2017 ANNUAL REPORT

安寧控股有限公司
ENM Holdings Limited

Stock Code: 00128

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 2017.

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 2017 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 9 to 18. Discussions on the Group's environmental policies and performance and the account of the Group's key relationships with its employees, customers and suppliers are contained in the "Environmental, Social and Governance Report" on pages 40 to 48. 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 2017 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 53 and 54.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$30,000.

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 is set out on page 121.

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 120.

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 2017.

DISTRIBUTABLE RESERVES

As at 31 December 2017, 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 56% and 17% 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

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

Mr. Kin Wing CHEUNG
Mr. Kiu Sang Baldwin LEE
Mr. Ted Tak Tai LEE (appointed on 29 August 2017)
Ms. Sarah Young O'DONNELL (appointed on 29 August 2017 and
re-designated from a Non-executive Director to an Independent Non-executive Director on 27 March 2018)
Dr. Jen CHEN (resigned on 15 December 2017)
Mr. Chi Keung WONG (retired on 9 June 2017)

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. Kim Tao Frankie HO, Mr. Jackie Sze Wai LEE, Mr. Derek Wai Choi LEUNG, Mr. David Charles PARKER and Mr. Wing Tung YEUNG.

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/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Group.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 19 to 22.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2017, 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

Neither the Company nor any of its specified undertakings was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year. None of the Directors or their respective spouses or minor children, had been granted any rights to subscribe for the securities of the Company or had exercised any such right during the year.

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 2017, 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 2017 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.

CONTINUING CONNECTED TRANSACTION

On 27 November 2015, the Company, as tenant, entered into a tenancy agreement (the "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 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 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 Tenancy Agreement constitutes a continuing connected transaction 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 transaction has been reviewed by the Independent Non-executive Directors of the Company. The Independent Non-executive Directors have confirmed that the aforesaid continuing connected transaction was 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 agreement governing it 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 transaction 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 transaction has not been approved by the Company's Board;

(b) nothing has come to its attention that causes it to believe that the transaction was not entered into, in all material respects, in accordance with the relevant agreement governing such transaction; and

(c) nothing has come to its attention that causes it to believe that the aforesaid continuing connected transaction has exceeded the annual cap as set by the Company.

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

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

Save as disclosed above, there were no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of or his/her 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 were there any other contracts of significance in relation to the Group's business between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, subsisted at the end of the year or at any time during the year.

CORPORATE GOVERNANCE

The Company's Corporate Governance Report is set out on pages 23 to 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 motion 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, 27 March 2018

CHIEF EXECUTIVE OFFICER'S STATEMENT

OVERVIEW

The Group continued to implement its strategy of a diversified portfolio of investments and businesses. In 2017, the Group managed to stabilize the overall business performance compared with 2016 and maintain a strong financial position although the operating environment remained challenging.

The positive developments for the year ended 31 December 2017 in retail fashion business, investment in most of the listed equities and equity funds and in investment grade bonds, and revaluation of investment properties were to some extent offset by a decrease compared to 2016 in the level of gain on disposal of shares in Genovate Biotechnology Company, Limited ("Genovate") and China Motor Bus Company, Limited ("China Motor").

FINANCIAL REVIEW

Net loss attributable to shareholders for the year ended 31 December 2017 amounted to HK$6,505,000 as compared with a net loss of HK$3,935,000 for the last corresponding year. The net loss mainly included the combination of a loss (excluding our share of the associate's result) from the retail fashion business of HK$19,045,000 (2016: HK$34,730,000), a loss from recreational club operations of HK$8,749,000 (2016: HK$8,550,000), netted off against a segment profit of HK$19,621,000 (2016: HK$44,787,000) contributed by the investments division. Such total segment loss was further offset by the fair value gain of HK$7,100,000 (2016: HK$500,000) on revaluation of the Group's investment properties and deficit write-back of HK$2,490,000 (2016: HK$705,000) on revaluation the Group's resort and recreational club properties. Loss per share attributable to owners of the Company was HK$0.39 cents (2016: Loss per share: HK$0.24 cents).

The slight increase in loss HK$2,561,000 was mainly attributable to the following factors:

(1) before general and administrative expenses, net realised and unrealised gains of HK$35,219,000 contributed by the investments in financial instruments for year ended 31 December 2017 as compared with HK$60,054,000 in 2016. These net realised and unrealised gains for the year ended 31 December 2017 mainly comprised the gain on disposal of entire shares in Genovate which amounted to HK$17,501,000 (2016: HK$33,489,000), an unrealized fair value gain of HK$3,412,000 (2016: an unrealized fair value gain of HK$3,266,000 and realized gain on disposal of HK$12,757,000) from the Group's shares in China Motor and also a net gain of HK$9,343,000 (2016: HK$9,101,000) contributed by available-for-sale debt investments;

(2) a drop in losses of HK$15,685,000 from the retail fashion business (excluding the share of an associate's result) mainly due to the closure of under-performing shops in Hong Kong and China operations in the last year together with a decrease in net charge for inventories allowances because of the continuous clearance of aged-stock and substantial reduction of the inventories level; and

(3) an increase in fair value gain of HK$6,600,000 from the revaluation of the Group's investment properties.

The Group's consolidated turnover for the year ended 31 December 2017 declined by 5% to HK$159,450,000 which was mainly attributable to the drop in sales of retail fashion products as a result of fewer points of sale. However, the Group's gross profit sustained at HK$98,101,000, similar to that of last year. This was mainly due to the decrease in net charge for inventories allowances (included in cost of inventories sold), which resulted in increase in gross profit margin from the retail fashion business. The Group's gross profit margin for the year ended 31 December 2017 was 62% as compared to 59% in 2016.

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, which income stream ended in April 2017.

The Group's selling and distribution expenses dropped by 15% to HK$61,787,000 (2016: HK$72,509,000) and depreciation and amortization expenses increased by 31% to HK$7,187,000 (2016: HK$5,473,000). The decreases in selling and distribution expenses were primarily attributable to the closure of non-performing shops in both Hong Kong and China and reduction in occupancy cost as a result of a lease renegotiation. The increase in depreciation and amortization was mainly due to the full year amortization of the cost of the move and fit-out of an existing shop which took place in the second half of 2016.

The Group's administrative expenses decreased by 8% to HK$72,444,000 (2016: HK$78,984,000). The decrease was mainly attributable to the closure of the retail fashion business in China and the containment of labour costs for that business in Hong Kong.

The Group's "other operating gains, net" mainly comprised realised and unrealised fair value gains, net on investment in financial instruments. "Other operating gains, net" for the year ended 31 December 2017 amounted to HK$24,986,000 as compared to HK$47,394,000 in 2016. The decrease in "other operating gains, net" was mainly due to the decrease in gain on disposal (net) of investment in financial instruments by HK$25,459,000 for the year ended 31 December 2017.

The loss result of an associate in 2017, which represented the share of result of the joint venture business with Brunello Cucinelli S.p.A. up to the date of disposal, amounted to a loss of HK$2,584,000 which was mainly due to an additional stock provision made according to Brunello Cucinelli S.p.A. group stock provision policy (2016: Profit: HK$2,926,000). The Group recognised a gain from the disposal of the entire equity interest in an associate of HK$2,584,000 for this reporting year.

BUSINESS REVIEW

Retail Fashion

Swank Hong Kong

Swank's performance, whilst still not acceptable, was substantially better in 2017 than in 2016, resulting in a reduction of the losses from 2016 HK$32,322,000 to 2017 HK$18,515,000 representing a drop in losses of more than HK$13 million or 43%. This was as a result of the closure of non-performing shops in Hong Kong in the previous year together with substantial effort being made to clear outstanding inventories which resulted in a decrease in the net charge for inventories allowance, and in an increase in the gross profit of our retail fashion business. Occupancy costs also reduced as a result of a renegotiation of rental in a substantial shop, and improvements were made in labour and overall overhead costs, the full impact of which will be felt within 2018.

As a result of greater control over new stock purchases, we improved substantially our sell-through performance and also reduced our past-seasons' inventory by a substantial 46% which enabled a reduction in provisioning costs compared to the previous years.

These improvements were offset in part by the full-year effect of the amortization of the cost of the move and fit-out of the Landmark Men's shop which was finalised in 2016 and thus only taken into account for a part of that year. Total sales (including inventory sales) were only slightly less than 2016 even with the fewer shops; however the gross profit was larger and the shops made a positive contribution to the overhead of the company in 2017, compared with a negative contribution in 2016.

Swank China

In 2016, the Group closed down the last mainland shop in Beijing Jinbao Place. Sales for the year ended 31 December 2017 were recorded at HK$360,000 (2016: HK$1,622,000). Owing to the closure of the China operations, the operating loss for year ended 31 December 2017 reduced by HK$725,000.

Cesare di Pino

The last Beijing shop was closed down in 2016. With the closure of that shop, the operating losses for the year ended 31 December 2017 reduced by HK$1,153,000. Cesare di Pino products continue to be sold in the Swank Hong Kong's stores.

Brunello Cucinelli

After taking the long-term business prospects of the joint venture business into consideration, the Group disposed its investment in the joint venture business at the best available price in this reporting year. The Group recognised a gain from the disposal of an associate of HK$2,584,000. The Group continues to retail "Brunello Cucinelli" products through its multi-brand stores.

Resort and Recreational Club Operations

Hill Top Country Club ("Hilltop" or "the Club")

Situated in Tsuen Wan with a total site area of over 400,000 square feet, owned as a Private Treaty Land Grant 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 gradual aging of the facilities and intensive competition among other hotels and clubs, membership and banquet sales decreased by 11% to HK$15,358,000 from HK$17,173,000 in Year 2017. Nevertheless, the operation cost control has been improved and the operating loss for the whole year was HK$8,749,000 which remains about the same level as last year (2016: Loss: HK$8,550,000).

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 and fund investments ("AFS equity and fund investments"). The purpose of investment in financial instruments is to achieve investment returns consistent with a prudent approach and ensure sufficient liquidity through investment choices.

As of 31 December 2017, the total carrying value of the Group's investment portfolio in financial instruments was HK$372,528,000 (31 December 2016: HK$321,878,000), representing approximately 36% of the carrying value of the Group's total assets as of 31 December 2017. Before general and administrative expenses, financial instruments investments totally contributed a gain of HK$35,219,000 (2016: HK$60,054,000) in the 12 months ended 31 December 2017 to the Group.

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

Both FVTPL and AFS debt investments are mainly invested in marketable securities. The Group's existing FVTPL mainly include listed equities, ETFs and equity/bond funds. In 2017, major equity markets have posted strong performance for the year in responses to the synchronous recovery of global economy. The Group's investment in most of the listed equities and equity funds also recorded satisfactory return in the 12 months of 2017.

As of 31 December 2017, the total carrying value of the Group’s investment portfolio in FVTPL was HK$151,227,000 (31 December 2016: HK$110,178,000), representing approximately 15% of carrying value to the Group’s total assets 2017. Listed equities, ETFs and equity funds investments shared around 73% of the total carrying value in this category. PuraPharm Corporation Limited (“PuraPharm”) and China Motor Bus Limited (“China Motor”) are the top two holdings, which together represent approximately 38% (31 December 2016: 59%) of the total carry value in this category. For the 12 months ended 31 December 2017, FVTPL recorded a net gain of HK$8,173,000 (2016: HK$17,086,000). The decrease of return in 2017 compared to 2016 was mainly caused by (1) the Group recorded a one-off net income of HK$12,757,000 by disposal of 1,276,400 China Motor shares in 2016 and (2) the increase of fair value losses from investment in PuraPharm in 2017.

Since the Group has managed the investment portfolio in a prudent and conservative manner, the fixed income products investment shared a higher proportion in the total investment portfolio for the purpose of limiting the investment risk and volatility. AFS debt investments are mainly listed USD bond investments with fixed tenor. For the 12 months ended 31 December 2017, AFS debt investments contributed a net gain of HK$9,343,000 (2016: HK$9,101,000), and their carrying value was HK$184,247,000 (31 December 2016: HK$168,644,000) as at 31 December 2017, representing approximately 18% of the carrying value of the Group’s total assets as at 31 December 2017.

There is no single security, bond or fund held in either FVTPL or AFS debt investment that exceeded 5% the total assets of the Group as at 31 December 2017.

Available-for-sales equity and fund investments (“AFS equity and fund investments”)

As at 31 December 2016, the Group’s AFS equity and fund investments mainly comprised an equity shareholding interest in Genovate and a private equity fund namely ASEAN China Investment Fund III (“ACIF III” or the “Fund”). In 2017, the Group has disposed entire shares in Genovate and realized a gain of HK$17,501,000 (2016: HK$33,489,000). As at 31 December 2017, the total carrying value of AFS equity and fund investments was HK$37,054,000 (31 December 2016: HK$43,056,000), representing approximately 4% of the Group’s total assets as at 31 December 2017.

ACIF III

The Group has made investment commitment of USD4 million in ACIF III for 1.532% shareholding. ACIF III, managed out of Singapore by the UOB Venture Management Private Limited (“UOBVM”) and targets investments in growth oriented companies operating in East and South East Asia and China. As of 31 December 2017, the Group has invested HK$24,796,000 in the Fund and its fair value was HK$33,172,000 based on the management accounts provided by the Fund.

