considers the potential for fraud in assessing risks to the achievement of objectives by identifying and assessing changes that could significantly impact the system of internal control.

(iii) Control Activities

Management selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. It also develops general control activities over technology to support the achievement of objectives. Control activities through policies and procedures are established to put into practice.

(iv) Information and Communication

Management obtains, generates and uses relevant, quality information to support the functioning of internal control. There is internal communication of objectives and responsibilities necessary to support the functioning of internal control. External communication regarding matters affecting the functioning of internal control is made where necessary.

(v) Monitoring

Management has ongoing evaluations to ascertain whether the components of internal control are present and functioning. It evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board, as appropriate.

Review of Risk Management and Internal Controls Effectiveness

During the year ended 31 December 2016, on behalf of the Board, the Audit Committee conducted an annual review of the effectiveness of risk management and internal control systems. The annual review covered all material controls, including financial, operational and compliance controls and considered:

(i) areas of risk identified by management;

(ii) effectiveness of risk management and internal control systems;

(iii) adequacy of the resources, qualification and experience of staff of the Group's accounting, internal audit and financial reporting function, and their training and budget;

(iv) report from the IA Department; and

(v) report on the review of internal control system from an external consultant.

The Audit Committee concluded that the Group's risk management and internal control systems are effective and adequate.

Mr. Derek Wai Choi LEUNG, the then Acting Chief Executive Officer of the Company, also provided a confirmation to the Board on the effectiveness of the risk management and internal control systems in November 2016.

As a result of the above, the Board also considered the Group's risk management and internal control systems are effective and adequate.

Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

(i) is required to disclose inside information as soon as reasonably practicable in accordance with the Securities and Futures Ordinance and the Listing Rules;

(ii) conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;

(iii) has included in employment contracts (or an addendum to the employment contract) a strict prohibition on the unauthorised use of confidential information; and

(iv) has established and implemented the Policy on Disclosure and Handling of Inside Information.

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 2016 was:

	HK$'000
Audit services	1,091
Non-audit services:	
Taxation services	98
Consultancy services in relation to the liquidation of PRC subsidiaries	69
Consultancy services in relation to provision of risk management training	120
Consultancy services in relation to provision of environmental, social and governance reporting	100
Other assurance services	208
Other reporting services	50
	1,736

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.

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.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company. The Company Secretary supports the Board by ensuring good information flow within the Board and that the Board's policy and procedures and all applicable rules and regulations are followed. The Company Secretary is responsible for advising the Board on corporate governance matters and facilitating the induction and continuous professional development of Directors. During the year ended 31 December 2016, the Company Secretary undertook over 15 hours of relevant professional training to update her skills and knowledge.

ARTICLES OF ASSOCIATION

No amendment was made in the Company's Articles of Association during the year. The latest version of the Company's Articles of Association is available on the websites of the Company and HKEx.

On behalf of the Corporate Governance Committee

Derek Wai Choi LEUNG
Chairman of the Corporate Governance Committee

Hong Kong, 29 March 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PREAMBLE

The management recognizes, supports and implements the Group's environmental and social responsibilities, including establishing dedicated management teams to manage environmental, social and governance ("ESG") issues within each business division. Designated staff are assigned to enforce and supervise the implementation of relevant policies.

The Board is committed to making ongoing improvements in corporate environmental and social responsibility in order to meet the changing expectations of society. The management is pleased to present the ESG report this year to summarise its efforts in sustainable development.

REPORTING PERIOD AND SCOPE OF THE REPORT

The ESG report covers the activities of the Group's head office, retail fashion business and resort and recreational club operations in Hong Kong. For the corporate governance section, please refer to pages 24 to 39 of this Annual Report. The reporting period of the ESG report is for the year ended 31 December 2016, unless specifically stated otherwise.

STAKEHOLDER ENGAGEMENT

To conduct of the Group's materiality assessment in identifying and understanding the main concerns and material interests of stakeholders, the Group has engaged stakeholders, including certain employees and shareholders. The selected stakeholders have been invited to express their views and concerns on major social and environment issues. The stakeholder engagement procedure has been conducted through an online survey. For the ESG report of 2016, the management identified product quality, legal compliance on operating practices, and emissions control as material concerns to stakeholders.

After assessing the feedback from internal and external stakeholders through the online survey, the management has reviewed the sustainability strategies, practices and measures undertaken in 2016 and highlighted material and relevant aspects throughout this report so as to align with stakeholder expectations.

ENVIRONMENTAL SUSTAINABILITY

In recent decades, evidence of the importance of environmental protection issues has grown as a result of such issues as global climate change, air pollution and water pollution caused by human activities. The Group has been paying attention in protecting the environment and taking responsibility to assist in curbing global warming.

A1 Emissions

Retail Fashion

The Group's retail fashion business is operated under The Swank Shop Limited ("Swank") and covers the wholesale and retail of fashion wear and accessories in Hong Kong. Emissions from the retail fashion business from daily operations in retail shops are insignificant. The management has been encouraging the staff to be more environmentally-friendly and to make a contribution on carbon reduction and energy saving. The employees are committed to saving electricity. An environmental-friendly lorry in line with the EURO V emission standards and Hong Kong Noise Control Ordinance has been chosen for transportation for the retail fashion business.

Resort and Recreational Club Operation

Hilltop Country Club (the "Club") operated by Hill Top Country Club Limited ("Hilltop") is located in Tsuen Wan. Daily domestic sewage generated from our staff and customers is discharged to the public sewage treatment facilities for further treatment. The Club collects solid waste and recyclable waste separately. LPG is consumed for cooking and hotel showering; burning of charcoal is undertaken by the customers for barbecues in the Club; and diesel is consumed by the Club's own vehicles.

Group Head Office

The Green House Gas ("GHG") emissions from the Group mainly result from its electricity purchased for daily operation, The Group office does not generate hazardous waste.

With more emphasis on energy saving to curb global climate change by the Group's management, along with the effective implementation of the corresponding policies and measures by the Group's employees, the Group targets progressive reduction of GHG emissions.

A2 Use of Resources

The Group strives to save energy and resources through implementation of internal policies and use of advanced technologies in order to ensure that resources are consumed in a responsible manner. To ensure green policies are followed in daily operations, the Group has issued an "Environmental Friendly Guideline" covering areas such as paper consumption, energy saving and the use of office stationery. The guideline has been circulated for staff to follow.

The Group has taken the following measures on electricity and water conservation:

- Turn off unused lighting or electrical equipment whenever away from office for long meetings, lunch or after work;
- Turn off office equipment before long holidays to save energy consumption;
- Set "Screen Saver" for all computers automatically after 15 minutes and lower monitor brightness;
- Use daylight. Remove or unscrew excessive lamps whenever possible;
- Conserve the use of water, paper towels and boxed tissues; and
- Fix dripping taps immediately.

Retail Fashion

Swank chooses recyclable materials such as non-woven fabric as the material of shopping bags. To work closely with the local citizens in protecting the environment, Swank also encourages its customers to pay more attention on recycling and reusing the shopping bags.

Resort and Recreational Club Operation

The management encourages the staff and customers to make the best use of resources in the Club, including electricity, fresh water, hot water, paper and charcoal. A box has been placed at the barbecue site for collecting the used charcoal for reuse.

Group Head Office

The Group endeavours to fulfil the policies on saving energy and resource and expects to progressively reduce the resources consumed for the same scale of operation.

The main natural resources consumed by the Group are the daily use of paper from its office printers and copiers and the use of tissues and paper towels by the staff. To minimise the use of paper and stationery, the Group has put efforts to promote eco-friendly behaviour described as below:

- Discourage the printing of e-emails;
- Preview documents to adjust page layout or margins before printing;
- Print out the exact amount of hardcopies to avoid waste;
- Double sided printing/copying as default and whenever possible;
- Place "Green boxes" next to the printer to collect one side used paper for one-off printing, and to collect both-side used paper for recycling;
- Use e-mails or notice board for internal communication;
- Send and use e-copies of agenda and minutes for meetings whenever possible;
- Reuse envelopes when practicable; and
- Save and avoid waste of paper products.

