2018

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 2018.

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 2018 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 29. 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 "Corporate Social Responsibility Report" on pages 52 to 62. 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 2018 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 68 and 69.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2018.

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 145.

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 144.

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 2018.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company had no reserves 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 63% and 22% 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.

Due to the business nature, there are no major customers and suppliers for the investment segment.

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)*
Mr. Wing Tung YEUNG

NON-EXECUTIVE DIRECTOR

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kin Wing CHEUNG
Mr. Kiu Sang Baldwin LEE
Mr. Ted Tak Tai LEE
Ms. Sarah Young O'DONNELL
(re-designated from a Non-executive Director to an Independent Non-executive Director on 27 March 2018)

REPORT OF THE DIRECTORS

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

In accordance with Article 103 of the Company's Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, or such higher number of Directors to be determined by the Board, shall retire from office by rotation but shall be eligible for re-election, provided that every Director shall be subject to retirement at least once every three years. The Directors (including those appointed for a special term) to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

Particulars of Directors seeking 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. Sze Wai Jackie 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 30 to 33.

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 EXECUTIVE OFFICER'S INTERESTS

As at 31 December 2018, none of the Directors and Chief Executive Officer 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 2018, 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) As at 31 December 2018 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) As at 31 December 2018, 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 2018 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 TRANSACTIONS

On 27 November 2015 the Company, as tenant, entered into a tenancy agreement (the "Tenancy Agreement I") 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 office 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 exclusive of government rates, management fee and air-conditioning charges. The details of the Tenancy Agreement I are set out in the Company's announcement dated 27 November 2015. The actual payments made under the Tenancy Agreement I for the year ended 31 December 2018 was HK$4,064,757, which did not exceed the annual cap as set by the Company.

Tenancy Agreement I expired on 30 November 2018. After reviewing the Group's requirement for office space, the Board resolved to reduce the leased office space by 3,460 square feet. On 30 November 2018, the Company, as tenant, entered into a tenancy agreement (the "Tenancy Agreement II") with the Landlords to lease the office premises situated at Suites 3301 to 3302, 33rd Floor, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong for three years from 1 December 2018 to 30 November 2021 at a monthly rent of HK$218,778 exclusive of government rates, management fee and air-conditioning charges. The details of the Tenancy Agreement II are set out in the Company's announcement dated 30 November 2018. The actual payments made under the Tenancy Agreement II for the year ended 31 December 2018 was HK$60,179, which did not exceed the annual cap as set by the Company.

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 whom 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 I and the Tenancy Agreement II constitute continuing connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The aforesaid continuing connected transactions have been reviewed by the Company's Internal Audit Department and the Independent Non-executive Directors of the Company. The Independent Non-executive Directors have confirmed that the aforesaid continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to report on the aforesaid continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has confirmed in writing to the Board that:

(a) nothing has come to its attention that causes it to believe that the aforesaid continuing connected transactions have not been approved by the Company's Board;

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

(c) nothing has come to its attention that causes it to believe that the aforesaid continuing connected transactions have exceeded the annual caps 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 34 to 51.

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

At the Company's last annual general meeting, RSM Hong Kong was re-appointed as auditor of the Company. On 22 November 2018, the Company's auditor changed the Chinese name under which it practices from 中瑞岳華(香港)會計師事務所 to 羅申美會計師事務所.

RSM Hong Kong retires and, being eligible, offers itself for re-appointment. A motion for the re-appointment of RSM Hong Kong 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 2019

CHIEF EXECUTIVE OFFICER'S STATEMENT

OVERVIEW

The outlook for the global economy deteriorated during the reporting year. Geopolitical turbulence, macroeconomic and interest rates policy uncertainties, as well as mounting trade conflicts led to increasing financial market volatility especially in the second half of the year. On the other hand, the growth of the luxury fashion retail market in Hong Kong continued to be sustainable, although was weaker in the second, compared to the first, half year.

The positive developments for the year ended 31 December 2018 in the retail fashion business, treasury returns, and the revaluation of our investment property were unfortunately more than offset by the losses incurred by the investment portfolio and other long-held equities investments, recreational club operations and the revaluation of our resort and recreational club properties.

FINANCIAL REVIEW

The loss attributable to shareholders for the year ended 31 December 2018 amounted to HK$73,097,000 as compared with a net loss of HK$6,505,000 for the last corresponding year. The net loss mainly included the combination of a loss (excluding our share of the associate's result in 2017) from the retail fashion business of HK$89,000 (2017: HK$19,045,000), a loss from recreational club operations of HK$14,410,000 (2017: HK$8,749,000), and a segment loss of HK$48,537,000 (2017: a segment profit of HK$19,621,000), including bank interest income of HK$7,191,000, rental income of HK$1,140,000 and also related overhead cost contributed by the investments division. Loss from operations (after unallocated corporate administrative expenses) amounted to HK$70,192,000 (2017: HK$15,914,000). The fair value gain of HK$2,500,000 (2017: HK$7,100,000) on revaluation of the Group's investment property and the one-off income of HK$1,073,000 arising from gain on liquidation of subsidiaries (2017: HK$2,584,000 gain on disposal of interest in an associate) was offset by the deficit of HK$6,336,000 (2017: deficit write-back of HK$2,490,000) on revaluation of the Group's resort and recreational club properties. Loss per share attributable to owners of the Company was HK$4.43 cents (2017: Loss per share: HK$0.39 cents).

This significant increase in loss of HK$66,500,000 was mainly attributable to the following factors:

(1) before general and administrative expenses, net realised and unrealised losses of HK$33,332,000 (including interest and dividend income of HK$11,210,000, net losses on disposal of HK$12,394,000 and net unrealised fair value losses of HK$32,148,000) attributable to the losses incurred within the investment portfolio and other equities investments for the year ended 31 December 2018 as compared to net realised and unrealised gains of HK$35,219,000 (including interest and dividend income of HK$10,777,000, net gains on disposal of HK$20,820,000 and net unrealised fair value gains of HK$3,622,000) for the corresponding year in 2017.

    The significant decrease in return from the disposal of financial instruments was as a result of the fact that (i) in the 2017 financial year, the Group was able to record gains of HK$17,501,000 on the disposal of certain shares in Genovate Biotechnology Company, Limited ("Genovate"). However, as at 31 December 2017, the Group had disposed of all of its shares in Genovate; and (ii) the Group disposed most of its individual USD-denominated corporate bonds during the 2nd half the year of 2018 and recorded net losses of HK$7,813,000 which includes interest income of HK$5,233,000, loss on disposal of HK$10,373,000 and unrealised fair value loss HK$2,673,000. The significant increase in unrealised fair value losses was mainly caused by volatile and difficult financial market conditions, particularly in the last quarter.

    The decrease in returns by HK$68,551,000 from investment in financial instruments was offset to a small degree by improvement in treasury returns of bank interest income due to higher interest rates;

(2) a major turnaround leading to a substantial reduction of HK$18,956,000 in losses from the retail fashion business (excluding the share of an associate's result in 2017), producing a positive EBITDA of about HK$3.3 million for the first time in some years, was mainly due to substantially increased same store sales, the closure of an under-performing shop in Hong Kong in this year, continuing overhead and other cost reductions, together with a decrease in the net charge for inventories allowances because of the continuous clearance of aged-stock and substantial reduction of the inventories level;

(3) an increase in losses of HK$5,661,000 from recreational club operations was mainly attributable to a decrease in sales as a result of the temporary closure of some facilities for renovation and disruption in staff;

(4) a decrease in fair value gain of HK$4,600,000 from the revaluation of the Group's investment properties;

(5) a drop in fair value of the Group's resort and recreational club properties, resulting in a deficit of HK$6,336,000, as compared with a deficit write-back of HK$2,490,000 on revaluation of the Group's resort and recreational club properties for the last corresponding year;

(6) the Group recorded one-off income of HK$1,073,000 from the reclassification of exchange fluctuation reserve to profit or loss upon the liquidation of subsidiaries which had been engaged in the retail fashion business in China in prior years; and

(7) in the last corresponding year in 2017, the Group recorded a share of loss from an associate of HK$2,584,000. The Group disposed its investment in this associate in September 2017 and recorded a one-off gain of HK$2,584,000 from such disposal.

The Group's revenue is derived primarily from retail fashion business and recreational club operations conducted in Hong Kong and the income received and receivable from investments.

	2018	2017	Change
	HK$'000	*HK$'000*	
Wholesale and retail of fashion wear and accessories	**112,415**	127,425	(12%)
Resort and recreational club operations	**11,294**	15,358	(26%)
Dividend income	**5,977**	1,774	237%
Interest income	**12,424**	14,893	(17%)
Consolidated revenue	**142,110**	159,450	(11%)

The Group's revenue recognition methodology of each business activity is set out in note 4(s) to the consolidated financial statement.

The Group's consolidated revenue for the year ended 31 December 2018 declined by 11% to HK$142,110,000 (2017: HK$159,450,000) which was mainly attributable to the overall drop in sales of retail fashion products as a result of fewer points of sale. However, this closure also contributed to the near elimination of the segment losses. The Group's gross profit dropped to HK$91,512,000 (2017: HK$98,101,000), reflecting a 7% decrease. The Group's gross profit margin of 64% for the year ended 31 December 2018 was about 3% higher than 2017, driven by an improvement in gross profit margin from the retail fashion business. Such increase was mainly due to the decrease in the net charge for inventories allowances (included in cost of inventories sold), as a result of continuous clearance of aged-stock and substantial reduction of the inventories' level.

The Group's other income mainly comprised rental income from the Group's investment properties situated in Hong Kong. The management fees received from an associate ended in April 2017.

The Group's selling and distribution expenses dropped by 33% to HK$41,217,000 (2017: HK$61,787,000) and depreciation and amortization expenses decreased by 4% to HK$6,883,000 (2017: HK$7,187,000). The decreases in selling and distribution expenses and depreciation and amortization expenses were primarily attributable to the closure of the under-performing shop in Hong Kong at the end of February 2018.

The Group's administrative expenses decreased by 3% to HK$70,329,000 (2017: HK$72,444,000), mainly as a result of the containment of staff costs for the retail fashion business. These expenses also included legal costs associated with our successful Court of Final Appeal case, most of which should ultimately be recovered, and fees for the consultants who are working with us on the rezoning application for the Hilltop Club site in Tsuen Wan.

The Group's "other operating gains/(losses), net" mainly comprised net realised and unrealised fair value losses of HK$44,542,000 from investment in financial instruments (before interest and dividend income) by the investments division for the year ended 31 December 2018 as compared to net realised and unrealised fair value gains of HK$24,442,000 on investment in financial instruments by the investments division for the corresponding year in 2017.

BUSINESS REVIEW

Retail Fashion

Swank Hong Kong

Swank's performance was substantially better in 2018 than in 2017, resulting in a significant 99% reduction of losses, from HK$18,515,000 in 2017 to HK$89,000 in 2018. We improved the EBITDA from negative HK$14.4 million in 2017 to positive HK$3.3 million in 2018. Gross profit margin was improved from 54% in 2017 to 57% in 2018. This was a result of the closure of non-performing shops in Hong Kong, substantial effort to clear outstanding aging inventory, and improvements that were made in labour and overall overhead costs, and substantial increases in the same store sales of our retail fashion business.

As a result of greater control over new stock purchases and our merchandise allocation plan, we improved substantially our 2018 merchandise performance. All existing shops in 2018 made positive contributions to the overhead costs of the Group.

Resort and Recreational Club Operations

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

Opened in 1980 at the foothills of Tai Mo Shan in the Lo Wai District of Tsuen Wan with a total site area of over 400,000 square feet, Hilltop is one of the earliest private country clubs in Hong Kong providing recreational, sporting and other outdoor activities, conferences, dining and lodging facilities to its members and their guests.

Owing to the temporary closure of the European Restaurant and function and banquet rooms from June to September 2018 for upgrade and re-decoration works, plus the gradual aging of the other facilities and previous limitations imposed on long term bookings for banquet, residential conferences and weddings to maximize flexibility on the future operation mode of the club, sales decreased by 26% compared with 2017 to HK$11,294,000 in 2018. Nevertheless, the fixed operating costs remained at around the same level as last year and thus an operating loss of HK$14,410,000 for the year was recorded (2017: Loss: HK$8,749,000). However, banquet sales performance including wedding & party events were gradually back on track after the redecoration was completed in the 3rd quarter of 2018.

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 Lot Nos. 360, 360 Ext. and Ext. to 360 & Ext. thereto in D.D. 454, Lo Wai, Tsuen Wan, New Territories, Hong Kong, where Hilltop is situated, from "Other Specified Uses" annotated "Sports and Recreation Club" to "Residential (Group B) 6". The Rezoning Application is currently in process. We have recently been notified of a tentative date of 3 May 2019* for a meeting of the Metro Planning Committee, which is the relevant Planning Committee of the Town Planning Board, to consider the rezoning application. We will make a separate announcement once any outcome is known.

Investment in Financial Instruments

The purpose of Investment in Financial Instruments, which are managed on a fair value basis, is for earning distributions, yield enhancement and capital appreciation. During 2018, there were three major changes of the Group's Investment in Financial Instruments. The first one was the adoption of the HKFRS 9 since 1 January 2018 to comply with the Hong Kong Financial Reporting Standard. Since then, all the Group's investments in financial instruments are classified as Financial Assets at Fair Value through Profit or Loss ("FVPL"). The major impact from this change was that the unrealized mark-to-market gains or losses of the investment in corporate bonds would go to profit or losses directly in 2018, instead of going to other comprehensive income as in the previous years. The second change adopted by the Group was the reduction of investment in individual listed equities and corporate bonds by increasing the investment proportion in funds managed by professional fund managers in the marketable securities investment portfolio. The Group believed that those professional fund managers are better equipped to manage the investment risk in the uncertain and volatile investment market. The last major change was the increase in the size of the Group's marketable securities investment portfolio size by combining a proportion of the cash and non-pledged deposit holdings in the treasury portfolio with the aforementioned investment portfolio and investing these funds in external equity and debt-related investment funds, under the control of the Group. This new investment strategy started to be executed in August 2018 ("New Investment Strategy").

With the above three major changes, the Group's investment in financial instruments mainly includes 5 categories; (A) A Marketable Funds Investment Portfolio including unitized open-end fixed income, equity and money market funds; (B) Discretionary Investment portfolio managed by an Investment Bank but still under the control of the Group; (C) Listed Securities Investment; (D) USD-denominated corporate bonds; and (E) Private equity funds and a senior loan fund with a fixed term. As of 31 December 2018, the total carrying value of the Group's investment portfolio in financial instruments was HK$681,085,000 (31 December 2017: HK$372,528,000), representing approximately 71% (31 December 2017: 36%) of the carrying value of the Group's total assets.

Given the global economic environment in 2018, the investment market, including currencies, equities and fixed income investments was extremely volatile caused by factors such as increases during the year in US interest rates, the strengthening of the US dollar against most major currencies, the potential adverse impact of the US-China trade tension on the global economy, the uncertainty of the Brexit issue, the devaluation of the RMB and the PRC government's then existing deleveraging policy. Consequently, most investments in financial instruments recorded negative returns during this year. The main market benchmark for equity investments, the MSCI ACWI index was down by 9.4% in 2018, the worst performance year since the financial tsunami in 2008. The increasing US interest rates and the PRC government's deleveraging policy also caused most of the outstanding corporate bond prices to decline. Under this backdrop, the Group's investment in financial instruments recorded a net loss of HK$33,332,000 (2017: a net gain of HK$35,219,000) to the Group for the 12 months ended 31 December 2018 before general and administrative expenses. The major portion, 72%, of the fair value losses was attributed to the unrealized mark-to-market losses from investments.

A. **Marketable Funds Investment Portfolio – including unitized equity, fixed income and money market fund investments**

The marketable and investment portfolio includes four investment strategies, which are a money market portfolio, an investment grade & high yield bond funds portfolio, an enhanced yield fund portfolio and equity–based funds portfolio. All investments are marketable securities which are traded over-the-counter. The total carrying value of the Group's investment in the marketable funds investment portfolio was HK$512,478,000 as of 31 December 2018 (31 December 2017: HK$67,475,000), representing approximately 53.8% of carrying value of the Group's total assets and the asset allocation in the portfolio comprised of 3.9% money market funds, 47.7% fixed income funds, 38.6% enhanced income funds and 9.8% equity funds. The marketable funds investment portfolio recorded a net loss of HK$11,293,000 (or 2.1%) (2017: net gain of HK$7,433,000) for the 12 months ended 31 December 2018. The losses were mainly attributable to the unrealized market-to-market losses from the equity-fund investments. For the first 2 months ended 28 February 2019, since most of the securities asset prices have appreciated, the net positive return of the marketable funds investment portfolio is around HK$27,238,000 (or 5.3%) gain based on their fair value.