Investment Portfolio

The Group' s investment portfolio as at 31 December 2017 was as follows:

						For the year ended 31 December 2017						
Stock code / ISIN code / Bloomberg code	Company Name	Principal businesses	Number of shares / units held as at 31 December 2017 *'000*	Note	Percentage of shareholding as at 31 December 2017 *%*	Fair value gain/ (loss) *HK$'000*	Gain / (loss) on disposal *HK$'000*	Interest income *HK$'000*	Dividend income *HK$'000*	Total *HK$'000*	Fair value as at 31 December 2017 *HK$'000*	Percentage to the Group's total assets as at 31 December 2017 *%*
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%	3,412	–	–	875	4,287	29,422	2.8%
PGIPSIA LX	Principal Global Investors Funds - Preferred Securities Fund	Bond fund	92		N/A	208	–	–	–	208	15,768	1.5%
UBSCHOA	UBS (CAY) China A Opportunity Fund	Chinese Equity ETF	4		N/A	2,951	1,208	–	–	4,159	9,977	1.0%
JPGEULU LX	Jupiter European Growth Fund Class L	Equity fund			N/A	391	–	–	–	391	8,171	0.8%
LU0258954014	Invesco Zodiac Funds	Loan fund	6		N/A	197	–	–	–	197	7,977	0.8%
CSFMIAU	Credit Suisse Nova (Lux) Fixed Maturity Bond Fund 2019	Bond fund	1		N/A	–	–	–	233	233	7,795	0.8%
	Other listed and unlisted securities, bond and equity fund	Mainly Consumer consumption, Technology & internet and Equity Fund		*1*		5,038	1,295	329	274	6,936	44,179	4.3%
						12,197	2,503	329	1,382	16,411	123,289	12%
Designated as such upon initial recognition												
1498	PuraPharm Corporation Limited	Chinese medicine company	9,221		3.72%	(8,575)	147	–	190	(8,238)	27,938	2.7%
Available-for-sale equity and fund investments												
4130	Genovate Biotechnology Company, Limited	Pharmaceutical company	–		0.00%	–	17,501	–	108	17,609	–	0.0%
N/A	ASEAN China Investment Fund III L.P.	Private Equity Fund	3,159	*2*	1.532%	–	–	–	–	–	33,172	3.2%
	Others					–	–	–	94	94	3,882	0.4%
						–	17,501	–	202	17,703	37,054	3.6%
Available-for-sale debt investments - notes receivables												
Listed Hong Kong												
5938	Beijing Enterprises Water Capital Management Limited	USD bond with fixed tenor	1,000	*3*	N/A	–	–	356	–	356	7,819	0.8%
5438	Chinalco Capital Holdings Limited	USD bond with fixed tenor	1,000	*3*	N/A	–	–	220	–	220	7,799	0.8%
5323	Guangzhou Silk Road Investment Limited	USD bond with fixed tenor	1,000	*3*	N/A	–	–	301	–	301	7,754	0.7%
5245	Castle Peak Power Finance Company Limited	USD bond with fixed tenor	1,000	*3*	N/A	–	–	110	–	110	7,718	0.7%
5267	Sun Hung Kai & Co. (BVI) Limited	USD bond with fixed tenor	700	*3*	N/A	–	–	83	–	83	5,436	0.5%
Listed Overseas												
XS1328315723	China Energy Reserve and Chemicals Group Overseas Company Limited	USD bond with fixed tenor	1,236	*3*	N/A	–	–	581	–	581	9,639	0.9%
XS1637274124	Shimao Property Holdings Limited	USD bond with fixed tenor	1,045	*3*	N/A	–	–	182	–	182	8,088	0.8%
XS1642682410	Softbank Corporation	USD perpetual bond	900	*3*	N/A	–	–	185	–	185	6,923	0.7%
XS1485578535	Country Garden Holdings Company Limited	USD bond with fixed tenor	880	*3*	N/A	–	–	338	–	338	6,805	0.7%
	Others listed in Hong Kong and overseas	Mainly USD bond with fixed tenor	14,820	*3, 4*	N/A	–	669	6,318	–	6,987	116,266	11.2%
						–	669	8,674	–	9,343	184,247	17.8%
	Total					3,622	20,820	9,003	1,774	35,219	372,528	36.1%

Notes:

(1) Others represent the Group's 27 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 2017.

(2) It represents the Partners' capital paid-up amount in Thousand US Dollars which the Group paid as at 31 December 2017

(3) It represents the principal amount of USD bonds with fixed tenor/USD perpetual bonds in Thousand US Dollars which the Group held as at 31 December 2017.

(4) Others mainly represent the Group's 30 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 2017.

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

On 6 September 2017, The Swank Shop Limited ("Swank"), an indirect wholly-owned subsidiary of the Company, entered into the Disposal Agreement with Brunello Cucinelli S.p.A. ("BC SpA"), pursuant to which Swank agreed to sell and BC SpA agreed to purchase (i) 980,000 issued ordinary shares of Brunello Cucinelli Hong Kong Limited ("BCHK"), representing its 49% of the entire issued ordinary shares and (ii) the shareholder's loan due by BCHK to Swank at an aggregate cash consideration of HK$18,451,539 (the "BCHK Disposal"). The BCHK Disposal constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules, details of which are set out in the Company's announcement dated 6 September 2017. The BCHK Disposal was completed on 8 September 2017. The Group consequently has ceased to hold any share in BCHK.

Other than as outlined above, the Group had no other material acquisition and disposal of investments during the year ended 31 December 2017.

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

According to data from the HKSAR Census and Statistics Department, Hong Kong's battered retail sector is slowly regaining its footing amidst stabilising inbound tourism levels as total retail sales rose marginally by 2.2% in value and 1.9% in volume to hit a provisional estimate of HK$446.1 billion in 2017, although the increases in the fashion component were smaller than the overall increase.

However, the performance of the luxury goods market still hinges on external uncertainties including global pricing and e-commerce which affects Swank's competitiveness and gross profit. Moreover, limited choice of suitable locations and the high rental in prime shopping malls, is a pressure for the operations and expansion of Swank. Some Landlords have started to increase rents again as a result of the improved general retail business.

In addressing these challenges, Swank will continue to focus on improving the effectiveness of our supply chain to ensure early delivery of highest quality merchandise to all points of sale (POS), reducing the percentage of inventory left over, and improving the sell-through percentage before the sales period, so that we can maintain a substantial profit margin to tackle the consequences of global pricing and e-commerce.

We have placed more emphasis on forming better rapport with landlords to reinforce brand competitiveness. We have also conducted periodic leasing market surveys and rental benchmarking to closely monitor and manage rental cost. The combined efforts, along with closures of low turnover stores, have improved the sales per square foot ratio and better justifies the rental to sales efficiency of existing stores.

We are seeking to establish additional mono-stores for potential brands which have proven performance under Swank's brand portfolio in addition to our multi-brands luxury fashion house. Swank continues to strengthen the seasoned and professional operation and merchandising teams to keep pace with the requirements of the difficult market.

b. Resort and Recreation Club Operation

The Company submitted a rezoning application to the Town Planning Board, to rezone the site of the Club, from "Other Specified Uses" annotated "Sports and Recreation Club" to "Residential (Group B) 6" in January 2018. As the application is in its preliminary stage, the Club still remains in operation. However, if the rezoning application process could not be approved in the next few years, the Club will have to revitalize its operation and search for other business models to fully reflect the substantial potential of the site.

c. Financial Instruments Investments

The risks for financial instruments investments mainly include market risk, business risk associated with a specific issuer of a security, credit risk related to particular bond issuer, interest rate risk for bonds which offer a fixed rate of return and the liquidity risk, especially on private equity investment. In 2018, we foresee there will be many uncertainties on marketable securities investments. Firstly, the major market risks include (1) the asset valuation in many financial markets surpassed their historical highs in January 2018 and a significant correction has already occurred in most of the major stock markets in early February, (2) geopolitical tensions between the US and North Korea, the Taiwan independence issue, social unrest in the Middle East, and the US trade protectionism also create uncertainties and high volatility in investment markets. Secondly, the interest rate risk will be increased with the concern of the possibility of an unexpected higher inflation in US triggering a more rapid increase in interest rates than currently expected. Also, the winding down of quantitative easing by US and European Central banks also creates uncertainties for investment in marketable securities. With the above backdrop, the Group will continue a prudent approach to balance the risks and returns of the investment portfolio by diversification of securities types and products, geography, nature of industries and issuers. Furthermore, no speculative derivative investments are allowed in the Group's Investment Portfolio.

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 & 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 Stock Exchange of Hong Kong Limited and Securities and Futures Commission, legal proceedings and compliance with local laws and regulations, including those relating to financial reporting, labour, environmental, prevention of corruption 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 taken appropriate steps or 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 2017, the Group was in a solid financial position with cash and non-pledged deposit holdings of HK$475,945,000 (31 December 2016: HK$511,268,000). At 31 December 2017, total borrowings amounted to HK$5,734,000 (31 December 2016: HK$8,920,000) with HK$5,734,000 (31 December 2016: HK$8,920,000) repayment falling due within one year. The Group’s gearing ratio (a comparison of total borrowings with equity attributable to equity holders of the Company) was 0.6% at the year end date (31 December 2016: 0.9%). The current ratio at 31 December 2017 was 20.2 times (31 December 2016: 18.4 times).

At 31 December 2017, 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.

The Group’s imported purchases are mainly denominated in Euro, Yen and United States dollars. The Group has undertaken small-scale hedging to protect its position and will, from time to time, review its foreign exchange position and market conditions to determine the degree of hedging (if any) that is required.

PLEDGE OF ASSETS

At 31 December 2017, pledges of the Group’s fixed deposits of HK$12,334,000 (31 December 2016: HK$12,334,000) and listed equity investments of HK$1,251,000 (31 December 2016: Nil) were given to banks to secure trade banking facilities to the extent of HK$30,000,000 (31 December 2016: HK$30,000,000), a bank loan of HK$1,207,000 (31 December 2016: Nil) and foreign exchange facilities.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

On the 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 the 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 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 2017, 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

Save as the matters relating to the application for rezoning of the land under Hilltop as set out in note 40 to the consolidated financial statements, there have been no important events significantly affecting the finances or financial prospects of the Group that have occurred since the end of the financial year.

CONTINGENT LIABILITIES

The Group's significant contingent liabilities as at 31 December 2017 are set out in note 36 to the consolidated financial statements.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 158 staff, including Executive Directors compared with 182 as at 31 December 2016. Total employee costs (including Directors' emoluments) were approximately HK$59,005,000 (2016: HK$62,613,000) for the year ended 31 December 2017. 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, sales commissions, discretionary performance bonuses and internal/external training support. The Group has also introduced and adopted a Code of Conduct to be adhered to by all Group employees (including Executive Directors).

FUTURE OUTLOOK AND STRATEGIES

Swank Hong Kong

At the beginning of 2018, Swank closed its men's and ladies' fashion store in Pacific Place, concentrating our efforts on improving the performance of our separate stores in the Landmark including also our Paule Ka mono-brand store. This will substantially reduce occupancy and labour costs. It is likely to also reduce overall sales, although a high percentage of our overall sales are to our loyal and long-standing customers, many of whom participate in our VIP programmes. With the transfer of the most effective sales staff from the closed store to the continuing stores, we believe that we will continue to capture much of the sales from that client base, increasing continuing store sales substantially, even although we may lose some "walk-by" sales. This will also improve the efficiency of the continuing shops.

We are also planning for a substantial improvement in our sales at our current mono-brand store, Paule Ka, with the substantial injection of new capital to the brand principal by a new shareholder and the return to the brand of its founder and design chief.

In the difficult retail environment, particularly for luxury fashion, we will focus on identifying the best performing brands in our portfolio, adding new brands where we identify opportunity, and enhancing our operations and marketing to provide our customers with the earliest possible opportunities to purchase these high-end products. We are comfortable with the location of and potential of our existing shops, but keep expansion opportunities, both in the multi-brand and mono-brand sectors under continuous review with the aim of expanding our service and revenue opportunities to contribute more to overhead, even as we continue to strive to reduce it. At the same time, we are planning to be able to introduce on-line shopping for our products during the year, and will continue our strenuous efforts to substantially reduce our inventories of past season stocks that built up during past years.

Hilltop

The Company submitted a rezoning application to the Town Planning Board, to rezone the site of the Club, from "Other Specified Uses" annotated "Sports and Recreation Club" to "Residential (Group B) 6" in January 2018. As the process is in the preliminary stage, the Club remains in normal operation and providing services and facilities for members as usual.

Details of the rezoning application are set out in the Company's announcement dated 19 January 2018.

Investments

In 2018, we expect a volatile and difficult year for investment in marketable securities as many uncertainties are foreseen. Firstly, the asset valuation in many financial markets surpassed their historical highs in January 2018 and there was a significant correction in most of the major stock markets in early February. This is still playing out, and it is too early to judge the outcome. Secondly, concern that there might be unexpectedly high inflation in US, triggering an unexpected rapid increase in interest rates, plus risks such as the geopolitical tensions between the US and North Korea, the Taiwan independence issue, social unrest in the Middle East, and US trade protectionism also create uncertainties and suggest there could be high volatility in the investment markets. With the above backdrop, the Group will continue its prudent approach to balance the risks and returns of the investment portfolio by diversification of securities type, geography, nature of industries and issuers.

