2019 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 2019.

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 2019 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 33. 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 55 to 67. 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 2019 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 73 and 74.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2019.

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 147.

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 146.

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 2019.

DISTRIBUTABLE RESERVES

As at 31 December 2019, 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 72% and 33% 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, this is not applicable 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 (retired on 12 June 2019)

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

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 list of persons who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is kept at the registered office of the Company and available for inspection by the shareholders of the Company during office hours.

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 34 to 37.

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 2019, 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 2019, 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%
Chime Corporation Limited	Interest of controlled corporations	570,974,145	Note (i)	34.59%
Parasia Limited	Interest of controlled corporations	570,974,145	Note (ii)	34.59%
Ms. KUNG, Nina (deceased)	Interest of controlled corporations	570,974,145	Note (iii)	34.59%
Mr. CHAN, Wai Tong Christopher	Trustee	730,974,145	Notes (iv) & (v)	44.28%
Mr. JONG, Yat Kit	Trustee	730,974,145	Notes (iv) & (v)	44.28%
Mr. WONG, Tak Wai	Trustee	730,974,145	Notes (iv) & (v)	44.28%

Notes:

(i) Chime Corporation Limited controlled Parasia Limited and was therefore deemed to be interested in the shares in which such company was deemed to be interested.

(ii) Parasia Limited controlled Diamond Leaf Limited and Solution Bridge Limited and was therefore deemed to be interested in the shares held by such companies.

(iii) The interests disclosed under Ms. KUNG, Nina (deceased) represent 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).

(iv) Chime Corporation Limited was a controlled corporation 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 also known as Nina Kung and Nina T H Wang, and of the estate of Wang Teh Huei alias Teh Huei Wang. Thus, each of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai was deemed to be interested in the shares in which Chime Corporation Limited was deemed to be interested.

(v) Each of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai was a trustee of the estate of Kung, Nina also known as Nina Kung and Nina T H Wang, and of the estate of Wang Teh Huei alias 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 2019 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTION

On 30 November 2018 the Company, as tenant, entered into a tenancy agreement (the "Tenancy Agreement") with Ying Ho Company Limited, Cheong Ming Investment Co., 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 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 are set out in the Company's announcement dated 30 November 2018. The actual payments made under the Tenancy Agreement for the year ended 31 December 2019 was HK$3,366,978, 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 constitutes a continuing connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The aforesaid continuing connected transaction has been reviewed by the 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 transaction was entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

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

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

(c) nothing has come to its attention that causes it to believe that the aforesaid continuing connected transaction has exceeded the annual 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 38 to 54.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company maintained the prescribed public float under the Listing Rules.

AUDITOR

RSM Hong Kong retires and, 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 2020

CHIEF EXECUTIVE OFFICER'S STATEMENT

OVERVIEW

The Group recorded a profit for the year of 2019 as compared to a loss attributable to shareholders of the Company for the year of 2018. Such major turnaround in the Group's profitability is mainly attributable to net realised and unrealised gains of our portfolio of investments, contributed to by a significant rebound in the global securities markets during the year and by a carefully structured asset and manager allocation. While the developments of our retail fashion and resort and recreational club businesses in the first half of the year were also positive as compared to the first half of 2018, tourism and local spending were hit hard by the months-long social unrest which began in June 2019 and thus significantly affected these Group operations in the second half of the year.

FINANCIAL REVIEW

The profit attributable to shareholders for the year ended 31 December 2019 amounted to HK$46,197,000 as compared with a net loss of HK$73,097,000 for the last corresponding year. The net profit mainly included the combination of a loss from the retail fashion business of HK$11,126,000 (2018: loss of HK$89,000), a loss from recreational club operations of HK$14,342,000 (2018: loss of HK$14,410,000), and a segment profit of HK$81,062,000 (2018: segment loss of HK$48,537,000), including bank interest income of HK$1,723,000, rental income of HK$1,140,000 and related overhead cost deduction by the investments division. Profit from operations (after unallocated corporate administrative expenses) amounted to HK$49,202,000 (2018: loss from operations of HK$70,192,000). The Group's profit for the year was HK$46,157,000 (2018: loss of HK$73,152,000), negatively impacted overall by a combination of the fair value loss of HK$800,000 (2018: fair value gain of HK$2,500,000) on revaluation of the Group's investment property, Nil deficit (2018: deficit of HK$6,336,000) on revaluation of the Group's resort and recreational club properties. Profit per share attributable to owners of the Company was HK$2.80 cents (2018: Loss per share: HK$4.43 cents).

This major turnaround to profit of HK$46,157,000 for the year was mainly attributable to the following factors:

(1) before general and administrative expenses, net realised and unrealised gains of HK$98,284,000 (including interest and dividend income of HK$20,465,000, net gains on disposal of HK$9,190,000 and net unrealised fair value gains of HK$68,629,000) attributable to the gains incurred within the investment portfolio and other equities investments for the year ended 31 December 2019 as compared to 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) for the corresponding year in 2018. Since most of the asset prices of our marketable fund investments, the private equity fund and a listed equity investment in China Motor Bus Limited have appreciated during the year, the Group's return from investment in financial instruments has substantially improved and contributed a segment profit of HK$81,062,000 (2018: segment loss of HK$48,537,000) to the Group;

(2) despite the weak consumer market and a 3% decline in same store sales in the first half of the year, a breakeven operating profit of HK$253,000 from the retail fashion business was achieved by the Group in the first half of the year by continuous clearance of aged-stock and cost control. However, the drastic deterioration in consumer sentiment caused by local social incidents saw an accelerating 26% decline in same stores sales in the second half of the year, however with a new shop and internet sales, overall sales for the whole year saw a decline of 15%. For the whole year, the Group reported an operating loss of HK$11,126,000 (2018: loss of HK$89,000) from the retail fashion business;

(3) after the completion of renovation for both the western restaurant and the banquet rooms in the third quarter of 2018, the Group's narrowed its losses from recreational club operations by HK$451,000 for the first half of the year, mainly attributable to continuous improvement of revenue. However, the months-long social unrest which began in June 2019 significantly affected the Group's revenue from recreational club operations, from a positive growth of 69% in the first half of the year to a 3% growth in the second half of year, as compared to corresponding periods in 2018. For the whole year, the Group reported an operating loss of HK$14,342,000 from recreational club operations, similar to that of last year (2018: loss of HK$14,410,000);

(4) a decrease in fair value of the Group's investment property, resulting in a fair value loss of HK$800,000, as compared with a fair value gain of HK$2,500,000 on revaluation of the Group's investment property for the last corresponding year;

(5) a decrease in fair value of the Group's resort and recreational club properties, resulting in Nil deficit (after depreciation for revalued resort and recreational club properties charged for the year), as compared with a deficit of HK$6,336,000 on revaluation of the Group's resort and recreational club properties for the last corresponding year;

(6) in the last corresponding year in 2018, 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;

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

	2019 ***HK$'000***	2018 *HK$'000*	Change
Wholesale and retail of fashion wear and accessories	**95,036**	112,415	(15%)
Resort and recreational club operations	**14,617**	11,294	29%
Dividend income	**18,708**	5,977	213%
Interest income	**3,480**	12,424	(72%)
Consolidated revenue	**131,841**	142,110	(7%)

The Group's consolidated revenue for the year ended 31 December 2019 declined by 7% to HK$131,841,000 (2018: HK$142,110,000) which was mainly attributable to the overall drop in sales of retail fashion products as a result of social unrest and economic downturn in Hong Kong.

As reported in the 2018 Annual Report, the Group started to execute its new investment strategy in August 2018. While dividend income received from our investments in external debt-related investments funds and China Motor Bus Limited (due to a special dividend of HK$18 per share received by the Group) increased, interest income derived from our investments in USD corporate bond and fixed deposits decreased in 2019.

The Group's gross profit dropped to HK$87,388,000 (2018: HK$91,512,000), reflecting a 5% decrease. However, the Group's gross profit margin of 66% for the year ended 31 December 2019 was about 2% higher than 2018, driven by an increase in sales and gross profit contributed by the resort and recreational club operations and increase in dividend income from our investments (included in "Revenue").

The Group's other income mainly comprised rental income from the Group's investment property situated in Hong Kong.

The Group's selling and distribution expenses increased by 2% to HK$42,066,000 (2018: HK$41,217,000), primarily attributable to the commencement of a new lease for a retail shop in Central Building, resulting in amortization of cost for the right-of-of use asset from October 2019 under HKFRS 16.

The Group's administrative expenses decreased by 1% to HK$69,602,000 (2018: HK$70,329,000), mainly as a result of the decrease in legal costs associated with the long legal process reported in note 36 to the consolidated financial statements.

Depreciation for property, plant and equipment and amortization expenses dropped by 12% to HK$6,041,000 (2018: HK$6,883,000), mainly because leasehold improvement and furniture and fixtures were fully depreciated for two retail shops by July 2019.

The Group's "other operating gains/(losses), net" mainly comprised net realised and unrealised fair value gains of HK$77,819,000 from investment in financial instruments (before interest and dividend income, included in "Revenue") by the investments division for the year ended 31 December 2019 as compared to net realised and unrealised fair value losses of HK$44,542,000 on investment in financial instruments by the investments division for the corresponding year in 2018.

The increase in finance cost resulted from the impact of adoption of HKFRS 16. The Group recorded finance cost on lease liabilities of HK$1,961,000 for the year ended 31 December 2019 (2018: Nil).

BUSINESS REVIEW

Retail Fashion

Swank Hong Kong

The impact of the China-USA trade war in the first half and Hong Kong's social unrest during the second half of 2019, substantially increased the performance difficulties of Swank, especially since our main stores are located in The Landmark and in Harbour City.

To enhance the operational efficiency of our Paule Ka franchise, and its competitive strength in affordable luxury ladies executive wear brand positioning, we opened one more franchisee store of Paule Ka in Harbour City during August 2019. We also opened an online e-tailer channel – with farfetch – during the year. By end of 2019, we had 5 brick-&-mortar shops, including 3 shops of Swank and 2 shops of Paule Ka, together with an online platform.

Comparing the sales performance of for the full year of 2019 vs. 2018, same shop sales performance dropped 14%. During the peak of China-USA trade war in the first half of 2019, the sales turnover of same stores dropped only 3% and first half overall sales declined further compared with first half of 2018 as a result of the closure of our Pacific Place store at the end of February 2018, while second half overall sales dropped by 19%, and annually dropped 15%. However, during the second half, we lost many transaction days due to the closure of shopping malls under the unforeseeable risk of prolonged social unrest. So for the second half, the sales turnover of same stores dropped 26%. Since we have widened our sales channels via an online e-tailer, and continued with our aged inventory sales, the sales performance was not as bad as these individual figures might have suggested.

Due to this drop of sales turnover and the opening of a new store, there was an operating loss in 2019, which is negative HK$11.1 million. The loss is greater than for 2018, however, the operational efficiency is far better than the results of 2017 and 2016 when the society and economies were stable and growing. The EBITDA of 2017 was negative HK$14.4 million, compared to positive HK$3.3 million in 2018. However, the EBITDA (after deduction of depreciation of right-of-use asset and finance cost for leases under HKFRS 16, previously, as rental expenses under HKAS 17) has returned to deficit of negative HK$10.1 million in 2019.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Resort and Recreational Club Operations

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

As one of Hong Kong's earliest private clubs, Hill Top has been operating on the edge of Tsuen Wan for approximately 40 years. It has a gross area of over 400,000 square feet and provides facilities for recreational and outdoor activities, conferences, dining and lodging. In fact, it is one of the few private clubs in Hong Kong that offers lodging facilities for members and their guests.

The operating performance of the Club, as outlined earlier, was similar to that of 2018, notwithstanding a substantial increase in gross revenue, and once again was not able to contribute any profit to the Group.

The increase in revenue was largely in the first half and followed the re-opening of the upgraded European restaurant and function and banqueting rooms which were welcomed by members. Total revenue, include restaurant and banqueting sales, as well as sales from conferences increased by 29.4% to HK$14.6 million from HK$11.3 million in the financial year 2018. Partly because of the amortization cost of the renovations, but also because of increase in costs unfortunately moving with the revenue, the operating loss for the year was HK$14.3 million compared with HK$14.4 million in 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 15 May 2020 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 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) a Discretionary Investment portfolio managed by two Investment Banks but still under the control of the Group; (C) direct listed Securities Investments; (D) directly held USD-denominated corporate bonds; and (E) private equity funds and a senior loan fund with a fixed term.

As of 31 December 2019, the total carrying value of the Group's investment portfolio in financial instruments was HK$694,725,000 (31 December 2018: HK$681,085,000), representing approximately 66% (31 December 2018: 71%) of the carrying value of the Group's total assets.