Money Market Portfolio

The Group held Money Market Fund, which is the Morgan Stanley USD Liquidity Fund, in this strategy. As at 31 December 2018, the Fair Value of the Group's investment in this strategy was HK$20,105,000, representing approximately 3.9% of carrying value of the marketable funds investment portfolio and 2.1% of carrying value of the Group's total assets. The investment objective of the Morgan Stanley USD Liquidity Fund is to provide liquidity and an attractive rate of income relative to short term interest rates. The total net return of the Group's investment in this fund was HK$218,000 (or 1.1%) gain for the 12 months ended 31 December 2018. The YTD 28 February 2019 total return of the Group's investment in this fund is around 0.4% gain.

Investment Grade & High Yield Bond Funds Portfolio

In this strategy, the Group held 8 fixed income funds, which can be mainly grouped into four categories, namely investment grade bond fund, high yield bond fund, preferred security fund and floating rate senior loan fund. As at 31 December 2018, the Fair Value of the Group's investment in this strategy was HK$244,106,000, representing approximately 47.7% of the carrying value of the marketable funds investment portfolio and 25.6% of carrying value of the Group's total assets. The total net return of the Group's investment was HK$3,996,000 (or 1.5%) in losses for the 12 months ended 31 December 2018. Below are the individual fund investments with fair values exceeding 1.5% of the carrying value of the Group's total assets:

PIMCO GIS- Income Fund

The PIMCO Income Fund is a portfolio that is actively managed and utilizes a broad range of fixed income securities to maximize current income while maintaining a relatively low risk profile, with a secondary goal of capital appreciation. The fund (Institutional Income Class USD) has a 5 year annualized return of 5.17% for the period 2014-2018. As at 31 December 2018, the Fair Value of the Group's investment in this Fund was HK$78,176,000, representing approximately 8.2% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$376,000 (or 0.5%) gain under the New Investment Strategy since August 2018. The YTD 28 February 2019 total return of the Group's investment in this fund is around 2.8% gain.

IP All Seasons Bond Fund

The IP All Seasons Bond Fund (managed by Income Partners Asset Management (HK) Limited) aims to generate income and capital growth through investments in global investment grade bonds. The Fund invests in bonds issued by governments, government agencies, corporations and financial institutions on a global basis, with a strong emphasis on the Asian region. At least 70% of the bond portfolio consists of investment-grade related securities. The fund (Class A Distribution) has a 5 year annualized return of 3.47% for the period 2014-2018. As at 31 December 2018, the Fair Value of the Group's investment in this Fund was HK$41,408,000, representing approximately 4.3% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$628,000 (or 1.5 %) losses under the New Investment Strategy since August 2018. The YTD 28 February 2019 total return of the Group's investment in this fund is around 4.6% gain.

Robeco High Yield Bond Fund

Robeco High Yield Bond Fund invests in corporate bonds with a sub-investment grade rating, issued primarily by issuers from the developed market (Europe/US). The selection of these bonds is mainly based on fundamental analysis. The portfolio is broadly diversified, with a structural bias to the higher-rated segment in high yield. Performance drivers are the top-down beta positioning as well as bottom-up issuer selection. The fund (Class DH USD) has a 5 year annualized return of 4.46% for the period 2014-2018. As at 31 December 2018, the Fair Value of the Group's investment in this Fund was HK$36,735,000, representing approximately 3.9% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$1,016,000 (or 2.6%) losses under the New Investment Strategy since August 2018. The YTD 28 February 2019 total return of the Group's investment in the fund is around 5.9% gain.

UBS (Lux) Bond Fund – Euro High Yield (USD Hedge)

The UBS Euro High Yield Bond Fund invests primarily in high-yield corporate bonds selected using strict criteria either denominated in EUR or hedged into EUR. When selecting issuers of such bonds, particular attention is taken to spread investments across the various credit ratings. The fund (Class K-1 with monthly distribution) has a 3 year annualized return of 5.49% for the period 2016-2018. As at 31 December 2018, the Fair Value of the Group's investment in this Fund was HK$34,293,000, representing approximately 3.6% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$906,000 (or 2.5%) losses under the New Investment Strategy since August 2018. The YTD 28 February 2019 total return of the Group's investment in the fund is around 4.6% gain.

Invesco US Senior Loan Fund

The Invesco US Senior Loan Fund invests primarily in senior secured loans to non-investment grade corporations organized or located in the United States or Canada with interest rates that float at a spread above LIBOR, reset about every 60 days. The fund (Class H) has a 5 year annualized return of 2.52% for the period 2014-2018. As at 31 December 2018, the Fair Value of the Group's investment in this Fund was HK$15,517,000, representing approximately 1.6% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$240,000 (or 1.5%) losses for the 12 months ended 31 December 2018. The YTD 28 February 2019 total return of the Group's investment in the fund is around 4.0% gain.

Algebris Financial Credit Fund

The Algebris Financial Credit Fund aims to achieve a high level of current income and modest capital appreciation by investing in senior and subordinated debt securities of the financial credit sector globally including hybrid capital instruments, preference shares and contingent convertible bonds (CoCos) with fixed and variable interest rates, which may be rated investment grade or below investment grade. The fund (I Class Accumulating) has an annualized return of 4.42% for the period since its inception in February 2015 and ended 31 December 2018. As at 31 December 2018, the Fair Value of the Group's investment in this Fund was HK$15,029,000, representing approximately 1.6% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$531,000 (or 3.4%) losses under the New Investment Strategy since August 2018. The YTD 28 February 2019 total return of the Group's investment in the fund is around 5.9% gain.

Principal Preferred Securities Fund

The Principal Preferred Securities Fund seeks to achieve its overall objective by investing primarily in a portfolio of US dollar denominated preferred securities and debt securities, including convertible bonds and contingent convertible securities (CoCos). The fund (Class I, accumulating USD) has a 5 year annualized return of 4.93% for the period 2014-2018. As at 31 December 2018, the Fair Value of the Group's investment in this Fund was HK$15,002,000, representing approximately 1.6% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$766,000 (or 4.9%) losses under the New Investment Strategy since August 2018. The YTD 28 February 2019 total return of the Group's investment in the fund is around 4.9% gain.

Enhanced Yield Fund Portfolio

As at 31 December 2018, the Group held 4 funds in this strategy with a Fair Value of HK$197,938,000, representing approximately 38.6% of carrying value of the marketable fund investment portfolio and 20.8% of carrying value of the Group's total assets. The Group's investments in each individual fund in these categories exceed 1.5% of carrying value of the Group's total assets.

Prudence Enhanced Income Fund

Prudence Enhanced Income Fund managed by Fangyuan Asset Management Limited is an absolute return long-short credit strategy which aims to generate stable income and capital appreciation primarily by investing in a variety of fixed income instruments. The strategy seeks opportunities throughout Asia. The fund (accumulating class) has a 5 year annualized return of 7.73% for the period 2014-2018. As at 31 December 2018, the Fair Value of the Group's investment in this Fund was HK$75,324,000, representing approximately 7.9% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$2,476,000 (or 3.2%) losses under the New Investment Strategy since August 2018. The YTD 28 February 2019 total return of the Group's investment in the fund is around 3.4% gain.

IP All Seasons Asian Credit Fund

The IP All Seasons Asian Credit Fund (managed by Income Partners Asset Management (HK) Limited) aims to provide an absolute return of capital growth and income by investing in the liquid Asian credit markets while minimizing return volatility. The Fund seeks to enhance returns for this portfolio by (a) relative value trading; (b) utilizing credit derivatives such as credit linked notes and credit default baskets; and (c) employing leverage. It also employs various tactical approaches, including a country rotation approach, a sector rotation approach; and an instrument/arbitrage approach. With an aim to minimize return volatility, the Fund utilizes dynamic hedging strategies to hedge out certain interest rate, currency and credit risks from time to time. The fund (Accumulation Class) has a 5 year annualized return of 7.06% for the period 2014-2018. As at 31 December 2018, the Fair Value of the Group's investment in this Fund was HK$62,033,000, representing approximately 6.5% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$207,000 (or 0.3%) losses under the New Investment Strategy since August 2018. The YTD 28 February 2019 total return of the Group's investment in the fund is around 6.4% gain.

H2O Allegro Fund

H2O Allegro Fund is an open-ended fund registered in France and is managed by H2O AM LLP. The management concept of the Fund is global macro. Its investment universe includes Sovereign bond and credit bonds issued or guaranteed by an OECD member country, and currencies. The fund (Class I, USD hedge) has an annualized return of 20.25% for the period since the share class was incepted in February 2015 and ending 31 December 2018. As at 31 December 2018, the Fair Value of the Group's investment in this Fund was HK$46,167,000, representing approximately 4.8% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$7,267,000 (or 18.7%) gain under the New Investment Strategy since August 2018. The YTD 28 February 2019 total return of the Group's investment in the fund is around 2.7% gain.

Allianz Income & Growth Fund

The Allianz Income and Growth Fund is a multi-asset fund managed by AllianzGI US which mainly invests in a combination of equity instruments, high-yield and convertible bonds from issuers domiciled in USA or Canada. The fund (Class I, accumulating) has an annualized return of 4.17% for the period 2014-2018. As at 31 December 2018, the Fair Value of the Group's investment in this Fund was HK$14,414,000, representing approximately 1.6% of carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$1,472,000 (or 9.3%) losses under the New Investment Strategy since August 2018. The YTD 28 February 2019 total return of the Group's investment in the fund is around 9.5% gain.

Equity–Based Funds Portfolio

As a result of concern about the state of the market, the management deliberately held back on fully investing in the equity component of the marketable funds investment portfolio. As at 31 December, the Group held 8 equity-based funds with a Fair Value of HK$50,329,000, representing approximately 9.8% of carrying value of the marketable fund investment portfolio and 5.3% of carrying value of the Group's total assets. The Equity-based Funds Portfolio includes 3 technology funds, 3 China opportunity funds, one European Growth Fund and one Long term theme fund. No individual fund investment in the strategy exceeds 1.5% of carrying value of the Group's total assets. The total net return of the Group's investment in these funds was HK$10,627,000 (or 15.3%) losses for the 12 months ended 31 December 2018. The YTD 28 February 2019 total return of the Group's investment in these funds is around 15% gain.

B. A Discretionary Investment Portfolio managed by Morgan Stanley Asia International Limited ("MS Portfolio")

Still under the control of, and with each security in the name of the Group, we have allocated a certain portion of our investment to a discretionary management portfolio managed on our behalf by Morgan Stanley Asia International Limited. The MS Portfolio offers a bespoke asset allocation solution based upon Morgan Stanley Global Investment Committee Model recommendations and dynamically incorporated monitoring of the macroeconomic outlook, market conditions, fund manager views and fund portfolio positioning into the portfolio. Investments are made via traditional and sophisticated multi-asset, equity and fixed income funds, ETFs and money market instruments. As of 31 December 2018, the total carrying value of the MS Portfolio was HK$51,589,000 with 20 fund/ETF holdings (31 December 2017: HK$Nil), representing approximately 5.5% of the carrying value of the Group's total assets. The asset allocation in the portfolio as at 31 December 2018 comprised of 45.4% money market fund, 10.7% fixed income funds, 34.8 % equity funds and others 9.1 %. The underlying assets in the MS Portfolio are being set up gradually to spread risk and thus a certain portion of the funds was invested in the Money Market Fund awaiting suitable opportunities. The MS Portfolio recorded a net loss of HK$2,355,000 (or 4.4%) (2017: HK$Nil) under the New Investment Strategy since August 2018. The YTD 28 February 2019 total return of the Group's investment in this MS Portfolio is around 4.5% gain.

C. Listed Equity Investments

Under the intention to minimize the Group's investments in individual listed stocks and corporate bonds and increase substantially the proportion of its investment mainly in unitized equity and fixed income funds managed by professional asset managers, the Group has disposed most of its listed stock holdings by the end of 2018. As of 31 December 2018, the Group directly held only two listed securities in our portfolio, which are China Motor Bus Limited ("CMB") and PuraPharm Corporation Limited ("PuraPharm"). As of 31 December 2018, the total carrying value of investment in CMB and PuraPharm shares was HK$47,124,000 (31 December 2017: HK$57,360,000), representing approximately 4.9% of carrying value of the Group's total assets. The investment in CMB and PuraPharm recorded a net loss of HK$9,304,000, which represents an unrealized fair value loss of HK$10,237,000, net off with dividend income of HK$933,000 to the Group for the 12 months ended 31 December 2018 (31 December 2017: HK$3,951,000 loss). The net return of the other disposed listed stock was HK$1,372,000 loss (31 December 2017: HK$4,441,000 gain).

China Motor Bus

The Group has had an investment in the shares of CMB for many years. As reported in the 2016 Annual Report and in our related announcement of 28 December 2016, the Group took advantage of an offer from a fund specialized in extracting value from underperforming assets to reduce substantially, and at a substantial profit, our illiquid stake in this Hong Kong listed company which is now mainly a property developer. The Group believes that CMB's share price trades at a substantial discount to both its stated and its potential net asset value, and accordingly kept a small portion of its securities in order to benefit from the potential upside. It is the intention of the Group to retain this stock until a further profit opportunity arises. In the meantime, we obtain a moderate but reasonable dividend income (currently around 3% on market value) from the holding.

PuraPharm Corporation Limited

The Group invested in the pre-IPO of PuraPharm, a substantial supplier of Chinese medicine in Hong Kong, and sold approximately 40% of its stake into the IPO with profitable results which have previously been reported. The remaining 60% of its stake was retained at the time for future appreciation. Although the share price has recently reduced as a result of matters that PuraPharm has itself announced, we have kept in close touch with the management of the now-listed company and are hopeful that the market will again realize the potential value of the business PuraPharm has created and the inherent potential of PuraPharm's listed shares. Liquidity in the stock is low, diminishing our options, however, we will be keeping the investment under review.

D. Debt Investments – Listed USD corporate bond investments mainly with fixed tenor

In 2018, for the reason of interest rate increases in US, the deleveraging of the Chinese economy and other previously noted factors, most corporate bonds prices declined. The Group's investment in corporate bonds recorded a net loss of HK$7,813,000 for the 12 months ended 31 December 2018 (2017: a net gain of HK$9,593,000 to profit or loss and unrealized fair value net gain of HK$934,000 to other comprehensive income).

As with the listed equity investments, with the Group's intention to reduce investments in individual bonds, the total carrying value of the Group's investment in corporate bonds had reduced to HK$19,147,000 as of 31 December 2018 (31 December 2017: HK$189,853,000, with listed and unlisted corporate bonds) representing approximately 2.0% of carrying value of the Group's total assets.

E. **Other Fund Investments - ASEAN China Investment Fund III L.P. ("ACIF III"), ASEAN China Investment Fund IV L.P. ("ACIF IV") and Invesco US Senior Loans 2021, L.P. Fund**

The total carrying value of the Group's investment in this category was HK$50,747,000 (31 December 2017: HK$37,054,000) as of 31 December 2018 and it recorded a net loss of HK$1,195,000 (2017: a net gain of HK$17,703,000 to profit or loss) for the 12 months ended 31 December 2018. The decrease of return in 2018 compared in 2017 was mainly caused by the lack of HK$17,501,000 disposal gain from the Genovate shares, which was grouped under this category in last year.

ACIF III Fund (Private Equity)

The Group made an investment commitment of US$4 million (equivalent to HK$31,120,000) in ACIF III for a 1.532% shareholding. ACIF III, is managed out of Singapore by UOB Venture Management Private Limited ("UOBVM") team and targets investments in growth oriented companies operating in East and South East Asia and China. As of 31 December 2018, the Group has a total invested of HK$27,643,000 in this fund and its capital value was HK$34,828,000 based on the management accounts it has provided. The total return of the Group's investment in ACIF III is HK$7,695,000 since we made our investment commitment in July 2016. The total return of the Group's investment in ACIF III to Profit or Loss for the year 2018 is HK$682,000 losses as most of the fair value gain was booked in the previous financial years.