David Charles PARKER
Executive Director and Chief Executive Officer

Hong Kong, 27 March 2018

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. David Charles PARKER, aged 64, has been an Executive Director of the Company and the Chief Executive Officer of the Company since January 2017. Mr. Parker is the chairman of the Investment Committee, a member of the Corporate Governance Committee and 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, aged 63, joined the Group as an Executive Vice President in October 2001 and has been an Executive Director of the Company since November 2002. Mr. Yeung is a member of the Corporate Governance Committee and 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, aged 67, was appointed as an Executive Director of the Company in December 2000, and has been re-designated as a Non-executive Director of the Company and has become the Non-executive Chairman of the Board of the Company since January 2017. Mr. Leung is the chairman of the Corporate Governance Committee and the Nomination Committee of the Company, a member of the Audit Committee of the Company, and a director of a subsidiary of the Company. Mr. Leung was the Acting Chief Executive Officer of the Company from March 2016 to 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 Futures Ordinance.

BIOGRAPHIES OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kin Wing CHEUNG, aged 63, has been an Independent Non-executive Director of the Company since June 2016. Mr. Cheung is the chairman of the Audit Committee of the Company, and a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. Cheung holds a Bachelor of Commerce from the University of Calgary, Canada. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Institute of Chartered Accountants in England and Wales.

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 in Coopers & Lybrand (now known as PricewaterhouseCoopers) between September 1980 and March 1995 and was a partner of Coopers & Lybrand (now known as PricewaterhouseCoopers) from March 1995 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 is currently an independent non-executive director of BaWang International (Group) Holding Limited (whose shares are listed on The Stock Exchange of Hong Kong Limited, stock code: 1338), Kin Pang Holdings Limited (whose shares are listed on The Stock Exchange of Hong Kong Limited, stock code: 1722) and Trio Industrial Electronics Group Limited (whose shares are listed on The Stock Exchange of Hong Kong Limited, stock code: 1710).

Mr. Cheung was an independent director of AXA China Region Trustees Limited, a provider of investment and retirement solutions, from August 1999 to August 2015, and an independent non-executive director of Bank of Communications Trustee Limited, a trust company, from November 2003 to January 2018.

Mr. Kiu Sang Baldwin LEE, aged 61, has been an Independent Non-executive Director of the Company since June 2016. Mr. Lee is the chairman of the Remuneration Committee of the Company, and a member of the Audit Committee, the Investment Committee and the Nomination 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. Ted Tak Tai LEE, aged 67, has been an Independent Non-executive Director of the Company since August 2017. Mr. Lee is a member of the Audit Committee, the Investment Committee and the Remuneration Committee of the Company. Mr. Lee is a US certified public accountant (inactive), a member of the American Institute of Certified Public Accountants and a member of the American Chamber of Commerce in Shanghai (having been a founding member of its Financial Services Committee). He was a senior partner of Deloitte Touche Tohmatsu Limited, where he worked for 31 years in both Asia and the United States. He holds a MBA in finance and accounting from the University of Southern California and a Bachelor of Science in accounting from California State University, Fresno. He is the chairman of the USC Alumni Club of Shanghai.

Mr. Lee is currently the managing director of T Plus Capital Limited which engages in the provision of strategic, financial and business development advisory services in China. He has a long history of providing advice on cross border investments, mergers and acquisitions, and has extensive experience in providing audit and accounting services to international and multinational companies in China and the United States. Mr. Lee is currently also an independent non-executive director of COFCO Meat Holdings Limited (whose shares are listed on The Stock Exchange of Hong Kong Limited, stock code: 1610), Daphne International Holdings Limited (whose shares are listed on The Stock Exchange of Hong Kong Limited, stock code: 210) and East West Bank (China) Limited (a wholly-owned China subsidiary of East West Bancorp, Inc. listed on NASDAQ). From September 2007 to April 2009, he was an executive director of Prax Capital, a private equity firm specializing in China-focused investments.

Ms. Sarah Young O'DONNELL, aged 54, was appointed as a Non-executive Director of the Company in August 2017 and has been re-designated as an Independent Non-executive Director of the Company since March 2018. Ms. O'Donnell is a member of the Audit Committee and the Corporate Governance Committee of the Company. Ms. O'Donnell is Co-Founder/Partner of a digital marketplace currently in beta and since 2014 has served in an advisory capacity for several USA and Asia-based brands/retail concepts in the fine jewellery, fashion, fashion accessories, and beauty spheres. Ms. O'Donnell has extensive experience in the retail business across business development and revamping, productivity management, brand management, store management and operations, and visual merchandising. Ms. O'Donnell was the chief executive officer of Hong Kong Seibu Enterprise Company Limited, a subsidiary of Hong Kong-listed Dickson Concepts International Limited from 2008 to 2014, where she was responsible for Hong Kong Seibu department stores, Beauty Avenue cosmetics mega-stores, and smaller multi-brand and mono-brand shops such as Buckle-My-Shoe and French Connection. Prior to assuming the role of chief executive officer, Ms. O'Donnell served as the chief operating officer of Hong Kong Seibu Enterprise Company Limited and, prior to that, as the deputy general manager of Warner Brothers Studio Stores in Hong Kong and Singapore. Ms. O'Donnell started her career in the Bloomingdale's Management Training Program and then moved into store management and merchandising roles there. Ms. O'Donnell was awarded a Bachelor of Arts degree from Wellesley College and an Associate in Applied Science degree from Parsons School of Design, and was a Teaching Fellow at Harvard University. She serves on the Board of Directors of the National Eczema Association based in San Francisco and is a member of the Wellesley Business Leadership Council.

Notes:

1. Directors' emoluments are determined with reference to their duties, responsibilities and the Group's operating results. 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. Siu Mei LEE, aged 44, 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 its 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.

Ms. Hoi Ying Cherry LAW, aged 41, joined the Group in September 2017. Ms. Law is the Merchandising & Commercial Director of The Swank Shop Limited, a fashion retail subsidiary of the Company. Ms. Law has worked in International Luxury fashion retail for decades, with a solid background of buying and merchandising, retail management of mono brand franchisee stores, multi brand stores, department stores, and online business. Prior to joining the Swank, Ms. Law held senior management positions with various listed and unlisted companies involved in the luxury and premium fashion industry within Greater China and Hong Kong, handling and monitoring almost 70 Shops in China, covering first, 2nd & 3rd tier cities. Ms. Law was the Merchandising & Commercial Director of House of Fraser Department Store in mainland China, setting up the merchandising & commercial team, and the operations team. Earlier, when she worked with the Intrend Group, she led and supervised the merchandising for over 70 points of sale including mono-brand stores: Neil Barrett, Maison Margiela, MM6, DKNY, Juicy Couture, Marc By Marc Jacobs; and Multi-Brand stores – P One, P Plus & Massimo Bonini. During her time at the Luxba Group Limited, she led and supervised the merchandising team for Moschino and Valentino Red. She has comprehensive expertise and experience working with international luxury brands such as Alexander McQueen, MARNI, Kenzo, MCQ, MSGM and Marc Jacobs, across multiple operational and management levels including branding and merchandising, retail and distribution, and business development. She holds an MBA in Fashion & Retail from The Hong Kong Polytechnic University and a Bachelor of Arts Degree from the University of Hong Kong.

Mr. Jackie Sze Wai LEE, aged 52, joined the Group in October 2001. Mr. Lee is the Vice President of Investments of the Group and the General Manager of Hill Top 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 a Master of Business Administration from the Florida Atlantic University, USA.

Ms. Pui Man CHENG, aged 45, 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 2017.

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 Mr. Kin Wing CHEUNG, Mr. Kiu Sang Baldwin LEE, Mr. Ted Tak Tai LEE and Ms. Sarah Young O'DONNELL as Independent Non-executive Directors, whose biographies are set out on pages 19 to 21 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 2017 and up to the date of this report were as follows:

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, then an Independent Non-executive Director, was appointed as a member of the Remuneration Committee.
9 June 2017	Dr. Jen CHEN, then an Independent Non-executive Director, was appointed as a member of the Investment Committee.
9 June 2017	Mr. Kin Wing CHEUNG, an Independent Non-executive Director, was appointed as a member of the Remuneration Committee.
9 June 2017	Mr. Kiu Sang Baldwin LEE, an Independent Non-executive Director, was appointed as a member of the Investment Committee and a member of the Nomination Committee.

9 June 2017	Mr. Chi Keung WONG retired as an Independent Non-executive Director of the Company at the annual general meeting of the Company held on 9 June 2017 (the "2017 AGM") and accordingly ceased to be a member of the Audit Committee, a member of the Investment Committee, a member of the Nomination Committee and a member of the Remuneration Committee.
29 August 2017	Mr. Ted Tak Tai LEE was appointed as (a) an Independent Non-executive Director of the Company, (b) a member of the Audit Committee and (c) a member of the Remuneration Committee.
29 August 2017	Ms. Sarah Young O'DONNELL was appointed as (a) a Non-executive Director of the Company, (b) a member of the Audit Committee and (c) a member of the Corporate Governance Committee.
29 August 2017	Dr. Jen CHEN, then an Independent Non-executive Director, resigned as a member of the Corporate Governance Committee and a member of the Remuneration Committee.
29 August 2017	Mr. Derek Wai Choi LEUNG, a Non-executive Director, resigned as a member of the Remuneration Committee.
15 December 2017	Mr. Ted Tak Tai LEE, an Independent Non-executive Director, was appointed as a member of the Investment Committee.
15 December 2017	Mr. Derek Wai Choi LEUNG, a Non-executive Director, was appointed as a member of the Audit Committee and resigned as a member of the Investment Committee.
15 December 2017	Dr. Jen CHEN resigned as an Independent Non-executive Director of the Company and accordingly ceased to be a member of the Audit Committee and a member of the Investment Committee.
27 March 2018	Ms. Sarah Young O'DONNELL was re-designated from a Non-Executive Director of the Company to an Independent Non-executive Director of the Company

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.

All Independent Non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules save for Ms. Sarah Young O'DONNELL as disclosed below. The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence and still considers them to be independent.

Ms. Sarah Young O'DONNELL was appointed as a Non-executive Director of the Company on 29 August 2017 and has been subsequently re-designated as an Independent Non-executive Director of the Company since 27 March 2018. After taking into consideration the following reasons, Ms. Sarah Young O'DONNELL has been considered to be independent and able to carry out her duties as an Independent Non-executive Director of the Company:

(a) Other than Rule 3.13(7) of the Listing Rules (see below), Ms. Sarah Young O'DONNELL is able to confirm her independence to the Stock Exchange in respect of each of the other factors set out in Rule 3.13 of the Listing Rules;

(b) Since January 2017, Ms. Sarah Young O'DONNELL has no longer provided any consultancy service to the Group after her one-off assignment to review the Group's fashion retail operation;

(c) Ms. Sarah Young O'DONNELL has not held any executive position nor had any management function in the Group;

(d) Ms. Sarah Young O'DONNELL is not financially dependent on the Company, nor any holding company or their respective subsidiaries or core connected persons of the Company;

(e) Ms. Sarah Young O'DONNELL has no financial, business, familial or other relationships with any director, the chief executive or substantial shareholder of the Company;

(f) In view of her strong retail background, Ms. Sarah Young O'DONNELL could bring a broad range of operational and management experience, oversight and skills and provides a more balanced mix to the existing composition of the Company's Independent Non-executive Directors, which in turn should strengthen and supplement their significant independent, constructive and informed contributions to the Company and further enhance the effective strategic management and development of the Group; and

(g) Her re-designation can further enhance the independent element of the Board, which results in additional independent judgment and oversight over the Company's business and operations with the Board comprising of 4 Independent Non-executive Directors out of a total of 7 Directors. This greater level of independence is consistent and in compliance with the corporate governance principle in respect of board composition as set out in Code Provision A3 of the CG Code.

Accordingly, notwithstanding Ms. Sarah Young O'DONNELL does not meet the single factor of Independence set out in Rule 3.13(7) of the Listing Rules given that she was a Non-executive Director of the Company during two years immediately prior to the date of her re-designation, this does not change the overall conclusion of the Company regarding Ms. Sarah Young O'DONNELL's independence as detailed above.

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.

CORPORATE GOVERNANCE REPORT

Role of the Board

The Board is accountable to the shareholders for leading the Group in a responsible and effective manner. Directors are responsible to the shareholders for the manner in which the affairs of the Company are managed, controlled and operated and for promoting the success of the Company by directing and supervising its affairs. During the year the Board has adopted its terms of reference which set out the duties, powers and functions of the Board. The primary responsibilities of the Board are as follows:

- To manage the business of the Group;
- To lead and provide direction to management by laying down strategies and overseeing their implementation by management;
- To oversee all matters and to formulate polices in relation to Group's internal control, investment, succession plans, remuneration and compensation for Directors and employees, risk management, corporate governance and corporate social responsibility, and supervise the Group's management in implementation of such policies;
- To monitor the Group's operational and financial performance;
- To review and approve the accounts of the Group; and
- To manage relationships with stakeholders, including shareholders and employees.

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 2017 to 13 January 2017, Mr. Derek Wai Choi LEUNG, the then Executive Director, served as the Acting Chief Executive Officer of the Company. 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 1 January 2017 to 13 January 2017, the duties of chairman were assumed by Mr. Wing Tung YEUNG, an Executive Director. On 13 January 2017, Mr. Derek Wai Choi LEUNG, a Non-executive Director, was appointed as the Non-executive Chairman.

Appointments, Re-election and Removal of Directors

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

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.

Non-executive Directors and Independent Non-executive Directors (except for those who were appointed after the 2017 AGM and will retire in the forthcoming annual general meeting in accordance with the Company's Articles of Association) are appointed for a specific term of approximately two years commencing from the date of the annual general meeting at which they are elected/re-elected and expiring at the annual general meeting to be held two years thereafter, and are subject to retirement by rotation in accordance with the Company's Articles of Association.