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. Therefore, paper for printing interim and annual reports has been substantially reduced.

A3 The Environment and Natural Resources

The Group strives to protect the environment by integrating a range of environmental initiatives across its businesses. The management is committed to minimise the environmental impact of the Group's business operations by reinforcing environmental awareness and implementing measures for use of resources, energy saving and waste management. The Group's club covers a total area of 400,000 square feet with revitalising scenic landscape, abundant trees and other plants and flowers. As an oasis in the city, the Group offsets a large amount of carbon emission within its operation boundary.

SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B1 Employment

The Group treasures talent as one of its most valuable assets and keys for driving success and maintaining sustainable development. The Group strives to provide its staff with a safe and competitive working environment.

The Group's human resources policies strictly adhere to the applicable employment laws and regulations in Hong Kong, including the Employment Ordinance, Mandatory Provident Fund Schemes Ordinance and Minimum Wage Ordinance to determine employees' welfare and benefits. The Group's Human Resources Department regularly reviews and updates relevant company policies in accordance with the latest laws and regulations.

Talent acquisition is vital to the Group's business future development. The Group offers competitive and fair remuneration and benefits based on individuals' performance, professional qualifications and experience. The Group also makes reference to market benchmarks in attracting a high-calibre workforce. In order to motivate and reward existing management and employees, the Group conducts annual performance assessments. Meanwhile, any termination of employment contract should be based on reasonable and lawful grounds. The Group strictly prohibits any kinds of unfair dismissals.

The Group determines working hours and rest period for employees in line with local employment laws and employment contracts with employees. In addition to the stipulated statutory holidays, employees may also be entitled to additional leave entitlements such as marriage leave, jury leave, compassionate leave and examination leave.

To cultivate employees' sense of belonging, additional employee benefits are also offered including medical subsidies, staff discounts and early leave on special holidays. To cater for the needs of employees of the Club, the provision of working meals and transportation between the Club and the MTR station are offered to employees. In 2016, the Group hosted a variety of activities for employees such as the annual dinner, staff sales and a Christmas party. The Group grants long service awards to those staff members who have served the Group for extended periods of time. These events and awards have helped the employees to relieve stress, and served to strengthen the Group's corporate culture of the spirit of solidarity and cohesion among its employees.

In terms of internal coaching and communication, effective two-way communication between general staff and managerial staff is highly encouraged. Employees can maintain timely and smooth communication with their colleagues and the management through the bulletin board posting, emails, training, website and meetings. Such an interactive communication system benefits the Group's decision-making process and can lead to a barrier-free employer-employee relationship.

As an equal opportunity employer, the management is committed to create a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are determined irrespective of their gender, race, age, disability, family status, marital status, sexual orientation, religious beliefs, nationality or any other non-job related factors in all business units. The Group's equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or victimisation in accordance with relevant government legislation and regulations, such as the Disability Discrimination Ordinance, and the Sex Discrimination Ordinance. If there are any discrimination incidents, employees can report to Human Resources Department or to the Head of Internal Audit Department. Disciplinary action would be taken against any employee if there is any non-compliance or breach of legislation related to equal opportunities policies.

B2 Health and Safety

To provide and maintain good working conditions and a safe and healthy working environment, the Group's safety and emergencies policies are in line with various laws and regulations stipulated by the Government of Hong Kong, including the Occupational Safety and Health Ordinance.

The management has established a comprehensive mechanism in committing to workplace health and safety by incorporating a range of occupational health and safety measures for the employees in the office, retail shops and at the Club. The management strictly follows the Group's internal Safety and Emergencies policy to actively avoid safety and health-related risks in business operation. In addition, the Group prohibits smoking and drinking liquor in any workplace and carries out regular cleaning of the air-conditioning systems, disinfection treatment of carpets, emergency drills and safety inspection aiming to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment. The management also issues notice to engineering and maintenance staff for wearing personal safety protective equipment such as safety helmets, eye/face protectors and safety belts in the course of work. Safety bulletins and warning signs are posted especially in the Club area to minimise the risk of accidents and enhance the employees' health and safety awareness. Regular inspections and reviews were carried out in 2016 to examine the health and safety measures' effectiveness and ensure they had been implemented properly. The Group put efforts to achieve accident-free workplace environment.

B3 Development and Training

The Group offers different training and development opportunities to its staff in order to strengthen work-related skills and knowledge to improve operational efficiency and productivity. In 2016, the Group held a range of regular training and development programmes to encourage lifelong learning. For example, Swank's Merchandising Department provided product training sessions and workshops on fabric use, styling and pattern to frontline staff in the retail fashion business. The management also encourages employees to attend external seminars such as annual regulatory updates and newly implemented ordinance sharing which are job-related or under professional requirement, to enhance employees' competitiveness and improve their working quality through continuous learning. Employees required to attend public or professional examinations may be entitled to examination leave upon management approval.

B4 Labour Standards

The Group strictly abides by the Employment Ordinance of Hong Kong and other related labour laws and regulations in Hong Kong. To combat against illegal employment of child labour, underage workers and forced labour, the Human Resources Department responsible for recruitment requires the job applicants to provide valid identity documents prior to confirmation of employment, to ensure that all applicants are lawfully employable. The Human Resources Department is responsible to monitor and ensure compliance of the latest and relevant laws and regulations including those that prohibit child labour and forced labour. There are regular checks and inspections on the execution of human resources policies for the Group headquarters and subsidiaries.

OPERATING PRACTICES

B5 Supply Chain Management

As a socially responsible enterprise, it is critical and vital to both maintain and manage a sustainable and reliable supply chain. The current supply chain management is consistent with the Group's sustainability in establishing a mutual trust and understanding between the Group and relevant business partners. The management expects that the suppliers in the business of retail fashion and resort and recreational club operation operate in compliance with applicable local environmental laws and regulations.

Retail Fashion

Swank is a well-known multi-brand luxury fashion retailer in Hong Kong and its shops are located in prime shopping malls in Hong Kong. Swank's senior management is responsible for monitoring the quality of the suppliers and implementation of supply chain practices. Swank selects suppliers that meet its merchandise requirements and market positioning of "Luxury & Sophisticated". Key consideration factors in selection of suppliers include product design, styling, price, previous sales track record, product workmanship or quality and the supplier's social and environmental responsibility. In addition, Swank approves new suppliers and conducts seasonal evaluation on recurrent suppliers via an assessment of product style, price, quality, efficiency of supply of products and marketing support.

To avoid any disruptions of supply chain in the retail fashion business, Swank maintains a close dialogue with suppliers through regular face to face meetings, phones and emails. Also, Swank is a multi-brand fashion house co-operating with over 50 international brands and 1 self-owned brand which generally enters into framework supply contracts for a term of two to ten years. Under such arrangement, prices are usually adjustable annually and warranty on quality of goods is to be provided by the suppliers. This effectively prevents monopoly of suppliers and maintains stable and long-term relationships with different suppliers.

Resort and Recreational Club Operations

Hilltop's Purchasing Department together with the related departments monitor the quality of suppliers and supply chain practices on a continuous basis. Hilltop's purchasing officer and operation manager together with related department heads review the product quality, variety and price of potential suppliers and perform evaluation of the recurring suppliers based on their quality and price competitiveness. The major procurement of the Club consists of food and beverages, guest room supplies and club facilities supplies. The management normally engages third party suppliers for a term of one year.

For both businesses, the management periodically places orders based on internal forecast and planning of demand and conducts random checks to monitor the quality of the goods and services. In addition, the Group requires suppliers to comply with the laws and regulations in the countries and regions where their operations are located, and operate in good faith by adhering to proper business ethics. For any suppliers which violate the expected standards of the Group, remedial actions have to be taken by suppliers immediately to rectify the deficiencies. The Group closely monitors the implementation of the remedial measures to ensure that they are carried out properly and effectively.

B6 Product Responsibility

With regard to the health and safety, advertising and labelling issues on the products of the Group, they are strictly in compliance with the related rules and regulations as stipulated by the Hong Kong government.