The Group is nevertheless very happy with the performance of this long-term private-equity investment which helps us to manage our risk by giving us an exposure to a wide and diverse range of potentially profitable private equity investments managed by a tried and tested Manager. Based on the briefings provided by the manager to the Limited Partners in the fund of which we are one, and the reason for its mark-to-market performance in 2018, we have confidence in both its performance and its prospects.

ACIF IV Fund (Private Equity)

With the success of ACIF III, the Group made a capital commitment of US$4 million (equivalent to HK$31,120,000) in ACIF IV in December 2018 for a 2.979% shareholding. Like all private equity funds, the actual draw down of funds will take place as required by the underlying investments over a few years.

ACIF IV Fund is an exempted limited partnership incorporated in the Cayman Island on 20 February 2018, which is a closed–end private equity fund. The Fund is also managed out of Singapore by UOBVM team, and is a "follow-on" fund to its predecessors (ACIF I, ACIF II and ACIF III) and continues its focus of investing primarily via minority stakes in expansion stage capital opportunities through privately negotiated equity and equity related investments in growing small and medium sized companies benefitting from the continuing expansion of trade and investment among the ASEAN member-states and China, and their respective overseas trading partners.

The total return of ENM's investment in ACIF IV to Profit or Loss for the year 2018 is HK$528,000 in losses which was the management fee charged by the General Partner (partly for the "catch up" from the previous closing) and the administration fee of the fund. This is normal at this early stage of a private equity fund and was anticipated and flagged at the time of the investment.

Investment Portfolio

The purpose of Investment in Financial Instruments, which are managed on a fair value basis, is for earning distributions, yield enhancement, capital appreciation and liquidity. In view of the volatile and uncertain investment environment, in order to improve performance and to better manage risk, the importance to shareholders of the potential returns and the increasing requirement for increasingly specialized and skilled investment management, the Group intended to minimize its investments in individual listed stocks and corporate bonds and increase substantially the proportion of its investment mainly in unitized equity and fixed income funds managed by professional and substantial asset managers. Also, the Group has allocated a certain portion of its investment to a discretionary portfolio management portfolio, still under the control of the Group but managed by an Investment Bank in Hong Kong.

The details of the purpose, performance and business risks of investments, strategy for future investments and the prospects of investments are set out in other parts of the Chief Executive Officer’s statement.

The Group’s investment portfolio as at 31 December 2018 was as follows:

Stock code/ ISIN code/ Bloomberg code	Company Name	Principal businesses	Number of shares/units held as at 31 December 2018 ‘000	Note	Percentage of shareholding as at 31 December 2018 %	Investment Cost of investments held as at 31 December 2018 HKD’000 (Note 6)	For the year ended 31 December 2018: Fair value Gain/(loss) HKD’000	Gain/(loss) on disposal HKD’000	Interest income HKD’000	Dividend income HKD’000	Total HKD’000	Fair value as at 31 December 2018 HKD’000	Percentage of the Group’s total assets as at 31 December 2018 %
Financial Assets at fair value through profit or loss													
– Current assets													
A. Marketable Funds Investment Portfolio, at fair value													
Unlisted													
Money Market Portfolio													
MSUSQAC LX	Morgan Stanley USD Liquidity Fund	Money market fund	25	*1*	N/A	19,887	218	–	–	–	218	20,105	2.1%
Investment Grade & High Yield Bonds Funds Portfolio													
PINCMII ID	PIMCO GIS – Income Fund	Fixed income fund	892		N/A	79,063	(887)	–	–	1,263	376	78,176	8.2%
IPASBAD KY	IP All Seasons Bond Fund	Fixed income fund	53		N/A	42,790	(1,382)	–	–	754	(628)	41,408	4.3%
RHYBCHU LX	Robeco Capital Growth Funds SICAV - High Yield Bonds	Fixed income fund	48		N/A	38,900	(2,165)	–	–	1,149	(1,016)	36,735	3.9%
UBEHK1U LX	UBS (Lux) Bond Fund - Euro High Yield (EUR) (USD hedged) K-1 mdist	Fixed income fund	0		N/A	36,003	(1,709)	–	–	803	(906)	34,293	3.6%
LU0258954014	Invesco Zodiac Funds FCP-SIF - Invesco US Senior Loan Fund	Senior Loan fund	6		N/A	15,560	(240)	–	–	–	(240)	15,517	1.6%
ALGFIUS ID	Algebris Ucits - Alge Fin-I-Acc-USD	Fixed income fund	16		N/A	15,560	(531)	–	–	–	(531)	15,029	1.6%
PGIPSIA ID	Principal Global Investors Funds - Preferred Securities Fund	Fixed income fund	92		N/A	15,560	(766)	–	–	–	(766)	15,002	1.6%
GSAPUDH KY	Goldman Sachs INV UNT TST-AS High Yield Bond Fund	Fixed income fund	87		N/A	7,780	(291)	–	–	–	(291)	7,946	0.8%
	Others	N/A			N/A	N/A	–	(111)	–	117	6	–	0.0%
Subtotal							(7,971)	(111)	–	4,086	(3,996)	244,106	25.6%

							For the year ended 31 December 2018						
Stock code/ ISIN code/ Bloomberg code	Company Name	Principal businesses	Number of shares/units held as at 31 December 2018 '000	Note	Percentage of shareholding as at 31 December 2018 %	Investment Cost of investments held as at 31 December 2018 HKD'000 *(Note 6)*	Fair value Gain/(loss) HKD'000	Gain/(loss) on disposal HKD'000	Interest income HKD'000	Dividend income HKD'000	Total HKD'000	Fair value as at 31 December 2018 HKD'000	Percentage of the Group's total assets as at 31 December 2018 %
Enhanced Yield Fund Portfolio													
PRUENHN KY	Prudence Enhanced Income Fund - US series 96	Alternative fund	13		N/A	77,800	(2,476)	–	–	–	(2,476)	75,324	7.9%
ASCREHA KY	IP All seasons Asian credit fund	Fixed income fund	256		N/A	62,240	(207)	–	–	–	(207)	62,033	6.5%
NAHAHUI FP	H2O Allegro USD (Accumulation)	Alternative fund	0		N/A	38,900	7,267	–	–	–	7,267	46,167	4.8%
ALZIGIT LX	Allianz Income & Growth-IT-USD	Multi assets fund	1		N/A	15,887	(1,472)	–	–	–	(1,472)	14,414	1.6%
Subtotal							3,112	–	–	–	3,112	197,938	20.8%
Equity-Based Funds Portfolio													
TRGBTEI LX	T.Rowe Price Global Technology Equity Fund	Equity fund	86		N/A	11,650	(1,283)	–	–	–	(1,283)	10,367	1.1%
UBSCHOA	UBS (CAY) China A Opportunity Fund	Equity fund	4		N/A	6,182	(2,340)	–	–	–	(2,340)	7,636	0.8%
ULTTUPA LX	UBS (LUX) Equity - Long Term themes P- Acc Fund	Equity fund	7		N/A	7,391	(1,119)	–	–	–	(1,119)	6,639	0.7%
JPGEULU LX	Jupiter European Growth Fund Class L	Equity fund	54		N/A	7,235	(615)	(98)	–	–	(713)	6,816	0.7%
ASTEABR KY	Asian Technology Absolute Return Fund Series 34	Equity fund	6		N/A	7,780	(1,077)	–	–	–	(1,077)	6,703	0.7%
CSGREBU LX	CS Global Robotics Equity Fund	Equity fund	58		N/A	7,858	(1,392)	–	–	–	(1,392)	6,466	0.7%
	Others	Equity Fund		*2*	N/A	N/A	(2,838)	135	–	–	(2,703)	5,702	0.6%
Subtotal							(10,664)	37	–	–	(10,627)	50,329	5.3%
							(15,305)	(74)	–	4,086	(11,293)	512,478	53.8%
B. Discretionary Investment Portfolio managed by Morgan Stanley Asia International Limited, at fair value													
Unlisted													
MSUSQAC LX	Morgan Stanley USD Liquidity Fund	Money market fund	29		N/A	23,249	174	88	–	–	262	23,423	2.5%
	Others	Mainly Equity Fund and Bond Fund		*3*	N/A	N/A	(2,242)	(391)	–	16	(2,617)	28,166	3.0%
							(2,068)	(303)	–	16	(2,355)	51,589	5.5%

							For the year ended 31 December 2018						
Stock code/ ISIN code/ Bloomberg code	Company Name	Principal businesses	Number of shares/units held as at 31 December 2018 '000	Note	Percentage of shareholding as at 31 December 2018 %	Investment Cost of investments held as at 31 December 2018 HKD'000 *(Note 6)*	Fair value Gain/(loss) HKD'000	Gain/(loss) on disposal HKD'000	Interest income HKD'000	Dividend income HKD'000	Total HKD'000	Fair value as at 31 December 2018 HKD'000	Percentage of the Group's total assets as at 31 December 2018 %
C. Listed Equity Investments, at fair value													
Listed Hong Kong													
26	China Motor Bus Company Limited	Property Development and Investment	292		0.64%	14,466	(1,662)	–	–	933	(729)	27,761	2.9%
1498	PuraPharm Corporation Limited	Chinese medicine company	9,221		3.72%	36,371	(8,575)	–	–	–	(8,575)	19,363	2.0%
	Others	N/A			N/A	N/A	–	(1,644)	–	272	(1,372)	–	0.0%
							(10,237)	(1,644)	–	1,205	(10,676)	47,124	4.9%
D. Debt Investments, at fair value													
Listed Hong Kong and Overseas and unlisted USD bonds				*4*			(2,673)	(10,373)	5,233	–	(7,813)	19,147	2.0%
– Non-current assets													
E. Other Fund Investments, at fair value													
Unlisted investments													
N/A	ASEAN China Investment Fund III L.P.	Private Equity Fund	3,525	*5*	1.532%	27,642	(1,192)	–	–	510	(682)	34,828	3.7%
N/A	ASEAN China Investment Fund IV L.P.	Private Equity Fund	1,630	*5*	2.979%	12,712	(528)	–	–	–	(528)	12,184	1.3%
	Others				N/A	N/A	(145)	–	–	160	15	3,735	0.3%
							(1,865)	–	–	670	(1,195)	50,747	5.3%
	Total						(32,148)	(12,394)	5,233	5,977	(33,332)	**681,085**	71.5%

Notes:

1) The fund investments are traded over the counter and held as alternative liquidity option other than bank balances and are classified as cash equivalent for the purpose of statement of cash flows.

2) Including fund investment disposed during the year and the Group's other 2 investments in unlisted equity fund held at the year end. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 31 December 2018.

3) Including fund investments disposed during the year and the Group's other 19 investments mainly in unlisted bond and equity fund held at the year end. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 31 December 2018.

4) Including debt investments disposed during the year and other 5 investments in USD bonds with fixed tenor/USD perpetual bonds held at year end. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 31 December 2018.

5) It represents the Partners' capital paid-up amount in Thousand US Dollars which the Group had paid as at 31 December 2018.

6) For investments held at year end with carrying value more than 0.5% of the Group's total asset as at 31 December 2018.

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

On 21 November 2018, ENM Wealth Management Limited (the "Subscriber"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with ACIF GP Ltd., pursuant to which, the Subscriber agreed to subscribe for Class A Limited Partner Interests in ASEAN China Investment Fund IV L.P. with a capital commitment of US$4,000,000 (the "ACIF IV Subscription"). Upon aggregation of the ACIF III Investment and the ACIF IV Subscription, the ACIF IV Subscription 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 21 November 2018.

Other than as outlined above, the Group had no material acquisition and disposal of investments during the year ended 31 December 2018.

KEY RISKS AND UNCERTAINTIES

The Group's business prospects, operating results and financial condition have been and will continue to be 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 additional to the key risk areas outlined below.

Business Risks

a. Retail Fashion Market

According to data from the HKSAR Census and Statistics Department, the Hong Kong economy grew by 3.0% for 2018 as a whole, marking the second year of above-trend growth. Yet, the growth rate decelerated visibly in the second half of the year.

Although the value of total retail sales in Hong Kong was provisionally estimated at $485.2 billion, an increase of 8.8% in value and 7.6% in volume over 2017, analyzing by broad type of retail outlet the provisional estimate of the value of sales and comparing December 2018 with December 2017, the value of sales of luxury goods decreased by 4.9% in December 2018 compared with the earlier year. This was followed by sales of wearing apparel (-0.3% in value); the value of retail sales in December 2018 slackened further to record little change from a year earlier, reflecting the cautious consumption sentiment.

External uncertainties, particularly those stemming from the US-Mainland trade conflicts and the previous US interest rate hikes, global pricing and e-commerce will impact the performance of luxury goods markets, and thus affects Swank's competitiveness and gross profit margins.

Moreover, limited choice of suitable locations and the skyhigh rental in prime shopping malls in Hong Kong, the increasing market share of on-line shopping and globalized pricing will also affect the competiveness of primarily brick and mortar retailers such as us.

The unpredictable climate change and global warming also affect our merchandising mix and customer behaviour.

Our retail business is heavily supported by capable front line and back end staff. The stability of the work force will be a challenge since the Hong Kong unemployment rate has been and continues at a record low during the several past years. The expansion of international brands' own mono-stores also deepened the competition for retail talent. We will fully focus on staff retention, to increase loyalty, commitment to the company, via training, together with attractive and achievable incentive KPI schemes. Swank continues to strengthen its seasoned and professional operation and merchandising teams to keep pace with the requirements of the difficult market.

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

We have also conducted periodic leasing market surveys and rental benchmarking to closely monitor rental cost. These combined efforts, along with closures of poorly performing 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 and our current Paule Ka mono-band store. We will focus our expansion strategy including bricks & mortar shops, and online platforms, via Swank, and franchisee or joint ventures with international brands.

b. Resort and Recreation Club

The Company submitted an 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. The relevant Committee of the Town Planning Board is currently tentatively scheduled to have a meeting for reviewing the application in May 2019*. However, the whole rezoning progress and program are at a preliminary stage, thus Club still remains in operation. However, if the rezoning application process could not be progressed in the 2019, the Club will have to revitalize its operation and search for other business models to fully reflect the potential of the site.

c. Financial Instruments Investments

The risks for financial instruments investments mainly include market risks, issuer risk associated with a specific issuer of a security, liquidity risk and currency risks. Market risk refers to the impact on performance of an investment product caused by the fluctuation of the general global, regional or local economic situation, along with the political and economic factors in the relevant countries or business sectors. In particular, any changes in market rates or prices (e.g. interest rates, stock prices, foreign exchange rates, or commodity prices) could have a significant impact on the valuation of the investment securities. Issuer risk refer to the ability of an Issuer, and/or a Guarantor (if any), to meet its payment obligation to the investor. Liquidity risk consists of secondary market risk and redemption risk. If investor tries to sell a security, he may not be able to find a buyer or the sale price may be below his original purchase price in the secondary market and/or there might be redemption restriction for certain funds investments. If the product is denominated in a currency other than our base currency, changes in the rate of exchange may have an adverse effect on value, price or income in respect of the investment product.

In 2018, the global investment market was extremely volatile mainly caused by market risk factors such as increases in US interest rates, the strengthening of the US dollar against most major currencies, the Sino-US trade war conflict, the PRC government’s then existing deleveraging policy, and concern about ongoing global growth and the stage of the market. In 2019, the market now expects that US interest rates may increase only once at most after the Federal Reserve said it would be “patient” on future interest rate moves, and also signaled flexibility on the path for reducing its balance sheet in January, meaning that its ‘tightening” policy was eased. We believe that the uncertainties on the US-China trade war conflict could still affect the global economy and investment market as well as HK and mainland issuers of both bonds and equities. With this backdrop, the Group will continue a prudent approach to balance the risks and returns of our investment portfolio. Firstly, we will continue to diversify the asset allocation of our investment portfolio management. Also as mentioned in our 2018 interim report, we have increased substantially the proportion of our investment mainly in unitized equity, and fixed income funds and set up a discretionary portfolio under our control but managed by professional asset managers to assist us in monitoring and managing the different risks. Furthermore, no speculative derivative investment is allowed in the Group’s Investment Portfolio to avoid exposure to high risk products.

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.

Cyber risk and security and Data fraud or theft

With the increasing number of cyber-attack and data breaches occurring globally in recent years, cyber security and data protection have become an area of focus for the Group. In order to avoid and mitigate cyber risk and to protect our data, we have developed comprehensive internal control guidelines for information security, and our Internal Control handbook will be reviewed periodically and updated, as required. Following are some of the controls and protections we have already applied in our Group as information security measures:

(a) Implementation of Next Generation Firewall

(b) Installation of Anti-Virus and Anti-Spam protections

(c) Using email filtering service provided by a professional security vendor

(d) Periodical data backup

(e) Appropriate operating system patch update

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 our desire to minimize all of our input costs (including that of labour) have led to the risk that the Group may not be able to attract and retain key personnel and talent with appropriate and required skills, experience and competence to assist in meeting our business objectives.