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.

In 2017, the Nomination Committee set a measureable objective for achieving the Board diversity, which aimed to appoint a female member to the Board. Ms. Sarah Young O'DONNELL was appointed as a Non-executive Director of the Company on 29 August 2017 and was re-designated as an Independent Non-executive Director of the Company on 27 March 2018.

The Nomination Committee monitors the implementation of the Board Diversity Policy and will at appropriate time set measurable objectives for achieving diversity under the Board Diversity Policy. The Nomination Committee reviews the Board Diversity Policy from time to time to ensure its continued effectiveness.

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 2017.

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.

Board Meetings

The full Board held four regular meetings and three non-regular meetings during the year ended 31 December 2017.

A schedule for regular Board meetings for each year is provided to Directors at the 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 person, by phone 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 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.

DELEGATION BY THE BOARD

Management

The Board delegates the management and day-to-day running of the Group to the Chief Executive Officer in accordance with such policies and directions as the Board may from time to time determine, with the exception of the matters stated in the Statement of Matters Reserved for the Board set out in the Company's Corporate Governance Practice Manual which require the approval of the Board.

Management, under the leadership of the Chief Executive Officer, is responsible for the day-to-day management of the Group's businesses and the implementation of the strategies and policies as determined by the Board.

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 Committees

The Board has established five Board Committees to oversee various aspects of the Group's affairs: the Audit Committee, the Corporate Governance Committee, the Investment Committee, the Nomination Committee and the Remuneration Committee. The Board Committees are governed by their respective terms of reference which clearly defined their authorities and duties and 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.

The membership of each Board Committee is shown below:

Name of Directors	Audit Committee	Corporate Governance Committee	Investment Committee	Nomination Committee	Remuneration Committee
Executive Directors					
Mr. David Charles PARKER		Member	Chairman		Member
Mr. Wing Tung YEUNG		Member	Member		
Non-executive Director					
Mr. Derek Wai Choi LEUNG	Member	Chairman		Chairman	
Independent Non-executive Directors					
Mr. Kin Wing CHEUNG	Chairman			Member	Member
Mr. Kiu Sang Baldwin LEE	Member		Member	Member	Chairman
Mr. Ted Tak Tai LEE	Member		Member		Member
Ms. Sarah Young O'DONNELL	Member	Member			

Audit Committee

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 2017, the Audit Committee held four meetings and its major tasks performed were:

- Reviewed and endorsed the audited consolidated financial statements for the year ended 31 December 2016 and the unaudited condensed consolidated financial statements for the six months ended 30 June 2017;
- Reviewed the approach and methodology applied with respect to the key audit matters included in the year end auditor's report;
- Reviewed the continuing connected transactions of the Group for the year ended 31 December 2016;
- Reviewed and approved the external auditors' audit services and fees for 2016 and 2017;
- Reviewed and approved the external auditors' non-audit services and fees for 2016;
- Recommended the re-appointment of RSM Hong Kong as the external auditor of the Company at the 2017 AGM;
- Reviewed the adequacy and effectiveness of the risk management and internal control systems;

- Reviewed the Group's internal control handbook;
- Reviewed the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions;
- Reviewed the Group's Risk Register, and discussed the enhancement procedures;
- Reviewed and adopted the policy on the engagement of external auditor to supply non-audit services;
- Reviewed and monitored the external auditor's independence and engagement to supply non-audit services;
- Reviewed the effectiveness of the Group's internal audit functions;
- Reviewed and approved the internal audit plans for 2017 and 2018;
- Reviewed periodic reports from the Internal Audit Department and progress in resolving any matters identified in them; and
- Monitored the operation of the whistleblowing policy.

None of the members of the Audit Committee is a former or existing partner of the Company's existing auditor. 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 is responsible for formulating, reviewing and making recommendations on the Company's policies and practices of corporate governance.

During the year ended 31 December 2017, the Corporate Governance Committee held three meetings and its major tasks performed were:

- Reviewed the Company's Corporate Governance Practice Manual;
- Reviewed the Company's compliance with the CG Code;
- Reviewed and endorsed the 2016 Corporate Governance Report;
- Reviewed the Group's Code of Conduct; and
- Reviewed the continuous professional development of Directors.

Investment Committee

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 2017, the Investment Committee held three meetings and its major tasks performed were:

- Reviewed and formulated the investment strategies, policies and guidelines;
- Reviewed the investment portfolio and its performance; and
- Reviewed potential investment projects.

Nomination Committee

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 2017, the Nomination Committee held three meetings and its major tasks performed were:

- Reviewed the structure, size and composition of the Board;
- Reviewed the Board Diversity Policy and 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 2017 AGM; and
- Recommended to the Board on appointment of Directors.

The Nomination Committee, in its process of recommending Board appointments, is guided by the Nomination Policy and the objective criteria (including without limitation, cultural and educational background, ethnicity and professional experience, skills), with due regard for the benefits of diversity, as set out under the Board Diversity Policy.

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 2017, the Remuneration Committee held two meetings and its major tasks performed were:

- Approved the 2017 annual salary levels of Executive Directors and senior management;
- Approved the Group′s 2017 annual salary increase budget;
- Recommended the fee structure for Directors, the Non-executive Chairman and the Board Committees chairmen and members;
- Approved the remuneration package of the Chief Executive Officer; and
- Approved certain bonus payments.

2017 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 2017 was as follows:

	Meetings attended/eligible to attend in 2017 (Note)							
	Board	Audit Committee	Corporate Governance Committee	Investment Committee	Nomination Committee	Remuneration Committee	Annual General Meeting	Type of Training
Number of meetings held in 2017	7	4	3	3	3	2	1	
Executive Directors								
Mr. David Charles PARKER	7/7		3/3	2/2		1/1	1/1	(A)
Mr. Wing Tung YEUNG	7/7		3/3	3/3			1/1	(A)
Non-executive Director								
Mr. Derek Wai Choi LEUNG	7/7		3/3	3/3	3/3	2/2	1/1	(A)
Independent Non-executive Directors								
Mr. Kin Wing CHEUNG	7/7	4/4			3/3		1/1	(A)
Mr. Kiu Sang Baldwin LEE	7/7	4/4		2/2	1/1	2/2	1/1	(A)
Mr. Ted Tak Tai LEE	3/3	2/2						(A)
Ms. Sarah Young O'DONNELL	3/3	2/2	1/1					(A)
Directors resigned/retired during the year								
Dr. Jen CHEN	6/6	3/3	2/2	2/2		1/1	1/1	(A)
Mr. Chi Keung WONG	3/3	2/2		1/1	2/2	2/2	1/1	(A)

Note: Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Company's Articles of Association.

(A) Attending seminar or briefings/perusal of materials in relation to 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 49 to 52.

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 enhanced continually, linking to our corporate strategies 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 whistleblowing 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, if any, 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") reports directly to the Audit Committee and 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 2017, 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 risks 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; and

(iv) any enhancement to the risk management and internal control systems as identified as being necessary or proposed by the IA Department.

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

Mr. David Charles PARKER, the 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 December 2017 and as of that date.

As a result of the above, the Board whilst keeping it under review in light of experience, 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) upon receipt of a statutory or other demands or a threat for legal proceedings, takes the situation seriously and if necessary, seeks legal advice in relation to any disclosure obligations;

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

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

External Auditor

The Audit Committee monitors the audit and non-audit services rendered to the Group by the external auditor and ensures that the engagement of the external auditor in non-audit services will not impair its audit independence or objectivity. The Company has adopted the policy on the engagement of external auditor to supply non-audit services, which set out: (i) the classification of services as permitted audit-related or non-audit services and prohibited non-audit services; and (ii) the approval process for non-audit services.

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 2017 was:

	HK$'000
Audit services	950
Non-audit services:	
Taxation services	66
Consultancy services in relation to the liquidation of PRC subsidiaries	345
Other assurance services	208
Other reporting services	105
	1,674

Note: Auditor's remuneration for audit services disclosed in note 13 to the financial statements included the audit remuneration charged by other auditor of the Group of HK$12,000.

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/her 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 2017, 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, 27 March 2018

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is committed to making ongoing improvements from the aspects of corporate environmental protection and social responsibility and has taken measures to supervise and implement policies to manage environmental, social and governance ("ESG") issues for the sustainable development of the Group.

SCOPE OF THE REPORT AND REPORTING PERIOD

The scope of this ESG report includes:

(i) Group head office in Hong Kong;

(ii) Retail Fashion Business in Hong Kong, operated by The Swank Shop Limited ("Swank"); and

(iii) Resort and Recreation Club Operation of Hill Top Country Club (the "Club") in Hong Kong, operated by Hill Top Country Club Limited ("Hilltop").

For the corporate governance section, please refer to pages 23 to 39 of this Annual Report.

The reporting period of this ESG report is from 1 January 2017 to 31 December 2017, which unless otherwise stated is the same as the annual report of the Company.

STAKEHOLDER ENGAGEMENT

In order to identify the most significant aspects for the Group to report on for this ESG report, the selected stakeholders including employees, suppliers and customers have been invited to express their views and concerns on major social and environment issues through a stakeholders engagement questionnaire.

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.

During the year ended 31 December 2017, the Group was not aware of any material non-compliance with the relevant laws, rules or regulations that had a significant impact on itself relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Air Emissions

Air pollutants generated from the consumption of liquefied petroleum gas ("LPG") in the operation of the Club and also emitted from the Group's own vehicles. The air pollutant emissions for the year ended 31 December 2017 were as follows:

	Nitrogen oxides (NOx) *kg*	Sulphur oxides (SOx) *kg*	Particulate matter (PM) *kg*
Emission from gaseous fuel consumption			
– LPG	7.98	0.04	—
Emission from vehicles			
– Diesel	223.53	0.32	16.38
Total air pollutants	231.51	0.36	16.38

Greenhouse Gas Emissions

Greenhouse Gas ("GHG") emissions come from many types of everyday activities, such as electricity consumption, combustion of fuel and gases, and driving. The increase in GHG emissions is one of the main reasons raising the temperature of the earth and carbon dioxide is the major GHG emitted through human activities. The Group is committed to managing its GHG emissions by reducing its use of and improving the efficiency in use of energy and resources in its day-to-day operations.

The major sources of GHG emissions of the three segments during the year ended 31 December 2017 were from:

Group Head Office

- Electricity purchased from power companies
- Paper waste disposed at landfills
- Electricity used for processing fresh water and sewage by Water Supplies Department
- Business air travel by employees

Retail Fashion Business

- Diesel consumed by lorry for transportation
- Electricity purchased from power companies
- Paper waste (including carton box) disposed at landfills
- Business air travel by employees

Resort and Recreational Club Operation

- LPG consumed for cooking and hotel showering
- Charcoal consumed by customers for barbecues
- Diesel consumed by shuttle buses
- Refrigerants used in air-conditioning equipment and refrigerators
- Electricity purchased from power companies
- Paper waste disposed at landfills
- Electricity used for processing fresh water and sewage by Water Supplies Department

Policies and procedures adopted on resources saving are mentioned in the section "Use of Resources" of this ESG Report. The GHG emissions of the three segments for the year ended 31 December 2017 were as follows:

	Group Head Office	**Retail fashion business**	**Resort and Recreation Club Operation**	**Total**
Direct emissions (kg) (Scope 1)				
LPG	N/A	N/A	130,259	130,259
Charcoal	N/A	N/A	13,307	13,307
Diesel	N/A	5,486	48,900	54,386
Refrigerants	N/A	N/A	136,710	136,710
Total emissions (kg) (Scope 1)	—	5,486	329,176	334,662
Energy indirect emissions (kg) (Scope 2)				
Electricity	74,346	245,370	889,196	1,208,912
Other indirect emissions (kg) (Scope 3)				
Paper consumption	8,539	39,389	2,520	50,448
Water consumption	31	N/A	20,937	20,968
Business air travel	3,699	23,180	N/A	26,879
Total emissions (kg) (Scope 3)	12,269	62,569	23,457	98,295
Total emissions (kg) (Scopes 1, 2 and 3)	86,615	313,425	1,241,829	1,641,869

Hazardous Waste and Non-Hazardous Waste

Due to our business nature, there is no generation of hazardous waste by the Group.

Non-hazardous waste from the Group's operations mainly includes (i) paper for office use; (ii) carton boxes for logistical purposes; and (iii) solid waste from Hilltop. Non-hazardous wastes generated by the Group head office and the retail stores were handled by the respective building management office which did not provide figures as to the amount of non-hazardous waste for individual premises. Non-hazardous waste generated by the Club is collected by a contract waste collector. Such non-hazardous waste for the year ended 31 December 2017 was as follows:

	kg
Paper for office use	1,551
Carton box for logistical purposes	5,000
Solid waste at Hilltop	77,625
	84,176

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 use of office stationery.

The Group has put efforts to promote eco-friendly behaviour described as below:

- 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;
- Fix dripping taps immediately;
- Discourage the printing of e-emails;
- Double sided printing/copying as default and whenever possible;
- Place "Green boxes" next to the photocopiers to collect single-side used paper for reuse and used paper for recycling;
- Use e-mails or notice board for internal communication;
- Re-use office stationaries (e.g. envelopes and folders) when practicable; and
- Re-use carton boxes when practicable.

In addition to paper shopping bags, Swank also chooses recyclable materials such as non-woven fabric as the material of shopping bags. Swank encourages its customers to pay more attention on recycling and reusing the shopping bags. Swank chooses an environmental-friendly lorry in line with the EURO V emission standards for transportation.