In 2019, the overall result of the elements of our diverse portfolio was substantially improved as can be seen by the figures reported herein. The main contributing factors, apart from the careful asset allocation approved by the Board and the selection of investment managers approved by our Investment Committee, was the change in the market situation contributed by the decisions of the United States Federal Reserve and other Central Banks to lower interest rates (leading to increases in the capital value of bonds, and of shares as a result of more confidence in the market) and the decision of the central Government of the PRC to better position the mainland economy for resilience during the current trade war by reversing their deleveraging policy and providing stimulus to their economy. This resulted in a further increase in the capital value of most mainland bonds (mainly as managed by our appointed bond managers) due to less concern as to refinancing risk and as to the resilience of the borrowers, and overall increases in the prices of listed equities in the mainland as a result of the ultimately improved trade relations between China and the USA. US and other global stocks also recorded substantial gains during the year.

Further, our directly held listed stock, China Motor Bus Company Limited recorded considerable gains as a result of a substantial profit obtained from the sale of its property in North Point jointly held with Swire Properties, and the payment of a substantial special dividend to reward investors for the profit.

We were also able to take some opportunities in a brief increase in turnover of the instrument to reduce to a small degree our exposure to our other directly held equity, PuraPharm at rates close to the fair value rate recorded as at 31 December 2018.

Under this backdrop, the Group's investment in financial instruments recorded a net gain of HK$98,284,000 (2018: a net loss of HK$33,332,000) to the Group for the 12 months ended 31 December 2019 before general and administrative expenses. The major portion, 70% of the net gain was attributed to unrealized mark-to-market gains 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 an equity–based fund 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$460,487,000 as of 31 December 2019 (31 December 2018: HK$512,478,000), representing approximately 44% of carrying value of the Group's total assets; and the asset allocation in the portfolio comprised of 52.5% fixed income funds, 36.1% enhanced income funds and 11.4% equity funds. The marketable funds investment portfolio recorded a net gain of HK$60,496,000 (or 11.7%) (2018: net loss of HK$11,293,000) for the 12 months ended 31 December 2019. The gain was mainly attributable to unrealized market-to-market gains from the fund investments. The decline in the total carrying value of the marketable funds investment portfolio was mainly due to the disposal at a profit of our investment in the H2O Allegro Fund.

Money Market Portfolio

During the year, the Group redeemed the whole of its investment in a Money Market Fund, which is the Morgan Stanley USD Liquidity Fund, for treasury/investment purposes. The Group recorded a gain of HK$376,000 (or 2.4%) on redemption for the 12 months ended 31 December 2019 and there is currently no exposure in this strategy.

Investment Grade & High Yield Bond Funds Portfolio

In this strategy, the Group held 7 fixed income funds, which can be mainly grouped into four categories, namely investment grade bond funds, high yield bond funds, a preferred security fund and a floating rate senior loan fund. As at 31 December 2019, the fair value of the Group's investment in this strategy was HK$241,967,000, representing approximately 52.5% of the carrying value of the marketable funds investment portfolio and 23.1% of the carrying value of the Group's total assets. The total net return of the Group's investment was HK$29,151,000 (or 11.8%) in profit for the 12 months ended 31 December 2019. 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 had a 5 year annualized return of 5.54% for the period 2015-2019. As at 31 December 2019, the Fair Value of the Group's investment in this Fund was HK$77,079,000 (31 December 2018: HK$78,176,000), representing approximately 7.4% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$6,684,000 (or 8.2%) gain for the 12 months ended 31 December 2019, including a HK$3,619,000 mark-to-market gain, and HK$2,864,000 of dividend income and gain on redemption of HK$201,000. The Group reduced its investment in the Fund during the first half for treasury/investment purposes by redeeming HK$7,780,000. The total Fair Value as at 31 December 2019 reported above is the net figure after this redemption and including the mark-to-market return, and the reinvestment of dividend income received. Bond funds performed well in the year mainly as a result of the lowering of US Fed interest rate rises.

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 had a 5 year annualized return of 4.77% for the period 2015-2019. As at 31 December 2019, the Fair Value of the Group's investment in this Fund was HK$44,426,000 (31 December 2018: HK$41,408,000), representing approximately 4.2% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$5,103,000 (or 12.3%) gain including dividend income of HK$2,085,000 and mark-to-market gain of HK$3,018,000 for the 12 months ended 31 December 2019. The Fund is heavily exposed to mainland PRC bonds which performed much better than industry averages during the period under review as the Central government adjusted its deleveraging policy, thus reducing perceived refinancing and resilience risks, allowing the capital value of the related bonds to increase substantially.

Robeco High Yield Bond Fund

The 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 CH USD) has had an annualized return of 6.3% for the period since its inception in May 2017 and ended December 2019. As at 31 December 2019, the Fair Value of the Group's investment in this Fund was HK$39,771,000 (31 December 2018: HK$36,735,000), representing approximately 3.8% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$5,393,000 (or 14.7%) gain for the 12 months ended 31 December 2019 including HK$2,357,000 in dividend income and HK$3,036,000 in mark-to-market 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 had a 3 year annualized return of 7.03% for the period 2017-2019. As at 31 December 2019, the Fair Value of the Group's investment in this Fund was HK$36,491,000 (31 December 2018: HK$34,293,000), representing approximately 3.5% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$4,609,000 (or 13.4%) gain in the 12 months ended 31 December 2019 including HK$2,411,000 in dividend income and HK$2,198,000 in mark-to-market 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 had an annualized return of 7.3% for the period since its inception in February 2015 and ended 31 December 2019. As at 31 December 2019, the Fair Value of the Group's investment in this Fund was HK$17,930,000 (31 December 2018: HK$15,029,000), representing approximately 1.7% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$2,900,000 (or 19.3%) mark-to-market gain for the 12 months ended 31 December 2019.

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 had a 5 year annualized return of 6.01% for the period 2015-2019. As at 31 December 2019, the Fair Value of the Group's investment in this Fund was HK$17,571,000 (31 December 2018: HK$15,002,000), representing approximately 1.7% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$2,569,000 (or 17.1%) gain in mark-to-market value for the 12 months ended 31 December 2019.

Invesco US Senior Loan Fund

In December 2019, the Group redeemed the whole of its investment in the Invesco US Senior Loan Fund which 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. Thus, the Group recorded a gain of HK$1,141,000 (or 7.4%) on redemption for the 12 months ended 31 December 2019 and there is currently no exposure to this Fund.

Enhanced Yield Fund Portfolio

As at 31 December 2019, the Group held 3 funds in this strategy with a fair value of HK$166,144,000, representing approximately 36.1% of the carrying value of the marketable fund investment portfolio and 15.9% of the carrying value of the Group’s total assets. The total net return of the Group’s investment was HK$15,052,000 (or 7.6%) in profit for the 12 months ended 31 December 2019. The Group’s investment in each individual fund in these categories exceeds 1.5% of the 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 had a 5 year annualized return of 7.04% for the period 2015-2019. As at 31 December 2019, the Fair Value of the Group’s investment in this Fund was HK$80,910,000 (31 December 2018: HK$75,324,000), representing approximately 7.7% of the carrying value of the Group’s total assets. The total net return of the Group’s investment in this fund was HK$5,585,000 (or 7.4%) gain in mark-to-market value during the 12 months ended 31 December 2019.

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 had a 5 year annualized return of 8.06% for the period 2015-2019. As at 31 December 2019, the Fair Value of the Group’s investment in this Fund was HK$67,874,000 (31 December 2018: 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$5,841,000 (or 9.4%) in mark-to-market gain during the 12 months ended 31 December 2019.

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 the USA or Canada. The fund (Class I, accumulating) has had an annualized return of 6.87% for the period 2015-2019. As at 31 December 2019, the Fair Value of the Group’s investment in this Fund was HK$17,360,000 (31 December 2018: HK$14,414,000), representing approximately 1.7% of the carrying value of the Group’s total assets. The total net return of the Group’s investment in this fund was HK$2,946,000 (or 20.4%) mark-to-market gain during the 12 months ended 31 December 2019.

H2O Allegro Fund

In June 2019, the Group redeemed the whole of its investment in the H2O Allegro Fund which is an open-ended fund registered in France and managed by H2O AM LLP. Thus, the Group recorded a gain of HK$680,000 (or 1.5%) on redemption for the 12 months ended 31 December 2019 and there is currently no exposure to this Fund. Although the Fund had made very good returns (of 18.7%) during the period of our investment in 2018, the returns for the first half of 2019 were not as good, and we became concerned about some of the strategies employed by the manager. Altogether, over a 10 months period, we achieved a return of 20.4%

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 2019, the Group held 6 equity-based funds with a fair value of HK$52,376,000, representing approximately 11.4% of the carrying value of the marketable fund investment portfolio and 5% of the carrying value of the Group's total assets. The Equity-based Funds Portfolio includes 3 technology funds, one China Opportunity fund, one European Growth fund and one Long Term Theme fund. The total net return of the Group's investment in these funds was HK$15,917,000 (or 27.4%) gains for the 12 months ended 31 December 2019.

UBS China A Opportunity Fund

The UBS China A Opportunity Fund invests principally in Chinese firms and the majority of net assets are invested in A share which are stocks in Chinese companies that are registered in China's local markets. The fund (Class A) has had a 5 year annualized return of 18.59% for the period 2015-2019. As at 31 December 2019, the Fair Value of the Group's investment in this Fund was HK$15,991,000 (31 December 2018: HK$7,636,000), representing approximately 1.5% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$4,465,000 (or 38.7%) mark-to-market gain for the 12 months ended 31 December 2019.

B. Discretionary Investment Portfolios managed by Morgan Stanley Asia International Limited ("MS Portfolio") and LGT Bank (Hong Kong) ("LGT Portfolio'')

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 2019, the total carrying value of the MS Portfolio was HK$59,062,000 with 21 fund/ETF holdings (31 December 2018: HK$51,589,000), representing approximately 5.6% of the carrying value of the Group's total assets. The asset allocation in the portfolio comprised of 8.4% money market fund, 23.4% fixed income funds, 50.5% equity funds and others 17.7%. The underlying assets in the MS Portfolio were set up gradually to spread risk and a certain portion of the funds was invested in the Money Market Fund awaiting suitable opportunities. The MS Portfolio recorded a net gain of HK$5,776,000 (or 10.3%) during the 12 months ended 31 December 2019.

LGT 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 portfolio managed on our behalf by LGT Bank (Hong Kong). The LGT portfolio offers a bespoke asset allocation solution based upon recommendations from LGT's Investment Committee in Asia and dynamically incorporates monitoring of macroeconomic outlook, market conditions, and security and fund selection into the portfolio. Investments are largely made via direct equity and fixed income securities, and to a smaller extent with funds or ETFs. As of 31 December 2019, the total market value of the LGT portfolio was HK$55,857,000, with 75 securities (fixed income and equities), and 5 alternative investment holdings (including gold and REITs), representing in total approximately 5.4% of the carrying value of the Group's total assets. The asset allocation in the LGT portfolio as of 31 December 2019, comprised of 68.7% in fixed income, 27.6% in equities, and 3.7% in equity mutual fund and alternative investments. The underlying assets in the LGT portfolio have been set up to diversify risk and reduce volatility, and thus fixed income is the dominant asset class within the portfolio. The LGT portfolio was incepted after 22 January 2019, and had returned a HK$6,271,000 (or 12.1%) gain from inception through 31 December 2019.

C. Listed Securities

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 disposed of most of its listed stock holdings by the end of 2018. As of 31 December 2019, the Group directly held only two listed securities in our portfolio, which are China Motor Bus Company, Limited ("CMB") and PuraPharm Corporation Limited ("PuraPharm"). As of 31 December 2019, the total carrying value of investment in CMB and PuraPharm shares was HK$44,329,000 (31 December 2018: HK$47,124,000), representing approximately 4.2% of the carrying value of the Group's total assets. The investment in CMB and PuraPharm recorded a net gain of HK$5,580,000, which represents an unrealized fair value loss of HK$613,000, a gain on disposal of HK$139,000 and dividend income of HK$6,054,000 to the Group for the 12 months ended 31 December 2019 (2018: HK$9,304,000 net loss).

China Motor Bus Company, Limited

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 from previous prices, 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. During the year, we obtained the benefit of a special dividend of HK$18 per share, and in the first half of year 2020, we will further obtain a special dividend of HK$19 per share, being most of CMB's profit realized on the sale of a commercial building in North Point. We also obtain a moderate but reasonable regular dividend income (currently around 3% on market value) from the holding. The share is very illiquid but we have recently taken some profit of HK$138,000 from disposal during the first half of the year. The gain in fair value is mainly related to the market's knowledge and the Company's estimation that, with the North Point sale, and even after the payment of these special dividends, more than HK$60 per share of the total balance sheet of CMB is represented by cash and there are still major properties and property development opportunities in CMB.

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. During the year, we took advantage of a certain amount of increased liquidity to sell 685,000 shares at average prices around the market price as at 31 December 2018. This will reduce, to a small degree, the volatility in our profit figures contributed by this investment. We will continue to look for further opportunities to obtain value from this investment.