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

Legal and Compliance Risks

Legal and compliance risks relate to risks arising from the government and regulatory environment and actions, including those resulting from our obligations to The 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.

TREASURY MANAGEMENT/POLICIES

As part of the ordinary activity of the Group, the Treasury function actively manages the cash and borrowings of the Group to ensure sufficient funds are available to meet our Group's commitments and day-to-day operations. The Group's liquidity and financial requirements are reviewed regularly.

In order to minimise risk, the Group continues to adopt a prudent approach regarding cash management and foreign exchange exposure. Treasury is permitted to invest cash in short-term deposits subject to specified limits and guidelines. Forward foreign exchange contracts are utilized when considered appropriate to mitigate foreign exchange exposures subject to specified limits and guidelines.

The Group's imported purchases are mainly denominated in Euro, with insignificant portions in Yen, British Pounds and United States dollars and a negligible portion of investments are denominated in currencies other than United States dollars and Hong Kong dollars. The Group has undertaken small-scale hedging to protect its position, particularly with respect to the Euro 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. Typically, the Group purchases forward Euro and Euro cash amounting to approximately half of its anticipated purchase requirement.

LIQUIDITY AND FINANCIAL POSITION

At 31 December 2018, the Group was in a solid financial position with cash and non-pledged deposit holdings of HK$101,071,000 (31 December 2017: HK$475,945,000). At 31 December 2018, total borrowings amounted to HK$3,195,000 (31 December 2017: HK$5,734,000) with HK$3,195,000 (31 December 2017: HK$5,734,000) repayment falling due within one year. Although with rising interest rates, the returns in terms of bank interest income of HK$7,191,000 (2017: HK$5,858,000) on the Group's cash investments have improved compared to 2017, such a method of investment still does not ensure that a substantial proportion of the Group's balance sheet works as hard as it can for the benefit of all shareholders. Thus, as mentioned in our interim report for 2018, the Group has invested a substantial proportion of the cash and non-pledged deposit holdings in external unitized equity and debt-related investment funds during the 2nd half of the year. The Group will retain more than enough cash deposits for its daily activities in the treasury portfolio, and has chosen a high proportion of the funds including the money market funds as an alternative liquidity option classified as cash equivalent in which it will invest to ensure that there is more than adequate liquidity to deal with any likely eventuality as though the funds had been retained as cash. The Group's gearing ratio (a comparison of total borrowings with equity attributable to equity holders of the Company) was 0.3% at the year end date (31 December 2017: 0.6%). The current ratio at 31 December 2018 was 27.5 times (31 December 2017: 20.2 times).

At 31 December 2018, the Group's bank balance and borrowings were primarily denominated in United States dollars, Hong Kong dollars and Euro and exchange differences were reflected in the audited consolidated financial statements. All borrowings of the Group are on a floating rate basis.

PLEDGE OF ASSETS

At 31 December 2018, pledges of the Group's fixed deposits of HK$12,334,000 (31 December 2017: HK$12,334,000) and listed equity investments of HK$Nil (31 December 2017: HK$1,251,000) were given to banks to secure trade banking facilities to the extent of HK$30,000,000 (31 December 2017: HK$30,000,000), a bank loan of HK$Nil (31 December 2017: HK$1,207,000) and foreign exchange facilities.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

Our Resort and Recreational Club Operation, Hilltop operates strictly in compliance with the Clubs (Safety of Premises) Ordinance and related laws and regulations to obtain a certificate of Compliance from the Licensing Authority of the Home Affairs Department, 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 the 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 Employees' Compensation Ordinance, the Minimum Wage Ordinance, the Mandatory Provident Fund Schemes Ordinance, Occupational Retirement Schemes Ordinance and the Personal Data (Privacy) Ordinance, those 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 2018, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group.

IMPORTANT EVENTS AFTER THE FINANCIAL YEAR

There have been no important events 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 2018 are set out in note 34 to the consolidated financial statements.

The Court of Final Appeal ("CFA") hearing with respect to the Company's maintenance obligations for the slopes along Hilltop Road took place on 25 April 2018 and the judgment of the CFA was handed down on 9 May 2018 ("the CFA judgment"). Pursuant to the CFA judgment, the First Special Condition of the New Grant (which is the underlying land grant for the Club) does not impose any maintenance duty on the slope features which had been the subject of the Orders. It is very clear that the Company's contingent and potential liabilities in regard to these matters are substantially diminished.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 134 staff, including Executive Directors compared with 158 as at 31 December 2017. Total employee costs (including Directors' emoluments) were approximately HK$53,349,000 for the year ended 31 December 2018 (2017: HK$59,005,000). 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 the men's and ladies fashion store in Pacific Place, concentrating our efforts on improving the performance of our 2 multi-brand stores in the Landmark Atrium, and also our Paule Ka mono-brand store. This substantially reduced occupancy and labour costs, and enhanced the sales efficiency per square foot of our Landmark stores, with the support of our loyal and effective VIPs, our data-base of clients and our long-serving staff, some of whom were transferred to the Landmark stores.

Sustained by the significantly improved operating figures for 2018, the Group can now focus on identifying the best performing brands in our portfolio, and seize the chance to expand those high potential brands into mono-brand stores.

At the same time, we are planning to build up our online sales platform and partner with on-line e-tailers to broaden our sales channels.

Hilltop

With the positive feedback on the re-decoration of the European Restaurant and banquet and function rooms, the Club Management & the Sales Team will focus on promoting weddings, banquet reception and conferences consistent with its licence. The management is reasonably confident on the outlook of business of the Club in the coming year even given the downturn in the broader economy.

Investment

After a volatile and difficult year for investment in marketable securities in 2018, we foresee the investment market in 2019 as still turbulent. On the one hand under the US-China trade conflict and the background of uncertainty about Brexit and other European Union issues, we anticipate that the growth in the global economy and corporate earnings will slow. On the other hand, the market expects that the Federal Reserve will slow down the interest rate increases in 2019 which has already contributed to a rebound in prices for fixed income instruments in the last few months. Under the above backdrop, the Group will continue its prudent approach to balance the risks and reward of our investment portfolio by diversification of securities type, geography and nature of industries.

At of the date of announcement, we can anticipate a better performance for 2019. However, we are acutely aware that this can change rapidly as we live and operate in an uncertain and volatile environment in all of our activities.

APPRECIATION

Mr. Wing Tung YEUNG has been an Executive Director of the Company since November 2002. Mr. Yeung has planned to retire at the age of 65 years old in order to devote more time to his family and to pursue his other personal development. Mr. Yeung has informed the Company that he will not be seeking re-election at the 2019 Annual General Meeting (the "2019 AGM") to be held in June 2019 when he reaches the age of 65 years and will therefore retire as an Executive Director of the Company at the conclusion of the 2019 AGM.

I would like to thank Mr. Yeung for his dedicated service and invaluable contributions to the Board, the Company and its shareholders over the past years.

David Charles PARKER
Executive Director and Chief Executive Officer

Hong Kong, 27 March 2019

* Subsequent to the date of this report, we have been further notified of a revised tentative date of 21 June 2019 for a meeting of the Metro Planning Committee.

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. David Charles PARKER, aged 65, has been an Executive Director 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 previous close to eight years, held various positions in the 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 control, information technology, hotel operations, cinema operations and corporate social responsibility activities, and had represented it for various external investments and bodies. During his time as Chief Operating Officer of the listed financial services holding company Sun Hung Kai & Co. Ltd, 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 64, 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 68, 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 the 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 director and a member of the executive committee of Chime Corporation Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Leung is also a member of the executive committee of Diamond Leaf Limited, Parasia Limited and Solution Bridge Limited, which are all substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kin Wing CHEUNG, aged 64, 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 62, 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 68, 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) and a member of the American Institute of Certified Public Accountants. 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 (former name Ms. Sarah Elizabeth YOUNG), aged 55, 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. Since 2014 Ms. O'Donnell has served in an advisory capacity for USA and Asia-based brands/retail concepts in the fine jewellery, fashion, fashion accessories, and beauty spheres in addition to co-founding a digital marketplace. 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 ran Hong Kong Seibu department stores, and she also created and operated the cosmetics mega-stores, BEAUTY AVENUE. 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/Singapore and senior buyer of womenswear and gifts & home for Lane Crawford. 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 of approximately two years commencing from the date of the annual general meeting at which they are re-elected and expiring at the annual general meeting to be held two years thereafter, 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 45, 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, United Kingdom.

Ms. Hoi Ying Cherry LAW, aged 42, joined the Group in September 2017. Ms. Law is the General Manager and Director of Merchandising & Commercial 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 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 Red Valentino. 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.

Ms. Pui Man CHENG, aged 46, 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 Listing Rules throughout the year ended 31 December 2018.

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 30 to 32 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").

On 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 26 January 2017, Ms. Sarah Young O'DONNELL has no longer provided any further 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.

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. 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.

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.

All Non-executive Director and Independent Non-executive Directors are appointed for a specific term of approximately two years commencing from the date of the annual general meeting at which they are re-elected and expiring at the annual general meeting to be held 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.

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 2018.

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. All corporate policies would also be provided to new Directors by the Company Secretary.

During the year ended 31 December 2018, the Company arranged for the Directors a training session on the development of regulatory updates and issues.

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.

The Directors provide the Company with their training records annually and such records are maintained by the Company Secretary. The training records of Directors are reflected on page 43.

Board Meetings

The full Board held four regular meetings and five non-regular meetings during the year ended 31 December 2018.

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 2018, the Audit Committee held seven meetings and its major tasks performed were:

- Reviewed and endorsed the audited consolidated financial statements for the year ended 31 December 2017 and the unaudited condensed consolidated financial statements for the six months ended 30 June 2018;
- 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 2017;
- Reviewed and approved the external auditors' audit services and fees for 2018;
- Recommended the re-appointment of RSM Hong Kong as the external auditor of the Company at the 2018 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 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 2018 and 2019;
- Reviewed periodic reports from the Internal Audit Department and progress in resolving any matters identified in them;
- Monitored the operation of the whistleblowing policy; and
- Reviewed and monitored the process of property valuation.

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 2018, the Corporate Governance Committee held one meeting 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 2017 Corporate Governance Report; 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 2018, the Investment Committee held four meetings and its major tasks performed were:

- Reviewed and formulated the investment strategies, policies and guidelines;
- Reviewed and recommended for approval by the Board the outsourcing strategy;
- Reviewed and approved the recommendations of the Chief Executive Officer with respect to the selection of managers under the outsourcing strategy and the allocation of fund thereto;
- 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 2018, the Nomination Committee held one meeting 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; and
- Recommended the re-election of retiring Directors at the 2018 AGM.

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, professional experience and skills), with due regard for the benefits of diversity, as set out under the Board Diversity Policy. The Nomination Policy sets out selection and nomination process as well as criteria for selection of directors.

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 2018, the Remuneration Committee held one meeting and its major tasks performed were:

- Approved the 2018 annual salary levels of Executive Directors and senior management;
- Approved the Group's 2018 annual salary increase budget;
- Recommended the fee structure for Directors, the Non-executive Chairman and the Board Committees chairmen and members;
- Approved certain bonus payments;
- Reviewed the Remuneration Policy; and
- Approved the supplemental employment agreement of an Executive Director.

During the year ended 31 December 2018, there were no new appointments of director, hence no service contract for new director requiring approval by the Remuneration Committee.

2018 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 2018 are as follows:

	Meetings attended/eligible to attend in 2018 [1]							
	Board	Audit Committee	Corporate Governance Committee	Investment Committee	Nomination Committee	Remuneration Committee	Annual General Meeting	Type of Training
No of meetings held in 2018	9	7	1	4	1	1	1	
Executive Directors								
Mr. David Charles PARKER	9/9		1/1	4/4		1/1	1/1	A, B
Mr. Wing Tung YEUNG	9/9		1/1	4/4			1/1	A, B
Non-executive Director								
Mr. Derek Wai Choi LEUNG	9/9	7/7	1/1		1/1		1/1	A, B
Independent Non-executive Directors								
Mr. Kin Wing CHEUNG	9/9	7/7			1/1	1/1	1/1	A, B
Mr. Kiu Sang Baldwin LEE	9/9	7/7		4/4	1/1	1/1	1/1	A, B
Mr. Ted Tak Tai LEE	9/9	7/7		4/4		1/1	1/1	A, B
Ms. Sarah Young O'DONNELL	9/9	7/7	1/1				1/1	A, B

Notes:

(1) 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) Perusing legal and regulatory updates

(B) Attending seminars/conference relating to the business or Directors' duties

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is responsible for presenting a balanced, clear and comprehensive, assessment of the Group's performance, position and prospects in all corporate communications. Management provides the Board with monthly updates, with a view to giving it a balanced and understandable assessment of the Group's performance, financial position and prospects to enable the Board as a whole and each Director to discharge their duties.

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

The statement of the auditor of the Company about its responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 63 to 67.

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. Such systems are designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems.

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 as to 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 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.

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.

Internal Audit Department

The Group's Internal Audit Department ("IA Department") is an independent and objective function that reports directly to the Audit Committee, it has unrestricted access to all books and records, physical properties and personnel as stipulated in the Internal Audit Charter. The Head of Internal Audit maintains regular communication with and has direct access to the Chairman of the Audit Committee for discussion on internal audit matters as and when required.

IA Department adopts a risk-based approach in formulating the audit plan, which is reviewed and approved by the Audit Committee on an annual basis. Audit assignments covering the entire business cycle of the Group are designed and prioritised based on the results of the risk assessment.

During the year ended 31 December 2018, IA Department executed the internal audit assignments according to the approved annual internal audit plan. These assignments included but not limited to:

(i) Conducting independent and regular audits which cover financial, operational and compliance controls in accordance with the internal audit plan;

(ii) Reviewing the systems of internal control and risk management of the Group;

(iii) Conducting special reviews and investigations of areas of concern identified by the Board and the management; and

(iv) Overseeing the whistle-blowing mechanism and conducting special investigations as and when appropriate.

All audit findings and control weaknesses, if any, are summarised by the IA Department and reported to the Audit Committee and management on a regular basis. Post-audit follow-up reviews are performed to ensure that relevant corrective measures on the previously identified internal control deficiencies have been properly implemented as intended and on a timely basis. The significant audit findings and the status of corresponding corrective measures taken by the management will be brought to the attention of the Audit Committee in the Audit Committee meeting.

Review of Risk Management and Internal Controls Effectiveness

During the year ended 31 December 2018, 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, environmental, social 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 2018 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 2018 was:

	HK$'000
Audit services (disclosed in Note 13 to the consolidated financial statements)	990
Non-audit services:	
Taxation services	51
Consultancy services in relation to the liquidation of PRC subsidiaries	113
Other assurance services	215
Other reporting services	97
	1,466

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 3301-3302, 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 3301-3302, 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.

DIVIDEND POLICY

During the year, the Company adopted its Dividend Policy. Under the Dividend Policy, the Company does not set a predetermined dividend payout ratio. The recommendation of the payment of dividend is subject to the discretion of the Board and any declaration of final dividend is subject to the approval of the shareholders of the Company. The Board will take into account the following factors pertaining to the Company when declaring/recommending dividends:

(i) the Articles of Association of the Company;

(ii) statutory and regulatory restrictions on the payment of dividend;

(iii) current and future operations;

(iv) strategic and business plans;

(v) capital expenditure and future development requirements;

(vi) liquidity position;

(vii) financial results;

(viii) general financial condition;

(ix) economic outlook;

(x) dividend receipt from subsidiaries; and

(xi) any other factors not explicitly covered but which are likely to have a significant impact on the Company.

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 2018, 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.

Derek Wai Choi LEUNG
Chairman of the Corporate Governance Committee

Hong Kong, 27 March 2019

CORPORATE SOCIAL RESPONSIBILITY REPORT

The Board is responsible for the Group's corporate social responsibility ("CSR") strategy and reporting including the evaluating and determining the CSR risks and ensuring that an appropriate and effective CSR risk management and internal control systems are in place. The Board has established a CSR Working Group, which directly reports to the Board. The CSR Working Group is led by the Chief Executive Officer of the Company and comprises senior management including the Chief Financial Officer of the Company and Heads of each Business Unit. The CSR Working Group is governed by its Terms of Reference which clearly define its authority and duties and is provided with sufficient resources to discharge its duties. The CSR Working Group is responsible for developing, monitoring and reviewing the Group's CSR strategy and policies as well as CSR reporting obligations.