Hilltop encourages the customers to make the best use of resources in the Club, including electricity, fresh water, hot water, paper and charcoal. A box is placed at the barbecue site for collecting the used charcoal for reuse. During the year, Hilltop replaced a shuttle bus with a Euro V standard bus to reduce the impact on the environment from the emission.

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. Paper for printing interim and annual reports has been substantially reduced.

During the year, the Group did not encounter any issue in sourcing water resource.

The Group continues its commitment in installing and switching to energy-saving lighting fixtures and sourcing energy efficient equipment to ensure functioning in optimal conditions and efficiency. Efficient use of resources not only can reduce waste and emissions from the sources, but also reduce operating expenses, which is mutually beneficial to the Company and the environment. The Group continues to promote saving in the operations and efficient use of resources. The Group expects to progressively reduce the resources consumed for the same scale of operation.

The resource consumption of the three segments for the year ended 31 December 2017 was as follows:

Resource Category	Unit	Group Head Office	Retail fashion business	Resort and Recreation Club Operation	Total
Electricity	kWh	137,678	333,193	1,646,660	2,117,531
Electricity consumption intensity:					
per gross floor area (kWh/square feet)	kWh	9.92	18.62	24.04	
Water	m3	51	N/A	34,674	34,725
Charcoal	kg	N/A	N/A	4,300	4,300
Diesel	litre	N/A	1,979	17,639	19,618
LPG	kg	N/A	N/A	43,174	43,174
Paper shopping bags	kg	N/A	3,000	N/A	3,000
Non-woven fabric shopping bags	kg	N/A	2,000	N/A	2,000
Carton box	kg	N/A	5,000	N/A	5,000
Plastic bags for packaging	kg	N/A	6,000	N/A	6,000
Paper	kg	1,376	206	525	2,107
Paper for corporate communications	kg	403	N/A	N/A	403

The intensity for water, charcoal, diesel and LPG is segmental, so no consumption intensity is shown.

The Environment and Natural Resources

The Group strives to protect the environment by integrating a range of environmental initiatives across its businesses. The Group is committed to minimise the environmental impact of its business operations by reinforcing environmental awareness and implementing measures for use of resources, energy saving and waste management. Hilltop 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 operational boundary.

SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

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 Hilltop, the provision of working meals and transportation between the Club and the nearby MTR station are offered to employees. The Group hosts a variety of activities for employees such as a staff party and staff sales. The Group grants long service awards to staff. These events and awards have 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 Group 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.

During the year ended 31 December 2017, the Group was not aware of any material non-compliance with the relevant laws, rules or regulations that had a significant impact on itself relating to employment.

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 Group strives to provide a healthy and safe working environment for its employees through ways such as prohibiting smoking and drinking liquor in any workplace; regular cleaning of the air-conditioning systems; disinfection treatment of carpets; and regular inspections on fire prevention systems and fire drills. Safety bulletins and warning signs are posted in Hilltop to remind engineering and maintenance staff for wearing personal safety protective equipment such as safety helmets and eye/face protectors. The Group put efforts to achieve accident-free workplace environment.

During the year ended 31 December 2017, the Group was not aware of any material non-compliance with the relevant laws, rules or regulations that had a significant impact on itself relating to health and safety.

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. Regular training and development programmes are provided to employees, such as product training sessions and workshops on fabric use, styling and pattern to frontline staff in the retail fashion business. The Group also encourages and subsidizes employees to pursue relevant educational or training opportunities to enhance employees' competitiveness and improve their working quality through continuous learning.

Labour Standards

The Group does not employ child or forced labour. The Human Resources Department regularly review their practices and to ensure that no child or forced labour are employed.

During the year ended 31 December 2017, the Group was not aware of any material non-compliance with the relevant laws, rules or regulations that had a significant impact on itself relating to labour standards.

OPERATING PRACTICES

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 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.

Retail Fashion Business

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.

Resort and Recreational Club Operations

The major procurement of the Club consists of food and beverages, guest room supplies and club facilities supplies. 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.

Product and Service Responsibility

Retail Fashion Business

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. Swank recalls the disqualified products if necessary according to the return procedures.

Resort and Recreational Club Operation

Hilltop offers a comprehensive range of services and facilities to its members, including accommodation, dining, recreational and outdoor activities. Hilltop operates strictly in compliance with the Clubs (Safety of Premises) Ordinance and related laws and regulations. To provide best quality services to members, Hilltop closely monitors the environment, facilities and hygiene level of the Club to maintain provision of comfortable environment for its members. Regular inspections on fire prevention systems and fire drills are arranged to ensure safety. Hilltop has posted guidelines in the kitchens to remind the staff and chef on the health and safety precautions in daily operation.

Services Satisfaction

All sales and marketing materials provide accurate and precise information to customers and are reviewed and approved according to the internal procedures.

Swank and Hilltop through their websites, newsletters and social media platforms, such as Facebook, to promote their latest initiatives and activities, and in turn to gather comments and feedback from them.

All complaints received are handled by the respective division management according to the internal procedures. The division management will investigate the complaints and appropriate action will be taken in a timely manner.

A suggestion box is placed in the Club and in the retail stores for customers to provide opinions and comments of the Club/Retail Stores. The management reviews and responds promptly with follow up action when necessary.

Protection of Intellectual Property

The Group builds up and protects its intellectual property rights by prolonged use and registration of domain names and trademarks. The Group has registered trademarks in various classes in Hong Kong and other relevant jurisdictions. In addition, the Group's trademarks and domain names are constantly monitored and renewed upon their expiration.

Consumer Data Protection

The Group places its utmost importance on protecting the privacy of its customers in the collection, usage, processing and storage of their personal data. The Group strictly abides by the Personal Data (Privacy) Ordinance to ensure that customers' rights are strictly protected. All collected personal data is treated confidentially, kept securely and processed only for the purpose for which it has been collected.

During the year ended 31 December 2017, the Group was not aware of any material non-compliance with the relevant laws, rules or regulations that had a significant impact on itself relating to product and service responsibility.

Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group has developed its Code of Conduct with reference to the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). All employees are required to strictly follow the Group's Code of Conduct to prevent potential bribery, extortion, fraud and money laundering which may exploit their positions against the Group's interests in the course of business. Any breach of the rules will be disciplined, including termination of employment, and may be reported to the relevant authorities for possible prosecution under applicable laws.

During the year ended 31 December 2017, the Group has complied with or taken appropriate action under the above mentioned regulations.

Whistleblowing Policy

The Group has also 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 "Whistleblowing Policy"), which aims to provide reporting channels and guidance on reporting possible such improprieties and reassurance to whistleblowers of the protection that the Company will extend to them against unfair dismissal or harassment for any genuine reports made under this Whistleblowing Policy. The Group advocates a confidentiality mechanism to protect the whistleblowers without fear of threats or retaliation.

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 Group welcomes and sponsors events organised by community organisations and NGOs. During the year ended 31 December 2017, Swank sponsored Hong Kong Cancer Fund's 2017 Fundraising Gala and, Hilltop received tokens of thanks from The Lok Sin Tong Benevolent Society of Kowloon, Caritas Community Centre – Ngau Tau Kok and Pok Oi Hospital.

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 53 to 119, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 2017, the Group held gross inventories of HK$84,051,000 and had made allowances for inventories of HK$56,135,000. 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 inventories; – Identifying and assessing aged and obsolete inventories 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
29th Floor, Lee Garden Two,
28 Yun Ping Road,
Causeway Bay,
Hong Kong

27 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 *HK$'000*	2016 *HK$'000*
Revenue	9	**159,450**	167,119
Cost of sales		**(61,349)**	(68,327)
Gross profit		**98,101**	98,792
Other income	10	**2,417**	2,999
Selling and distribution costs		**(61,787)**	(72,509)
Administrative expenses		**(72,444)**	(78,984)
Depreciation and amortisation		**(7,187)**	(5,473)
Other operating gains, net	13	**24,986**	47,394
Loss from operations		**(15,914)**	(7,781)
Fair value gains on investment properties, net		**7,100**	500
Deficits write-back on revaluation of resort and recreational club properties		**2,490**	705
Gain on disposal of interest in an associate	21	**2,584**	—
Finance costs	11	**(328)**	(441)
Share of profit/(loss) of an associate		**(2,584)**	2,926
Loss before tax		**(6,652)**	(4,091)
Income tax expense	12	**—**	—
Loss for the year	13	**(6,652)**	(4,091)
Attributable to:			
Owners of the Company		**(6,505)**	(3,935)
Non-controlling interests		**(147)**	(156)
		(6,652)	(4,091)
Loss per share		***HK$***	*HK$*
– basic	16(a)	**(0.39 cents)**	(0.24 cents)
– diluted	16(b)	**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
Loss for the year	(6,652)	(4,091)
Other comprehensive loss:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	682	(646)
Fair value changes of available-for-sale equity and fund investments	7,516	(33,160)
Fair value changes of available-for-sale debt investments	934	233
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale equity investments	(17,346)	(33,923)
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments	(64)	(560)
Other comprehensive loss for the year, net of tax	(8,278)	(68,056)
Total comprehensive loss for the year	(14,930)	(72,147)
Attributable to:		
Owners of the Company	(14,843)	(71,950)
Non-controlling interests	(87)	(197)
	(14,930)	(72,147)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 *HK$'000*	2016 *HK$'000*
Non-current assets			
Property, plant and equipment	18	**81,286**	83,330
Investment properties	19	**43,900**	36,800
Intangible assets	20	**1,041**	1,126
Interest in an associate	21	**—**	19,116
Available-for-sale equity and fund investments	23	**37,054**	43,056
Available-for-sale debt investments - notes receivables	24	**163,890**	148,338
Total non-current assets		**327,171**	331,766
Current assets			
Inventories	25	**27,916**	41,991
Trade and other receivables	26	**18,238**	24,299
Financial assets at fair value through profit or loss	22	**151,227**	110,178
Available-for-sale debt investments - notes receivables	24	**20,357**	20,306
Pledged bank deposits	27	**12,334**	12,334
Time deposits	27	**425,421**	459,942
Cash and bank balances	27	**50,524**	51,326
Total current assets		**706,017**	720,376
Current liabilities			
Trade and other payables	28	**29,290**	30,128
Interest-bearing bank borrowings	29	**5,734**	7,769
Debentures		**—**	1,151
Total current liabilities		**35,024**	39,048
Net current assets		**670,993**	681,328
NET ASSETS		**998,164**	1,013,094

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Capital and reserves			
Issued capital	31	**1,206,706**	1,206,706
Accumulated losses		**(1,028,066)**	(1,021,561)
Other reserves	33	**820,016**	828,354
Equity attributable to owners of the Company		**998,656**	1,013,499
Non-controlling interests		**(492)**	(405)
TOTAL EQUITY		**998,164**	1,013,094

Approved by the Board of Directors on 27 March 2018 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 2017

	Attributable to owners of the Company							
	Issued capital *HK$'000*	Special reserve *HK$'000* *(Note 33(b)(i))*	Available-for-sale investment revaluation reserve *HK$'000* *(Note 33(b)(ii))*	Exchange fluctuation reserve *HK$'000* *(Note 33(b)(iii))*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
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
At 1 January 2017	**1,206,706**	**808,822**	**17,660**	**1,872**	**(1,021,561)**	**1,013,499**	**(405)**	**1,013,094**
Total comprehensive loss and change in equity for the year	**—**	**—**	**(8,960)**	**622**	**(6,505)**	**(14,843)**	**(87)**	**(14,930)**
At 31 December 2017	**1,206,706**	**808,822**	**8,700**	**2,494**	**(1,028,066)**	**998,656**	**(492)**	**998,164**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(6,652)**	(4,091)
Adjustments for:			
Depreciation		**7,102**	5,388
Amortisation of intangible assets		**85**	85
Amortisation of deferred revenue		**(6)**	(10)
Finance costs		**328**	441
Charge for inventories allowances		**9,178**	16,817
Dividend income from:			
Financial assets at fair value through profit or loss		**(1,572)**	(5,262)
Available-for-sale investments		**(202)**	(378)
Interest income from:			
Financial assets at fair value through profit or loss		**(329)**	(985)
Other financial assets		**(14,893)**	(12,371)
Share of loss/(profit) of an associate		**2,584**	(2,926)
Fair value gains on investment properties, net		**(7,100)**	(500)
Deficits write-back on revaluation of resort and recreational club properties		**(2,490)**	(705)
Reversal of provisions		**(37)**	(1,661)
Impairment of trade receivables, net		**30**	67
Gain on disposal of property, plant and equipment		**(18)**	(313)
Fair value losses/(gains) of financial assets at fair value through profit or loss, net		**(3,622)**	1,589
Gain on disposal of interest in an associate	21	**(2,584)**	—
Gain on disposal of financial assets at fair value through profit or loss, net		**(3,078)**	(12,428)
Gain on disposal of available-for-sales equity investments		**(17,501)**	(33,489)
Gain on disposal of available-for-sales debt investments		**(669)**	(790)
Foreign exchange gains, net		**(138)**	(548)
Operating loss before working capital changes		**(41,584)**	(52,070)
Decrease/(increase) in inventories		**4,897**	(9,387)
Decrease in trade and other receivables		**3,168**	9,921
Increase/(decrease) in trade and other payables		**(1,809)**	2,979
Cash used in operations		**(35,328)**	(48,557)
Interest received		**14,999**	13,577
Dividends received from:			
Financial assets at fair value through profit or loss		**3,292**	5,283
Available-for-sale investments		**202**	378
Purchases of financial assets at fair value through profit or loss	35(a)	**(76,524)**	(35,185)
Proceeds from disposal of financial assets at fair value through profit or loss		**43,271**	186,156
Net cash generated from/(used in) operating activities		**(50,088)**	121,652

	Note	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(2,568)**	(9,394)
Purchases of available-for-sale debt investments	35(a)	**(93,216)**	(98,554)
Purchases of available-for-sales fund investments		**(10,397)**	(18,289)
Repayment from/(advanced to) an associate, net		**665**	(893)
Proceeds from disposal of interest in associate	21	**18,452**	—
Proceeds from disposal of available-for-sale equity investments		**24,070**	43,297
Proceeds from disposal of property, plant and equipment		**18**	335
Proceeds from disposal of available-for-sale debt investments		**80,687**	74,967
Proceeds from disposal of financial assets designated at fair value through profit or loss		**2,668**	1,657
Increase in pledged bank deposits		**—**	(1,334)
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		**125,596**	(90,617)
Net cash generated from/(used in) investing activities		**145,975**	(98,825)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans raised	35(b)	**35,301**	38,228
Repayment of bank loans	35(b)	**(40,402)**	(39,408)
Redemption of debentures	35(b)	**(1,157)**	(720)
Interest paid	35(b)	**(321)**	(431)
Net cash used in financing activities		**(6,579)**	(2,331)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**89,308**	20,496
Effect of foreign exchange rate changes, net		**965**	(96)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**375,755**	355,355
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**466,028**	375,755
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged time deposits		**425,421**	459,942
Less: Non-pledged time deposits with original maturity of over three months when acquired		**(9,917)**	(135,513)
Non-pledged time deposits with original maturity of less than three months when acquired		**415,504**	324,429
Cash and bank balances		**50,524**	51,326
		466,028	375,755

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 34 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the requirements of the Hong Kong Companies Ordinance (Cap. 622). 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 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The effect of the amendments on the Group's consolidated financial statements has been the inclusion of additional disclosures in note 35(b).