D. Listed USD corporate bond investments with fixed tenor

As with the listed equity investments, with the Group's intention to reduce investments in individual bonds managed by the Group, the total carrying value of the Group's investment in listed corporate bonds had reduced to HK$7,413,000 as of 31 December 2019 (31 December 2018: HK$19,147,000), representing approximately 0.7% of carrying value of the Group's total assets. The Group's investment in corporate bonds recorded a net gain of HK$1,109,000 (or 16.6%) for the 12 months ended 31 December 2019 (2018: a net loss of HK$7,813,000). This was a direct result of the overall improvement in the market view of mainland PRC bonds for the reasons described above.

E. Other Fund Investments, mainly include ASEAN China Investment Fund III L.P. ("ACIF III") and ASEAN China Investment Fund IV L.P. ("ACIF IV")

The total carrying value of the Group's investment in this category was HK$67,577,000 (31 December 2018: HK$50,747,000) as of 31 December 2019 and it recorded a net gain of HK$19,052,000 (2018: a net loss of HK$1,195,000) for the 12 months ended 31 December 2019.

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") and targets investments in growth oriented companies operating in East and South East Asia and China. As of 31 December 2019, the Group has a total invested of HK$28,852,000 in this fund and its capital value was HK$52,364,000 based on the management accounts it has provided. The total return of the Group's investment in ACIF III is HK$18,823,000 gain for the 12 months ended 31 December 2019 (2018: HK$682,000 loss). The Group continues to be 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, 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 for a 1.669% 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 Islands on 20 February 2018, which is a closed–end private equity fund. The Fund is also managed out of Singapore by the 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 the Group's investment in ACIF IV to Profit or Loss for the year 2019 is HK$17,000 in losses which was the fair value gain of the underlying investments offset by the management fee charged by the General Partner 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 two discretionary portfolio management portfolios, still under the control of the Group but managed by an Investment Bank and a Private 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 2019 was as follows:

							For the year ended 31 December 2019						
Stock code/ ISIN code/ Bloomberg code	Company Name	Principal businesses	Number of shares/units held as at 31 December 2019 '000	Note	Percentage of shareholding as at 31 December 2019 %	Investment Cost of investments held as at 31 December 2019 HKD'000 *(Note 8)*	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 2019 HKD'000	Percentage to the Group's total assets as at 31 December 2019 %
<u>Financial Assets at fair value through profit or loss</u>													
- Current assets													
A. Marketable Funds Investment Portfolio, at fair value													
Unlisted													
Money Market Portfolio													
MSUSQAC LX	Morgan Stanley USD Liquidity Fund	Money market fund	–	*1*	N/A	NA	–	376	–	–	376	–	0.0%
Investment Grade & High Yield Bonds Funds Portfolio													
PINCMII ID	PIMCO GIS – Income Fund	Fixed income fund	837		N/A	74,262	3,619	201	–	2,864	6,684	77,079	7.4%
IPASBAD KY	IP All Seasons Bond Fund	Fixed income fund	53		N/A	42,790	3,018	–	–	2,085	5,103	44,426	4.2%
RHYBCHU LX	Robeco Capital Growth Funds SICAV - High Yield Bonds	Fixed income fund	48		N/A	38,900	3,036	–	–	2,357	5,393	39,771	3.8%
UBEHK1U LX	UBS (Lux) Bond Fund - Euro High Yield (EUR) (USD hedged) K-1 mdist	Fixed income fund	0		N/A	36,003	2,198	–	–	2,411	4,609	36,491	3.5%
LU0258954014	Invesco Zodiac Funds FCP-SIF - Invesco US Senior Loan Fund	Senior Loan fund	–		N/A	NA	–	1,141	–	–	1,141	–	0.0%
ALGFIUS ID	Algebris UCITS - Alge Fin-I-Acc-USD	Fixed income fund	16		N/A	15,560	2,900	–	–	–	2,900	17,930	1.7%
PGIPSIA ID	Principal Global Investors Funds - Preferred Securities Fund	Fixed income fund	92		N/A	15,560	2,569	–	–	–	2,569	17,571	1.7%
GSAPUDH KY	Goldman Sachs INV UNT TST-AS High Yield Bond Fund	Fixed income fund	87		N/A	7,780	752	–	–	–	752	8,699	0.8%
Subtotal							18,092	1,342	–	9,717	29,151	241,967	23.1%

							For the year ended 31 December 2019						
Stock code/ ISIN code/ Bloomberg code	Company Name	Principal businesses	Number of shares/units held as at 31 December 2019 '000	Note	Percentage of shareholding as at 31 December 2019 %	Investment Cost of investments held as at 31 December 2019 HKD'000 (Note 8)	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 2019 HKD'000	Percentage to the Group's total assets as at 31 December 2019 %
Enhanced Yield Fund Portfolio													
PRUENHN KY	Prudence Enhanced Income Fund - US series 96	Alternative fund	13		N/A	77,800	5,585	–	–	–	5,585	80,910	7.7%
ASCREHA KY	IP All seasons Asian Credit Fund	Fixed income fund	255		N/A	62,240	5,841	–	–	–	5,841	67,874	6.5%
ALZIGIT LX	Allianz Income & Growth-IT-USD	Multi assets fund	1		N/A	15,887	2,946	–	–	–	2,946	17,360	1.7%
NAHAHUI FP	H2O Allegro USD (Accumulation)	Alternative fund	–		N/A	NA	–	680	–	–	680	–	0.0%
Subtotal							14,372	680	–	–	15,052	166,144	15.9%
Equity-Based Funds Portfolio													
TRGBTEI LX	T.Rowe Price Global Technology Equity Fund	Equity fund	86		N/A	11,650	3,427	–	–	–	3,427	13,794	1.3%
UBSCHOA	UBS (CAY) China A Opportunity Fund	Equity fund	6		N/A	10,072	4,465	–	–	–	4,465	15,991	1.5%
ULTTUPA LX	UBS (LUX) Equity - Long Term themes P- Acc Fund	Equity fund	7		N/A	7,391	1,862	–	–	–	1,862	8,501	0.8%
JPGEULU LX	Jupiter European Growth Fund Class L	Equity fund	30		N/A	4,362	1,270	942	–	–	2,212	5,133	0.5%
ASTEABR KY	Asian Technology Absolute Return Fund Series 34	Equity fund	–		N/A	NA	–	964	–	–	964	–	0.0%
	Others	Equity fund	31	*2*	N/A	NA	1,548	1,439	–	–	2,987	8,957	0.9%
Subtotal							12,572	3,345	–	–	15,917	52,376	5.0%
							45,036	5,743	–	9,717	60,496	460,487	44.0%
B. Discretionary Investment Portfolios, at fair value													
1) Managed by Morgan Stanley Asia International Limited													
Unlisted													
MSLDQAC LX	MS USD Treasury Liquidity Fund (Qualified Accumulated Share)	Money market fund	6		N/A	4,823	11	63	–	–	74	4,834	0.5%
PIMINEA ID	PIMCO GIS-Income Fund-EA	Bond fund	47		N/A	5,185	173	–	–	–	173	5,358	0.5%
	Others	Mainly Bond Fund, Equity fund, Money market fund and Mutual fund		*3*	N/A	N/A	3,351	2,172	–	6	5,529	48,870	4.6%
Subtotal							3,535	2,235	–	6	5,776	59,062	5.6%

Stock code/ ISIN code/ Bloomberg code	Company Name	Principal businesses	Number of shares/units held as at 31 December 2019 '000	Note	Percentage of shareholding as at 31 December 2019 %	Investment Cost of investments held as at 31 December 2019 HKD'000 *(Note 8)*	For the year ended 31 December 2019 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 2019 HKD'000	Percentage to the Group's total assets as at 31 December 2019 %
2) Managed by LGT Bank (Hong Kong)													
Listed and unlisted													
	Others	Corporate bond investment		4	N/A	N/A	1,067	1,159	1,384	–	3,610	38,397	3.7%
	Others	Equities / Fund / Gold investment		*5*	N/A	N/A	2,498	(86)	–	249	2,661	17,460	1.7%
Subtotal							3,565	1,073	1,384	249	6,271	55,857	5.4%
							7,100	3,308	1,384	255	12,047	114,919	11.0%
C. Listed Equity Investments, at fair value													
Listed Hong Kong													
26	China Motor Bus Company Limited	Property Development and Investment	284		0.63%	14,079	6,386	138	–	6,054	12,578	33,403	3.2%
1498	PuraPharm Corporation Limited	Chinese medicine company	8,536		3.24%	33,669	(6,999)	1	–	–	(6,998)	10,926	1.0%
							(613)	139	–	6,054	5,580	44,329	4.2%
D. Debt Investments, at fair value													
Listed Hong Kong and Overseas USD corporate bonds				*6*			736	–	373	–	1,109	7,413	0.7%
– Non-current assets													
E. Other Fund Investments, at fair value													
Unlisted investments													
N/A	ASEAN China Investment Fund III L.P.	Private Equity Fund	3,708	*7*	1.532%	28,852	16,328	–	–	2,495	18,823	52,364	5.0%
N/A	ASEAN China Investment Fund IV L.P.	Private Equity Fund	1,688	*7*	1.669%	13,130	(17)	–	–	–	(17)	12,585	1.2%
	Others				N/A	N/A	59	–	–	187	246	2,628	0.3%
							16,370	–	–	2,682	19,052	67,577	6.5%
	Total						68,629	9,190	1,757	18,708	98,284	**694,725**	66.4%

Notes:

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

2) Including 2 unlisted fund investments 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 2019.

3) Including fund investments disposed during the year and the Group's other 19 investments mainly in unlisted bond and equity fund, money market fund and mutual 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 2019.

4) Including debt investments disposed during the year and other 23 investments in USD corporate bonds with fixed tenor listed overseas 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 2019.

5) Including equity/fund investments disposed during the year and other 57 investments in listed equity/unlisted fund/unlisted XAU investment 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 2019.

6) Included the Group's other 2 investments in USD corporate bonds with fixed tenor 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 2019.

7) It represents the Partners' capital paid-up amount in Thousand US Dollars which the Group had paid as at 31 December 2019.

8) For investments held at year end with carrying value more than 0.5% of the Group's total asset as at 31 December 2019.

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

The Group had no material acquisition and disposal of investments during the year ended 31 December 2019.

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 Risk

Retail Fashion

As at the time of writing, Hong Kong and the world are suffering from the advent of the Novel Corona Virus. Overwhelmingly, it is the impact of this virus that presents us with our major risks including both on the demand, and the supply side.

On the demand side, the fact that the advice to consumers is to avoid public places and to "stay home", obviously is highly likely to deter customers to come to our stores, and this has already proven to be the case. As more restrictions are imposed on business operations, and with the "second wave" virus infection record, it is increasingly clear that all of our customers are being very cautious as to their purchases and this is having its inevitable impact on our sales, although we are seeking to ramp up internet-based sales. If Hong Kong were to adopt Italian or mainland Chinese style "lock-down" policies, these problems would only be exacerbated.

On the supply side, most of our suppliers are high-end brands with their manufacturing taking place in Italy or France. With homes and factories in "lock-down" at the moment, the impact on the supply of our products is yet to be determined. For the "Spring-Summer 2020" collection, most, if not all, of our collection has already been received and is indeed in the stores. For the "Fall-Winter 2020" collection, that is currently on order and is (hopefully) being manufactured in those countries, or will be able to be prior to scheduled delivery before the commencement of the season in the third quarter.

At the same time, both the virus and the social unrest experienced extensively throughout the second half of 2019, and so far only sporadically during 2020, have meant that very few mainland tourists have come to Hong Kong. As of the time of writing, as a result of the virus containment requirements, there are virtually no tourists of any sort in Hong Kong. These factors have also impacted, and are likely to continue to impact on our stores – particularly the Paule Ka store in Harbour City which has hitherto been a magnet for (particularly mainland) tourism.

At the same time, pricing and demand pressure from global, low-price e-tailers, the advent of global pricing for all products that we sell, and the continuing high price of rental properties for our stores will keep pressure on margins and thus profitability.

We have no way to know what the impact will be of all of the current events on overall economic performance, and on the "wealth effect" which can either incentivize or dis-incentivize our customers to buy. Similarly these events are currently impacting, and may continue to impact, on currency levels, since most of our brands are purchased in Euros. We manage these risks with a careful hedging policy, reviewed and undertaken at regular intervals by our Finance team.

Hill Top Club

Hill Top is experiencing the same risks as other operators in the hospitality or food and beverage industry at the moment, with the advent of the Novel Corona Virus leading to the cancellation of weddings, functions, member dinners and parties and other events as well as the willingness of people (in this case our members and their guests) to venture out from their homes. Other countries have required clubs to close. It is possible that the Hong Kong government will follow suit.