Retail Fashion

Swank is distributing prestigious names in premium fashion retailing and strives to secure the finest and most convenient locations for its sophisticated clientele which is guided by four core principles, "STYLING", "QUALITY", "SERVICE" and "SELECTION". Under these principles, the management has attached great importance on product quality by stipulating systematic inspection procedures. All supplied goods of garment and fabrics undergo meticulous inspection by hand. The management requires suppliers to provide relevant international recognised certification(s) to ensure that the products are in good condition. The products to be sold to customers must comply with its standards and the relevant local laws and regulations such as Hong Kong's Sales of Goods Ordinance. If there are any defective products, Swank will recall the disqualified products if necessary according to the return procedures. Swank's website provides store news and merchandise information.

Resort and Recreational Club Operation

Hilltop operates strictly in compliance with the Clubs (Safety of Premises) Ordinance and related laws and regulations to maintain the Home Affairs Department Club License and to offer a comprehensive range of services and facilities to the Club's members, including accommodation, dining, recreational and outdoor activities in the Club. In order to meet the specific safety management and comply with the relevant services' safety regulations, the management has posted the guidelines received from relevant government departments in the kitchens to remind and update the staff and chefs on health and safety precautions in daily operation. Hilltop continues to enhance management control over safety and health risks in provision of services in the Club. The Club's newsletter and its website provide its members with club news, club events and special promotion.

The Group

The Group has set up internal procedures to ensure that the sales and marketing materials provide accurate and precise information to customers. Prior to public release of any advertisement, the materials are reviewed by senior management for final approval to ensure that there are no erroneous or misleading statements. The Group is committed to protect customers' rights by providing true information to the customers. Any misrepresentation or exaggeration of offerings made is strictly prohibited which complies with relevant laws and regulations of the Hong Kong's Trade Descriptions Ordinance.

The Group strives to ensure a prompt and efficient response to customers' complaints and opinions through VIP programmes, mobile communication platforms and face-to-face interaction. Complaints are handled by the retail managers and relevant departments by carrying out data analysis on collected feedback and recording the details of the complaint in an accurate, attentive and timely manner under standard procedures. Findings and proposals for enhancements are proposed to the senior management for final decision. All of these measures strengthen product offerings and service quality, and consequently enable the Group to stay competitive in the market.

The Group strictly abides by the Personal Data (Privacy) Ordinance to ensure that customers' rights are strictly protected. Information collected is only to be used for the purpose for which it has been collected and customers are told how the data collected will be used. The Group prohibits the provision of consumer information to a third party without authorisation from the customers and does not on-sell its customer information. Customers have the right to review and revise their data, and also reserve the right to opt out from any direct marketing activities. Customer Personal Data Cards are stored under lock and key. All collected personal data is treated confidentially, kept securely and is accessible by designated personnel only. The employment contract and employees' handbook have clauses covering customer privacy protection and confidentiality.

B7 Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the laws and regulations relating to anti-corruption and bribery as set out by the Hong Kong Government including the Prevention of Bribery Ordinance. The Group has formulated and strictly enforced anti-corruption policies such that any form of corruption is not tolerated as stipulated in the Prevention of Bribery Ordinance which is included in the Employees' Handbook and the corporate "Code of Conduct". All employees are expected to discharge their duties with integrity and self-discipline. They are required to abstain from engaging in any activities related to bribery, extortion, fraud and money laundering which may exploit their positions against the Group's interests in the course of business. A declaration must be made by the employee in writing to an Executive Director for any interest, directly or indirectly, in any business which competes with the Group or with which the Group has business dealings. Any breach of the rules will be disciplined, including up to termination of employment, and may be referred to the relevant authorities for possible prosecution under applicable laws.

The Group has developed and formulated an internal whistleblowing policy namely Policy for Employees Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters (the "Policy"), which aims to provide reporting channels and guidance on reporting possible such improprieties and reassurance to whistle-blowers of the protection that the Company will extend to them against unfair dismissal or harassment for any genuine reports made under this Policy. The Group advocates a confidentiality mechanism to protect the whistle-blowers without fear of threats or retaliation.

Every whistleblowing report must be made in writing to the Head of the Internal Audit Department with full details and supporting evidence of suspected misconduct or malpractice. Where criminality is suspected, after consulting legal advisers, a report would be made to the relevant authorities. The Audit Committee of the Company shall review regularly this Policy and ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

COMMUNITY

B8 Community Investment

The Group places emphasis on cultivating social responsibility awareness among the staff and encourages them to participate in charitable activities. The Group believes that undertaking socially responsible initiatives is truly a win-win situation. Not only will the Group be attractive to socially conscious consumers and employees, but it will also help to make a real difference in the world and our community. The Club welcomes and sponsors events organised by community organisations and NGOs such as Hong Kong Guide Dogs Association and Hong Kong CareCamp. The Group volunteers to provide its facilities for supporting such events. The Group makes regular contributions to local community activities.

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of ENM Holdings Limited and its subsidiaries ("the Group") set out on pages 52 to 115, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. The key audit matter we identified is allowances for inventories.

Key Audit Matter	How our audit addressed the Key Audit Matter
Allowances for inventories *(Refer to notes 5 and 25 to the consolidated financial statements)* At 31 December 2016, the Group held gross inventories of HK$110,117,000 and had made allowances for inventories of HK$68,126,000. Allowances for inventories are made based on the ageing and estimated net realisable value of inventories. The assessment of the allowances involves judgement and estimates which are based on current market conditions and the historical experience of selling products of similar nature. As a result, management apply judgement in determining the appropriate allowances for inventories based upon a detailed analysis of old season and current season inventory and net realisable value below cost based upon plans for inventory to go into sale.	Our procedures in relation to management's allowance assessment included: – Reviewing the historical ageing of inventory; – Identifying and assessing aged and obsolete inventory when attending inventory counts; – Assessing the estimated sales prices used by management by testing the historical sales prices that have been achieved; – Evaluating the expected future sales of the inventories by reviewing historical sales performance; and – Reviewing the adequacy of allowance for inventories and inventories' write-offs.

Other Information

The directors are responsible for the Other Information. The Other Information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tsang Kit Fong, Maria.

RSM Hong Kong
Certified Public Accountants
Hong Kong

29 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Note	2016	2015
		HK$'000	*HK$'000*
Revenue	9	167,119	215,537
Cost of sales		(68,327)	(97,930)
Gross profit		98,792	117,607
Other income	10	2,999	3,646
Selling and distribution costs		(72,509)	(104,832)
Administrative expenses		(78,984)	(80,859)
Depreciation and amortisation		(5,473)	(10,654)
Other operating gains/(losses), net	13	47,394	(36,129)
Loss from operations		(7,781)	(111,221)
Fair value gains on investment properties, net		500	4,300
Deficits write-back on revaluation of resort and recreational club properties		705	1,537
Finance costs	11	(441)	(657)
Share of profit/(loss) of an associate		2,926	(1,076)
Loss before tax		(4,091)	(107,117)
Income tax expense	12	—	—
Loss for the year	13	(4,091)	(107,117)
Attributable to:			
Owners of the Company		(3,935)	(106,896)
Non-controlling interests		(156)	(221)
		(4,091)	(107,117)
Loss per share		*HK$*	*HK$*
– basic	16(a)	(0.24 cents)	(6.48 cents)
– diluted	16(b)	N/A	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016 *HK$'000*	2015 *HK$'000*
Loss for the year	**(4,091)**	(107,117)
Other comprehensive loss:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(646)**	895
Fair value changes of available-for-sale equity investments	**(33,160)**	(4,681)
Fair value changes of available-for-sale debt investments	**233**	2,590
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale equity investments	**(33,923)**	–
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments	**(560)**	183
Other comprehensive loss for the year, net of tax	**(68,056)**	(1,013)
Total comprehensive loss for the year	**(72,147)**	(108,130)
Attributable to:		
Owners of the Company	**(71,950)**	(107,858)
Non-controlling interests	**(197)**	(272)
	(72,147)	(108,130)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment	18	**83,330**	78,641
Investment properties	19	**36,800**	36,300
Intangible assets	20	**1,126**	1,211
Interest in an associate	21	**19,116**	15,297
Available-for-sale equity investments	23	**43,056**	101,658
Available-for-sale debt investments - notes receivables	24	**148,338**	132,459
Total non-current assets		**331,766**	365,566
Current assets			
Inventories	25	**41,991**	49,421
Trade and other receivables	26	**24,299**	42,675
Financial assets at fair value through profit or loss	22	**110,178**	251,967
Available-for-sale debt investments - notes receivables	24	**20,306**	3,989
Pledged bank deposits	27	**12,334**	11,000
Time deposits	27	**459,942**	358,670
Cash and bank balances	27	**51,326**	41,582
Total current assets		**720,376**	759,304
Current liabilities			
Trade and other payables	28	**30,128**	28,814
Interest-bearing bank borrowings	29	**7,769**	8,949
Current portion of debentures	30	**1,151**	716
Total current liabilities		**39,048**	38,479
Net current assets		**681,328**	720,825
Total assets less current liabilities		**1,013,094**	1,086,391