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 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKAS 40 Investment Property: Transfers of investment property	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019

The Group is continuing to assess the implication of adoption of these standards. The following assessment on HKFRS 9, 15 and 16 have been carried out and discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

The Group does not expect the other new and revised HKFRSs that have been issued but are not yet effective that would have a material impact on the Group's consolidated financial statements upon their initial application.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the Group has substantially assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

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)

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVPL") and (3) fair value through other comprehensive income ("FVOCI") as follows:

- The standard introduces new classification and measurement requirements for financial assets on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. 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 FVOCI. All other debt instruments are measured at FVPL.
- Equity instruments are generally measured at FVPL. 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 FVOCI.

The Group has substantially assessed that its financial assets currently classified as financial assets at fair value through profit or loss and loans and receivables which measured at FVPL and at amortised cost respectively under HKAS 39. These financial assets will continue with their respective classification and measurements upon the adoption of HKFRS 9.

The Group's financial assets currently classified as "available-for-sale" measured at fair value under HKAS 39 are investments in certain fund investments and debt instruments. The Group expects these financial assets will be classified as financial assets at FVPL on transition to HKFRS 9 as the Group manages these financial assets on fair value basis and/or these financial assets do not meet the criteria to be classified either as at FVOCI or at amortised cost. This will give rise to a change in accounting policy as currently the Group recognise the fair value changes of available for sale investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's accounting policies set out in note 4(k). This change in accounting 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 earning or loss per share. Upon the initial adoption of HKFRS 9, fair value gains of HK$8,700,000 related to the available-for-sale investments will be transferred from the available-for-sale investment revaluation reserve to accumulated losses at 1 January 2018.

The Group does not expect that there will be any impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group currently does not have any such liabilities.

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)

(b) Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group will apply the simplified approach and record lifetime expected losses on loans and receivables currently measured at amortised cost. Based on the preliminary assessment, the Group does not expect these changes will have a significant impact.

(c) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The changes in HKFRS 9 relating to hedge accounting will have no impact as the Group does not currently apply hedge accounting.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in accumulated losses as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment substantially completed to date, the Group identified the timing of revenue recognition is the area expected to be affected.

The Group's revenue recognition policies are disclosed in note 4(r). Currently, revenue arising from the provision of resort and club facilities, catering and other services is recognised at the time when the good are delivered or services are rendered, whereas revenue from the sale of fashion wear and accessories is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

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 (Continued)

i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of resort and club facilities, catering and other services.

For contracts with customers in which the sale of fashion wear and accessories is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have significant impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group is considering to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption. The Group currently plans to adopt this new standard when it becomes mandatory on 1 January 2019.

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 16 Leases (Continued)

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property 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$26,388,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

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.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (Continued)

(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. Revenue is shown net of returns and sale discounts.

(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. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Impairment of financial assets (Continued)

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

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

(x) Provisions and contingent liabilities

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

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

(y) Events after the reporting period

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

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 relating to deferred tax for investment properties 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).

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

Key sources of estimation uncertainty

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

(a) Allowances for inventories

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

As at 31 December 2017, allowances for inventories amounted to HK$56,135,000 (2016: HK$68,126,000).

(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 2017 were HK$117,800,000 (2016: HK$110,700,000).

(c) Fair value of available-for-sale fund 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)(i) 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 2017 was HK$33,172,000 (2016: HK$18,289,000).

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its purchases transactions, note receivables, available-for-sale equity and fund 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 and fund investments, note receivables, trade and bills payables.

	Change in percentage in exchange rate against Hong Kong dollar	Effect on loss after tax *HK$'000*	Effect on other comprehensive loss after tax *HK$'000*	Effect on equity *HK$'000*
31 December 2017				
US dollar	**+/- 0.5%**	**-/+ 2,097**	**-/+ 1,107**	**+/- 3,204**
Euro	**+/- 5%**	**+/- 180**	**—**	**-/+ 180**
Renminbi	**+/- 5%**	**-/+ 240**	**—**	**+/- 240**
New Taiwan dollar	**+/- 5%**	**-/+ 451**	**—**	**+/- 451**
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

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 2017	2017 High/low	31 December 2016	2016 High/low
Hong Kong - Hang Seng Index	**29,919**	**30,200/ 21,884**	22,001	24,364/ 18,279

At 31 December 2017, 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$3,366,000 (2016: HK$3,954,000) lower/higher, arising as a result of the fair value gain/loss of these investments.

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 2017, if the prices of the debt and fund investments increase/decrease by 5%, consolidated loss after tax for the year would have been HK$3,654,000 (2016: HK$1,503,000) 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$9,212,000 (2016: HK$8,432,000) lower/higher, arising as a result of the fair value gain/loss of debt investments classified as available-for-sales financial assets.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

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

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

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

The Group mitigates credit risk by conducting credit analysis on potential debt investments. The Group's debt investments include listed and unlisted debt investments with quoted market prices. These are mainly issued or guaranteed by listed companies or their group companies with sound financial position or good credit standing.

The credit risk on the counterparties fail to meet its obligation when dealing in listed investments or investments traded over-the-counter is limited because the counterparties are well-established securities broker firms or banks in Hong Kong/overseas; 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.

As at 31 December 2017 and 2016, all the Group's financial liabilities are matured within one year or have no fixed repayment terms.

(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.

As at 31 December 2017, 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$2,166,000 lower/higher (2016: HK$2,306,000), 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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Categories of financial instruments at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Financial assets:		
Financial assets at fair value through profit or loss		
– held for trading	**123,289**	71,144
– designated as such upon initial recognition	**27,938**	39,034
Loans and receivables (including cash and cash equivalents and time deposits)	**503,998**	560,467
Available-for-sale financial assets	**221,301**	211,700
	876,526	882,345
Financial liabilities:		
Financial liabilities at amortised cost	**26,338**	31,028

(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.

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy at the end of the reporting period:

Description	Fair value measurements as at 31 December 2017 using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2017 HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss:				
– Listed equity investments	78,146	–	–	78,146
– Listed debt and fund investments	–	11,789	–	11,789
– Unlisted debt and fund investments	–	61,292	–	61,292
	78,146	73,081	–	151,227
Available-for-sale financial assets:				
– Listed debt investments	–	184,247	–	184,247
– Unlisted fund investments	–	3,882	33,172	37,054
	–	188,129	33,172	221,301
Investment properties:				
– Industrial property situated in Hong Kong	–	43,900	–	43,900
Property, plant and equipment:				
– Resort and recreational club properties situated in Hong Kong	–	–	73,900	73,900
Total recurring fair value measurements	78,146	305,110	107,072	490,328

7. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Disclosures of level in fair value hierarchy at the end of the reporting period: (continued)

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)

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

Description	Property, plant and equipment Resort and recreational club properties *HK$'000*	Available-for-sale financial assets Unlisted fund investments *HK$'000*	2017 Total *HK$'000*
At 1 January 2017	73,900	18,289	92,189
Additions	64	6,507	6,571
Total fair value gain or loss recognised in:			
– profit or loss *	2,490	—	2,490
– other comprehensive income	—	8,376	8,376
Depreciation charged to profit or loss	(2,554)	—	(2,554)
At 31 December 2017	73,900	33,172	107,072
* Include gains or losses for assets held at end of reporting period	2,490	—	2,490

Description	Property, plant and equipment Resort and recreational club properties *HK$'000*	Available-for-sale financial assets Unlisted fund investments *HK$'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

The total fair value gains or losses recognised in profit or loss including those for assets held at end of reporting period arising from property, plant and equipment, are presented in "Deficits write-back on revaluation of resort and recreational club properties" in the consolidated statement of profit or loss.

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 the end of the reporting period:**

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 directors also exercise their judgement that the method of valuation of the resort and recreational club properties and investment properties is reflective of the current market conditions.

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**
		2017	2016	
Resort and recreational club properties situated in Hong Kong	Discount rate	**8.4%**	8.4%	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 2017 and 2016.

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;
- Fair value gains on investment properties, net;
- Deficits write-back on revaluation of resort and recreational properties;
- Gain on disposal of interest in an associate
- Finance costs;
- Share of profit/(loss) of an associate; 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 2017:				
Revenue from external customers	127,425	15,358	16,667	159,450
Segment gain/(loss)	(19,045)	(8,749)	19,621	(8,173)
Segment gain/(loss) includes:				
Fair value gains on financial assets at fair value through profit or loss, net	—	—	3,622	3,622
Gain on disposal of financial assets at fair value through profit or loss, net	428	—	2,650	3,078
Gain on disposal of available-for-sale debt investments, net	—	—	669	669
Gains on disposal of available-for-sale equity investments	—	—	17,501	17,501
Interest income from:				
– Financial assets at fair value through profit or loss	—	—	329	329
– Other financial assets	—	—	14,893	14,893
Reversal of provisions	37	—	—	37
Depreciation and amortisation	4,163	2,908	116	7,187
Charge for inventories allowances	9,178	—	—	9,178
Impairment of trade receivables, net	—	30	—	30
Other segment information:				
Gain on disposal of interest in an associate	2,584	—	—	2,584
Share of loss of an associate	(2,584)	—	—	(2,584)
Additions to property, plant and equipment	1,419	1,113	36	2,568
As at 31 December 2017:				
Segment assets	69,954	76,675	886,559	1,033,188
Segment liabilities	(17,105)	(2,831)	(9,354)	(29,290)

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)

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

	2017 HK$'000	2016 HK$'000
Profit or loss		
Total profit or loss of reportable segments	(8,173)	1,507
Unallocated corporate administrative expenses	(7,741)	(9,288)
Fair value gains on investment properties, net	7,100	500
Deficits write-back on revaluation of resort and recreational club properties	2,490	705
Gain on disposal of interest in an associate	2,584	—
Finance costs	(328)	(441)
Share of profit/(loss) of an associate	(2,584)	2,926
Consolidated loss for the year	(6,652)	(4,091)
Assets		
Total assets of reportable segments	1,033,188	1,033,026
Interest in an associate	—	19,116
Consolidated total assets	1,033,188	1,052,142
Liabilities		
Total liabilities of reportable segments	(29,290)	(31,279)
Interest-bearing bank borrowings	(5,734)	(7,769)
Consolidated total liabilities	(35,024)	(39,048)

Geographical information:

	Revenue		Non-current assets	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Hong Kong	155,023	161,260	125,775	139,883
Mainland China	462	1,819	—	—
Others	3,965	4,040	452	489
Consolidated total	159,450	167,119	126,227	140,372

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

	2017 *HK$'000*	2016 *HK$'000*
Wholesale and retail of fashion wear and accessories	**127,425**	131,935
Resort and recreational club operations	**15,358**	17,173
Dividend income arising from financial assets at fair value through profit or loss:		
– listed equity and fund investments	**1,572**	5,020
– unlisted fund investments	**—**	242
Dividend income arising from available-for-sale investments:		
– listed equity investments	**108**	378
– unlisted fund investments	**94**	—
Interest income	**14,893**	12,371
	159,450	167,119

10. OTHER INCOME

	2017 *HK$'000*	2016 *HK$'000*
Rental income	**1,140**	1,063
Management and other services fees income	**595**	1,265
Others	**682**	671
	2,417	2,999

11. FINANCE COSTS

	2017 *HK$'000*	2016 *HK$'000*
Interest on bank loans	**322**	431
Accretion of interest on debentures	**6**	10
	328	441

12. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2017 (2016: 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% (2016: 16.5%).