The Group is committed to making ongoing improvements in corporate environmental and social responsibility and has taken measures to supervise and implement policies to manage issues for the sustainable development of the Group. The Group strives to utilize resources efficiently and effectively in its business operations to reduce its impact on the environment and provide a safe and supportive working environment for its staff.

SCOPE OF THE REPORT AND REPORTING PERIOD

The scope of this CSR report (formerly Environmental, Social and Governance 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").

The reporting period of this CSR report is from 1 January 2018 to 31 December 2018, which unless otherwise stated is the same as the financial reporting period of this annual report of the Company.

STAKEHOLDER ENGAGEMENT

In order to identify the most significant aspects for the Group to report on for this CSR 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 together with air, water and other pollution caused by human activities. The Group has been paying attention in protecting the environment and taking responsibility to assist in curbing global warming by reducing its carbon footprint.

Air Emissions

Air pollutants can be generated from the consumption of liquefied petroleum gas ("LPG") in the operation of the Club and are also emitted from the Group's own vehicles. The calculated air pollutant emissions for the years ended 31 December 2017 and 2018 were as follows:

	Nitrogen oxides (NOx)		**Sulphur oxides (SOx)**		**Particulate matter (PM)**	
	2018	2017	**2018**	2017	**2018**	2017
	kg	*kg*	***kg***	*kg*	***kg***	*kg*
Emission from gaseous fuel consumption						
– LPG	5.36	7.98	0.03	0.04	—	—
Emission from vehicles						
– Diesel	206.53	223.53	0.37	0.32	12.81	16.38
Total air pollutants	211.89	231.51	0.40	0.36	12.81	16.38

Apart from the emissions shown above, the Group complies with the provisions related to motor vehicle emissions under the Road Traffic Ordinance (Chapter 374 of the laws of Hong Kong).

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 are 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 product 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 water heating, primarily for 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 CSR Report. The GHG emissions of the three segments for the years ended 31 December 2017 and 2018 were as follows:

	Group Head Office		Retail fashion business		Resort and Recreation Club Operation		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Direct emissions (kg of CO_2e) (Scope 1)								
LPG	**N/A**	N/A	**N/A**	N/A	**87,412**	130,259	**87,412**	130,259
Charcoal	**N/A**	N/A	**N/A**	N/A	**4,380**	13,307	**4,380**	13,307
Diesel	**N/A**	N/A	**5,330**	5,486	**57,540**	48,900	**62,870**	54,386
Refrigerants	**N/A**	N/A	**N/A**	N/A	**118,985**	136,710	**118,985**	136,710
Total emissions (kg of CO_2e) (Scope 1)	**—**	—	**5,330**	5,486	**268,317**	329,176	**273,647**	334,662
Energy indirect emissions (kg of CO_2e) (Scope 2)								
Electricity	**69,557**	74,346	**140,755**	245,370	**727,105**	889,196	**937,417**	1,208,912
Other indirect emissions (kg of CO_2e) (Scope 3)								
Paper consumption	**7,054**	8,539	**6,651**	12,110	**3,900**	4,380	**17,605**	25,029
Water consumption	**33**	31	**N/A**	N/A	**16,229**	20,937	**16,262**	20,968
Business air travel	**3,447**	3,699	**29,698**	23,180	**N/A**	N/A	**33,145**	26,879
Total emissions (kg of CO_2e) (Scope 3)	**10,534**	12,269	**36,349**	35,290	**20,129**	25,317	**67,012**	72,876
Total emissions (kg of CO_2e) (Scopes 1, 2 and 3)	**80,091**	86,615	**182,434**	286,146	**1,015,551**	1,243,689	**1,278,076**	1,616,450

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 and plastic bags for logistical/packaging 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 years ended 31 December 2017 and 2018 was as follows:

	2018	2017
	kg	*kg*
Paper for office use	**1,225**	1,551
Carton boxes and plastic bags for logistical/packaging purposes	**1,017**	2,112
Solid waste at Hilltop	**76,650**	77,625
	78,892	81,288

The Group follows the general provisions of the Waste Disposal Ordinance (Chapter 354 of the laws of Hong Kong), which prohibits dumping wastes in public places or on private premises without the consent of the owner or occupier.

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-mails;
- 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.

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. Hilltop replaces old bulbs with LED lights when our lighting replacement is required. A box is placed at the barbecue site for collecting the used charcoal for reuse. All Hilltop's shuttle buses are Euro V standard buses to reduce the impact on the environment from their emissions.

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.

The Group complies with the Product Eco-responsibility Ordinance (Chapter 603 of the laws of Hong Kong) with respect to the levy on plastic and non-woven shopping bags.

The Group regularly reminds its driving staff to observe the Motor Vehicle Idling (Fixed Penalty) Ordinance (Chapter 611 of the laws of Hong Kong) by switching off idling engines of the vehicles so as to reduce harmful effects to the environment.

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 can reduce waste and emissions from the sources, and also reduce operating expenses, which is beneficial to both 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 years ended 31 December 2017 and 2018 was as follows:

Resource Category	Unit	Group Head Office		Retail fashion business		Resort and Recreation Club Operation		Total	
		2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Electricity	kWh	**136,387**	137,678	**195,230**	333,193	**1,425,696**	1,646,660	**1,757,313**	2,117,531
Electricity consumption intensity: per gross floor area (kWh/square feet)	kWh	**10.04**	9.92	**17.84**	18.62	**20.81**	24.04		
Water	m^3	**47**	51	**N/A**	N/A	**26,197**	34,674	**26,244**	34,725
Charcoal	kg	**N/A**	N/A	**N/A**	N/A	**1,415**	4,300	**1,415**	4,300
Diesel	litre	**N/A**	N/A	**1,923**	1,979	**20,755**	17,639	**22,678**	19,618
LPG	kg	**N/A**	N/A	**N/A**	N/A	**28,973**	43,174	**28,973**	43,174
Plastic – Non-woven shopping bag and Bag for logistical/ packaging purposes	kg	**N/A**	N/A	**1,910**	2,973	**N/A**	N/A	**1,910**	2,973
Paper – Shopping bag and Carton box for logistical purposes	Kg	**N/A**	N/A	**1,185**	2,263	**N/A**	N/A	**1,185**	2,263
Paper – Office and corporate communications	kg	**1,470**	1,779	**201**	260	**813**	913	**2,484**	2,952

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. The Hilltop club covers a total area of 400,000 square feet with revitalising scenic landscape, abundant trees and other plants and flowers. As an oasis in the city, the Group offsets a large amount of carbon emission within its operational boundary. However, around 50 trees around Hilltop fell when Typhoon Mangkhut hit Hong Kong in September 2018.

During the year ended 31 December 2018, the Group is not aware of any material non-compliance with the abovementioned ordinances and other the relevant laws, rules or regulations that had a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group treasures its human 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 (Chapter 57 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) to determine employees' welfare and benefits. The Group's Human Resources Department regularly reviews, updates and provides the management and Board committees relevant company policies in accordance with the latest laws and regulations.

Talent acquisition and retention are vital to the Group's business future development. The Group offers comprehensive and competitive remuneration and welfare packages to attract and retain talents. The Group also makes reference to market benchmarks in attracting a high-calibre workforce. The Group conducts annual staff performance assessments and offers promotion opportunities and salary adjustments to reward staff's contributions. Discretionary performance bonus can be given to staff to recognise their exceptional achievements and drive them to look for continuous improvement. Remuneration policies are reviewed on a regular basis. Meanwhile, any termination of an 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 periods 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 or insurance, staff discounts and early leave on special holidays. To cater for the needs of employees of Hilltop, the provision of working meals, and free transportation between the Club and the nearby MTR stations are offered to employees. The Group also subsidizes employees with a membership fee of the relevant professional bodies. The Group hosts a variety of activities for employees such as staff parties and staff sales. The Group grants long service awards to eligible 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 gender, race, age, disability, family status, marital status, sexual orientation, religious beliefs, nationality or any other non-job related factors. 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 (Chapter 487 of the Laws of Hong Kong), the Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong), the Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong), and the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong). If there are any discrimination incidents, employees can report to Human Resources Department or to the Head of Internal Audit Department (including anonymously in the latter case if the reporter so wishes). 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 2018, the Group was not aware of any material non-compliance with the abovementioned ordinances and other relevant laws, rules or regulations that had a significant impact on the Group relating to employment.

Health and Safety

To provide and maintain good working conditions and a safe and healthy working environment, the Group's staff handbook sets out the safety and emergencies policies, which are in line with various laws and regulations, including the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong).

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. Safety bulletins and warning signs are posted at Hilltop to remind engineering and maintenance staff to wear personal safety protective equipment such as safety helmets and eye/face protectors. The Group put efforts to achieve accident-free workplace environment.

The Group also strives to provide a healthy and safe working environment for its employees through other 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.

All work-related injury is protected by the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong).

During the year ended 31 December 2018, the Group was not aware of any material non-compliance with the abovementioned ordinances and other relevant laws, rules or regulations that had a significant impact on the Group 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 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 2018, the Group was not aware of any material non-compliance with the relevant laws, rules or regulations that had a significant impact on the Group relating to preventing child or forced labour.

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. The Group also understands the importance of maintaining good relationships with suppliers and business partners to achieve long-term business goals. Accordingly, senior management has kept good communication and exchanged ideas and shared business updates with them when appropriate.

During the year ended 31 December 2018, there was no material and significant dispute between the Group and its suppliers.

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". Swank has a brand selection policy and procedure governing the selection and evaluation of brands, which key criteria include product design, styling, price, previous sales track record, product workmanship or quality, brand awareness, accountability, trade terms, delivery, suppliers' background and the supplier's social and environmental responsibility. 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. Most of our suppliers produce in highly regulated and "safe" environments, such as the European Union.

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. Supplier selection and evaluation criteria include product quality, variety, price, after sales service, technical support, etc.

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. Swank recalls the disqualified products if necessary according to the return procedures. Swank strictly abides by the Competition Ordinance (Chapter 619 of the Laws of Hong Kong) and the Sales of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) relating to the sale of goods.

Resort and Recreational Club Operation

Hill Top Country Club is a membership club. 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 (Chapter 376 of the Laws of Hong Kong) and related laws and regulations to obtain a Certificate of Compliance from the Licensing Authority of Home Affairs Department. During the year ended 31 December 2018, Hilltop met the requirements in respect of building safety, fire safety, health and sanitation and renewed the Certificate of Compliance. 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. The Group strictly abides by the Trade Descriptions Ordinance (Chapter of 362 of the Laws of Hong Kong) and the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong).

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

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.

During the year ended 31 December 2018 there was no material and significant dispute between the Group and the Retail Stores customers/Club members.

Protection of Intellectual Property Rights

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 in accordance with the Trademark Ordinance (Chapter 559 of the Laws of Hong Kong) and in other jurisdictions under the relevant laws and regulations. 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 (Chapter 486 of the Laws of Hong Kong) 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. Relevant staff members have familiarized themselves with the new European Union General Data Protection Regulation in this regard.

During to the year ended 31 December 2018, the Group was not aware of any material non-compliance with the abovementioned ordinances and other relevant laws, rules or regulations that had a significant impact on the Group 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 2018, the Group has complied with or taken appropriate action under the abovementioned laws or 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 provides a confidentiality mechanism to protect the whistleblowers without fear of threats or retaliation. The Group undertook a training in 2018 for employees in the purpose and operation of the Whistleblowing Policy, presided over by an Independent Non-executive Director who is also the Chairman of the Audit Committee.

COMMUNITY INVESTMENT

The Group places emphasis on cultivating social responsibility awareness among its 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 2018, the Group participated in the following projects:

(i) Participated in the flag-selling day organised by The Yuen Yuen Institute to raise funds for their residential care home services for the elderly;

(ii) Sponsored Hong Kong Cancer Fund's 2018 Fundraising Gala;

(iii) Sponsored a student summer camp organised by Care Action; and

(iv) Sponsored a family camp organised by Care Camp Limited.

David Charles PARKER
Executive Director and Chief Executive Officer

Hong Kong, 27 March 2019

Note: Certain comparative figures have been restated and/or reclassified to conform with the current year's presentation of this CSR Report.

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 68 to 143, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 matters we identified are:

1. Fair values of resort and recreational club properties; and

2. Allowances for inventories.

Key Audit Matter	How our audit addressed the Key Audit Matter
Fair values of resort and recreational club properties *(Refer to notes 5 and 18 to the consolidated financial statements)*	
The Group has resort and recreational club properties situated in Hong Kong with aggregate carrying value of HK$68,000,000 as at 31 December 2018. As described in the note 4(e) to the consolidated financial statements, the resort and recreational club properties are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Group appointed independent professional valuers to assist management to assess the fair value of the resort and recreational club properties using an income method based on discounted cash flows. The determination of fair values requires significant management judgment and estimation in making assumptions about future club membership, revenues, profit margins and growth rates and in selecting a suitable discount rate.	Our procedures in relation to management's valuation assessment of the resort and recreational club properties included: – Evaluating the external valuer's competence, capabilities and objectivity; – With the assistance of an auditor's valuation specialist: i) Assessing the appropriateness and mathematical accuracy of the valuation model; ii) Challenging the reasonableness of the key assumptions underlying the forecast cash flows in light of the historical financial performance of the club, available market information and industry comparables and our knowledge of the business; iii) Assessing the appropriateness of the discount rate applied to the forecast cashflows; iv) Evaluating the reasonableness of the fair value determined using the model by considering alternative indicators of fair value of the resort and recreational club properties; and – Assessing the adequacy of the fair value disclosures in respect of the resort and recreational club properties in the consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Allowances for inventories *(Refer to notes 5 and 22 to the consolidated financial statements)*	
At 31 December 2018, the Group held gross inventories of HK$58,831,000 and had made allowances for inventories of HK$34,756,000. Allowances for inventories are made based on the ageing and estimated net realisable value of inventories. The assessment of the allowances involves judgment and estimates which are based on current market conditions and the historical experience of selling products of similar nature. As a result, management apply judgment 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 judgment 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 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 *HK$'000*	2017 *HK$'000*
Revenue	9	**142,110**	159,450
Cost of sales		**(50,598)**	(61,349)
Gross profit		**91,512**	98,101
Other income	10	**1,493**	2,417
Selling and distribution costs		**(41,217)**	(61,787)
Administrative expenses		**(70,329)**	(72,444)
Depreciation and amortisation		**(6,883)**	(7,187)
Other operating gains/(losses), net	13	**(44,768)**	24,986
Loss from operations		**(70,192)**	(15,914)
Fair value gains on investment properties, net		**2,500**	7,100
Deficits write-back/(deficits) on revaluation of resort and recreational club properties		**(6,336)**	2,490
Gain on liquidation of subsidiaries	29	**1,073**	—
Gain on disposal of interest in an associate		**—**	2,584
Finance costs	11	**(197)**	(328)
Share of loss of an associate		**—**	(2,584)
Loss before tax		**(73,152)**	(6,652)
Income tax expense	12	**—**	—
Loss for the year	13	**(73,152)**	(6,652)
Attributable to:			
Owners of the Company		**(73,097)**	(6,505)
Non-controlling interests		**(55)**	(147)
		(73,152)	(6,652)
Loss per share		***HK$***	*HK$*
– basic	16(a)	**(4.43 cents)**	(0.39 cents)
– diluted	16(b)	**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 *HK$'000*	2017 *HK$'000*
Loss for the year		**(73,152)**	(6,652)
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(168)**	682
Exchange differences reclassified to profit or loss on liquidation of subsidiaries	29	**(1,073)**	–
Fair value changes of available-for-sale equity and fund investments		**–**	7,516
Fair value changes of available-for-sale debt investments		**–**	934
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale equity investments		**–**	(17,346)
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments		**–**	(64)
Other comprehensive loss for the year, net of tax		**(1,241)**	(8,278)
Total comprehensive loss for the year		**(74,393)**	(14,930)
Attributable to:			
Owners of the Company		**(74,295)**	(14,843)
Non-controlling interests		**(98)**	(87)
		(74,393)	(14,930)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Note	2018 *HK$'000*	2017 *HK$'000*
Non-current assets			
Property, plant and equipment	18	**74,013**	81,286
Investment properties	19	**46,400**	43,900
Intangible assets	20	**956**	1,041
Financial assets at fair value through profit or loss	21	**50,747**	—
Available-for-sale fund investments	21	**—**	37,054
Available-for-sale debt investments - notes receivables	21	**—**	163,890
Total non-current assets		**172,116**	327,171
Current assets			
Inventories	22	**24,075**	27,916
Trade and other receivables	23	**12,173**	18,238
Financial assets at fair value through profit or loss	21	**630,338**	151,227
Available-for-sale debt investments - notes receivables	21	**—**	20,357
Pledged bank deposits	24	**12,334**	12,334
Time deposits	24	**72,283**	425,421
Cash and bank balances	24	**28,788**	50,524
Total current assets		**779,991**	706,017
Current liabilities			
Trade and other payables	25	**25,141**	29,290
Interest-bearing bank borrowings	26	**3,195**	5,734
Total current liabilities		**28,336**	35,024
Net current assets		**751,655**	670,993
NET ASSETS		**923,771**	998,164