As a hospitality provider we also have to be concerned about data security and data privacy.

Following incidents in other Hong Kong companies in recent years and guidance from the Privacy Commissioner's office we have participated in a company-wide review to identify our security in this area, which we hope to have completed within 2020.

Many of our other risks relate to the aging nature of the club with many facilities in need of refurbishment work. Although we are careful to ensure compliance with the various statutory and other regulations, and our facilities are inspected at least annually by relevant government agencies as a part of our licence renewal, there are nonetheless aspects of the club’s infrastructure that are not operating as efficiently or with as much comfort as they could.

The proposed advent of the conversion of all public holidays to statutory holidays, together with regulatory change in relation to the employment of casual staff will have a major impact on the cost of labour in the club, including on both permanent and casual staff.

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 refers 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.

Currency risk refers to the fact that if a 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 2019, the Federal Reserve cut US interest rates, ceased its operations on reducing its balance sheet, and also signaled resuming asset purchases, meaning that its “tightening” policy was eased and later reversed. The decision of the central Government of the PRC to better position the mainland economy for resilience during the current trade war by reversing its deleveraging policy and providing stimulus to their economy also contributed to a decrease in the market risk. As mentioned above, the outbreak in 2020 of Coronavirus and its economic and political impact, and the advent of an oil price war has lead to activity suspension in both industrial production and consumer behavior which has lead to historic cuts in US and global interest and rates and massive monetary and fiscal stimulus to support economic activity. All of this challenged the global economic outlook in the near term.

We also believe that the continued uncertainties on the US-China trade 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 maintain a diversified asset allocation of our investment portfolio management. Also, we invest mainly in unitized equity, and fixed income funds and set up two discretionary portfolio under our control but managed by substantial 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. The Group currently has reduced risk by not utilizing any leverage in its security investments, including with respect to its bond-related portfolio.

Strategic Direction Risk

The success of our businesses depends on achieving our strategic objectives, tied in with creating long-term value for our shareholders, 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. Implementation of, and performance against, strategy is monitored both at Board and management level.

Cyber risk and security and Data fraud or theft

Cyber-attack can affect the Group with its daily computer operations, and data breaches can lead to unauthorized disclosure of customer and Group information which may adversely affect the image and benefit of the Group, potentially be in breach of various legal requirements, as well as adversely affecting the involved customers. 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. Firewall upgraded with feature of zero-day protection by end of 2019.

(b) Use of End Point Protection (anti-virus) with periodical update

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

(d) Periodical data backup

(e) Appropriate operating system patch update

(f) Annual IT Risk Registry and Internal Control Handbook review

Manpower and Retention Risk

Hong Kong suffers from an adverse impact in ongoing social unrest as well as the health issues associated with the Corona Virus. In order to maintain a sustainable business in this difficult year, the competition for acquiring high calibre and competent talent in the open markets 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, the environment, 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. Whilst 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 exposure and other contingencies, the outcome of which cannot be predicted with certainty.

Macro-economic, Political Instability and Business Continuity Risk

The Group runs diversified businesses and is exposed to changing economic, social and political developments that may impact consumer demand, disrupt operations and impact profitability. Adverse macro-economic conditions, social unrest or virus spread may impact the spending habits of consumer, investment returns and impact our overall financial performance and operations. A business continuity failure could make it difficult to carry out our normal day-to-day activities.

Our diversified strategy helps to mitigate reliance on particular investments and businesses. The Group's business contingency plans and arrangements continue to be developed. Group IT systems are subject to specific disaster recovery arrangements. We also partially support remote working if employees cannot travel to our offices.

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 Pound 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 2019, the Group was in a solid financial position with cash and non-pledged deposit holdings of HK$124,828,000 (31 December 2018: 101,071,000). At 31 December 2019, total borrowings and lease liabilities amounted to HK$5,236,000 (31 December 2018: HK$3,195,000) and HK$47,388,000 (31 December 2018: Nil) respectively with HK$24,612,000 (31 December 2018: HK$3,195,000) repayment falling due within one year. As mentioned in our annual 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 second half of 2018 which continues in this 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 marketable funds 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 and lease liabilities with equity attributable to equity holders of the Company) was 5.4% at the year end date (31 December 2018: 0.3%). The current ratio at 31 December 2019 was 16.3 times (31 December 2018: 27.5 times).

At 31 December 2019, 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 2019, pledges of the Group's fixed deposits of HK$10,000,000 (31 December 2018: HK$12,334,000) were given to banks to secure trade banking facilities to the extent of HK$30,000,000 (31 December 2018: HK$30,000,000) 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, the 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.

To ensure that the Group complies with the relevant laws and regulations, the management constantly review its practices to keep up to date with the latest developments in regard to all relevant laws and regulations. Training on important topics such as the anti-corruption procedures and practices are provided periodically.

Appropriate policies and procedures have been put in place to ensure compliance with the relevant laws and regulations. These policies and procedures are reviewed from time to time and updated where necessary and are made available to the employees on the Company's internal public folders.

The management and division/department heads attend external seminars and workshops on a regular basis to keep informed of the latest developments in regard to all relevant laws and regulations.

During the year ended 31 December 2019, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group.

IMPORTANT EVENTS AFTER THE FINANCIAL YEAR

Save as the matters relating to impact of the coronavirus epidemic as disclosed in note 40 to the consolidated financial statements, there have been no important events significantly affecting the finances or financial prospects of the Group that have occurred since the end of the financial year.

CONTINGENT LIABILITIES

The Group's contingent liabilities as at 31 December 2019 are set out in note 36 to the consolidated financial statements.

A Consent Settlement was entered between the Group and the Hong Kong Building Authority ("BA") as a result of which the Group's investigatory, and potential remedial and maintenance responsibilities is limited to a small part of the slope features adjacent to works near the northernmost portion of the road undertaken by the Group in the early 1980s. The Group has submitted a proposal for remediation work to the BA on 13 December 2019 pursuant to the new Dangerous Hillside Order issued on 13 June 2019. The proposal is under review by the BA and the result is pending.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 144 staff, including Executive Directors compared with 134 as at 31 December 2018. Total employee costs (including Directors' emoluments) were approximately HK$52,033,000 for the year ended 31 December 2019 (2018: HK$53,349,000). 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

The two Swank stores in Landmark (Ladies' and Men's) have now been consolidated into one major store in the Central Building adjacent to the Landmark, which opened on 20 March 2020.

The store is a major "step up" in design and quality from the previous stores with an additional nearly 2,000 square feet of space and high quality décor, particularly in comparison with the fairly aged décor that had been in the Ladies store for many years. Innovative brands and other products will be able to be sold in the new store without disturbing our traditional customers who value the peace, privacy and personalised service for which Swank is renowned.

It is expected that the increased footfall associated with the new location will improve the accessibility of the store to everyone, and the design provides opportunities to sell newer and younger brands which we are confident will bring a new generation of shoppers.

Customer experience and engagement will also be enhanced with an interactive "digital table" a major feature of the main entrance of the new store.

Hilltop

Hilltop has a bleak outlook in terms of revenues for the first half of 2020 given the prevalence of the Corona Virus; however at this point a positive outlook for the second half of 2020 with a reasonable pipeline of bookings for functions, weddings, large conferences and other events.

This is dependent on the progress of containment of both the health and the economic impacts of the COVID-19 outbreak and if there is any more substantial social unrest or any resumption of "hostilities" in the "trade war" between the USA and China.

Given the uncertainties as to the club's future dependent on the outcome of the rezoning application, the Club is seeking to recruit new members on a year-on-year basis. It believes that there is substantial demand for this type of membership in the growing Tsuen Wan and surrounding areas.

If the rezoning application is not progressed further within 2020, the Group will have to consider a major review of the Club's function and future as it clearly cannot continue to lose shareholder funds year in year out.

Investments

As of the time of writing, the world and our portfolio are experiencing the negative impact of extraordinary times, with the twin "black swans" of a global pandemic and a collapse in productivity and in energy prices.

Since mid-February 2020 the market started to worry about the economic/financial market impact of the global spread of the corona virus. The sell-off experienced has been further compounded by poor liquidity in the market, forced selling & de-leveraging - which has further weighed on prices.

Even very strong assets have been sold-down aggressively in the market to meet redemptions and margin calls. For example the 30Y Treasury, rallied from 2% to 1% in the initial part of the sell-off from late February to early March 2020 but has subsequently further fluctuated between the two figures.

Similarly the Japanese yen fluctuated between 111 and 102 to the USD during the last few weeks.

Gold, which would be expected to perform well amid monetary easing and money printing has experienced price fluctuation with an increase and then a drop from close to US$1,700 to below US$1,500 in March 2020.

Further, with major financial centres of New York and London under lockdown, liquidity in many markets is extremely thin.

We expect volatility will continue due to further de-leveraging and investor concern as to the impact of government support for the various economies and until more clarity on the degree to which the virus spreads or can be contained and whether the monetary and fiscal measures are proven to be effective.

When the market normalizes we believe the prices in our portfolio will recover, however we cannot be certain when that will be, nor the course of the markets over the next few months, noting for example, that the average quoted bond yields for even investment grade issuers are currently extremely high given the severe mark downs on many of the positions.

The US Federal Reserve (matched by the HKMA) has dropped interest rates to historic lows and is now expected to keep them steady. At the same time, the Fed alongside the European Central Bank and Bank of Japan are re-engaging massively in asset purchases which pumps liquidity into the system, alongside that being supplied by governmental fiscal support measures.

This low interest rates environment and the huge supply of liquidity will likely provide long-term support for fixed income markets and for most asset prices. On the other hand, it is anticipated that equity investments will experience higher volatility due to companies being also exposed to political and economic uncertainties such as the global trade turmoil between China and the US, anticipated lower corporate earnings growth as a result of slower economic growth, and the US Presidential elections and their US and global impact.

Under the above backdrop, the Group will continue its prudent approach to balance the risks and reward of the investment portfolio by diversification of securities type, geography and nature of industries.

APPRECIATION

In the interim report, I noted that Mr Wing Tung YEUNG would retire at our AGM of June 2019. He did so as planned.

I would like to reiterate my thanks to him for his dedicated service and invaluable contributions to the Board, the Company and its shareholders over many years.

David Charles PARKER
Executive Director and Chief Executive Officer

Hong Kong, 27 March 2020

BIOGRAPHIES OF DIRECTORS

EXECUTIVE DIRECTOR

Mr. David Charles PARKER, aged 66, 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 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.

NON-EXECUTIVE DIRECTOR

Mr. Derek Wai Choi LEUNG, aged 69, 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 of the Company, a member of the Audit Committee, the Investment Committee and the Nomination 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 of Chinachem Group. He had been in the banking industry for 16 years and was in charge of the treasury and capital markets division of a wholly owned banking subsidiary of one of the largest banks in the world for about ten years. Mr. Leung is a member of The Institute of Chartered Accountants of Scotland. Mr. Leung holds a BSc (Engineering) degree. Mr. Leung is a 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 65, has been an Independent Non-executive Director of the Company since June 2016. Mr. Cheung is the chairman of the Audit Committee and the Nomination Committee of the Company, and a member of the Investment 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 is also a director of Self Strengthening Service Centre Limited, which is an NGO engaged in charitable activities to help the underprivileged.

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 63, 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 Corporate Governance 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.

BIOGRAPHIES OF DIRECTORS

Mr. Ted Tak Tai LEE, aged 69, 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 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) 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.

Mr. Lee was an independent non-executive director of Daphne International Holdings Limited (whose shares are listed on The Stock Exchange of Hong Kong Limited, stock code: 210) from September 2011 to June 2019.

Ms. Sarah Young O'DONNELL (former name Ms. Sarah Elizabeth YOUNG), aged 56, 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 Corporate Governance Committee, the Nomination Committee and the Remuneration 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 46, 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 43, 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 47, 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 Chartered Governance Institute (formerly 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 2019.

BOARD OF DIRECTORS

Board Composition

The Board of the Company currently comprises six Directors, namely, Mr. David Charles PARKER (Chief Executive Officer) as an Executive Director; 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 34 to 36 of this annual report and also available on the Company's website. An updated list of the Directors and their roles and functions is available on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

The changes to the composition of the Board and Board committees during the year ended 31 December 2019 and up to the date of this report were as follows:

12 June 2019	Mr. Wing Tung YEUNG retired as an Executive Director of the Company at the conclusion of the annual general meeting of the Company held on 12 June 2019 (the "2019 AGM"), following which he ceased to be a member of each of the Corporate Governance Committee and the Investment Committee.
27 March 2020	Mr. Derek Wai Choi LEUNG, a Non-executive Director and the Non-executive Chairman, has been appointed as a member of the Investment Committee.
27 March 2020	Mr. Kin Wing CHEUNG, an Independent Non-executive Director, has been appointed as a member of the Investment Committee and has resigned as a member of the Remuneration Committee.
27 March 2020	Mr. Kiu Sang Baldwin LEE, an Independent Non-executive Director, has been appointed as a member of the Corporate Governance Committee and has resigned as a member of the Investment Committee.
27 March 2020	Ms. Sarah Young O'DONNELL, an Independent Non-executive Director, has been appointed as a member of the Nomination Committee and the Remuneration Committee, and has resigned as a member of the Audit Committee.
27 March 2020	Mr. Kin Wing CHEUNG, an Independent Non-executive Director, has been appointed as the chairman of the Nomination Committee in place of Mr. Derek Wai Choi LEUNG.