The tax rate applicable to the subsidiaries in the PRC for PRC enterprise income tax is 25% (2016: 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:

	2017	2016
	HK$'000	*HK$'000*
Loss before tax	**(6,652)**	(4,091)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(1,161)**	(832)
Tax effect of income that is not taxable	**(7,715)**	(14,091)
Tax effect of expenses that are not deductible	**2,806**	1,338
Tax effect of utilisation of tax losses not previously recognised	**(1,767)**	(1,715)
Tax effect of tax losses not recognised	**7,837**	15,300
Income tax expense	**–**	–

The weighted average applicable tax rate is 17.5% (2016: 20.3%). The decrease 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:

	2017 *HK$'000*	2016 *HK$'000*
Cost of inventories sold#	**61,123**	68,142
Depreciation	**7,102**	5,388
Amortisation of intangible assets	**85**	85
Auditor's remuneration for audit services	**962**	1,097
Other operating lease charges for land and buildings (included contingent rentals of HK$538,000 (2016: HK$780,000))	**40,375**	49,270
Charge for inventories allowances	**9,178**	16,817
Direct operating expenses of investment properties that generate rental income	**206**	198
Losses/(gains) from financial assets at fair value through profit or loss, net*:		
Held-for-trading		
Interest income	**(329)**	(985)
Fair value gains, net	**(12,197)**	(1,960)
Gains on disposal, net	**(2,931)**	(12,492)
	(15,457)	(15,437)
Designated as such upon initial recognition		
Fair value losses, net	**8,575**	3,549
Loss/(gain) on disposal	**(147)**	64
	8,428	3,613
Fair value gains on investment properties, net	**(7,100)**	(500)
Gains on disposal of available-for-sales debt investments, net*	**(669)**	(790)
Gain on disposal of available-for-sales equity investments*	**(17,501)**	(33,489)
Gain on disposal of property, plant and equipment*	**(18)**	(313)
Amortisation of deferred revenue	**(6)**	(10)
Rental income	**(1,140)**	(1,063)
Foreign exchange losses, net*	**268**	683
Impairment of trade receivables, net	**30**	67
Reversal of provisions*	**(37)**	(1,661)
Deficits write-back on revaluation of resort and recreational club properties	**(2,490)**	(705)

* These amounts are included in "Other operating gains, net".

\# Cost of inventories sold included charge of inventories allowances of HK$9,178,000 (2016: HK$16,817,000).

14. EMPLOYEE BENEFITS EXPENSE

	2017 *HK$'000*	2016 *HK$'000*
Employee benefits expense (including directors' emoluments):		
Salaries, bonuses and allowances	57,122	60,317
Pension scheme contributions	1,883	2,296
	59,005	62,613

(a) Five highest paid individuals:

The five highest paid individuals in the Group during the year included two (2016: three) directors whose emoluments are reflected in the analysis presented in note 15(a) to the consolidated financial statements. The emoluments of the remaining three (2016: two) individuals are set out below:

	2017 *HK$'000*	2016 *HK$'000*
Salaries, allowances and benefits in kind	4,093	3,032
Performance related bonus	72	—
Pension scheme contributions	47	36
	4,212	3,068

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
HK$1,000,001 to HK$1,500,000	2	1
HK$1,500,001 to HK$2,000,000	1	1
	3	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 2017 and 2016 annual report of the Company and included two (2016: one) of the five highest paid individuals analysis presented above, fell within the following bands:

	Number of individuals	
	2017	2016
Nil to HK$1,000,000	**3**	4
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**1**	1
	5	5

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	Performance related bonuses	Pension scheme contributions	Housing allowance	Estimated money value of other benefits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note ix)*	*HK$'000*
Executive directors:							
Mr. David Charles PARKER *(note i)*	58	2,629	100	18	697	58	3,560
Mr. Wing Tung YEUNG	60	2,494	100	18	–	60	2,732
Mr. Derek Wai Choi LEUNG *(note ii)*	2	75	–	–	–	–	77
Non-executive directors *(note v)*:							
Mr. Derek Wai Choi LEUNG *(note ii)*	527	–	–	–	–	–	527
Ms. Sarah Young O'DONNELL *(note iii)*	107	–	–	–	–	–	107
Independent non-executive directors *(note v):*							
Dr. Jen CHEN *(note iv)*	305	–	–	–	–	–	305
Mr. Chi Keung WONG *(note vi)*	174	–	–	–	–	–	174
Mr. Kin Wing CHEUNG	335	–	–	–	–	–	335
Mr. Baldwin Kiu Sang LEE	359	–	–	–	–	–	359
Mr. Ted Tak Tai LEE *(note iii)*	104	–	–	–	–	–	104
Total for 2017	2,031	5,198	200	36	697	118	8,280

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

Notes:

(i) Appointed on 13 January 2017.

(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) Appointed on 29 August 2017.

(iv) Resigned on 15 December 2017.

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

(vi) Retired on 9 June 2017.

(vii) Retired on 3 June 2016.

(viii) Elected on 3 June 2016.

(ix) 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 (2016: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: 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$6,505,000 (2016: HK$3,935,000) and the weighted average number of ordinary shares of 1,650,658,676 (2016: 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 2017 and 2016.

17. DIVIDENDS

The directors do not recommend the payment of any dividend to shareholders for the years ended 31 December 2017 and 2016.

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 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 and 1 January 2017	**73,900**	**11,943**	**37,323**	**1,397**	**124,563**
Additions	**64**	**992**	**1,019**	**493**	**2,568**
Disposals	**—**	**—**	**(121)**	**(371)**	**(492)**
Deficits write-back on revaluation	**2,490**	**—**	**—**	**—**	**2,490**
Elimination of accumulated depreciation	**(2,554)**	**—**	**—**	**—**	**(2,554)**
At 31 December 2017	**73,900**	**12,935**	**38,221**	**1,519**	**126,575**
Accumulated depreciation and impairment:					
At 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 and 1 January 2017	**—**	**8,402**	**32,088**	**743**	**41,233**
Depreciation provided during the year	**2,554**	**2,050**	**2,260**	**238**	**7,102**
Write-back on revaluation	**(2,554)**	**—**	**—**	**—**	**(2,554)**
Disposals	**—**	**—**	**(121)**	**(371)**	**(492)**
At 31 December 2017	**—**	**10,452**	**34,227**	**610**	**45,289**
Net carrying amount:					
At 31 December 2017	**73,900**	**2,483**	**3,994**	**909**	**81,286**
At 31 December 2016	73,900	3,541	5,235	654	83,330

The value of the Group's resort and recreational club properties was referred to the valuation reports at 31 December 2017 and 2016 by independent professional qualified valuers, Cushman & Wakefield Limited (formerly known as DTZ Cushman & Wakefield Limited) ("CWL"), based on open market and existing use basis.

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2017	2016
	HK$'000	*HK$'000*
Cost	53,921	53,858
Accumulated depreciation	(27,060)	(26,150)
	26,861	27,708

19. INVESTMENT PROPERTIES

	2017	2016
	HK$'000	*HK$'000*
At 1 January	36,800	36,300
Fair value gains	7,100	500
At 31 December	43,900	36,800

At 31 December 2017, the Group's investment properties comprised industrial property units situated in Hong Kong of HK$43,900,000 (2016: HK$36,800,000). 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 2017 and 2016 by independent professional qualified valuers, CWL. Valuation of industrial property was based on direct comparison method.

Further particulars of the Group's investment properties are included on page 120.

20. INTANGIBLE ASSETS

	Trademarks *HK$'000*
Cost:	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	**1,700**
Accumulated amortisation:	
At 1 January 2016	489
Amortisation for the year	85
At 31 December 2016 and 1 January 2017	**574**
Amortisation for the year	**85**
At 31 December 2017	**659**
Net carrying amount:	
At 31 December 2017	**1,041**
At 31 December 2016	1,126

The Group's trademarks protect the design and specification of the Group's products. The average remaining amortisation period of the trademarks is approximately 12 years (2016: 13 years).

21. INTEREST IN AN ASSOCIATE

	2017 ***HK$'000***	2016 *HK$'000*
Unlisted investment:		
Share of net assets	**–**	3,409
Due from an associate	**–**	15,707
	–	19,116

In 2016, the Group held 49% interest in Brunello Cucinelli Hong Kong Limited ("BCHK"), and accounted for the investment as an associate. In September 2017, the Group (i) disposed of its entire interest in BCHK and (ii) assigned the shareholder's loan with principal amount of HK$15,043,000 due by BCHK to the Group at a total consideration of HK$18,452,000. The gain on disposal of interest in an associate is calculated as follow:

	HK$'000
Consideration received	18,452
Less: Share of net assets in the associate at the date of transaction	(825)
Assignment of shareholder's loan due by BCHK to the Group	(15,043)
Gain on disposal of interest in an associate	2,584

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 *HK$'000*	2016 *HK$'000*
Listed investments, at fair value *(note a and note b)*:		
Hong Kong	71,324	83,114
Outside Hong Kong	18,611	8,839
Market value of listed investments	89,935	91,953
Unlisted investments, at fair value *(note c)*	61,292	18,225
	151,227	110,178

As at 31 December 2017, the carrying amount of listed investments at fair value amounting to HK$1,251,000 (2016: Nil) was pledged as security for the Group's bank borrowings as set out in note 29 to the consolidated financial statements.

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

	2017 *HK$'000*	2016 *HK$'000*
Held for trading *(note a and note c)*	123,289	71,144
Designated as at fair value through profit or loss on initial recognition *(note b)*	27,938	39,034
	151,227	110,178

Notes:

(a) The listed investments as at 31 December 2017 amounted to HK$61,997,000 (2016: HK$52,919,000) 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 2017 of HK$27,938,000 (2016: HK$39,034,000) 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 2017 of HK$61,292,000 (2016: HK$18,225,000) 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 AND FUND INVESTMENTS

	Note	2017 *HK$'000*	2016 *HK$'000*
Equity investment			
Listed outside Hong Kong, at fair value	(a)	–	24,767
Fund investments			
Unlisted fund investments, at fair value	(b)	**37,054**	18,289
		37,054	43,056

Notes:

(a) The listed equity investment as at 31 December 2016 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. During the year 2017, the Group disposed of its entire interests in Genovate.

The fair value of investment in Genovate as at 31 December 2016 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) Unlisted fund investments

(i) ASEAN China Investment Fund III L.P.

As at 31 December 2017, the carrying amount of unlisted fund investments included an investment in a fund, ASEAN China Investment Fund III L.P. ("ACIF III"), amounted to HK$33,172,000 (2016: HK$18,289,000) which is not quoted in an active market. The fair value of the investment in ACIF III 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 ACIF III and the unfunded commitments as at 31 December 2017 amounted to US$841,000 (equivalent to HK$6,543,000) (2016: 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 fund.

The carrying amount of the investment in ACIF III is denominated in US dollars.

(ii) Invesco US Senior Loans 2021, L.P.

As at 31 December 2017, carrying amount of unlisted fund investments included an investment in a fund, Invesco US Senior Loans 2021, L.P. ("Invesco") amounted to HK$3,882,000 (2016: Nil). The fair value of the investment in Invesco is stated with reference to quoted price provided by counterparty financial institutions. The directors believe that the estimated fair value quoted by the counterparty financial institutions is reasonable, and that it is the most appropriate value at the end of the reporting period.

The carrying amount of the investment in Invesco is denominated in US dollars.

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

	2017	2016
	HK$'000	*HK$'000*
Listed senior notes*, at fair value:		
Market value of listed senior notes		
—Current assets	**20,357**	20,306
—Non-current assets	**163,890**	148,338
	184,247	168,644

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

At 31 December 2017, the Group held listed senior notes with an aggregate principal amount of US$23,581,000 (equivalent to HK$183,460,000) (2016: US$21,769,000 (equivalent to HK$169,363,000)), which were mainly issued/guaranteed by companies listed on The Stock Exchange of Hong Kong Limited/overseas stock exchanges. The fair value of the listed senior notes is based on quoted market prices.

The senior notes have maturity dates ranging from 18 January 2018 to 14 September 2077 (2016: 9 February 2017 to 27 July 2026), except for the investments in perpetual bonds with an aggregate principal amount of US$1,100,000 (equivalent to HK$8,558,000) (2016: Nil) has no fixed maturity date.

Interest income from the listed senior notes is recognised based on effective interest rates ranging from 3.28% to 8.45% (2016: 2.76% to 8.70%). The carrying amounts of the Group's available-for-sale debt investments are denominated in US dollars.

25. INVENTORIES

As at 31 December 2017 and 2016, all of the Group's inventories represented finished goods.