	Note	2016	2015
		HK$'000	*HK$'000*
Total assets less current liabilities		**1,013,094**	1,086,391
Non-current liabilities			
Debentures	30	—	1,144
Deferred revenue		—	6
Total non-current liabilities		—	1,150
NET ASSETS		**1,013,094**	1,085,241
Capital and reserves			
Issued capital	32	**1,206,706**	1,206,706
Accumulated losses		**(1,021,561)**	(1,017,626)
Other reserves	34	**828,354**	896,369
Equity attributable to owners of the Company		**1,013,499**	1,085,449
Non-controlling interests		**(405)**	(208)
TOTAL EQUITY		**1,013,094**	1,085,241

Approved by the Board of Directors on 29 March 2017 and are signed on its behalf by:

David Charles PARKER
Executive Director and
Chief Executive Officer

Wing Tung YEUNG
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company							
	Issued capital *HK$'000*	Special reserve *HK$'000* *(Note 34(b)(i))*	Available-for-sale investment revaluation reserve *HK$'000* *(Note 34(b)(ii))*	Exchange fluctuation reserve *HK$'000* *(Note 34(b)(iii))*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
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
At 1 January 2016	**1,206,706**	**808,822**	**85,070**	**2,477**	**(1,017,626)**	**1,085,449**	**(208)**	**1,085,241**
Total comprehensive loss and change in equity for the year	**–**	**–**	**(67,410)**	**(605)**	**(3,935)**	**(71,950)**	**(197)**	**(72,147)**
At 31 December 2016	**1,206,706**	**808,822**	**17,660**	**1,872**	**(1,021,561)**	**1,013,499**	**(405)**	**1,013,094**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 *HK$'000*	2015 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	**(4,091)**	(107,117)
Adjustments for:		
Depreciation	**5,388**	10,569
Amortisation of intangible assets	**85**	85
Amortisation of deferred revenue	**(10)**	(11)
Finance costs	**441**	657
Dividend income from listed equity investments	**(5,020)**	(4,283)
Dividend income from available-for-sale equity investments	**(378)**	(638)
Dividend income from unlisted fund investments	**(242)**	(217)
Charge for inventories allowances	**16,817**	20,947
Interest income from:		
Financial assets at fair value through profit or loss	**(985)**	(2,937)
Other financial assets	**(12,371)**	(14,656)
Share of loss/(profit) of an associate	**(2,926)**	1,076
Fair value gains on investment properties, net	**(500)**	(4,300)
Deficits write-back on revaluation of resort and recreational club properties	**(705)**	(1,537)
Reversal of provisions	**(1,661)**	—
Impairment of trade receivables, net	**67**	30
Loss/(gain) on disposal of property, plant and equipment	**(313)**	1,453
Fair value losses of financial assets at fair value through profit or loss, net	**1,589**	36,489
Gain on disposal of financial assets at fair value through profit or loss, net	**(12,428)**	(4,595)
Gain on disposal of available-for-sales equity investments	**(33,489)**	—
Loss/(gain) on disposal of available-for-sales debt investments	**(790)**	662
Foreign exchange losses/(gains), net	**(548)**	8,291
Operating loss before working capital changes	**(52,070)**	(60,032)
Increase in inventories	**(9,387)**	(3,964)
Decrease in trade and other receivables	**9,921**	9,980
Increase/(decrease) in trade and other payables	**2,979**	(6,669)
Cash used in operations	**(48,557)**	(60,685)
Interest received	**13,577**	18,763
Dividends received from listed equity investments	**5,041**	5,054
Dividends received from unlisted fund investments	**242**	217
Dividends received from available-for-sale equity investment	**378**	638
Purchases of financial assets at fair value through profit or loss	**(35,185)**	(46,696)
Proceeds from disposal of financial assets at fair value through profit or loss	**186,156**	51,426
Net cash generated from/(used in) operating activities	**121,652**	(31,283)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 *HK$'000*	2015 *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(9,394)**	(3,511)
Purchases of available-for-sale debt investments	**(98,554)**	(56,153)
Acquisition of available-for-sales equity investments	**(18,289)**	(2,521)
Repayment from/(advanced to) an associate, net	**(893)**	458
Proceeds from disposal of available-for-sale equity investments	**43,297**	—
Proceeds from disposal of property, plant and equipment	**335**	50
Proceeds from disposal of available-for-sale debt investments	**74,967**	37,112
Proceeds from disposal of financial assets designated at fair value through profit or loss	**1,657**	39,247
Increase in pledged bank deposits	**(1,334)**	—
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	**(90,617)**	168,683
Net cash generated from/(used in) investing activities	**(98,825)**	183,365
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans raised	**38,228**	57,464
Repayment of bank loans	**(39,408)**	(60,758)
Redemption of debentures	**(720)**	(120)
Interest paid	**(431)**	(646)
Net cash used in financing activities	**(2,331)**	(4,060)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**20,496**	148,022
Effect of foreign exchange rate changes, net	**(96)**	(7,229)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**355,355**	214,562
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**375,755**	355,355
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Non-pledged time deposits	**459,942**	358,670
Less: Non-pledged time deposits with original maturity of over three months when acquired	**(135,513)**	(44,897)
Non-pledged time deposits with original maturity of less than three months when acquired	**324,429**	313,773
Cash and bank balances	**51,326**	41,582
	375,755	355,355

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. CORPORATE INFORMATION

ENM Holdings Limited (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 (the "Listing Rules") and with the requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting year of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2016. Of these, the following new or revised HKFRSs are relevant to the Group:

Amendments to HKAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.
- Presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (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 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019
Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. Details of these new standards are discussed below. As the Group has not completed its assessment, impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

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

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

HKFRS 9 Financial Instruments (continued)

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The Group's financial assets that are currently classified as "available-for-sale" include certain listed and unlisted equity securities which the Group may classify as either fair value through profit or loss or irrevocably elect to designate as fair value through other comprehensive income (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as fair value through other comprehensive income or classify them as fair value through profit or loss. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss. This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit or loss for the year and earnings or loss per share.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

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

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

(i) Identify the contract with a customer

(ii) Identify the performance obligations in the contract

(iii) Determine the transaction price

(iv) Allocate the transaction price to the performance obligations in the contract

(v) Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting HKFRS 15 on the consolidated financial statements and unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's office properties and retail shops leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 37, the Group's future minimum lease payments under non-cancellable operating leases for its office properties and retail shops amounted to HK$40,538,000 as at 31 December 2016 (2015: HK$71,644,000). The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

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 HKFRSs 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

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 any 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 the 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 the 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 its 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 the 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.

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 value 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 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 or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Resort and recreational club properties	Over the remaining lease terms
Leasehold improvements	Over the shorter of the remaining lease terms or 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.

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.

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 loans and 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Trade and other payables

Trade and other payables are recognised 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.

(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) Management and other services

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Impairment of financial assets (continued)

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.

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.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty

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

(a) Allowances for inventories

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

As at 31 December 2016, allowances for inventories amounted to HK$68,126,000 (2015: HK$64,721,000).

(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 2016 were HK$110,700,000 (2015: HK$112,200,000).

(c) Fair value of available-for-sale equity investments – unlisted fund investment

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's unlisted fund investment, details of which are set out in note 23(b) to the consolidated financial statements, by considering information from a variety of sources, including the latest financial information from the fund manager or administrator.