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.

As at the date of this report, all Independent Non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. 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 6 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.

During the year ended 31 December 2019, Ms. Sarah Young O'DONNELL did 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. As at the date of this report, Ms. Sarah Young O'DONNELL meets the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

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 the 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 2019.

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 2019, 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 46.

Board Meetings

The full Board held four regular meetings and four non-regular meetings during the year ended 31 December 2019.

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 Director					
Mr. David Charles PARKER		Member	Chairman		Member
Non-executive Director					
Mr. Derek Wai Choi LEUNG	Member	Chairman	Member	Member	
Independent Non-executive Directors					
Mr. Kin Wing CHEUNG	Chairman		Member	Chairman	
Mr. Kiu Sang Baldwin LEE	Member	Member		Member	Chairman
Mr. Ted Tak Tai LEE	Member		Member		Member
Ms. Sarah Young O'Donnell		Member		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 2019, the Audit Committee held eight meetings and its major tasks performed were:

- Reviewed and endorsed the 2018 Annual Report and the annual results announcement, and the 2019 Interim Report and the interim results announcement;
- 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 2018;
- Reviewed and approved the external auditors' audit services and fees for 2019;
- Recommended the re-appointment of RSM Hong Kong as the external auditor of the Company at the 2019 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 adequacy of the resources of the Group's environmental, social and governance performance and reporting;
- 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 2019 and 2020;
- 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 reported whistleblowing cases and investigations; 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 2019, 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 2018 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 2019, the Investment Committee held four meetings and its major tasks performed were:

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

Nomination Committee

The Nomination Committee is responsible for (i) reviewing the structure, size and composition of the Board; (ii) assessing the suitability and qualification of any proposed director candidate; (iii) assessing the independence of the Independent Non-executive Directors; (iv) making recommendation to the Board on the appointment or re-appointment of Directors; and (v) monitoring and reviewing the implementation of the Board Diversity Policy.

During the year ended 31 December 2019, 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 2019 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 2019, the Remuneration Committee held one meeting and its major tasks performed were:

- Approved the 2019 annual salary levels of Executive Directors and senior management;
- Approved the Group's 2019 annual salary increase budget;
- Recommended the fee structure for Directors, the Non-executive Chairman and the Board Committees chairmen and members; and
- Approved certain bonus payments.

During the year ended 31 December 2019, there were no new appointments of director, hence no service contract for new director requiring approval by the Remuneration Committee.

2019 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 2019 are as follows:

	Meetings attended/eligible to attend in 2019[1]							
	Board	Audit Committee	Corporate Governance Committee	Investment Committee	Nomination Committee	Remuneration Committee	Annual General Meeting	Type of Training
No of meetings held in 2019	8	8	1	4	1	1	1	
Executive Director								
Mr. David Charles PARKER	8/8		1/1	4/4		1/1	1/1	A, B
Non-executive Director								
Mr. Derek Wai Choi LEUNG	8/8	8/8	1/1		1/1		1/1	A, B
Independent Non-executive Directors								
Mr. Kin Wing CHEUNG	8/8	8/8			1/1	1/1	1/1	A, B
Mr. Kiu Sang Baldwin LEE	8/8	8/8		4/4	1/1	1/1	1/1	A, B
Mr. Ted Tak Tai LEE	8/8	8/8		4/4		1/1	1/1	A, B
Ms. Sarah Young O'DONNELL	8/8	8/8	1/1				1/1	A, B
Director retired during the year								
Mr. Wing Tung YEUNG	3/3		1/1	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 68 to 72.

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. Annual Declaration of the Code of Conduct is arranged for all employees. 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 2019, 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 and proposing enhancements to these systems for consideration by the Audit Committee and/or the senior management and/or the individual department concerned;

(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 2019, 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;

(iv) adequacy of the resources of the Group's environmental, social and governance performance and reporting; and

(v) 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 2019 and as of that date, after reviewing the Group's Risk Management and Internal Control Systems including the confirmations on the effectiveness of these systems provided by the Chief Financial Officer and individual managers across the Group as well as Internal Audit Reports.

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 2019 was:

	HK$'000
Audit services (disclosed in Note 13 to the consolidated financial statements)	1,050
Non-audit services:	
Taxation services	54
Other assurance services	225
Other reporting services	50
	1,379

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

The Company has 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 2019, 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 2020

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 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 2019 to 31 December 2019, 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 2018 and 2019 were as follows:

	Nitrogen oxides (NOx)		**Sulphur oxides (SOx)**		**Particulate matter (PM)**	
	2019	2018	**2019**	2018	**2019**	2018
	kg	*kg*	***kg***	*kg*	***kg***	*kg*
Emission from gaseous fuel consumption						
– LPG	5.8	5.36	0.03	0.03	—	—
Emission from vehicles						
– Diesel	214.98	206.53	0.39	0.37	13.77	12.81
Total air pollutants	220.78	211.89	0.42	0.40	13.77	12.81

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 the relevant government departments
- 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 the relevant government departments

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 2018 and 2019 were as follows:

	Group Head Office		Retail fashion business		Resort and Recreation Club Operation		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Direct emissions (kg of CO_2e) (Scope 1)								
LPG	**N/A**	N/A	**N/A**	N/A	**95,173**	87,412	**95,173**	87,412
Charcoal	**N/A**	N/A	**N/A**	N/A	**4,773**	4,380	**4,773**	4,380
Diesel	**N/A**	N/A	**6,171**	5,330	**60,333**	57,540	**66,504**	62,870
Refrigerants	**N/A**	N/A	**N/A**	N/A	**176,000**	118,985	**176,000**	118,985
Total emissions (kg of CO_2e) (Scope 1)	**—**	—	**6,171**	5,330	**336,279**	268,317	**342,450**	273,647
Energy indirect emissions (kg of CO_2e) (Scope 2)								
Electricity	**61,474**	69,557	**128,880**	140,755	**785,109**	727,105	**975,463**	937,417
Other indirect emissions (kg of CO_2e) (Scope 3)								
Paper consumption	**9,263**	7,054	**9,412**	6,651	**4,029**	3,900	**22,704**	17,605
Water consumption	**25**	33	**N/A**	N/A	**14,532**	16,229	**14,557**	16,262
Business air travel	**4,871**	3,447	**45,297**	29,698	**N/A**	N/A	**50,168**	33,145
Total emissions (kg of CO_2e) (Scope 3)	**14,159**	10,534	**54,709**	36,349	**18,561**	20,129	**87,429**	67,012
Total emissions (kg of CO_2e) (Scopes 1, 2 and 3)	**75,633**	80,091	**189,760**	182,434	**1,139,949**	1,015,551	**1,405,342**	1,278,076

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, the retail stores and the warehouse are 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 2018 and 2019 was as follows:

	2019	2018
	kg	*kg*
Paper for office use	**1,728**	1,225
Carton boxes and plastic bags for logistical/packaging purposes	**1,125**	1,017
Solid waste at Hilltop	**87,600**	76,650
	90,453	78,892

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 the 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. For example, the bulk of the lighting in the new Swank store in Central Building will be with environmentally friendly LED lighting. 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 2018 and 2019 was as follows:

Resource Category	Unit	Group Head Office		Retail fashion business		Resort and Recreation Club Operation		Total	
		2019	2018	2019	2018	2019	2018	2019	2018
Electricity	kWh	120,537	136,387	177,966	195,230	1,539,430	1,425,696	1,837,933	1,757,313
Electricity consumption intensity: per gross floor area (kWh/square feet)	kWh	11.57	10.04	16.77	17.84	22.47	20.81		
Water	m3	41	47	N/A	N/A	26,714	26,197	26,755	26,244
Charcoal	kg	N/A	N/A	N/A	N/A	1,542	1,415	1,542	1,415
Diesel	litre	N/A	N/A	2,226	1,923	21,762	20,755	23,988	22,678
LPG	kg	N/A	N/A	N/A	N/A	31,545	28,973	31,545	28,973
Plastic									
– Non-woven shopping bag	kg	N/A	N/A	444	864	N/A	N/A	444	864
– Bag for logistical/ packaging purposes	kg	N/A	N/A	1,084	1,046	N/A	N/A	1,084	1,046
Paper									
– Shopping bag	kg	N/A	N/A	886	1,005	N/A	N/A	886	1,005
– Carton box for logistical purposes	kg	N/A	N/A	258	180	N/A	N/A	258	180
– Box for packaging purposes	kg	N/A	N/A	528	N/A	N/A	N/A	528	N/A
Paper – Office and corporate communications	kg	1,930	1,470	289	201	839	813	3,058	2,484

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.

During the year ended 31 December 2019, 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 and updates 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, internal public folders 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 2019, 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, the warehouse and the Club. Occupational health and safety posters regarding tips for proper use of computer and guidelines on stretching exercise are put up at the office pantry. Safety bulletins and warning signs are posted at the warehouse and the Club's engineering department to remind staff of safety. 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; regular disinfection treatment of carpets; 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 social unrest of 2019, the Group monitored safety conditions at work and on public transport for staff and where necessary closed shops and the head office or allowed flexible working hours.

During the outbreak of COVID-19 in Hong Kong in early 2020, the Group provided staff with face masks and implemented a work-from-home and alternate working day arrangement in order to minimize social contact.

During the year ended 31 December 2019, 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 2019, 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 2019, 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. Hilltop conducts an annual evaluation for its suppliers in order to assess their performance.

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 to 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 2019, 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 2019 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 the year ended 31 December 2019, 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. Staff are required to submit an annual declaration with respect to the compliance with the Code of Conduct.

During the year ended 31 December 2019, 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. All new staff watch the education video of this whistleblowing training.

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 2019, the Group offered a discounted price to the following activities:

(i) Family camp organised by Care Camp Limited; and

(ii) Meeting conference of The Association of Heads of Secondary Schools of Tsuen Wan Kwai Chung & Tsing Yi District.

During the year the Group also participated in "Used Bulbs Collection 2019" organised by Chinachem Group, which aimed to support "Home Improvement Project for Deprived Elderly" programme.

David Charles PARKER
Executive Director and Chief Executive Officer

Hong Kong, 27 March 2020

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 73 to 145, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 note 5 and note 18 to the consolidated financial statements)

The Group has resort and recreational club properties situated in Hong Kong with aggregate carrying value of HK$65,000,000 as at 31 December 2019. As described in the note 4(d) 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 judgement 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 note 5 and 23 to the consolidated financial statements)* At 31 December 2019, the Group held gross inventories of HK$41,805,000 and had made allowances for inventories of HK$18,990,000. 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 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
Revenue	9	**131,841**	142,110
Cost of sales		**(44,453)**	(50,598)
Gross profit		**87,388**	91,512
Other income	10	**1,510**	1,493
Selling and distribution costs		**(42,066)**	(41,217)
Administrative expenses		**(69,602)**	(70,329)
Depreciation of property, plant and equipment and amortisation		**(6,041)**	(6,883)
Other operating gains/(losses), net	13	**78,013**	(44,768)
Profit/(loss) from operations		**49,202**	(70,192)
Fair value gains/(losses) on investment properties, net		**(800)**	2,500
Deficits on revaluation of resort and recreational club properties		**—**	(6,336)
Gain on liquidation of subsidiaries	31	**—**	1,073
Finance costs	11	**(2,245)**	(197)
Profit/(loss) before tax		**46,157**	(73,152)
Income tax expense	12	**—**	—
Profit/(loss) for the year	13	**46,157**	(73,152)
Attributable to:			
Owners of the Company		**46,197**	(73,097)
Non-controlling interests		**(40)**	(55)
		46,157	(73,152)
		HK$	*HK$*
Earnings/(loss) per share			
– basic	16(a)	**2.80 cents**	(4.43 cents)
– diluted	16(b)	**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
Profit/(loss) for the year		**46,157**	(73,152)
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(84)**	(168)
Exchange differences reclassified to profit or loss on liquidation of subsidiaries	31	**–**	(1,073)
Other comprehensive loss for the year, net of tax		**(84)**	(1,241)
Total comprehensive income/(loss) for the year		**46,073**	(74,393)
Attributable to:			
Owners of the Company		**46,134**	(74,295)
Non-controlling interests		**(61)**	(98)
		46,073	(74,393)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
Non-current assets			
Property, plant and equipment	18	**69,212**	74,013
Right-of-use assets	19	**45,141**	—
Investment properties	20	**45,600**	46,400
Intangible assets	21	**871**	956
Financial assets at fair value through profit or loss	22	**67,577**	50,747
Total non-current assets		**228,401**	172,116
Current assets			
Inventories	23	**22,815**	24,075
Trade and other receivables	24	**35,047**	12,173
Financial assets at fair value through profit or loss	22	**627,148**	630,338
Pledged bank deposits	25	**10,000**	12,334
Time deposits	25	**36,888**	72,283
Cash and bank balances	25	**87,940**	28,788
Total current assets		**819,838**	779,991
Current liabilities			
Trade and other payables	26	**25,771**	25,141
Lease liabilities	27	**19,376**	—
Interest-bearing bank borrowings	28	**5,236**	3,195
Total current liabilities		**50,383**	28,336
Net current assets		**769,455**	751,655
Non-current liabilities			
Lease liabilities	27	**28,012**	—
NET ASSETS		**969,844**	923,771