	Note	2018 *HK$'000*	2017 *HK$'000*
Capital and reserves			
Issued capital	28	**1,206,706**	1,206,706
Accumulated losses		**(1,092,463)**	(1,028,066)
Other reserves	31	**810,118**	820,016
Equity attributable to owners of the Company		**924,361**	998,656
Non-controlling interests		**(590)**	(492)
TOTAL EQUITY		**923,771**	998,164

Approved by the Board of Directors on 27 March 2019 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 2018

	Attributable to owners of the Company							
	Issued capital *HK$'000*	**Special reserve** *HK$'000* *(Note 31(b)(i))*	**Available-for-sale investment revaluation reserve** *HK$'000*	**Exchange fluctuation reserve** *HK$'000* *(Note 31(b)(ii))*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
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
At 1 January 2018	**1,206,706**	**808,822**	**8,700**	**2,494**	**(1,028,066)**	**998,656**	**(492)**	**998,164**
Adjustments on initial application of HKFRS 9 *(Note 3)*	**–**	**–**	**(8,700)**	**–**	**8,700**	**–**	**–**	**–**
Restated balance at 1 January 2018	**1,206,706**	**808,822**	**–**	**2,494**	**(1,019,366)**	**998,656**	**(492)**	**998,164**
Total comprehensive loss and changes in equity for the year	**–**	**–**	**–**	**(1,198)**	**(73,097)**	**(74,295)**	**(98)**	**(74,393)**
At 31 December 2018	**1,206,706**	**808,822**	**–**	**1,296**	**(1,092,463)**	**924,361**	**(590)**	**923,771**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(73,152)**	(6,652)
Adjustments for:			
Depreciation		**6,798**	7,102
Amortisation of intangible assets		**85**	85
Amortisation of deferred revenue		**–**	(6)
Finance costs		**197**	328
Charge for/(written back of) inventories allowances		**(3,436)**	9,178
Dividend income from:			
Financial assets at fair value through profit or loss		**(5,977)**	(1,572)
Available-for-sale investments		**–**	(202)
Interest income from:			
Financial assets at fair value through profit or loss		**(5,233)**	(329)
Other financial assets		**(7,191)**	(14,893)
Share of loss of an associate		**–**	2,584
Fair value gains on investment properties, net		**(2,500)**	(7,100)
Deficits/(deficits write-back) on revaluation of resort and recreational club properties		**6,336**	(2,490)
Reversal of provisions		**–**	(37)
Impairment of trade receivables, net		**10**	30
Loss/(gain) on disposal of property, plant and equipment		**5**	(18)
Fair value losses/(gains) of financial assets at fair value through profit or loss, net		**32,148**	(3,622)
Gain on disposal of interest in an associate		**–**	(2,584)
Gain on liquidation of subsidiaries		**(1,073)**	–
Loss/(gain) on disposal of financial assets at fair value through profit or loss, net		**12,348**	(3,078)
Gain on disposal of available-for-sales equity investments		**–**	(17,501)
Gain on liquidation of available-for-sales debt investments		**–**	(669)
Foreign exchange loss/(gains), net		**80**	(138)
Operating loss before working capital changes		**(40,555)**	(41,584)
Decrease in inventories		**7,278**	4,897
Decrease in trade and other receivables		**4,983**	3,168
Decrease in trade and other payables		**(4,513)**	(1,809)
Cash used in operations		**(32,807)**	(35,328)
Interest received		**15,165**	14,999
Dividends received from:			
Financial assets at fair value through profit or loss		**4,656**	3,292
Available-for-sale investments		**–**	202
Fair value gains of financial assets at fair value through profit or loss – money market fund		**218**	–
Purchases of financial assets at fair value through profit or loss	33(a)	**(571,207)**	(76,524)
Proceeds from disposal of financial assets at fair value through profit or loss		**252,194**	43,271
Net cash used in operating activities		**(331,781)**	(50,088)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(4,443)**	(2,568)
Purchases of available-for-sale debt investments	33(a)	**–**	(93,216)
Purchases of available-for-sales fund investments		**–**	(10,397)
Purchases of financial assets at fair value through profit or loss		**(15,559)**	–
Repayment from an associate, net		**–**	665
Proceeds from disposal of interest in associate		**–**	18,452
Proceeds from disposal of available-for-sale equity investments		**–**	24,070
Proceeds from disposal of property, plant and equipment		**–**	18
Proceeds from disposal of available-for-sale debt investments		**–**	80,687
Proceeds from disposal of financial assets designated at fair value through profit or loss		**–**	2,668
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		**9,917**	125,596
Net cash generated from/(used in) investing activities		**(10,085)**	145,975
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans raised	33(b)	**25,593**	35,301
Repayment of bank loans	33(b)	**(28,065)**	(40,402)
Redemption of debentures	33(b)	**–**	(1,157)
Interest paid	33(b)	**(197)**	(321)
Net cash used in financing activities		**(2,669)**	(6,579)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(344,535)**	89,308
Effect of foreign exchange rate changes, net		**(317)**	965
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**466,028**	375,755
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**121,176**	466,028
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged time deposits		**72,283**	425,421
Less: Non-pledged time deposits with original maturity of over three months when acquired		**–**	(9,917)
Non-pledged time deposits with original maturity of less than three months when acquired		**72,283**	415,504
Financial assets at fair value through profit or loss – money market fund	21(b)	**20,105**	–
Cash and bank balances		**28,788**	50,524
		121,176	466,028

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 3301-3302, 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 32 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 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

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

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As permitted by the transitional provisions of HKFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening accumulated losses on 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies and adjustments to the amounts recognised in the financial statements.

(a) Classification and measurement

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL'), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be either be recorded in profit or loss or other comprehensive income in the period in which it arises. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

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

HKFRS 9 Financial Instruments (Continued)

(a) Classification and measurement (Continued)

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in revenue calculated using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "other operating gains/(losses), net", together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "other operating gains/(losses), net". Interest income from these financial assets is included in revenue calculated using the effective interest rate method. Foreign exchange gains and losses are presented in "other operating gains/(losses), net" and impairment losses are presented as separate line item in the statement of profit or loss.

(iii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Interest income from these financial assets is included in revenue. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other operating gains/(losses), net" in the period in which it arises.

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

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

HKFRS 9 Financial Instruments (Continued)

(a) Classification and measurement (Continued)

Equity and fund instruments

The Group subsequently measures all equity and fund investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income on an instrument-by-instrument basis, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as revenue when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other operating gains/(losses), net" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(b) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach and record lifetime expected losses on trade receivables measured at amortised cost.

Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivables has occurred since initial recognition, the impairment is measured as lifetime expected credit losses.

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

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

HKFRS 9 Financial Instruments (Continued)

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	Note	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39 *HK$'000*	Carrying amount under HKFRS 9 *HK$'000*
Equity investments		FVPL	FVPL	**78,146**	**78,146**
Fund investments		FVPL	FVPL	**67,475**	**67,475**
Debt Investments		FVPL	FVPL	**5,606**	**5,606**
				151,227	**151,227**
Fund investments	(i)	Available-for-sale measured at fair value	FVPL	**37,054**	**37,054**
Debt investments	(i)	Available-for-sale measured at fair value	FVPL	**184,247**	**184,247**
Trade and other receivables	(ii)	Loans and receivables	Amortised cost	**18,238**	**18,238**

(i) Fund and debt investments that were previously classified as available-for-sale investments measured at fair value under HKAS 39 are now classified as financial assets at FVPL under HKFRS 9. The Group intends to hold and manage these assets on a fair value basis and/or these financial assets do not meet the criteria to be classified either at FVOCI or at amortised cost which results these investments to be measured at FVPL. As a result, assets with a fair value of HK$221,301,000 were reclassified from available-for-sale investments measured at fair value to financial assets at FVPL and accumulated fair value gains of HK$8,700,000 were reclassified from the available-for-sale reserve to accumulated losses on 1 January 2018. For the year ended 31 December 2018, losses arising from change in fair value of these fund and debt investments amounting to HK$3,881,000 was recognised through profit or loss under HKFRS 9 instead of other comprehensive income as previously accounted for under HKAS 39 (For the year ended 31 December 2017: gains of HK$8,450,000 was recognised through other comprehensive income).

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

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

HKFRS 9 Financial Instruments (Continued)

(ii) Trade and other receivables that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. Management makes periodic collective assessments as well as individual assessment on the recoverability of trade and other receivables for impairment allowance and determine whether specific provision are required. The Group assessed that the expected credit losses for these trade and other receivables are not material under the expected credit loss approach under HKFRS 9. Thus no additional impairment loss was recognised in opening accumulated losses at 1 January 2018 on transition to HKFRS 9.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contract with customers. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has adopted HKFRS 15 using the modified retrospective approach with the cumulative effect of initially applying this standard recognised at the date of initial application. Accordingly, the information presented for 2017 has not been restated, i.e. it is presented, as previously reported, under HKAS 18, HKAS 11 and related interpretations.

The adoption of HKFRS 15 does not result in any significant changes to the Group's accounting policies 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 do not have significant impact on the Group's revenue or profit or loss. The Group's revenue recognition occurs at a point in time when control of the assets is transferred to the customer, generally on delivery of the goods.

Consideration received in advance from customers which was included in trade and other payables, amounting to HK$543,000 as at 1 January 2018, are now recognised as contract liabilities to reflect the terminology of HKFRS 15.

(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 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

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

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

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015 -2017 Cycle	1 January 2019
Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, 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 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

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 Group intends to apply the modified retrospective approach and will not restate comparative amounts for the year prior to first adoption.

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, retail shops and warehouse 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 35, the Group's future minimum lease payments under non-cancellable operating leases for its office property, retail shops and warehouse amounted to HK$20,344,000 as at 31 December 2018. 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.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

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

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.

(b) Business combination and goodwill

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

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

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

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated exchange fluctuation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

(iii) Translation on consolidation

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

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

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

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

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

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Investment properties

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

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

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

(g) Operating leases

The Group as lessee

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

The Group as lessor

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

(h) Trademarks

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

(i) Inventories

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(x) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(k) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest ("SPPI"). Interest income from the investment is calculated using the effective interest method.

– FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial assets (Continued)

Policy prior to 1 January 2018

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Trade and other receivables

A receivable is recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If collection of trade and 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. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for expected credit losses.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that 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 for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

(o) 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.

(p) 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.

(q) 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.

(r) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) Wholesale and retail of fashion wear and accessories

Revenue from the sale of fashion wear and accessories is recognised when control of the goods has transferred, being at the point the customer purchases the fashion wear and accessories at the retail shops. Payment of the transaction price is due immediately at the point the customer purchases the fashion wear and accessories. Under the Group's standard contract terms, customers have a right of return within 7 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

(ii) Resort and recreational club operations

Entrance fee income and subscription fee income is recognized over the membership and subscription period respectively. Revenue from the provision of resort and club facilities and other services is recognised over time as the services are rendered. Revenue from catering service is recognized at a point in time when the goods are transferred or the service are provided to the customer, being at the point that the customers have received the services or obtained control of the goods.

(iii) Dividend income

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

(iv) Interest income

Interest income from financial assets at FVPL is included in the revenue, see Note 9 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the consolidated statement of profit or loss as part of revenue. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(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 over the period in which the services are rendered.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition (Continued)

Policy prior to 1 January 2018

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.

(t) Employee benefits

(i) Employee leave entitlements

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee benefits (Continued)

(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.

(u) 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.

(v) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Taxation (Continued)

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)

(w) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

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.

(x) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, trade and other receivables and cash and cash equivalents. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in the financial instrument's external (if available) credit rating;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor; and

– significant increases in credit risk on other financial instruments of the same debtor.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of Expected Credit Losses ("ECL")

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Impairment of financial assets (Continued)

Policy prior to 1 January 2018

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

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

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

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

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

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

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

(y) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) 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 JUDGMENTS AND KEY ESTIMATES

Critical judgments in applying accounting policies

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

(a) Deferred tax for investment properties

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

(b) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5. CRITICAL JUDGMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty

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

(a) Allowances for inventories

Allowances for inventories are made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgment 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 2018, allowances for inventories amounted to HK$34,756,000 (2017: HK$56,135,000).

(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 judgment 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 2018 were HK$114,400,000 (2017: HK$117,800,000).

(c) Fair value of financial assets at fair value through profit or loss - unlisted fund investments

In the absence of quoted market prices in an active market, the directors estimate the fair value of certain of the Group's unlisted fund investments, details of which are set out in note 21(c)(i) and (ii) 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 these unlisted fund investments as at 31 December 2018 was HK$47,012,000 (2017: HK$33,172,000).

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, 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, investments, 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 2018				
US dollar	**+/- 0.5%**	**-/+ 5,849**	**—**	**+/-5,849**
Euro	**+/- 5%**	**+/-208**	**—**	**-/+ 208**
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

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 and fund price risk. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

At 31 December 2018, 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$2,356,000 (2017: HK$3,366,000) 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 2018, if the prices of the debt and fund investments increase/decrease by 5%, consolidated loss after tax for the year would have been HK$29,348,000 (2017: HK$3,654,000) lower/higher, arising as a result of the fair value gain/loss of debt and fund investments classified as financial assets at fair value through profit or loss; and other comprehensive loss after tax for the year would have been HK$Nil (2017: HK$9,212,000) lower/higher, arising as a result of the fair value gain/loss of debt investments classified as available-for-sales financial assets.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The carrying amount of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's exposure to credit risk arising from cash and cash equivalents and financial instruments is limited because the counterparties are reputable and high-credit-quality banks and financial institutions, for which the Group considers to have low credit risk arising from non-performance by these counterparties.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management and the credit terms given to customers 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. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (Continued)

Trade receivables (Continued)

Expected loss rates are based on actual loss experience in the past years. The expected loss rate of trade receivables within one year are assessed to be immaterial and the expected credit loss rate applicable to the balances over one year is 100%. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**457**	430
Impairment losses recognised, net	**10**	30
Amount written off as uncollectible	—	(3)
At 31 December	**467**	457

Prior to 1 January 2018

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, trade receivables of HK$457,000 was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017
	HK$'000
Neither past due nor impaired	1,005
Less than 1 month past due	42
1 to 3 months past due	1
	1,048

Receivables that were past due but not impaired related to a number of independent customers for whom there is no recent history of default. 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.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (Continued)

Other financial assets measured at amortised cost

The Group's other financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. The expected credit losses for other receivables are not material under the 12-month expected losses method. No loss allowance provision was recognised during the year.

Debt investments

The Group is exposed to credit risk in relation to debt investments that are measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments of HK$19,147,000 (2017: HK$189,853,000).

(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 2018 and 2017, 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 debt investments bear interests at fixed interest rate and therefore are subject to fair value interest rate risk.