The carrying amount of the investment as at 31 December 2016 was HK$18,289,000 (2015: HK$Nil).

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 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 loss after tax and other comprehensive 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 after tax	Effect on other comprehensive loss after tax	Effect on equity
		HK$'000	*HK$'000*	*HK$'000*
31 December 2016				
US dollar	**+/- 0.5%**	**-/+ 1,869**	**-/+ 935**	**+/- 2,804**
Euro	**+/- 5%**	**+/- 217**	**—**	**-/+ 217**
Renminbi	**+/- 5%**	**-/+ 4**	**—**	**+/- 4**
New Taiwan dollar	**+/- 5%**	**-/+ 344**	**-/+ 1,238**	**+/- 1,582**
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

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 2016	**2016 High/low**	31 December 2015	2015 High/low
Hong Kong - Hang Seng Index	**22,001**	**24,364/ 18,279**	21,914	28,589/ 20,368

At 31 December 2016, if the share prices of the equity investments listed on The Stock Exchange of Hong Kong Limited increase/decrease by 5%, consolidated loss after tax for the year would have been HK$3,954,000 (2015: HK$9,322,000) lower/higher, arising as a result of the fair value gain/loss of these investments.

The Group's listed equity investment classified as available-for-sale equity investments is listed on GreTai Security Market ("GTSM") in Taiwan. At 31 December 2016, if the share price of available-for-sale listed equity investment increase/decrease by 5%, other comprehensive loss after tax for the year would have been HK$1,238,000 (2015: HK$5,083,000) lower/higher, arising as a result of the fair value gain/loss of this investment.

The Group's debt and fund investments classified as financial assets at fair value through profit or loss or available-for-sale debt investments are primarily listed on The Stock Exchange of Hong Kong Limited, The Singapore Exchange Securities Trading Limited or traded over-the-counter. At 31 December 2016, if the prices of the debt and fund investments increase/decrease by 5%, consolidated loss after tax for the year would have been HK$1,503,000 (2015: HK$3,067,000) lower/higher, 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 after tax for the year would have been HK$8,432,000 (2015: HK$6,822,000) lower/higher, arising as a result of the fair value gain/loss of debt investments classified as available-for-sales financial assets.

(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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (continued)

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.

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

	Total
	Less than 1 year/ on demand/no fixed terms *HK$'000*
At 31 December 2016	
Trade payables and financial liabilities included in other payables	22,108
Interest-bearing bank borrowings	7,769
Debentures	1,157
	31,034

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

	Less than 1 year/ on demand/ no fixed terms	Between 1 and 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*
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
	35,424	1,157	36,581

(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 2016, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated loss after tax for the year would have been HK$2,306,000 lower/higher (2015: HK$1,799,000), arising mainly as a result of the net of increase/decrease in the interest income from bank deposits and interest expense on short term bank borrowings.

(f) Categories of financial instruments at 31 December

	2016	2015
	HK$'000	*HK$'000*
Financial assets:		
Financial assets at fair value through profit or loss		
– held for trading	**71,144**	207,663
– designated as such upon initial recognition	**39,034**	44,304
Loans and receivables (including cash and cash equivalents and time deposits)	**560,467**	453,057
Available-for-sale financial assets	**211,700**	238,106
	882,345	943,130
Financial liabilities:		
Financial liabilities at amortised cost	**31,028**	36,564

(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.

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 2016 using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2016 HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss:				
– Listed equity investments	80,117	–	–	80,117
– Listed debt and fund investments	–	11,836	–	11,836
– Unlisted debt and fund investments	–	18,225	–	18,225
	80,117	30,061	–	110,178
Available-for-sale financial assets:				
– Listed equity investment	24,767	–	–	24,767
– Listed debt investments	–	168,644	–	168,644
– Unlisted fund investment	–	–	18,289	18,289
	24,767	168,644	18,289	211,700
Investment properties:				
– Industrial property situated in Hong Kong	–	36,800	–	36,800
Property, plant and equipment:				
– Resort and recreational club properties situated in Hong Kong	–	–	73,900	73,900
Total recurring fair value measurements	104,884	235,505	92,189	432,578

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 2015 using: Level 1	Level 2	Level 3	Total 2015
	HK$'000	*HK$'000*	*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
	190,620	61,347	—	251,967
Available-for-sale financial assets:				
– Listed equity investment	101,658	—	—	101,658
– Listed debt investments	—	136,448	—	136,448
	101,658	136,448	—	238,106
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	292,278	234,095	75,900	602,273

7. FAIR VALUE MEASUREMENTS (CONTINUED)

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

Description	Property, plant and equipment – Resort and recreational club properties HK$'000	Available-for-sale financial assets – Equity investment – Unlisted fund investment HK$'000	2016 Total HK$'000
At 1 January 2016	75,900	—	75,900
Additions	81	18,289	18,370
Total fair value gain or loss recognised in profit or loss *	705	—	705
Depreciation charged to profit or loss	(2,786)	—	(2,786)
At 31 December 2016	73,900	18,289	92,189
* Include gains or losses for assets held at end of reporting period	705	—	705

7. FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Property, plant and equipment	Financial assets at fair value through profit or loss	
Description	Resort and recreational club properties	Unlisted equity investment	2015 Total
	HK$'000	*HK$'000*	*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

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 loss are presented in the corresponding line item in the consolidated statement of profit or loss and other comprehensive loss.

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**
Level 2:	
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
Level 3:	
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 fund investment	Net asset value provided by the administrator of the fund

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**
		2016	2015	
Resort and recreational club properties situated in Hong Kong	Discount rate	**8.4%**	8.5%	Decrease
Unlisted fund investment	Net asset value	**N/A**	N/A	N/A

There were no changes in the valuation techniques used in fair value measurements at 31 December 2016 and 2015.

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	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;
- Finance costs; and
- Income tax expense.

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

8. SEGMENT INFORMATION (CONTINUED)

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

	Wholesale and retail of fashion wear and accessories *HK$'000*	Resort and recreational club operations *HK$'000*	Investments *HK$'000*	Total *HK$'000*
Year ended 31 December 2016:				
Revenue from external customers	131,935	17,173	18,011	167,119
Segment gain/(loss)	(34,730)	(8,550)	44,787	1,507
Segment gain/(loss) includes:				
Fair value losses on financial assets at fair value through profit or loss, net	–	–	(1,589)	(1,589)
Gain on disposal of financial assets at fair value through profit or loss, net	–	–	12,428	12,428
Gain on disposal of available-for-sale debt investments, net	–	–	790	790
Gains on disposal of available-for-sale equity investments	–	–	33,489	33,489
Interest income from:				
– Financial assets at fair value through profit or loss	–	–	985	985
– Other financial assets	–	–	12,371	12,371
Reversal of provisions	1,659	–	2	1,661
Depreciation and amortisation	2,137	3,113	223	5,473
Charge for inventories allowances	16,817	–	–	16,817
Impairment of trade receivables, net	–	67	–	67
Other segment information:				
Share of profit of an associate	2,926	–	–	2,926
Additions to property, plant and equipment	8,313	475	606	9,394
As at 31 December 2016:				
Segment assets	76,227	76,803	879,996	1,033,026
Segment liabilities	(20,086)	(4,328)	(6,865)	(31,279)
Interest in an associate	19,116	–	–	19,116

8. SEGMENT INFORMATION (CONTINUED)

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

	Wholesale and retail of fashion wear and accessories	Resort and recreational club operations	Investments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
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)
Segment loss includes:				
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
Other segment information:				
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)

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

	2016 *HK$'000*	2015 *HK$'000*
Profit or loss		
Total profit or loss of reportable segments	1,507	(105,771)
Unallocated corporate administrative expenses	(9,288)	(5,450)
Share of profit/(loss) of an associate	2,926	(1,076)
Fair value gains on investment properties, net	500	4,300
Deficits write-back on revaluation of resort and recreational club properties	705	1,537
Finance costs	(441)	(657)
Consolidated loss for the year	(4,091)	(107,117)
Assets		
Total assets of reportable segments	1,033,026	1,109,573
Interest in an associate	19,116	15,297
Consolidated total assets	1,052,142	1,124,870
Liabilities		
Total liabilities of reportable segments	(31,279)	(30,680)
Interest-bearing bank borrowings	(7,769)	(8,949)
Consolidated total liabilities	(39,048)	(39,629)