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
Capital and reserves			
Issued capital	30	**1,206,706**	1,206,706
Accumulated losses		**(1,046,266)**	(1,092,463)
Other reserves	33	**810,055**	810,118
Equity attributable to owners of the Company		**970,495**	924,361
Non-controlling interests		**(651)**	(590)
TOTAL EQUITY		**969,844**	923,771

Approved by the Board of Directors on 27 March 2020 and are signed on its behalf by:

Derek Wai Choi LEUNG
Non-executive Director and
Non-executive Chairman

David Charles PARKER
Executive Director and
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company							
	Issued capital *HK$'000*	Special reserve *HK$'000* *(Note 33(b)(i))*	Available-for-sale investment revaluation reserve *HK$'000*	Exchange fluctuation reserve *HK$'000* *(Note 33(b)(ii))*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
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	–	–	(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**
At 1 January 2019	**1,206,706**	**808,822**	**–**	**1,296**	**(1,092,463)**	**924,361**	**(590)**	**923,771**
Total comprehensive income/(loss) and change in equity for the year	**–**	**–**	**–**	**(63)**	**46,197**	**46,134**	**(61)**	**46,073**
At 31 December 2019	**1,206,706**	**808,822**	**–**	**1,233**	**(1,046,266)**	**970,495**	**(651)**	**969,844**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 *HK$'000*	2018 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		**46,157**	(73,152)
Adjustments for:			
Depreciation of property, plant and equipment		**5,956**	6,798
Depreciation of right-of-use assets		**22,472**	—
Amortisation of intangible assets		**85**	85
Finance costs		**2,245**	197
Written back of inventories allowances		**(2,727)**	(3,436)
Dividend income from:			
Financial assets at fair value through profit or loss		**(18,708)**	(5,977)
Interest income from:			
Financial assets at fair value through profit or loss		**(1,757)**	(5,233)
Other financial assets		**(1,723)**	(7,191)
Fair value loss/(gain) on investment properties, net		**800**	(2,500)
Deficits on revaluation of resort and recreational club properties		**—**	6,336
Impairment of trade receivables, net		**—**	10
Loss on disposal of property, plant and equipment		**2**	5
Fair value loss/(gain) of financial assets at fair value through profit or loss, net		**(68,629)**	32,148
Gain on liquidation of subsidiaries		**—**	(1,073)
Loss/(gain) on disposal of financial assets at fair value through profit or loss, net		**(8,927)**	12,348
Foreign exchange loss/(gain), net		**(55)**	80
Operating loss before working capital changes		**(24,809)**	(40,555)
Decrease in inventories		**3,987**	7,278
Decrease/(increase) in trade and other receivables		**(7,782)**	4,983
Increase/(decrease) in trade and other payables		**1,304**	(4,513)
Cash used in operations		**(27,300)**	(32,807)
Interest received		**3,451**	15,165
Dividends received from:			
Financial assets at fair value through profit or loss		**15,830**	4,656
Fair value gains of financial assets at fair value through profit or loss – money market fund		**376**	218
Purchases of financial assets at fair value through profit or loss		**(173,270)**	(571,207)
Proceeds from disposal of financial assets at fair value through profit or loss		**205,245**	252,194
Net cash generated from/(used in) operating activities		**24,332**	(331,781)

	Note	2019 *HK$'000*	2018 *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(2,610)**	(4,443)
Purchases of financial assets at fair value through profit or loss		**(7,105)**	(15,559)
Proceeds from disposal of property, plant and equipment		**30**	—
Proceeds from capital contribution and related interest from additional limited partners of financial assets at fair value through profit or loss		**5,479**	—
Proceeds from refund of capital from financial assets at fair value through profit or loss		**1,165**	—
Decrease in pledged bank deposits		**2,334**	—
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		**—**	9,917
Net cash used in investing activities		**(707)**	(10,085)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans raised	35(a)	**33,299**	25,593
Repayment of bank loans	35(a)	**(31,258)**	(28,065)
Interest paid	35(a)	**(284)**	(197)
Capital element of lease rentals paid	35(a)	**(19,740)**	—
Interest element of lease rentals paid	35(a)	**(1,961)**	—
Net cash used in financing activities		**(19,944)**	(2,669)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**3,681**	(344,535)
Effect of foreign exchange rate changes, net		**(29)**	(317)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**121,176**	466,028
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**124,828**	121,176
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Non-pledged time deposits with original maturity of less than three months when acquired		**36,888**	72,283
Financial assets at fair value through profit or loss – money market fund	22(b)	**—**	20,105
Cash and bank balances		**87,940**	28,788
		124,828	121,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 34 to the consolidated financial statements.

2. BASIS OF PREPARATION

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

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

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

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

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

HKFRS 16 Leases (Continued)

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has applied HKFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated losses at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 2.63% as at 1 January 2019.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16 on a lease-by-lease basic:

- elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019.

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

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

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options.

The following table reconciles the operating lease commitments as disclosed in note 37 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *HK$'000*
Operating lease commitment as at 31 December 2018 as disclosed in the Group's consolidated financial statements	20,344
Less: Recognition exemption for leases with less than 12 months of lease term at transition	(22)
Recognition exemption for leases of low-value assets	(177)
Leases committed but not yet commenced at 1 January 2019	(3,561)
Effect from discounting at incremental borrowing rate at 1 January 2019	(368)
Lease liabilities recognised as at 1 January 2019	16,216
Of which are:	
Current lease liabilities	11,745
Non-current lease liabilities	4,471
	16,216

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

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

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

HKFRS 16 Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Note	Effects of adoption of HKFRS 16 Carrying amount as at 31 December 2018 *HK$'000*	Re-classification *HK$'000*	Recognition of leases *HK$'000*	Carrying amount as at 1 January 2019 *HK$'000*
Assets					
Right-of-use assets		—	(465)	16,216	15,751
Liabilities					
Trade and other payables	(i)	25,141	(465)	—	24,676
Lease liabilities		—	—	16,216	16,216

Note:

(i) These relate to deferred rental incentives of HK$465,000 for leases of properties in which the lessors provided rent-free period. The carrying amount of the deferred rental incentives under trade and other payables as at 1 January 2019 was adjusted to right-of-use assets at transition.

(c) Impact on financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liabilities, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations (before finance costs) in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 35(a)). These elements are both classified as financing cash outflows in the cash flow statement. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (note 35(b)).

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

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

HKFRS 16 Leases (Continued)

(c) Impact on financial results and cash flows of the Group (Continued)

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating lease as if under HKAS 17** *(note 1)*	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit/(loss) from operation	**49,202**	**21,781**	**(22,869)**	**48,114**	(70,192)
Finance costs	**(2,245)**	**1,961**	**—**	**(284)**	(197)
Profit/(loss) before tax	**46,157**	**23,742**	**(22,869)**	**47,030**	(73,152)
Profit/(loss) for the year	**46,157**	**23,742**	**(22,869)**	**47,030**	(73,152)

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

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

HKFRS 16 Leases (Continued)

(c) Impact on financial results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under HKFRS 16 *HK$'000*	Estimated amounts related to operating lease as if under HKAS 17 *(note 2)* *HK$'000*	Hypothetical amounts for 2019 as if under HKAS 17 *HK$'000*	Compared to amounts reported for 2018 under HKAS 17 *HK$'000*
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	(27,300)	(21,701)	(49,001)	(32,807)
Net cash generated from/(used in) operating activities	24,332	(21,701)	2,631	(331,781)
Capital elements of lease rentals paid	(19,740)	19,740	—	—
Interest elements of lease rentals paid	(1,961)	1,961	—	—
Net cash generated from/(used in) financing activities	(19,944)	21,701	1,757	(2,669)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the rental expenses in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

(d) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation. The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

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

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of financial statements in conformity with 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

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

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

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

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

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

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

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

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combination and goodwill (Continued)

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.

(c) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation (Continued)

(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.

(d) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (Continued)

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.

(e) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as lessee

Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected to separately account for lease and non-lease components.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 4(e).

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Leases (Continued)

The Group as lessee (Continued)

Policy applicable from 1 January 2019 (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

Policy prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified.

The Group as lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

(g) 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.

(h) 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.

(i) 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(w) 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 recognises 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.

(j) 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.

(k) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets (Continued)

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.

(l) 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 other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. 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 credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

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.

(r) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (Continued)

(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 normally have a right of return within 7 days and 14 days for sales via retail stores and on-line e-tailer channel respectively. 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.

(ii) Resort and recreational club operations

Entrance fee income and subscription fee income is recognised 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) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

The Group operates only the defined contribution retirement schemes.

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

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

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(v) Impairment of non-financial assets

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) 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 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.

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) or 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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).

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 reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Impairment of financial assets (Continued)

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 FVOCI, 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.

(x) Provisions and contingent liabilities

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Events after the reporting period

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

5. CRITICAL 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 2019, allowances for inventories amounted to HK$18,990,000 (2018: HK$34,756,000).

(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 2019 were HK$110,600,000 (2018: HK$114,400,000).

(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 22(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 2019 was HK$64,949,000 (2018: HK$47,012,000).

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 and Euro. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table summarises the change in the Group's consolidated profit/(loss) after tax 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 profit after tax**	**Effect on equity**
		HK$'000	***HK$'000***
31 December 2019			
US dollar	**+/- 0.5%**	**+/- 6,785**	**+/- 6,785**
Euro	**+/- 5%**	**-/+ 43**	**-/+ 43**

	Change in percentage in exchange rate against Hong Kong dollar	Effect on loss after tax	Effect on equity
		HK$'000	*HK$'000*
31 December 2018			
US dollar	+/- 0.5%	-/+ 5,849	+/-5,849
Euro	+/- 5%	+/-208	-/+ 208

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Price risk

The Group's investments classified as financial assets at fair value through profit or loss 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.

The Group's equity investments classified as financial assets at fair value through profit or loss are primarily listed on The Stock Exchange of Hong Kong Limited, The Tokyo Stock Exchange, The New York Stock Exchange, The Nasdaq Stock Market or The London Stock Exchange. At 31 December 2019, if the share prices of the equity investments increase/decrease by 5%, consolidated profit (2018: loss) after tax for the year would have been HK$3,018,000 higher/lower (2018: HK$2,356,000 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 are primarily listed on The Stock Exchange of Hong Kong Limited, The Berlin Stock Exchange, The Singapore Exchange Securities Trading Limited or traded over-the-counter. At 31 December 2019, if the prices of the debt and fund investments increase/decrease by 5%, consolidated profit (2018: loss) after tax for the year would have been HK$28,471,000 higher/lower (2018: HK$29,348,000 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.

(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 (mainly include trade receivables arising from credit card sales and on-line sales which are normally settled in one-to-two business days in arrears and monthly in arrears respectively) are assessed to be immaterial because the counterparties are high-credit-quality banks/e-tailer and a number of independent customers for whom there is no recent history of default; 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:

	2019 *HK$'000*	2018 *HK$'000*
At 1 January	467	457
Impairment losses recognised, net	–	10
At 31 December	467	467

Other financial assets measured at amortised cost

Other receivables mainly comprise rental and other deposits, interest, dividend or sales proceeds receivables from banks/financial institutions. The Group's other financial assets at amortised cost are considered to have low credit risk because the counterparties are high-credit-quality banks/financial institutions or well-established real estate developer/management companies in Hong Kong, 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$45,810,000 (2018: HK$19,147,000).