At 31 December 2018, 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$407,000 lower/higher (2017: HK$2,166,000), 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:

	2018 *HK$'000*	2017 *HK$'000*
Financial assets:		
Financial assets at fair value through profit or loss	**681,085**	151,227
Financial assets at amortised cost	**123,209**	—
Loans and receivables (including cash and cash equivalents and time deposits)	**–**	503,998
Available-for-sale financial assets	**–**	221,301
	804,294	876,526
Financial liabilities:		
Financial liabilities at amortised cost	**22,435**	26,338

(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 2018 using: Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total 2018 *HK$'000*
Recurring fair value measurements:				
Financial assets at fair value through profit or loss:				
– Listed equity investments	47,124	–	–	47,124
– Listed debt investments	–	19,147	–	19,147
– Unlisted fund investments	–	567,802	47,012	614,814
	47,124	586,949	47,012	681,085
Investment properties:				
– Industrial property situated in Hong Kong	–	46,400	–	46,400
Property, plant and equipment:				
– Resort and recreational club properties situated in Hong Kong	–	–	68,000	68,000
Total recurring fair value measurements	47,124	633,349	115,012	795,485

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 2017 using: Level 1	Level 2	Level 3	Total 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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)

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

	Property, plant and equipment	Financial assets at fair value through profit or loss	
Description	**Resort and recreational club properties** *HK$'000*	**Unlisted fund investments** *HK$'000*	**2018 Total** *HK$'000*
At 1 January 2018	73,900	33,172	107,072
Additions	3,228	15,559	18,787
Total fair value gain or loss recognised in profit or loss*	(6,336)	(1,719)	(8,055)
Depreciation charged to profit or loss	(2,792)	—	(2,792)
At 31 December 2018	68,000	47,012	115,012
* Include gains or losses for assets held at end of reporting period	(6,336)	(1,719)	(8,055)

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

The total fair value gains or losses recognised in profit or loss including those for assets held at end of reporting period arising from resort and recreational club properties and unlisted fund investments, are presented in "Deficits write-back/(deficits) on revaluation of resort and recreational club properties" and "Other operating gains/(losses), net" respectively 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 judgment on the method of valuation of the resort and recreational club properties and investment properties.

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 fund administrators/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: – Discount rate – Long-term growth rate – Average number of members in forecast period
Unlisted fund investments	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
		2018	2017	
Resort and recreational club properties situated in Hong Kong	Discount rate	**10.8%**	8.4%	Decrease
	Long-term growth rate	**3%**	2%	Increase
	Average number of members in forecast period	**279 members**	N/A	Increase
Unlisted fund investments	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 2018 and 2017.

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/(deficits) on revaluation of resort and recreational properties;

– Gain on liquidation of subsidiaries

– Gain on disposal of interest in an associate

– Finance costs;

– Share of loss of an associate; and

– Income tax expense.

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 2018:				
Revenue from external customers	112,415	11,294	18,401	142,110
Segment loss	(89)	(14,410)	(48,537)	(63,036)
Segment loss includes:				
Fair value losses on financial assets at fair value through profit or loss, net	–	–	(32,148)	(32,148)
Gain/(loss) on disposal of financial assets at fair value through profit or loss, net	46	–	(12,394)	(12,348)
Interest income from:				
– Financial assets at fair value through profit or loss	–	–	5,233	5,233
– Other financial assets	–	–	7,191	7,191
Depreciation and amortisation	3,364	3,311	208	6,883
Written back of inventories allowances	(3,436)	–	–	(3,436)
Impairment of trade receivables, net	–	10	–	10
Other segment information:				
Gain on liquidation of subsidiaries	593	–	480	1,073
Additions to property, plant and equipment	34	4,192	1,639	5,865
As at 31 December 2018:				
Segment assets	53,514	71,529	827,064	952,107
Segment liabilities	(15,775)	(3,086)	(6,280)	(25,141)

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)

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

	2018 *HK$'000*	2017 *HK$'000*
Profit or loss		
Total profit or loss of reportable segments	**(63,036)**	(8,173)
Unallocated corporate administrative expenses	**(7,156)**	(7,741)
Fair value gains on investment properties, net	**2,500**	7,100
Deficits write-back/(deficits) on revaluation of resort and recreational club properties	**(6,336)**	2,490
Gain on liquidation of subsidiaries	**1,073**	—
Gain on disposal of interest in an associate	**—**	2,584
Finance costs	**(197)**	(328)
Share of loss of an associate	**—**	(2,584)
Consolidated loss for the year	**(73,152)**	(6,652)
Assets		
Total assets of reportable segments	**952,107**	1,033,188
Consolidated total assets	**952,107**	1,033,188
Liabilities		
Total liabilities of reportable segments	**(25,141)**	(29,290)
Interest-bearing bank borrowings	**(3,195)**	(5,734)
Consolidated total liabilities	**(28,336)**	(35,024)

Geographical information:

	Revenue		Non-current assets	
	2018 *HK$'000*	2017 *HK$'000*	2018 *HK$'000*	2017 *HK$'000*
Hong Kong	**134,790**	155,023	**120,953**	125,775
Other Asia Pacific Region	**2,077**	3,831	**416**	452
Europe	**3,700**	472	**—**	—
Others	**1,543**	124	**—**	—
Consolidated total	**142,110**	159,450	**121,369**	126,227

8. SEGMENT INFORMATION (CONTINUED)

In presenting the geographical information, revenue in relation to wholesale and retail of fashion wear and accessories and resort and recreational club operations segment is based on the locations of the customers and revenue in relation to investments segment is based on the country of primary listing for listed instruments and the country of incorporation for unlisted instruments; non-current assets exclude financial assets and are based on the locations of the assets.

9. REVENUE

The principal activities of the Group are (i) wholesale and retail of fashion wear and accessories, (ii) resort and recreational club operations, and (iii) investments. An analysis of revenue of the Group by operating activities and timing of revenue recognition is as follows:

		2018 *HK$'000*	2017 *HK$'000*
Revenue from contracts with customer			
(i)	Wholesale and retail of fashion wear and accessories		
	Sale of fashion wear and accessories recognised at a point in time	**112,415**	127,425
(ii)	Resort and recreational club operations		
	Catering service income recognised at a point in time	**5,790**	7,476
	Resort and club facilities and other services income recognised over time	**3,006**	4,968
	Entrance fee and subscription fee income recognised over time	**2,498**	2,914
		11,294	15,358
Revenue from other sources			
(iii)	Investments		
	Dividend income arising from financial assets at fair value through profit or loss:		
	– listed equity and fund investments	**1,322**	1,572
	– unlisted fund investments	**4,655**	—
	Dividend income arising from available-for-sale investments:		
	– listed equity investments	**—**	108
	– unlisted fund investments	**—**	94
	Interest income from:		
	– Financial assets at fair value through profit or loss	**5,233**	—
	– Other financial assets	**7,191**	14,893
		18,401	16,667
Total revenue of the Group		**142,110**	159,450

10. OTHER INCOME

	2018 *HK$'000*	2017 *HK$'000*
Rental income	1,140	1,140
Management and other services fees income	—	595
Others	353	682
	1,493	2,417

11. FINANCE COSTS

	2018 *HK$'000*	2017 *HK$'000*
Interest on bank loans	197	322
Accretion of interest on debentures	—	6
	197	328

12. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2018 (2017: 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% (2017: 16.5%).

The tax rate applicable to the subsidiaries in the PRC for PRC enterprise income tax is 25% (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
Loss before tax	**(73,152)**	(6,652)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(12,071)**	(1,161)
Tax effect of income that is not taxable	**(2,632)**	(7,715)
Tax effect of expenses that are not deductible	**3,061**	2,806
Tax effect of utilisation of tax losses not previously recognised	**(176)**	(1,767)
Tax effect of tax losses not recognised	**11,818**	7,837
Income tax expense	**–**	–

The weighted average applicable tax rate is 16.5% (2017: 17.5%). 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:

	2018 *HK$'000*	2017 *HK$'000*
Cost of inventories sold#	50,372	61,123
Depreciation	6,798	7,102
Amortisation of intangible assets	85	85
Auditor's remuneration for audit services	990	962
Other operating lease charges for land and buildings (included contingent rentals of HK$1,384,000 (2017: HK$538,000))	24,239	40,375
Charge/(write back) for inventories allowances	(3,436)	9,178
Direct operating expenses of investment properties that generate rental income	203	206
Losses/(gains) from financial assets at fair value through profit or loss, net*:		
Interest income	–	(329)
Fair value losses/(gains), net	32,148	(3,622)
Losses/(gains) on disposal, net	12,348	(3,078)
	44,496	(7,029)
Fair value gains on investment properties, net	(2,500)	(7,100)
Gains on disposal of available-for-sales debt investments, net*	–	(669)
Gain on disposal of available-for-sales equity investments*	–	(17,501)
Loss/(gain) on disposal of property, plant and equipment*	5	(18)
Amortisation of deferred revenue	–	(6)
Rental income	(1,140)	(1,140)
Foreign exchange losses, net*	267	268
Impairment of trade receivables, net	10	30
Reversal of provisions*	–	(37)
Deficits/(deficits write-back) on revaluation of resort and recreational club properties	6,336	(2,490)

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

\# Cost of inventories sold included write back for inventories allowances of HK$3,436,000 (2017: charge for inventories allowances of HK$9,178,000).

14. EMPLOYEE BENEFITS EXPENSE

	2018 HK$'000	2017 HK$'000
Employee benefits expense (including directors' emoluments):		
Salaries, bonuses and allowances	51,692	57,122
Pension scheme contributions	1,657	1,883
	53,349	59,005

(a) Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2017: two) directors whose emoluments are reflected in the analysis presented in note 15(a) to the consolidated financial statements. The emoluments of the remaining three (2017: three) individuals are set out below:

	2018 HK$'000	2017 HK$'000
Salaries, bonuses, allowances and benefits in kind	3,228	4,093
Performance related bonus	234	72
Pension scheme contributions	80	47
	3,542	4,212

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Nil to HK$1,000,000	1	—
HK$1,000,001 to HK$1,500,000	2	2
HK$1,500,001 to HK$2,000,000	—	1
	3	3

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 2018 and 2017 annual report of the Company and included two (2017: two) of the five highest paid individuals analysis presented above, fell within the following bands:

	Number of individuals 2018	Number of individuals 2017
Nil to HK$1,000,000	2	3
HK$1,000,001 to HK$1,500,000	2	1
HK$1,500,001 to HK$2,000,000	—	1
	4	5

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director, including the Chief Executive Officer, 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 *HK$'000*	Salaries *HK$'000*	Performance related bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Housing allowance *HK$'000*	Estimated money value of other benefits *HK$'000* *(note viii)*	Total *HK$'000*
Executive directors:							
Mr. David Charles PARKER	60	2,717	100	18	720	60	3,675
Mr. Wing Tung YEUNG	60	2,508	–	18	–	60	2,646
Non-executive directors *(note vii)*:							
Mr. Derek Wai Choi LEUNG	574	–	–	–	–	–	574
Ms. Sarah Young O'DONNELL *(note iii)*	70	–	–	–	–	–	70
Independent non-executive directors *(note vii)*:							
Mr. Kin Wing CHEUNG	390	–	–	–	–	–	390
Mr. Baldwin Kiu Sang LEE	438	–	–	–	–	–	438
Mr. Ted Tak Tai LEE	381	–	–	–	–	–	381
Ms. Sarah Young O'DONNELL *(note iii)*	263	–	–	–	–	–	263
Total for 2018	2,236	5,225	100	36	720	120	8,437

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 HK$'000	Salaries HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Housing allowance HK$'000	Estimated money value of other benefits HK$'000 (note viii)	Total 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 vii)*:							
Mr. Derek Wai Choi LEUNG *(note ii)*	527	–	–	–	–	–	527
Ms. Sarah Young O'DONNELL *(note iv)*	107	–	–	–	–	–	107
Independent non-executive directors *(note vii)*:							
Dr. Jen CHEN *(note v)*	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 iv)*	104	–	–	–	–	–	104
Total for 2017	2,031	5,198	200	36	697	118	8,280

Notes:

(i) Appointed on 13 January 2017.

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

(iii) On 27 March 2018, Ms. Sarah Young O'DONNELL was re-designated as an Independent Non-executive Director of the Company.

(iv) Appointed on 29 August 2017.

(v) Retired on 15 December 2017.

(vi) Retired on 9 June 2017

(vii) 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.

(viii) 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 (2017: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: 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$73,097,000 (2017: HK$6,505,000) and the weighted average number of ordinary shares of 1,650,658,676 (2017: 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 2018 and 2017.

17. DIVIDENDS

The directors do not recommend the payment of any dividend to shareholders for the years ended 31 December 2018 and 2017.

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 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 and 1 January 2018	**73,900**	**12,935**	**38,221**	**1,519**	**126,575**
Additions	**3,228**	**1,639**	**998**	**—**	**5,865**
Disposals	**—**	**(700)**	**(6,648)**	**—**	**(7,348)**
Deficits on revaluation	**(6,336)**	**—**	**—**	**—**	**(6,336)**
Elimination of accumulated depreciation	**(2,792)**	**—**	**—**	**—**	**(2,792)**
At 31 December 2018	**68,000**	**13,874**	**32,571**	**1,519**	**115,964**
Accumulated depreciation and impairment:					
At 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 and 1 January 2018	**—**	**10,452**	**34,227**	**610**	**45,289**
Depreciation provided during the year	**2,792**	**1,503**	**2,209**	**294**	**6,798**
Write-back on revaluation	**(2,792)**	**—**	**—**	**—**	**(2,792)**
Disposals	**—**	**(700)**	**(6,644)**	**—**	**(7,344)**
At 31 December 2018	**—**	**11,255**	**29,792**	**904**	**41,951**
Net carrying amount:					
At 31 December 2018	**68,000**	**2,619**	**2,779**	**615**	**74,013**
At 31 December 2017	73,900	2,483	3,994	909	81,286

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The value of the Group's resort and recreational club properties was referred to the valuation reports at 31 December 2018 by independent professional qualified valuers, Ernst & Young Transactions Limited (2017: Cushman & Wakefield Limited ("CWL")), based on open market and existing use basis with the use of discounted cash flow.

The Group's resort and recreational club properties is 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 for 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.

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

	2018 *HK$'000*	2017 *HK$'000*
Cost	**57,149**	53,921
Accumulated depreciation	**(27,970)**	(27,060)
	29,179	26,861

19. INVESTMENT PROPERTIES

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**43,900**	36,800
Fair value gains	**2,500**	7,100
At 31 December	**46,400**	43,900

At 31 December 2018, the Group's investment properties comprised industrial property units situated in Hong Kong of HK$46,400,000 (2017: HK$43,900,000). 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 2018 by independent professional qualified valuers, Ernst & Young Transactions Limited (2017: CWL). Valuation of industrial property was based on direct comparison method.

Further particulars of the Group's investment properties are included on page 144.

20. INTANGIBLE ASSETS

	Trademarks
	HK$'000
Cost:	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	**1,700**
Accumulated amortisation:	
At 1 January 2017	574
Amortisation for the year	85
At 31 December 2017 and 1 January 2018	**659**
Amortisation for the year	**85**
At 31 December 2018	**744**
Net carrying amount:	
At 31 December 2018	**956**
At 31 December 2017	1,041

The Group's trademarks protect the design and specification of the Group's products. The average remaining amortisation period of the trademarks is approximately 11 years (2017: 12 years).

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE FUND INVESTMENTS/AVAILABLE-FOR-SALE DEBT INVESTMENTS - NOTES RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Financial assets at fair value through profit or loss:		
Equity investments, at fair value *(note a):*		
– Listed in Hong Kong	**47,124**	67,330
– Listed outside Hong Kong	**–**	10,816
	47,124	78,146
Fund investments, at fair value *(note b and note c):*		
– Listed outside Hong Kong	**–**	7,795
– Unlisted investments	**614,814**	59,680
	614,814	67,475
Debt investments, at fair value *(note d):*		
– Listed in Hong Kong*	**14,641**	3,994
– Listed outside Hong Kong*	**4,506**	–
– Unlisted investments	**–**	1,612
	19,147	5,606
Available-for-sales investments:		
Unlisted fund investments, at fair value *(note c)*	**–**	37,054
Listed debt investments*, at fair value *(note e)*	**–**	184,247
	–	221,301
	681,085	372,528

* 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 amounts of the above finance assets are mandatorily measured at fair value through profit or loss in accordance with HKFRS 9.

As at 31 December 2018, the carrying amount of listed investments at fair value amounting to HK$Nil (31 December 2017: HK$1,251,000) was pledged as security for the Group's bank borrowings.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE FUND INVESTMENTS/AVAILABLE-FOR-SALE DEBT INVESTMENTS - NOTES RECEIVABLES (CONTINUED)

	2018 *HK$'000*	2017 *HK$'000*
Current assets - Financial assets at fair value through profit or loss:		
– Listed equity investments *(note a)*	**47,124**	78,146
– Listed and unlisted fund investments *(note b)*	**564,067**	67,475
– Listed and unlisted debt investments *(note d)*	**19,147**	5,606
	630,338	151,227
Current assets - Available-for-sales investments:		
– Listed debt investments *(note e)*	**–**	20,357
Non-current assets - Financial assets at fair value through profit or loss:		
– Unlisted fund investments *(note c)*	**50,747**	–
Non-current assets - Available-for-sales investments:		
– Unlisted fund investments *(note c)*	**–**	37,054
– Listed debt investments *(note e)*	**–**	163,890
	–	200,944
	681,085	372,528

Notes:

(a) The fair value of the listed equity investments are based on quoted market prices and the Group managed and evaluated the performance of these listed equity investments on a fair value basis, in accordance with the Group's risk management and investment strategy. These listed investments offer the Group the opportunity for return through dividend income and fair value gains.