26. TRADE AND OTHER RECEIVABLES

	2017 *HK$'000*	2016 *HK$'000*
Trade receivables	**1,505**	1,399
Less: Impairment of trade receivables	**(457)**	(430)
	1,048	969
Rental and other deposits	**11,403**	13,755
Prepayments and other receivables	**5,787**	9,575
	18,238	24,299

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:

	2017 *HK$'000*	2016 *HK$'000*
Within 1 month	**1,005**	833
2 to 3 months	**43**	133
Over 3 months	**—**	3
	1,048	969

Reconciliation of impairment of trade receivables:

	2017 *HK$'000*	2016 *HK$'000*
At 1 January	**430**	400
Amount written off as uncollectible	**(3)**	(37)
Impairment losses recognised, net	**30**	67
At 31 December	**457**	430

26. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2017, trade receivables of HK$43,000 (2016: HK$15,000) 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:

	2017 *HK$'000*	2016 *HK$'000*
Less than 1 month past due	**42**	12
1 to 3 months past due	**1**	3
	43	15

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

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

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

The Group's 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:

	2017 *HK$'000*	2016 *HK$'000*
Hong Kong dollars	**137,679**	174,385
US dollars	**338,244**	338,346
Renminbi*	**3,092**	3,464
New Taiwan dollars	**9,017**	6,871
Others	**247**	536
	488,279	523,602

* 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

	2017 HK$'000	2016 HK$'000
Trade and bills payables	**6,194**	5,915
Accruals for operations	**4,161**	9,359
Accruals for staff costs	**4,615**	4,079
Deposits received from customers	**765**	832
Other payables	**6,055**	3,551
Provisions	**7,500**	6,392
	29,290	30,128

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

	2017 HK$'000	2016 HK$'000
Within 1 month	**4,021**	5,368
2 to 3 months	**1,607**	431
Over 3 months	**566**	116
	6,194	5,915

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

	2017 HK$'000	2016 HK$'000
Hong Kong dollars	**855**	634
Euro dollars	**5,223**	5,155
Others	**116**	126
Total	**6,194**	5,915

29. INTEREST-BEARING BANK BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Bank loans	**5,734**	7,769

The interest-bearing bank borrowings of the Group are repayable within one year.

The carrying amounts of the Group's interest-bearing bank borrowings are denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong dollars	**4,527**	7,769
Euro dollars	**748**	—
Others	**459**	—
Total	**5,734**	7,769

The effective interest rates at 31 December were as follows:

	2017	2016
Bank loans	**0.75% to 3.83%**	2.59% to 4.50%

Bank loans of HK$2,777,000 (2016: HK$4,857,000) are secured by a charge over the Group's pledged time deposits of HK$10,000,000 (2016: HK$10,000,000) and listed investments of HK$1,251,000 (2016: Nil) respectively. The remaining balance is unsecured.

30. DEFERRED TAX

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

	Depreciation allowance in excess of related depreciation	Losses available for offsetting against future taxable profits	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016	3,846	(3,846)	—
Deferred tax charged/(credited) to the profit/loss for the year	611	(611)	—
At 31 December 2016 and at 1 January 2017	**4,457**	**(4,457)**	**—**
Deferred tax charged/(credited) to the profit/loss for the year	**273**	**(273)**	**—**
At 31 December 2017	**4,730**	**(4,730)**	**—**

At the end of the reporting period, the Group has unused tax losses of HK$756,892,000 (2016: HK$789,796,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$28,664,000 (2016: HK$27,012,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$728,228,000 (2016: HK$762,784,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$Nil (2016: HK$86,253,000) with a time limit of five years from the year the losses were incurred. Other tax losses may be carried forward indefinitely.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 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 2008.

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

31. SHARE CAPITAL

	2017 HK$'000	2016 HK$'000
Issued and fully paid:		
1,650,658,676 (2016: 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 2017 and 2016.

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 ratios as at the end of the reporting period was as follows:

	2017 HK$'000	2016 HK$'000
Interest-bearing bank borrowings	**5,734**	7,769
Debentures	**—**	1,151
Total borrowings	**5,734**	8,920
Owners' equity	**998,656**	1,013,499
Gearing ratio	**0.6%**	0.9%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

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

(a) Statement of financial position of the Company

	Note	At 31 December 2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**438**	518
Investment properties		**117,800**	110,700
Interests in subsidiaries		**417,986**	404,992
Available-for-sale debt investments - notes receivables		**26,773**	14,374
Total non-current assets		**562,997**	530,584
Current assets			
Prepayments, deposits and other receivables		**3,175**	6,466
Due from a subsidiary		**243**	5,856
Financial assets at fair value through profit or loss		**32,346**	29,250
Pledged bank deposits		**10,000**	10,000
Time deposits		**392,796**	423,149
Cash and bank balances		**4,342**	14,459
Total current assets		**442,902**	489,180
Current liabilities			
Accruals and other payables		**7,735**	6,670
Net current assets		**435,167**	482,510
NET ASSETS		**998,164**	1,013,094
Capital and reserves			
Issued capital		**1,206,706**	1,206,706
Accumulated losses		**(1,017,565)**	(1,001,560)
Other reserves	32(b)	**809,023**	807,948
TOTAL EQUITY		**998,164**	1,013,094

Approved by the Board of Directors on 27 March 2018 and are signed on its behalf by:

David Charles PARKER
Executive Director and
Chief Executive Officer

Wing Tung YEUNG
Executive Director

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

(b) Reserve movement of the Company

	Special reserve	Available-for-sale investment revaluation reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 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 and 1 January 2017	**808,822**	**(874)**	**(1,001,560)**	**(193,612)**
Fair value changes of available-for-sale debt investments	**—**	**579**	**—**	**579**
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments	**—**	**496**	**—**	**496**
Loss for the year	**—**	**—**	**(16,005)**	**(16,005)**
At 31 December 2017	**808,822**	**201**	**(1,017,565)**	**(208,542)**

33. 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 54 and 57 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.

34. SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2017 are as follows:

Name	Place of incorporation and operation	Issued ordinary share capital	Percentage of ownership attributable to the Company		Principal activities
			Direct	Indirect	
Cesare di Pino Company Limited	Hong Kong	HK$10,000	–	100	Retail and wholesale of fashion wear and accessories
Cosy Good Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
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 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

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

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

Purchases of financial assets at fair value through profit or loss and available-for-sales debt investments during the year of HK$2,923,000 (2016: Nil) were financed by bank borrowings in which the Group has repaid HK$1,749,000 (2016: Nil) during the year.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest bearing bank borrowings *HK$'000* *(note 29)*	Debentures *HK$'000*	Total *HK$'000*
As at 1 January 2017	7,769	1,151	8,920
Changes from financing cash flows:			
New bank loans raised	35,301	—	35,301
Repayment of bank loans	(40,402)	—	(40,402)
Redemption of debentures	—	(1,157)	(1,157)
Interest paid	(321)	—	(321)
	(5,422)	(1,157)	(6,579)
Other changes:			
Finance costs	322	6	328
Other non-cash movements *(note 35(a))*	2,923	—	2,923
Exchange adjustments	142	—	142
	3,387	6	3,393
As at 31 December 2017	5,734	—	5,734

36. CONTINGENT LIABILITIES

At 31 December 2017, the Group had the following significant contingent liabilities:

On 17 September 2013, the Group successfully appealed against the building orders ("Orders") previously imposed by the Hong Kong Building Authority ("the Building Authority"), which involve the remedial/maintenance responsibility with respect to certain slope features arising in the vicinity of the Group's resort and recreational club properties from the legal interpretation of the terms and conditions of a grant of land by the government to the Group in 1976 (the "New Grant"). By the decision made by the Appeal Tribunal (Buildings) (the "Appeal Tribunal Decision"), the remedial/maintenance obligation of the Group was limited to only certain parts of the slope features which had been the subject of the Orders.

On 9 January 2014, High Court granted leave to the Building Authority for a Judicial Review against the Appeal Tribunal Decision. Based on the judgment from the Judicial Review on 27 October 2016 (the "Judicial Review Judgment"), the judge quashed the Appeal Tribunal Decision and remitted the matter back to the Appeal Tribunal (Buildings) for reconsideration in accordance with the High Court's interpretation of certain special conditions of the New Grant.

On 24 November 2016, the Group appealed the Judicial Review Judgment in that the judge erred in quashing the Appeal Tribunal Decision.

The Appeal Hearing was heard on 21 July 2017 and the judgment from the Court of Appeal was handed down on 11 August 2017 ("Appeal Judgment"). Pursuant to the Appeal Judgment, the Court of Appeal allowed the Group's appeal in relation to the interpretation of one of the special conditions of the New Grant ("First Special Condition") and has set aside that part of the Judicial Review Judgment and made consequential orders. With respect to the obligation under another special condition to the New Grant, the Court of Appeal dismissed the Group's Appeal meaning that the Judicial Review Judgment on that special condition should stand, and the matter shall be remitted to the Appeal Tribunal (Buildings) for reconsideration in terms of the Judicial Review Judgment.

Notice of Intended Application for Leave to Appeal was filed by the Department of Justice acting for the Building Authority on 29 August 2017. Judgment was handed down on 1 December 2017, granting conditional leave to the Building Authority to appeal to the Court of Final Appeal in relation to the interpretation of the First Special Condition of the New Grant. The Court of Final Appeal hearing is scheduled to take place on 25 April 2018 ("the CFA Proceedings").

The management, after taking legal advice, considers that it is premature to assess the probability of a favorable or unfavorable outcome of a final decision from the Court of Final Appeal and any potential further decision from the Appeal Tribunal (Buildings) referred back as a result of the Appeal Judgement, and the outcome of relevant maintenance responsibility is uncertain. Except for a provision of HK$2,100,000 which has been made for the estimated cost of remedial/maintenance obligation for certain parts of the subject slope features with reference to the Appeal Tribunal Decision in 2013, no other provision has been made for the costs of remedial/maintenance works arising from the proceedings. Legal costs of the Group are expensed, as they are incurred and recognized in the statement of profit or loss.

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 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**20,455**	26,053
In the second to fifth years, inclusive	**5,933**	14,485
	26,388	40,538

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:

	2017	2016
	HK$'000	*HK$'000*
Contracted, but not provided for:		
—Capital contribution in respect of available-for-sales unlisted fund investment *(note 23(b)(i))*	**6,543**	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:

	2017 *HK$'000*	2016 *HK$'000*
Rental expenses, building management fees and air-conditioning charges paid to related companies *(Note)*		
— office	**4,133**	4,072
— retail shops/outlet	**726**	713
Secondment fees charged by a related company	**479**	—
Management and other service fees received/receivable from an associate	**595**	1,265
Loan interest received/receivable from an associate	**361**	527

Note: The rental expenses, building management fees and air-conditioning charges paid to related companies controlled by substantial shareholders of the Company were charged in accordance with the terms of the relevant agreements.

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

	2017 *HK$'000*	2016 *HK$'000*
Short term employee benefits	**13,240**	12,589
Pension scheme contributions	**109**	90
Total compensation paid to key management personnel	**13,349**	12,679

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

39. RELATED/CONNECTED PARTY TRANSACTIONS(CONTINUED)

(c) Applicability of the Listing Rules relating to connected transactions

As disclosed in note 39(a) to the consolidated financial statements, the related party transactions in respect of the rental expenses, building management fees and air-conditioning charges for office paid to related companies for the year ended 31 December 2017 constitute continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules, further details of which are included in the Report of the Directors on page 7.

The related party transactions in respect of (i) the rental expenses, building management fees and air-conditioning charges for retail shops/outlet and (ii) the secondment fees paid to related companies for the year ended 31 December 2017 constitute continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules. However, each of them is exempt from the disclosure requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.76.

40. EVENTS AFTER THE REPORTING PERIOD

The Group's resort and recreational club properties as disclosed in note 18 to the consolidated financial statements are situated on a piece of land designated for "Other Specified Uses" annotated "Sports and Recreation Club". The piece of land is currently occupied by the Group for its operation of a country club named "Hill Top Country Club".

With reference to the announcement made by the Company on 19 January 2018, the Company submitted a plan amendment application (the "Rezoning Application") under Section 12A of the Town Planning Ordinance (Chapter 131, Laws of Hong Kong) to the Town Planning Board to rezone the piece of land from "Other Specified Uses" annotated "Sports and Recreation Club" to "Residential (Group B) 6".

Up to date of this report, the Company has not entered into any definitive agreement or commitment in relation to the proposed rezoning of the piece of land except professional fees and relevant charges during the course of rezoning application. The directors of the Company therefore assess and regard that there will be no impact on the operations of Hill Top Country Club and the consolidated financial statements of the Company at this stage of the Rezoning Application.

Details of the Rezoning Application are set out in the Company's announcement dated 19 January 2018.

PARTICULARS OF INVESTMENT PROPERTIES

31 December 2017

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				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**159,450**	167,119	215,537	275,385	331,399
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**(6,324)**	(6,576)	(105,384)	29,225	22,216
Finance costs	**(328)**	(441)	(657)	(861)	(821)
Share of profits/(losses) of associates	**(2,584)**	2,926	(1,076)	525	2,109
Gain on disposal of interest in an associate	**2,584**	—	—	—	—
PROFIT/(LOSS) BEFORE TAX	**(6,652)**	(4,091)	(107,117)	28,889	23,504
Tax	—	—	—	—	—
PROFIT/(LOSS) FOR THE YEAR	**(6,652)**	(4,091)	(107,117)	28,889	23,504
Attributable to:					
Equity holders of the Company	**(6,505)**	(3,935)	(106,896)	29,001	24,217
Non-controlling interests	**(147)**	(156)	(221)	(112)	(713)
	(6,652)	(4,091)	(107,117)	28,889	23,504

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,033,188**	1,052,142	1,124,870	1,243,121	1,233,623
TOTAL LIABILITIES	**(35,024)**	(39,048)	(39,629)	(49,750)	(76,831)
NON-CONTROLLING INTERESTS	**492**	405	208	(64)	(204)
	998,656	1,013,499	1,085,449	1,193,307	1,156,588

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

Kin Wing CHEUNG
Kiu Sang Baldwin LEE
Ted Tak Tai LEE
Sarah Young O'DONNELL

COMPANY SECRETARY

Pui Man CHENG

AUDITOR

RSM Hong Kong
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

SHARE REGISTRARS

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

REGISTERED OFFICE

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WEBSITE

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STOCK CODE

The Stock Exchange of Hong Kong Limited: 00128

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