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Less than 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Total *HK$'000*
At 31 December 2019				
Trade and other payables	18,655	—	—	18,655
Lease liabilities	22,832	20,231	9,943	53,006
Interest-bearing bank borrowings	5,236	—	—	5,236

As at 31 December 2018, 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 2019, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated profit (2018: loss) after tax for the year would have been HK$208,000 higher/lower (2018: HK$407,000 lower/higher), 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:

	2019 *HK$'000*	2018 *HK$'000*
Financial assets:		
Financial assets at fair value through profit or loss	**694,725**	681,085
Financial assets at amortised cost	**164,213**	123,209
	858,938	804,294
Financial liabilities:		
Financial liabilities at amortised cost	**23,891**	22,435

(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 2019 using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	2019 Total HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss:				
– Listed equity investments	60,358	–	–	60,358
– Listed debt investments	–	45,810	–	45,810
– Unlisted fund investments	–	523,608	64,949	588,557
	60,358	569,418	64,949	694,725
Investment properties:				
– Industrial property situated in Hong Kong	–	45,600	–	45,600
Property, plant and equipment:				
– Resort and recreational club properties situated in Hong Kong	–	–	65,000	65,000
Total recurring fair value measurements	60,358	615,018	129,949	805,325

Description	Fair value measurements as at 31 December 2018 using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	2018 Total HK$'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)

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

Description	Property, plant and equipment — Resort and recreational club properties HK$'000	Financial assets at fair value through profit or loss — Unlisted fund investments HK$'000	2019 Total HK$'000
At 1 January 2019	68,000	47,012	115,012
Additions	—	7,105	7,105
Amount received in respect of capital contribution and related interest from additional limited partners of an unlisted fund investment	—	(5,479)	(5,479)
Total fair value gain or loss recognised in profit or loss*	—	16,311	16,311
Depreciation charged to profit or loss	(3,000)	—	(3,000)
At 31 December 2019	65,000	64,949	129,949
* Include gains or losses for assets held at end of reporting period	—	16,311	16,311

Description	Property, plant and equipment — Resort and recreational club properties HK$'000	Financial assets at fair value through profit or loss — Unlisted fund investments HK$'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)

7. FAIR VALUE MEASUREMENTS (CONTINUED)

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

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 on revaluation of resort and recreational club properties" and "Other operating gains/(losses), net" respectively in the consolidated statement of profit or loss.

(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

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: (Continued)

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
		2019	2018	
Resort and recreational club properties situated in Hong Kong	Discount rate	**15.3%**	10.8%	Decrease
	Long-term growth rate	**3%**	3%	Increase
	Average number of members in forecast period	**321 members**	279 members	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 2019 and 2018.

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/(losses) on investment properties, net;
- Deficits on revaluation of resort and recreational properties;
- Gain on liquidation of subsidiaries;
- Finance costs; 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 2019:				
Revenue from external customers	95,036	14,617	22,188	131,841
Segment profit/(loss)	(11,126)	(14,342)	81,062	55,594
Segment profit/(loss) includes:				
Fair value gains on financial assets at fair value through profit or loss, net	–	–	68,629	68,629
Gains/(losses) on disposal of financial assets at fair value through profit or loss, net	(263)	–	9,190	8,927
Interest income from:				
- Financial assets at fair value through profit or loss	–	–	1,757	1,757
- Other financial assets	–	–	1,723	1,723
Depreciation of property, plant and equipment and amortisation	2,105	3,550	386	6,041
Depreciation of right-of-use assets	20,164	–	2,308	22,472
Written back of inventories allowances	(2,727)	–	–	(2,727)
Other segment information:				
Additions to property, plant and equipment	955	232	–	1,187
Additions to right-of-use assets	51,862	–	–	51,862
As at 31 December 2019:				
Segment assets	100,052	68,514	879,673	1,048,239
Segment liabilities	(57,705)	(3,027)	(12,427)	(73,159)

8. SEGMENT INFORMATION (CONTINUED)

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

	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 of property, plant and equipment 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)

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

	2019	2018
	HK$'000	*HK$'000*
Profit or loss		
Total profit or loss of reportable segments	**55,594**	(63,036)
Unallocated corporate administrative expenses	**(6,392)**	(7,156)
Fair value gains/(losses) on investment properties, net	**(800)**	2,500
Deficits on revaluation of resort and recreational club properties	**—**	(6,336)
Gain on liquidation of subsidiaries	**—**	1,073
Finance costs	**(2,245)**	(197)
Consolidated profit/(loss) for the year	**46,157**	(73,152)
Assets		
Total assets of reportable segments	**1,048,239**	952,107
Consolidated total assets	**1,048,239**	952,107
Liabilities		
Total liabilities of reportable segments	**(73,159)**	(25,141)
Interest-bearing bank borrowings	**(5,236)**	(3,195)
Consolidated total liabilities	**(78,395)**	(28,336)

Geographical information:

	Revenue		**Non-current assets**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**117,942**	134,790	**160,445**	120,953
Other Asia Pacific Region	**384**	2,077	**379**	416
Europe	**8,661**	3,700	**—**	—
Others	**4,854**	1,543	**—**	—
Consolidated total	**131,841**	142,110	**160,824**	121,369

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:

	2019 *HK$'000*	2018 *HK$'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	**95,036**	112,415
(ii) Resort and recreational club operations		
Catering service income recognised at a point in time	**7,297**	5,790
Resort and club facilities and other services income recognised over time	**4,964**	3,006
Entrance fee and subscription fee income recognised over time	**2,356**	2,498
	14,617	11,294
Revenue from other sources		
(i) Investments		
Dividend income arising from financial assets at fair value through profit or loss:		
- listed equity and fund investments	**6,280**	1,322
- unlisted fund investments	**12,428**	4,655
Interest income from		
- Financial assets at fair value through profit or loss	**1,757**	5,233
- Other financial assets	**1,723**	7,191
	22,188	18,401
Total revenue of the Group	**131,841**	142,110

10. OTHER INCOME

	2019 *HK$'000*	2018 *HK$'000*
Rental income	**1,140**	1,140
Others	**370**	353
	1,510	1,493

11. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expenses on lease liabilities *(note 27)*	1,961	—
Interest on bank loans	284	197
	2,245	197

12. INCOME TAX EXPENSE

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2019 (2018: 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% (2018: 16.5%).

The tax rate applicable to the subsidiaries in the PRC for PRC enterprise income tax is 25% (2018: 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 profit/(loss) before tax multiplied by the weighted average tax rate applicable to profit of the consolidated companies is as follows:

	2019 HK$'000	2018 HK$'000
Profit/(loss) before tax	46,157	(73,152)
Tax calculated at domestic tax rates applicable to profits in the respective countries	7,608	(12,071)
Tax effect of income that is not taxable	(16,099)	(2,632)
Tax effect of expenses that are not deductible	1,178	3,061
Tax effect of utilisation of tax losses not previously recognized	(352)	(176)
Tax effect of tax losses not recognised	7,665	11,818
Income tax expense	—	—

The weighted average applicable tax rate is 16.5% (2018: 16.5%).

13. PROFIT/(LOSS) FOR THE YEAR

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

	2019 *HK$'000*	2018 *HK$'000*
Cost of inventories sold#	**44,213**	50,372
Depreciation of property, plant and equipment	**5,956**	6,798
Depreciation of right-of-use assets	**22,472**	—
Amortisation of intangible assets	**85**	85
Auditor's remuneration for audit services	**1,050**	990
Other operating lease charges for land and buildings (included contingent rentals of HK$1,384,000)	**—**	24,239
Write back for inventories allowances	**(2,727)**	(3,436)
Direct operating expenses of investment properties that generate rental income	**235**	203
Losses/(gains) from financial assets at fair value through profit or loss, net*:		
Fair value losses/(gains), net	**(68,629)**	32,148
Losses/(gains) on disposal, net	**(8,927)**	12,348
	(77,556)	44,496
Fair value losses/(gains) on investment properties, net	**800**	(2,500)
Loss on disposal of property, plant and equipment*	**2**	5
Rental income	**(1,140)**	(1,140)
Foreign exchange losses/(gains), net*	**(459)**	267
Impairment of trade receivables, net	**—**	10
Deficits on revaluation of resort and recreational club properties	**—**	6,336

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

\# Cost of inventories sold included write back for inventories allowances of HK$2,727,000 (2018: HK$3,436,000).

14. EMPLOYEE BENEFITS EXPENSE

	2019 *HK$'000*	2018 *HK$'000*
Employee benefits expense (including directors' emoluments):		
Salaries, bonuses and allowances	**50,338**	51,692
Pension scheme contributions	**1,695**	1,657
	52,033	53,349

14. EMPLOYEE BENEFITS EXPENSE (CONTINUED)

(a) Five highest paid individuals

The five highest paid individuals in the Group during the year included one (2018: two) director whose emoluments are reflected in the analysis presented in note 15(a) to the consolidated financial statements. The emoluments of the remaining four (2018: three) individuals are set out below:

	2019 *HK$'000*	2018 *HK$'000*
Salaries, bonuses, allowances and benefits in kind	**4,391**	3,228
Performance related bonus	**117**	234
Pension scheme contributions	**99**	80
	4,607	3,542

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**3**	2
	4	3

(b) Emoluments of senior management

The emoluments of the senior management, whose profiles, if applicable, are included in Biographies of Senior Management section of 2019 and 2018 annual report of the Company and included three (2018: two) of the five highest paid individuals analysis presented above, fell within the following bands:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**2**	2
	5	4

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 iv)*	Total *HK$'000*
Executive directors:							
Mr. David Charles PARKER	60	2,812	100	18	720	60	3,770
Mr. Wing Tung YEUNG *(note ii)*	27	811	–	9	–	27	874
Non-executive director *(note iii)*:							
Mr. Derek Wai Choi LEUNG	596	–	–	–	–	–	596
Independent non-executive directors *(note iii)*:							
Mr. Kin Wing CHEUNG	405	–	–	–	–	–	405
Mr. Kiu Sang Baldwin LEE	461	–	–	–	–	–	461
Mr. Ted Tak Tai LEE	402	–	–	–	–	–	402
Ms. Sarah Young O'DONNELL	346	–	–	–	–	–	346
Total for 2019	2,297	3,623	100	27	720	87	6,854

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 iv)*	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 iii)*:							
Mr. Derek Wai Choi LEUNG	574	—	—	—	—	—	574
Ms. Sarah Young O'DONNELL *(note i)*	70	—	—	—	—	—	70
Independent non-executive directors *(note iii)*:							
Mr. Kin Wing CHEUNG	390	—	—	—	—	—	390
Mr. Kiu Sang Baldwin LEE	438	—	—	—	—	—	438
Mr. Ted Tak Tai LEE	381	—	—	—	—	—	381
Ms. Sarah Young O'DONNELL *(note i)*	263	—	—	—	—	—	263
Total for 2018	2,236	5,225	100	36	720	120	8,437

Notes:

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

(ii) Retired on 12 June 2019.

(iii) 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.

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

No share options or any other forms of share-based payments were granted to the directors during the year (2018: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2018: Nil).

15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

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

16. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the year attributable to owners of the Company of HK$46,197,000 (2018: loss of HK$73,097,000) and the weighted average number of ordinary shares of 1,650,658,676 (2018: 1,650,658,676) in issue during the year.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2019 and 2018.

17. DIVIDENDS

The directors do not recommend the payment of any dividend to shareholders for the years ended 31 December 2019 and 2018.

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 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 and 1 January 2019	**68,000**	**13,874**	**32,571**	**1,519**	**115,964**
Additions	**—**	**218**	**969**	**—**	**1,187**
Disposals	**—**	**—**	**(181)**	**—**	**(181)**
Elimination of accumulated depreciation	**(3,000)**	**—**	**—**	**—**	**(3,000)**
At 31 December 2019	**65,000**	**14,092**	**33,359**	**1,519**	**113,970**
Accumulated depreciation and impairment:					
At 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 and 1 January 2019	**—**	**11,255**	**29,792**	**904**	**41,951**
Depreciation provided during the year	**3,000**	**1,167**	**1,603**	**186**	**5,956**
Write-back on revaluation	**(3,000)**	**—**	**—**	**—**	**(3,000)**
Disposals	**—**	**—**	**(149)**	**—**	**(149)**
At 31 December 2019	**—**	**12,422**	**31,246**	**1,090**	**44,758**
Net carrying amount:					
At 31 December 2019	**65,000**	**1,670**	**2,113**	**429**	**69,212**
At 31 December 2018	68,000	2,619	2,779	615	74,013

The value of the Group's resort and recreational club properties was revalued at 31 December 2019 and 31 December 2018 by independent professional qualified valuers, Ernst & Young Transactions Limited, based on open market and existing use basis with the use of discounted cash flow.