(b) The fund investments as at 31 December 2018 amounted to HK$564,067,000 (31 December 2017: HK$67,475,000) which were listed in overseas exchanges or traded over-the-counter and the Group managed and evaluated the performance of these fund investments on a fair value basis, in accordance with the Group's risk management and investment strategy. The fair values of the fund investments are based on the price quoted by the fund administrator/financial institution. The directors believe that the estimated fair value quoted by the fund administrator/financial institution is reasonable, and that it is the most appropriate value at the end of the reporting period.

Money market funds which is included in the fund investments as at 31 December 2018 are traded over the counter and held as alternative liquidity option other than bank balances. The directors considered that the Money Market Fund of HK$20,105,000 is a highly liquid investment that are readily convertible into known amount of cash and which are subject to an insignificant risk of change in value and thus is classified as cash equivalent for the purpose of statement of cash flows.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE FUND INVESTMENTS/AVAILABLE-FOR-SALE DEBT INVESTMENTS - NOTES RECEIVABLES (CONTINUED)

(c) Unlisted fund investments, at fair value

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

As at 31 December 2018, carrying amount of unlisted fund investments included an investment in a fund, ASEAN China Investment Fund III L.P. ("ACIF III"), amounted to HK$34,828,000 (2017: HK$33,172,000) 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 commitment as at 31 December 2018 amounted to US$475,000 (equivalent to approximately HK$3,694,000) (2017: US$841,000 (equivalent to approximately HK$6,543,000)). 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 dollar.

The investment was classified as available-for-sale fund investments as at 31 December 2017.

(ii) ASEAN China Investment Fund IV L.P.

As at 31 December 2018, the carrying amount of unlisted fund investments included an investment in a fund, ASEAN China Investment Fund IV L.P. ("ACIF IV"), amounted to HK$12,184,000 (2017: HK$Nil) which is not quoted in an active market. The fair value of the investment in ACIF IV 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 IV and the unfunded commitments as at 31 December 2018 amounted to US$2,370,000 (equivalent to HK$18,438,000). Contributions will be made when capital call is issued by the general partner of the fund.

The carrying amount of the investment in ACIF IV is denominated in US dollar.

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

As at 31 December 2018, carrying amount of unlisted fund investment included an investment in a fund, Invesco US Senior Loans 2021, L.P. ("Invesco") amounted to HK$3,735,000 (2017: HK$3,882,000). 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 dollar.

The investment was classified as available-for-sale fund investments as at 31 December 2017.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE FUND INVESTMENTS/AVAILABLE-FOR-SALE DEBT INVESTMENTS - NOTES RECEIVABLES (CONTINUED)

(d) The fair values of the debt investments as at 31 December 2018 amounted to HK$19,147,000 (2017: HK$5,606,000) are based on quoted market price or the price quoted by issuer/banker. These debt investments were issued/guaranteed by companies listed on The Stock Exchange of Hong Kong Limited/overseas stock exchanges. The directors believe that the estimated fair value quoted by the issuer/bank is reasonable, and that it is most appropriate value at the end of the reporting period.

As at 31 December 2018, these debt investments have maturity date ranging from 22 August 2021 to 21 April 2077, except for debt instruments amounted to HK$8,372,000 (2017: HK$5,606,000) which has no fixed maturity date.

These debt instruments bear fixed coupon interest rate ranging from 4.50% to 7.5% (2017: 5.45% to 7.5%). The carrying amounts of the Group's debt investments measured at FVPL are denominated in US dollars.

(e) As at 31 December 2017, the Group held listed debt investment with an aggregate principal amount of US$23,581,000 (equivalent to HK$183,460,000), 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 debt investments of HK$184,247,000 was based on quoted market prices.

These debt investments have maturity date ranging from 18 January 2018 to 14 September 2077, except for the investments in perpetual bonds with an aggregate principal amount of US$1,100,000 (equivalent to HK$8,558,000) had no maturity date.

Interest income from the debt investments was recognized based on effective interest rate ranging from 3.28% to 8.45%. The carrying amounts of the Group's available-for-sales debt investments were denominated in US dollars.

22. INVENTORIES

As at 31 December 2018 and 2017, all of the Group's inventories represented finished goods.

23. TRADE AND OTHER RECEIVABLES

	2018 *HK$'000*	2017 *HK$'000*
Trade receivables	1,004	1,505
Less: Impairment of trade receivables	(467)	(457)
	537	1,048
Rental and other deposits	6,933	11,403
Prepayments and other receivables	4,703	5,787
	12,173	18,238

23. TRADE AND OTHER RECEIVABLES (Continued)

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:

	2018 *HK$'000*	2017 *HK$'000*
Within 1 month	**523**	1,005
2 to 3 months	**14**	43
	537	1,048

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

24. 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 26 to the consolidated financial statements.

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

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong dollars	**54,967**	137,679
US dollars	**57,306**	338,244
Renminbi*	**753**	3,092
New Taiwan dollars	**9**	9,017
Others	**370**	247
	113,405	488,279

* 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.

25. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade and bills payables *(note a)*	6,636	6,194
Accruals for operations	4,680	4,161
Accruals for staff costs	3,506	4,615
Contract liabilities *(note b)*	1,802	543
Deposits received	230	222
Other payables	3,598	6,055
Provisions	4,689	7,500
	25,141	29,290

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

	2018 HK$'000	2017 HK$'000
Within 1 month	4,818	4,021
2 to 3 months	1,770	1,607
Over 3 months	48	566
	6,636	6,194

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

	2018 HK$'000	2017 HK$'000
Hong Kong dollars	1,464	855
Euro dollars	5,164	5,223
Others	8	116
Total	6,636	6,194

25. TRADE AND OTHER PAYABLES (Continued)

(b) Contract liabilities represents the consideration received in advance from customers and customer loyalty programme. The following table shows the revenue recognised related to carried forward contract liabilities:

	2018 *HK$'000*
Wholesale and retail of fashion wear and accessories	404
Resort and recreational club operations	139
Total contract liabilities	543

26. INTEREST-BEARING BANK BORROWINGS

	2018 *HK$'000*	2017 *HK$'000*
Bank loans	3,195	5,734

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:

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong dollars	3,195	4,527
Euro dollars	–	748
Others	–	459
Total	3,195	5,734

The effective interest rates at 31 December were as follows:

	2018	2017
Bank loans	4.13% to 4.41%	0.75% to 3.83%

Bank loans of HK$725,000 (2017: HK$2,777,000) are secured by a charge over the Group's pledged time deposits of HK$10,000,000 (2017: HK$10,000,000) and listed investments of HK$Nil (2017: HK$1,251,000) respectively. The remaining balance is unsecured.

27. DEFERRED TAX

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

	Depreciation allowance in excess of related depreciation *HK$'000*	Losses available for offsetting against future taxable profits *HK$'000*	Total *HK$'000*
At 1 January 2017	4,457	(4,457)	—
Deferred tax charged/(credited) to the profit/loss for the year	273	(273)	—
At 31 December 2017 and at 1 January 2018	**4,730**	**(4,730)**	**—**
Deferred tax charged/(credited) to the profit/loss for the year	**334**	**(334)**	**—**
At 31 December 2018	**5,064**	**(5,064)**	**—**

At the end of the reporting period, the Group has unused tax losses of HK$849,373,000 (2017: HK$756,892,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$30,693,000 (2017: HK$28,664,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$818,680,000 (2017: HK$728,228,000) due to the unpredictability of future profit streams. Unrecognised 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.

28. SHARE CAPITAL

	2018 *HK$'000*	2017 *HK$'000*
Issued and fully paid:		
1,650,658,676 (2017: 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 Company 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 Company may return capital to shareholders or issue new shares. The Company 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 Company demonstrates continuing compliance of the public float of at least 25% of the shares 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 2018 and 2017.

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:

	2018 *HK$'000*	2017 *HK$'000*
Interest-bearing bank borrowings	**3,195**	5,734
Total borrowings	**3,195**	5,734
Owners' equity	**924,361**	998,656
Gearing ratio	**0.3%**	0.6%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

29. LIQUIDATION OF SUBSIDIARIES

Two indirect wholly-owned subsidiaries of the Company, Cesare di Pino (Beijing) Limited and The Swank Shop (Beijing) Limited which were incorporated in the PRC were liquidated during the year ended 31 December 2018. No cash was received by the Group upon the liquidation. A gain on liquidation of subsidiaries of HK$1,073,000 (2017: HK$Nil) was recognized during the year ended 31 December 2018 resulting from reclassification of relating exchange fluctuation reserve upon the liquidation of the subsidiaries.

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

(a) Statement of financial position of the Company

	Note	At 31 December 2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**1,869**	438
Investment properties		**114,400**	117,800
Interests in subsidiaries		**607,716**	417,986
Available-for-sale debt investments - notes receivables		**–**	26,773
Total non-current assets		**723,985**	562,997
Current assets			
Prepayments, deposits and other receivables		**2,913**	3,175
Due from a subsidiary		**489**	243
Financial assets at fair value through profit or loss		**119,867**	32,346
Pledged bank deposits		**10,000**	10,000
Time deposits		**62,604**	392,796
Cash and bank balances		**9,647**	4,342
Total current assets		**205,520**	442,902
Current liabilities			
Accruals and other payables		**5,734**	7,735
Net current assets		**199,786**	435,167
NET ASSETS		**923,771**	998,164
Capital and reserves			
Issued capital		**1,206,706**	1,206,706
Accumulated losses		**(1,091,757)**	(1,017,565)
Other reserves	30(b)	**808,822**	809,023
TOTAL EQUITY		**923,771**	998,164

Approved by the Board of Directors on 27 March 2019 and are signed on its behalf by:

David Charles PARKER
Executive Director and
Chief Executive Officer

Wing Tung YEUNG
Executive Director

30. 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 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 and 1 January 2018	**808,822**	**201**	**(1,017,565)**	**(208,542)**
Adjustments on initial application of HKFRS 9	**—**	**(201)**	**201**	**—**
Restated balance at 1 January 2018	**808,822**	**—**	**(1,017,364)**	**(208,542)**
Loss for the year	**—**	**—**	**(74,393)**	**(74,393)**
At 31 December 2018	**808,822**	**—**	**(1,091,757)**	**(282,935)**

31. 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 69 and 72 of the consolidated financial statements respectively.

31. RESERVES (Continued)

(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) 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.

32. SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2018 are as follows:

Name	Place of incorporation/ registration and operation	Issued ordinary share	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

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

33. 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$Nil (2017: HK$2,923,000) were financed by bank borrowings in which the Group has repaid HK$Nil (2017: HK$1,749,000) during the year.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(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$'000* *(note 26)*	Debentures *HK$'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 33(a))*	2,923	—	2,923
Exchange adjustments	142	—	142
	3,387	6	3,393
As at 31 December 2017	5,734	—	5,734
As at 1 January 2018	**5,734**	**—**	**5,734**
Changes from financing cash flows:			
New bank loans raised	**25,593**	**—**	**25,593**
Repayment of bank loans	**(28,065)**	**—**	**(28,065)**
Interest paid	**(197)**	**—**	**(197)**
	(2,669)	**—**	**(2,669)**
Other changes:			
Finance costs	**197**	**—**	**197**
Exchange adjustments	**(67)**	**—**	**(67)**
	130	**—**	**130**
As at 31 December 2018	**3,195**	**—**	**3,195**

34. CONTINGENT LIABILITIES

At 31 December 2018, 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, with our position being 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 to the Court of Final Appeal ("CFA") was filed by the Department of Justice ('DOJ") 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 CFA in relation to the interpretation of the First Special Condition of the New Grant. The CFA hearing took place on 25 April 2018 and its judgment was handed down on 9 May 2018 ("the CFA judgment'). Pursuant to the CFA judgment, the First Special Condition of the New Grant does not impose any maintenance duty on the slope features which had been the subject of the Orders. Further, save and except for certain slope features with respect to which the maintenance responsibility is yet to be determined under another special condition of the New Grant, the Group is not responsible for the maintenance of any features outside the built Hilltop Road.

The Court of Final Appeal has made a costs order in favour of the Group. The Group should recover certain of the legal costs and disbursements incurred in the CFA and some of the lower court proceedings from the DOJ, the amount being recovered subject to taxation and negotiation with the DOJ and it is difficult to determine the amount at this stage.

With respect to the obligation on certain slope features under another special condition of the New Grant, the management, after taking legal advice, considers that it is premature to assess the probability of a favorable or unfavorable outcome of any potential further decision from the Appeal Tribunal (Buildings) referred back as a result of the Appeal Judgment. The hearing is currently scheduled to take place in May 2019 and the outcome of relevant maintenance responsibility is uncertain. Except for a provision of HK$2,200,000 which has been made for the estimated cost of remedial/maintenance obligation for those 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 profit or loss account.

35. 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 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**13,241**	20,455
In the second to fifth years, inclusive	**7,103**	5,933
	20,344	26,388

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

36. CAPITAL COMMITMENTS

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

	2018	2017
	HK$'000	HK$'000
Contracted, but not provided for:		
—Capital contribution to an unlisted fund (note 21(c)(i) and (ii))	**22,132**	6,543

37. RELATED/CONNECTED PARTY TRANSACTIONS

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

	Note	2018 *HK$'000*	2017 *HK$'000*
Rental expenses, building management fees and air-conditioning charges paid to related companies	(i)		
– Office		**4,058**	4,133
– Retail shops/outlet		**46**	726
Secondment fees charged by a related company		**589**	479
Management and other service fees received/receivable from an associate		**–**	595
Loan interest received/receivable from an associate		**–**	361

Note:

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

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

	2018 *HK$'000*	2017 *HK$'000*
Short term employee benefits	**12,715**	13,240
Pension scheme contributions	**108**	109
Total compensation paid to key management personnel	**12,823**	13,349

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

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

As disclosed in note 37(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 2018 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 pages 6 and 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 2018 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.

PARTICULARS OF INVESTMENT PROPERTIES

31 December 2018

INVESTMENT PROPERTIES OF THE GROUP HELD FOR INVESTMENT

Location	Use	Tenure	Attributable interest of the Group
Fourth and Fifth Floors, Roof and Parking Spaces 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				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**142,110**	159,450	167,119	215,537	275,385
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**(74,028)**	(6,324)	(6,576)	(105,384)	29,225
Finance costs	**(197)**	(328)	(441)	(657)	(861)
Share of profits/(losses) of associates	**—**	(2,584)	2,926	(1,076)	525
Gain on liquidation of subsidiaries	**1,073**	—	—	—	—
Gain on disposal of interest in an associate	**—**	2,584	—	—	—
PROFIT/(LOSS) BEFORE TAX	**(73,152)**	(6,652)	(4,091)	(107,117)	28,889
Tax	**—**	—	—	—	—
PROFIT/(LOSS) FOR THE YEAR	**(73,152)**	(6,652)	(4,091)	(107,117)	28,889
Attributable to:					
Equity holders of the Company	**(73,097)**	(6,505)	(3,935)	(106,896)	29,001
Non-controlling interests	**(55)**	(147)	(156)	(221)	(112)
	(73,152)	(6,652)	(4,091)	(107,117)	28,889

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**952,107**	1,033,188	1,052,142	1,124,870	1,243,121
TOTAL LIABILITIES	**(28,336)**	(35,024)	(39,048)	(39,629)	(49,750)
NON-CONTROLLING INTERESTS	**590**	492	405	208	(64)
	924,361	998,656	1,013,499	1,085,449	1,193,307

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
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Hong Kong

REGISTERED OFFICE

Suites 3301-3302, 33rd Floor
Tower 2, Nina Tower
8 Yeung Uk Road
Tsuen Wan, New Territories
Hong Kong

WEBSITE

www.enmholdings.com

STOCK CODE

The Stock Exchange of Hong Kong Limited: 00128

CONTACT US

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