Geographical information:

	Revenue		Non-current assets	
	2016 *HK$'000*	2015 *HK$'000*	2016 *HK$'000*	2015 *HK$'000*
Hong Kong	161,260	200,234	139,883	130,923
Mainland China	1,819	11,088	—	—
Others	4,040	4,215	489	526
Consolidated total	167,119	215,537	140,372	131,449

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. An analysis of revenue of the Group by operating activities is as follows:

	2016 HK$'000	2015 HK$'000
Wholesale and retail of fashion wear and accessories	**131,935**	182,134
Resort and recreational club operations	**17,173**	13,609
Dividend income from listed equity investments	**5,020**	4,283
Dividend income from unlisted fund investments	**242**	217
Dividend income from available-for-sale equity investments	**378**	638
Interest income	**12,371**	14,656
	167,119	215,537

10. OTHER INCOME

	2016 HK$'000	2015 HK$'000
Rental income	**1,063**	1,056
Management fees	**1,265**	1,373
Others	**671**	1,217
	2,999	3,646

11. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on bank loans and overdrafts	**431**	646
Accretion of interest on debentures	**10**	11
	441	657

12. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2016 (2015: 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% (2015: 16.5%).

The tax rate applicable to the subsidiaries in the PRC for PRC enterprise income tax is 25% (2015: 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 between the income tax expense and the product of loss before tax multiplied by the weighted average tax rate applicable to profit of the consolidated companies is as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Loss before tax	**(4,091)**	(107,117)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(832)**	(19,875)
Tax effect of income that is not taxable	**(14,091)**	(3,869)
Tax effect of expenses that are not deductible	**1,338**	3,652
Tax effect of utilisation of tax losses not previously recognised	**(1,715)**	—
Tax effect of tax losses not recognised	**15,300**	20,092
Income tax expense	**—**	—

The weighted average applicable tax rate is 20.3% (2015: 18.6%). The increase is caused by a change in relative profitability of the Group's subsidiaries in respective regions.

13. LOSS FOR THE YEAR

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

	2016 HK$'000	2015 HK$'000
Cost of inventories sold#	68,142	97,738
Depreciation	5,388	10,569
Amortisation of intangible assets	85	85
Auditor's remuneration for audit services	1,097	1,127
Other operating lease charges for land and buildings (included contingent rentals of HK$780,000 (2015: HK$2,335,000))	49,270	67,805
Charge for inventories allowances	16,817	20,947
Direct operating expenses of investment properties that generate rental income	198	183
Losses/(gains) from financial assets at fair value through profit or loss, net*:		
Held-for-trading		
Interest income	(985)	(2,937)
Fair value losses/(gains), net	(1,960)	28,233
Gains on disposal, net	(12,492)	(389)
	(15,437)	24,907
Designated as such upon initial recognition		
Fair value losses, net	3,549	8,256
Loss/(gain) on disposal	64	(4,206)
	3,613	4,050
Fair value gains on investment properties, net	(500)	(4,300)
Losses/(gains) on disposal of available-for-sales debt investments, net*	(790)	662
Gain on disposal of available-for-sales equity investments*	(33,489)	–
Loss/(gain) on disposal of property, plant and equipment*	(313)	1,453
Amortisation of deferred revenue	(10)	(11)
Rental income	(1,063)	(1,056)
Foreign exchange losses, net*	683	5,057
Impairment of trade receivables, net	67	30
Reversal of provisions*	(1,661)	—
Deficits write-back on revaluation of resort and recreational club properties	(705)	(1,537)

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

Cost of inventories sold included charge of inventories allowances of HK$16,817,000 (2015: HK$20,947,000).

14. EMPLOYEE BENEFITS EXPENSE

	2016 *HK$'000*	2015 *HK$'000*
Employee benefits expense (including directors' emoluments):		
Salaries, bonuses and allowances	**60,317**	69,734
Pension scheme contributions	**2,296**	3,099
	62,613	72,833

(a) Five highest paid individuals:

The five highest paid individuals in the Group during the year included three (2015: three) directors whose emoluments are reflected in the analysis presented in note 15(a) to the consolidated financial statements. The emoluments of the remaining two (2015: two) individuals are set out below:

	2016 *HK$'000*	2015 *HK$'000*
Salaries, allowances and benefits in kind	**3,032**	4,137
Pension scheme contributions	**36**	11
	3,068	4,148

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**—**	1
	2	2

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 2016 and 2015 annual report of the Company and included one (2015: two) of the five highest paid individuals analysis presented above, fell within the following bands:

	Number of individuals	
	2016	2015
Nil to HK$1,000,000	**4**	4
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	1
	5	6

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					
	Fees	Salaries	Estimated money value of other benefits	Performance related bonuses	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000* *(note vi)*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. Victor Yiu Keung CHIANG *(note i)*	25	1,533	107	–	9	1,674
Mr. Derek Wai Choi LEUNG *(note ii)*	60	2,074	81	–	2	2,217
Mr. Wing Tung YEUNG	60	2,436	141	277	18	2,932
Independent non-executive directors *(note v)*:						
Dr. Jen CHEN	265	–	–	–	–	265
Mr. David Kwok Kwei LO *(note i)*	116	–	–	–	–	116
Mr. Ian Grant ROBINSON *(note i)*	179	–	–	–	–	179
Mr. Chi Keung WONG	383	–	–	–	–	383
Mr. Kin Wing CHEUNG *(note iii)*	172	–	–	–	–	172
Mr. Kiu Sang Baldwin LEE *(note iii)*	172	–	–	–	–	172
Total for 2016	1,432	6,043	329	277	29	8,110

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					
	Fees	Salaries	Estimated money value of other benefits	Performance related bonuses	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000* *(note vi)*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. Joseph Wing Kong LEUNG *(note iv)*	42	762	–	80	–	884
Mr. Victor Yiu Keung CHIANG	60	2,010	296	80	18	2,464
Mr. Derek Wai Choi LEUNG	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 iv)*	1	–	–	–	–	1
Independent non-executive directors *(note v)*:						
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

Notes:

(i) Retired on 3 June 2016.

(ii) Mr. Derek Wai Choi LEUNG was appointed as the Company's Acting Chief Executive Officer on 23 March 2016 and resigned on 13 January 2017. On 13 January 2017, Mr. Derek Wai Choi LEUNG was re-designated as Non-executive Director of the Company.

(iii) Elected on 3 June 2016.

(iv) 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.

(v) In addition to the annual fee, Independent Non-executive Directors are entitled to an attendance fee for attending each Board meeting or committee meeting or general meeting of the Company.

(vi) Estimated money values of other benefits include cash allowances.

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 (2015: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: 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. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of HK$3,935,000 (2015: HK$106,896,000) and the weighted average number of ordinary shares of 1,650,658,676 (2015: 1,650,658,676) in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2016 and 2015.

17. DIVIDENDS

The directors do not recommend the payment of any dividend to shareholders for the year ended 31 December 2016 and 2015.

18. PROPERTY, PLANT AND EQUIPMENT

	Resort and recreational club properties HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At 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 and 1 January 2016	**75,900**	**8,100**	**46,157**	**1,454**	**131,611**
Additions	**81**	**4,043**	**4,836**	**434**	**9,394**
Disposals	**—**	**(200)**	**(13,665)**	**(479)**	**(14,344)**
Deficits write-back on revaluation	**705**	**—**	**—**	**—**	**705**
Elimination of accumulated depreciation	**(2,786)**	**—**	**—**	**—**	**(2,786)**
Exchange realignment	**—**	**—**	**(5)**	**(12)**	**(17)**
At 31 December 2016	**73,900**	**11,943**	**37,323**	**1,397**	**124,563**
Accumulated depreciation and impairment:					
At 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 and 1 January 2016	**—**	**7,708**	**44,153**	**1,109**	**52,970**
Depreciation provided during the year	**2,786**	**894**	**1,583**	**125**	**5,388**
Write-back on revaluation	**(2,786)**	**—**	**—**	**—**	**(2,786)**
Disposals	**—**	**(200)**	**(13,643)**	**(479)**	**(14,322)**
Exchange realignment	**—**	**—**	**(5)**	**(12)**	**(17)**
At 31 December 2016	**—**	**8,402**	**32,088**	**743**	**41,233**
Net carrying amount:					
At 31 December 2016	**73,900**	**3,541**	**5,235**	**654**	**83,330**
At 31 December 2015	75,900	392	2,004	345	78,641

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's resort and recreational club properties were revalued at 31 December 2016 and 2015 by independent professional qualified valuers, DTZ Cushman & Wakefield Limited (formerly known as 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:

	2016	2015
	HK$'000	*HK$'000*
Cost	**53,858**	53,777
Accumulated depreciation	**(26,150)**	(25,242)
	27,708	28,535

19. INVESTMENT PROPERTIES

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**36,300**	32,000
Fair value gains	**500**	4,300
At 31 December	**36,800**	36,300

At 31 December 2016, the Group's investment properties comprised industrial property units situated in Hong Kong of HK$36,800,000 (2015: HK$36,300,000). 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 2016 and 2015 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 116.

20. INTANGIBLE ASSETS

	Trademarks *HK$'000*
Cost:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	**1,700**
Accumulated amortisation:	
At 1 January 2015	404
Amortisation for the year	85
At 31 December 2015 and 1 January 2016	**489**
Amortisation for the year	**85**
At 31 December 2016	**574**
Net carrying amount:	
At 31 December 2016	**1,126**
At 31 December 2015	1,211

The Group's trademarks protect the design and specification of the Group's products. The average remaining amortisation period of the trademarks is approximately 13 years (2015: 14 years).

21. INTEREST IN AN ASSOCIATE

	2016 ***HK$'000***	2015 *HK$'000*
Unlisted investment:		
Share of net assets	**3,409**	483
Due from an associate	**15,707**	15,175
Due to an associate	**—**	(361)
	19,116	15,297

As at 31 December 2016, amount due from an associate with principal amount of HK$15,043,000 (2015: 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.

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
			2016	2015	
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	
	2016	2015
	HK$'000	*HK$'000*
At 31 December:		
Non-current assets	**2,814**	5,697
Current assets	**43,221**	29,879
Current liabilities	**(38,479)**	(33,691)
Non-current liabilities	**(600)**	(900)
Net assets	**6,956**	985
Group's share of net assets	**3,409**	483
Amount due from an associate	**15,707**	15,175
Amount due to an associate	**—**	(361)
Group's share of carrying amount of interests	**19,116**	15,297
Year ended 31 December		
Revenue	**78,080**	81,301
Profit/(loss) and total comprehensive income/(loss) for the year	**5,971**	(2,195)

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 *HK$'000*	2015 *HK$'000*
Listed investments, at fair value *(note a and note b):*		
Hong Kong	83,114	207,886
Outside Hong Kong	8,839	17,300
Market value of listed investments	91,953	225,186
Unlisted investments, at fair value *(note c)*	18,225	26,781
	110,178	251,967

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

	2016 *HK$'000*	2015 *HK$'000*
Held for trading *(note a and note c)*	71,144	207,663
Designated as at fair value through profit or loss on initial recognition *(note b)*	39,034	44,304
	110,178	251,967

Notes:

(a) The listed investments as at 31 December 2016 amounted to HK$52,919,000 (2015: HK$180,882,000) were classified as held for trading. The fair values of the 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.

(b) The listed investment as at 31 December 2016 of HK$39,034,000 (2015: HK$44,304,000) represented investment in PuraPharm Corporation Limited which was designated as financial assets at fair value through profit or loss on initial recognition. The fair values of the listed investment are based on quoted market prices.

(c) Unlisted investments as at 31 December 2016 of HK$18,225,000 (2015: HK$26,781,000) included debt and fund investments traded over-the-counter 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

	Note	2016 HK$'000	2015 HK$'000
Equity investments			
Listed outside Hong Kong, at fair value	(a)	**24,767**	101,658
Unlisted fund investment, at fair value	(b)	**18,289**	—
		43,056	101,658

Notes:

(a) The listed equity investment as at 31 December 2016 and 2015 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 2016 and 2015 was based on quoted market price. The carrying amount of the Group's available-for-sale equity investment in Genovate is denominated in New Taiwan dollar.

(b) The unlisted fund is a closed-ended private equity fund which is not quoted in an active market. The fair value of the unlisted fund investment is stated with reference to the net asset value provided by the administrator of the fund at the reporting date. The directors believe that the estimated fair value provided by the administrator of the fund is reasonable, and that is the most appropriate value at the end of the reporting period.

The Group has committed to contribute a total of US$4,000,000 (equivalent to approximately HK$31,120,000) to the unlisted fund and the unfunded commitment as at 31 December 2016 is amounted to US$1,677,000 (equivalent to HK$13,048,000). Contributions will be made when capital call is issued by the general partner of the private equity fund.

The carrying amount of the Group's available-for-sale equity investment in the unlisted fund is denominated in US dollar.

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

	2016 HK$'000	2015 HK$'000
Listed senior notes*, at fair value:		
Market value of listed senior notes		
—Current assets	**20,306**	3,989
—Non-current assets	**148,338**	132,459
	168,644	136,448

* Listed as selectively marketed securities on The Stock Exchange of Hong Kong Limited, The Singapore Exchange Securities Trading Limited and other overseas stock exchanges.

24. AVAILABLE-FOR-SALE DEBT INVESTMENTS - NOTES RECEIVABLES (CONTINUED)

At 31 December 2016, the Group held listed senior notes with an aggregate principal amount of US$21,769,000 (equivalent to HK$169,363,000) (2015: US$17,570,000 (equivalent to HK$136,695,000)), 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 9 February 2017 to 27 July 2026 (2015: 29 April 2016 to 31 January 2023).

Interest income from the listed senior notes is recognised based on effective interest rates ranging from 2.76% to 8.70% (2015: 3.30% to 10%). The carrying amounts of the Group's available-for-sale debt investments are denominated in US dollar.

25. INVENTORIES

As at 31 December 2016 and 2015, all of the Group's inventories represented finished goods.

26. TRADE AND OTHER RECEIVABLES

	2016 *HK$'000*	2015 *HK$'000*
Trade receivables	1,399	2,422
Less: Impairment of trade receivables	(430)	(400)
	969	2,022
Rental and other deposits	13,755	21,273
Prepayments and other receivables	9,575	19,380
	24,299	42,675

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:

	2016 *HK$'000*	2015 *HK$'000*
Within 1 month	833	1,553
2 to 3 months	133	123
Over 3 months	3	346
	969	2,022

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

Reconciliation of impairment of trade receivables:

	2016 HK$'000	2015 HK$'000
At 1 January	400	370
Amount written off as uncollectible	(37)	—
Impairment losses recognised, net	67	30
At 31 December	430	400

As at 31 December 2016, trade receivables of HK$15,000 (2015: HK$426,000) 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:

	2016 HK$'000	2015 HK$'000
Less than 1 month past due	12	69
1 to 3 months past due	3	17
Over 3 months past due	—	340
	15	426

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:

	2016 HK$'000	2015 HK$'000
Hong Kong dollars	969	1,633
Renminbi	—	389
	969	2,022

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:

	2016 *HK$'000*	2015 *HK$'000*
Hong Kong dollars	174,385	108,972
US dollars	338,346	293,607
Renminbi*	3,464	7,509
New Taiwan dollars	6,871	821
Others	536	343
	523,602	411,252

* 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

	2016 *HK$'000*	2015 *HK$'000*
Trade and bills payables	5,915	7,000
Accruals for operations	9,359	6,960
Accruals for staff costs	4,079	6,444
Deposits received from customers	832	1,276
Other payables	3,551	3,262
Provisions	6,392	3,872
	30,128	28,814

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:

	2016 *HK$'000*	2015 *HK$'000*
Within 1 month	5,368	4,767
2 to 3 months	431	2,027
Over 3 months	116	206
	5,915	7,000

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

	2016 *HK$'000*	2015 *HK$'000*
Hong Kong dollars	634	604
Euro	5,155	6,003
Others	126	393
Total	5,915	7,000

29. INTEREST-BEARING BANK BORROWINGS

	2016 *HK$'000*	2015 *HK$'000*
Bank loans	7,769	8,949

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:

	2016	2015
Bank loans	2.59% to 4.50%	2.29% to 5.25%

Bank loans of HK$4,857,000 (2015: HK$4,550,000) are secured by a charge over the Group's pledged time deposits of HK$10,000,000 (2015: HK$10,000,000). The remaining balance is unsecured.

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 2016, the redeemable periods of the Group's debentures carried at amortised cost were as follows:

	2016 *HK$'000*	2015 *HK$'000*
Within one year classified as current liabilities	1,151	716
In the second year classified as non-current liabilities	—	1,144
	1,151	1,860

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 *HK$'000*	Losses available for offsetting against future taxable profits *HK$'000*	Total *HK$'000*
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 and at 1 January 2016	3,846	(3,846)	—
Deferred tax charged/(credited) to the profit/loss for the year	611	(611)	—
At 31 December 2016	4,457	(4,457)	—

At the end of the reporting period, the Group has unused tax losses of HK$789,796,000 (2015: HK$717,468,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$27,012,000 (2015: HK$23,307,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$762,784,000 (2015: HK$694,161,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$86,253,000 (2015: HK$69,200,000) 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

	2016	2015
	HK$'000	*HK$'000*
Issued and fully paid:		
1,650,658,676 (2015: 1,650,658,676) ordinary shares	**1,206,706**	1,206,706

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements except for (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 2016 and 2015.

32. SHARE CAPITAL (CONTINUED)

The Group monitors capital using a gearing ratio, which is the total borrowings divided by the total equity attributable to equity holders of the Company. The Group's policy is to maintain an appropriate level of debt and a gearing ratio. The total borrowings include interest-bearing bank borrowings and debentures. The gearing ratio as at the end of the reporting period was as follows:

	2016	2015
	HK$'000	*HK$'000*
Interest-bearing bank borrowings	**7,769**	8,949
Debentures	**1,151**	1,860
Total borrowings	**8,920**	10,809
Owners' equity	**1,013,499**	1,085,449
Gearing ratio	**0.9%**	1.0%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 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 2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**518**	134
Investment properties		**110,700**	112,200
Interests in subsidiaries		**404,992**	454,640
Available-for-sale debt investments - notes receivables		**14,374**	10,245
Total non-current assets		**530,584**	577,219
Current assets			
Prepayments, deposits and other receivables		**6,466**	5,318
Due from a subsidiary		**5,856**	5,200
Financial assets at fair value through profit or loss		**29,250**	130,926
Pledged bank deposits		**10,000**	10,000
Time deposits		**423,149**	350,816
Cash and bank balances		**14,459**	8,341
Total current assets		**489,180**	510,601
Current liabilities			
Accruals and other payables		**6,670**	2,579
Net current assets		**482,510**	508,022
NET ASSETS		**1,013,094**	1,085,241
Capital and reserves			
Issued capital		**1,206,706**	1,206,706
Accumulated losses		**(1,001,560)**	(928,614)
Other reserves	33(b)	**807,948**	807,149
TOTAL EQUITY		**1,013,094**	1,085,241

Approved by the Board of Directors on 29 March 2017 and are signed on its behalf by:

David Charles PARKER	**Wing Tung YEUNG**
Executive Director and Chief Executive Officer	*Executive Director*

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

(b) Reserve movement of the Company

	Special reserve *HK$'000*	Available-for-sale investment revaluation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 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 and 1 January 2016	808,822	(1,673)	(928,614)	(121,465)
Fair value changes of available-for-sale debt investments	—	(516)	—	(516)
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments	—	1,315	—	1,315
Loss for the year	—	—	(72,946)	(72,946)
At 31 December 2016	808,822	(874)	(1,001,560)	(193,612)

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 53 and 56 of the consolidated financial statements respectively.

(b) Nature and purpose of reserves

(i) 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). 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.

(ii) 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.

(iii) 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 2016 are as follows:

Name	Place of incorporation/ registration and operation	Issued ordinary share/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
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
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.

36. CONTINGENT LIABILITIES

At 31 December 2016, the Group had the following significant contingent liabilities:

On 17 September 2013, the Group successfully appealed against the building orders previously imposed by the Hong Kong Building Authority ("the Building Authority"), which involves 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) (the "Appeal Tribunal Decision"), the remedial/maintenance obligation of the Group is only limited to certain parts of the subject slope features.

On 9 January 2014, High Court granted leave to the Building Authority for Judicial Review against the Appeal Tribunal Decision. Based on the judgment from Judicial Review on 27 October 2016 (the "Judicial Review Judgment"), the judge quashed the Appeal Tribunal Decision.

On 24 November 2016, the Group appealed the Judicial Review Judgment in that the judge erred in quashing the Appeal Tribunal Decision and hence the Judicial Review Judgment would not impose an immediate liability upon the Group. Up to the date of these consolidated financial statements, there is no ruling made by the High Court regarding the Group's appeal.

The management, after taking legal advice, considered that it is premature to assess the probability of a favorable or unfavorable outcome of the appeal and the outcome of relevant maintenance responsibility is uncertain. Except for a provision of HK$2,000,000 made for the estimated cost of remedial/maintenance obligation for certain parts of the subject slope features with reference to the Appeal Tribunal Decision, no other provision has been made for the costs of remedial/maintenance works arising from the proceedings.

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 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Within one year	**26,053**	41,533
In the second to fifth years, inclusive	**14,485**	30,111
	40,538	71,644

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. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2016 *HK$'000*	2015 *HK$'000*
Contracted, but not provided for:		
—Capital contribution in respect of available-for-sales equity investment in an unlisted fund *(note 23(b))*	**13,048**	—

39. 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	2016 *HK$'000*	2015 *HK$'000*
Rental expenses, building management fees and air-conditioning charges paid to related companies	(i)	**4,785**	4,881
Purchase of fashion wear and accessories from an associate		—	647
Management fee received/receivable from an associate		**1,265**	1,373
Loan interest received/receivable from an associate		**527**	527

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:

	2016 *HK$'000*	2015 *HK$'000*
Short term employee benefits	**12,589**	15,281
Pension scheme contributions	**90**	145
Total compensation paid to key management personnel	**12,679**	15,426

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 INVESTMENT PROPERTIES

31 December 2016

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				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**167,119**	215,537	275,385	331,399	337,241
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**(6,576)**	(105,384)	29,225	22,216	25,439
Finance costs	**(441)**	(657)	(861)	(821)	(750)
Share of profits/(losses) of associates	**2,926**	(1,076)	525	2,109	(1,976)
PROFIT/(LOSS) BEFORE TAX	**(4,091)**	(107,117)	28,889	23,504	22,713
Tax	—	—	—	—	—
PROFIT/(LOSS) FOR THE YEAR	**(4,091)**	(107,117)	28,889	23,504	22,713
Attributable to:					
Equity holders of the Company	**(3,935)**	(106,896)	29,001	24,217	22,770
Non-controlling interests	**(156)**	(221)	(112)	(713)	(57)
	(4,091)	(107,117)	28,889	23,504	22,713

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,052,142**	1,124,870	1,243,121	1,233,623	1,278,446
TOTAL LIABILITIES	**(39,048)**	(39,629)	(49,750)	(76,831)	(83,570)
NON-CONTROLLING INTERESTS	**405**	208	(64)	(204)	(866)
	1,013,499	1,085,449	1,193,307	1,156,588	1,194,010

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

David Charles PARKER *(Chief Executive Officer)*
Wing Tung YEUNG

NON-EXECUTIVE DIRECTOR

Derek Wai Choi LEUNG *(Non-executive Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Jen CHEN
Kin Wing CHEUNG
Kiu Sang Baldwin LEE
Chi Keung WONG

COMPANY SECRETARY

Pui Man CHENG

AUDITOR

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