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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:

	2019 ***HK$'000***	2018 *HK$'000*
Cost	**57,149**	57,149
Accumulated depreciation	**(28,994)**	(27,970)
	28,155	29,179

19. RIGHT-OF-USE ASSETS

	Leased properties ***HK$'000***	**2019 Total** ***HK$'000***
At 1 January 2019 *(note 3)*	**15,751**	**15,751**
Additions	**51,862**	**51,862**
Depreciation	**(22,472)**	**(22,472)**
At 31 December 2019	**45,141**	**45,141**

19. RIGHT-OF-USE ASSETS (CONTINUED)

Lease liabilities of HK$47,388,000 are recognised with related right-of-use assets of HK$44,883,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2019
	HK$'000
Depreciation expenses on right-of-use assets	22,472
Interest expense on lease liabilities (included in finance cost)	1,961
Expenses relating to short-term lease (included in selling and distribution cost and administrative expenses)	211
Expenses relating to leases of low value assets (included in selling and distribution cost and administrative expenses)	78
Expenses relating to variable lease payments not included in the measurement of lease liability (included in selling and distribution cost)	687

Details of total cash outflow for leases is set out in note 35(b).

For both years, the Group leases office, warehouse, and various retail stores for its operations. Lease contracts are entered into for fixed term of six months to three years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

One lease include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension option exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised as at 31 December 2019 (discounted)	Potential future lease payments under extension option not included in lease liabilities (undiscounted)
	HK$'000	*HK$'000*
Retail stores – Hong Kong	40,590	19,800

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2019, there has been no such triggering event.

19. RIGHT-OF-USE ASSETS (CONTINUED)

During the year ended 31 December 2019, the Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Hong Kong where the Group operates. The amount of fixed and variable lease payments for the year is summarised below:

	Fixed payments *HK$'000*	Variable payments *HK$'000*	Total payments *HK$'000*
Retail stores – Hong Kong	17,963	687	18,650

At 31 December 2019, it is estimated that an increase in sales generated from these retail stores by 5% would have increased the lease payments by HK$219,000.

20. INVESTMENT PROPERTIES

	2019 *HK$'000*	2018 *HK$'000*
At 1 January	**46,400**	43,900
Fair value gains/(losses)	**(800)**	2,500
At 31 December	**45,600**	46,400

At 31 December 2019, the Group's investment properties comprised industrial property units situated in Hong Kong of HK$45,600,000 (2018: HK$46,400,000). 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 2019 and 31 December 2018 by independent professional qualified valuers, Ernst & Young Transactions Limited. Valuation of industrial property was based on direct comparison method.

Further particulars of the Group's investment properties are included on page 146.

21. INTANGIBLE ASSETS

	Trademarks *HK$'000*
Cost:	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	**1,700**
Accumulated amortisation:	
At 1 January 2018	659
Amortisation for the year	85
At 31 December 2018 and 1 January 2019	**744**
Amortisation for the year	**85**
At 31 December 2019	**829**
Net carrying amount:	
At 31 December 2019	**871**
At 31 December 2018	956

The Group's trademarks protect the design and specification of the Group's products. The average remaining amortisation period of the trademarks is approximately 10 years (2018: 11 years).

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 ***HK$'000***	2018 *HK$'000*
Financial assets at fair value through profit or loss:		
Equity investments, at fair value *(note a)*:		
– Listed in Hong Kong	**45,252**	47,124
– Listed outside Hong Kong	**15,106**	—
	60,358	47,124
Unlisted fund investments, at fair value *(note b and note c)*	**588,557**	614,814
Debt investments, at fair value *(note d)*:		
– Listed in Hong Kong*	**7,413**	14,641
– Listed outside Hong Kong*	**38,397**	4,506
	45,810	19,147
	694,725	681,085

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

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

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

	2019 *HK$'000*	2018 *HK$'000*
Current assets - Financial assets at fair value through profit or loss		
– Listed equity investments *(note a)*	60,358	47,124
– Unlisted fund investments *(note b)*	520,980	564,067
– Listed debt investments *(note d)*	45,810	19,147
	627,148	630,338
Non-current assets - Financial assets at fair value through profit or loss		
– Unlisted fund investments *(note c)*	67,577	50,747
	694,725	681,085

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 investment as at 31 December 2019 amounted HK$520,980,000 (2018: HK$564,067,000) which were 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 are included in the fund investments 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$Nil (2018: 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.

(c) Unlisted fund investments, at fair value

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

As at 31 December 2019, carrying amount of unlisted fund investments included an investment in a fund, ASEAN China Investment Fund III L.P. ("ACIF III"), amounted to HK$52,364,000 (2018: HK$34,828,000) 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 2019 amounted to US$319,000 (equivalent to approximately HK$2,482,000) (2018: US$475,000 (equivalent to approximately HK$3,694,000)). 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.

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

Notes: (Continued)

(c) Unlisted fund investments, at fair value (Continued)

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

As at 31 December 2019, 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$12,585,000 (2018: HK$12,184,000) 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 2019 amounted to US$2,302,000 (equivalent to approximately HK$17,910,000) (2018: 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 2019, carrying amount of unlisted fund investment included an investment in a fund, Invesco US Senior Loans 2021, L.P. ("Invesco") amounted to HK$2,628,000 (2018: HK$3,735,000). 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.

(d) The fair values of the debt investments as at 31 December 2019 amounted to HK$45,810,000 (2018: HK$19,147,000) are based on quoted market price or the price quoted by issuer/banker. These debt investments were manly 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 2019, these debt investments have maturity date ranging from 28 March 2020 to 21 August 2027, except for debt instruments amounted to HK$Nil (2018: HK$8,372,000) which has no fixed maturity date.

As at 31 December 2019, these debt instruments bear fixed coupon interest rate ranging from 2.50% to 5.45% (2018: 4.50% to 7.5%). The carrying amounts of the Group's debt investments measured at FVPL are denominated in US dollars.

23. INVENTORIES

As at 31 December 2019 and 2018, all of the Group's inventories represented finished goods.

24. TRADE AND OTHER RECEIVABLES

	2019 *HK$'000*	2018 *HK$'000*
Trade receivables	**1,078**	1,004
Less: Impairment of trade receivables	**(467)**	(467)
	611	537
Rental and other deposits	**12,631**	6,933
Prepayments and other receivables	**21,805**	4,703
	35,047	12,173

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:

	2019 *HK$'000*	2018 *HK$'000*
Within 1 month	**588**	523
2 to 3 months	**23**	14
	611	537

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

25. 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 28 to the consolidated financial statements.

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

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong dollars	**46,008**	54,967
US dollars	**88,014**	57,306
Renminbi*	**655**	753
Others	**151**	379
	134,828	113,405

* 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.

26. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade and bills payables *(note a)*	5,599	6,636
Accruals for operations	4,995	4,680
Accruals for staff costs	2,938	3,506
Contract liabilities *(note b)*	1,697	1,802
Deposits received	230	230
Other payables	4,163	3,598
Provisions	6,149	4,689
	25,771	25,141

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

	2019 HK$'000	2018 HK$'000
Within 1 month	3,511	4,818
2 to 3 months	2,067	1,770
Over 3 months	21	48
	5,599	6,636

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

	2019 HK$'000	2018 HK$'000
Hong Kong dollars	703	1,464
Euro dollars	4,731	5,164
Others	165	8
Total	5,599	6,636

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

	2019 HK$'000	2018 HK$'000
Wholesale and retail of fashion wear and accessories	1,137	404
Resort and recreational club operations	665	139
Total contract liabilities	1,802	543

27. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**22,832**	—	**19,376**	—
In the second to fifth years, inclusive	**30,174**	—	**28,012**	—
	53,006		**47,388**	—
Less: Future finance charges	**(5,618)**	—	**N/A**	N/A
Present value of lease obligations	**47,388**	—	**47,388**	—
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(19,376)**	—
Amount due for settlement after 12 months			**28,012**	—

All lease liabilities are denominated in Hong Kong dollars.

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

28. INTEREST-BEARING BANK BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Bank loans	**5,236**	3,195

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:

	2019	2018
	HK$'000	*HK$'000*
Hong Kong dollars	**5,236**	3,195
Total	**5,236**	3,195

28. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

The effective interest rates at 31 December were as follows:

	2019	2018
Bank loans	**4.01% to 5.45%**	4.13% to 4.41%

Bank loans of HK$2,518,000 (2018: HK$725,000) are secured by a charge over the Group's pledged time deposits of HK$10,000,000 (2018: HK$10,000,000). The remaining balance is unsecured.

29. DEFERRED TAX

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

	Depreciation allowance in excess of related depreciation *HK$'000*	Fair value gains from financial assets at fair value through profit or loss *HK$'000*	Losses available for offsetting against future taxable profits *HK$'000*	Total *HK$'000*
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 and at 1 January 2019	**5,064**	**—**	**(5,064)**	**—**
Deferred tax charged/(credited) to the profit/loss for the year	**366**	**5,775**	**(6,141)**	**—**
At 31 December 2019	**5,430**	**5,775**	**(11,205)**	**—**

At the end of the reporting period, the Group has unused tax losses of HK$869,207,000 (2018: HK$849,373,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK$67,912,000 (2018: HK$30,693,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$801,295,000 (2018: HK$818,680,000) due to the unpredictability of future profit streams. Unrecognised tax losses may be carried forward indefinitely.

29. DEFERRED TAX (CONTINUED)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 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 year, the Group's subsidiaries established in Mainland China have no undistributed earnings and accordingly no deferred tax liabilities were recognised in respect of this.

30. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Issued and fully paid:		
1,650,658,676 (2018: 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 Group 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 Group 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 2019 and 2018.

30. SHARE CAPITAL (CONTINUED)

The Group monitors capital using a gearing ratio, which is the total borrowings and lease liabilities 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. The gearing ratio as at the end of the reporting year was as follows:

	2019 *HK$'000*	2018 *HK$'000*
Interest-bearing bank borrowings	**5,236**	3,195
Lease liabilities	**47,388**	—
Total borrowings and lease liabilities	**52,624**	3,195
Owners' equity	**970,495**	924,361
Gearing ratio	**5.4%**	0.3%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

31. 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 was recognised during the year ended 31 December 2018 resulting from reclassification of relating exchange fluctuation reserve upon the liquidation of the subsidiaries.

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

(a) Statement of financial position of the Company

	Note	At 31 December 2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		1,484	1,869
Investment properties		110,600	114,400
Right-of-use assets		4,424	—
Interests in subsidiaries		689,013	607,716
Total non-current assets		805,521	723,985
Current assets			
Prepayments, deposits and other receivables		2,042	2,913
Due from a subsidiary		227	489
Financial assets at fair value through profit or loss		114,551	119,867
Pledged bank deposits		10,000	10,000
Time deposits		25,812	62,604
Cash and bank balances		3,794	9,647
Total current assets		156,426	205,520
Current liabilities			
Accruals and other payables		7,332	5,734
Lease liabilities		2,311	—
Total current liabilities		9,643	5,734
Net current assets		146,783	199,786
Non-current liabilities			
Lease liabilities		2,160	—
NET ASSETS		950,144	923,771
Capital and reserves			
Issued capital		1,206,706	1,206,706
Accumulated losses		(1,065,384)	(1,091,757)
Other reserves	32(b)	808,822	808,822
TOTAL EQUITY		950,144	923,771

Approved by the Board of Directors on 27 March 2020 and are signed on its behalf by:

Derek Wai Choi LEUNG
Non-executive Director and
Non-executive Chairman

David Charles PARKER
Executive Director and
Chief Executive Officer

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

(b) Reserve movement of the Company

	Special reserve *HK$'000*	Available-for-sale investment revaluation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 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 and 1 January 2019	**808,822**	**—**	**(1,091,757)**	**(282,935)**
Profit for the year	**—**	**—**	**26,373**	**26,373**
At 31 December 2019	**808,822**	**—**	**(1,065,384)**	**(256,562)**

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity on pages 74 and 77 of the consolidated financial statements respectively.

(b) Nature and purpose of reserves

(i) Special reserve

The special reserve arose as a result of the Company's reorganisation in 2002 in the application of the predecessor Hong Kong Companies Ordinance (Cap.32). A capital reorganisation scheme was approved by the shareholders at an extraordinary general meeting on 11 July 2002 and was subsequently confirmed by the sanction of an order of the High Court of Hong Kong dated 6 August 2002. Details of the capital reorganisation scheme are as follows:

(1) the authorised share capital of the Company was reduced from HK$1,000,000,000 (divided into 2,000,000,000 ordinary shares of HK$0.50 each) to HK$20,000,000 (divided into 2,000,000,000 ordinary shares of HK$0.01 each). Such reduction was effected by cancelling the paid-up capital per share by HK$0.49 on each of the 1,650,658,676 ordinary shares in issue on 6 August 2002, being the date on which the court petition was heard, and by reducing the nominal value of all the issued and unissued ordinary shares of the Company from HK$0.50 to HK$0.01 per ordinary share; and

33. RESERVES (CONTINUED)

(b) Nature and purpose of reserves (Continued)

(i) Special reserve (Continued)

(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(c) to the consolidated financial statements.

34. SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2019 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.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) 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$'000 (note 28)	Lease liabilities HK$'000 (note 27)	Total HK$'000
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
As at 1 January 2019	3,195	—	3,195
Impact on initial adoption of HKFRS 16	—	16,216	16,216
Restated balance as at 1 January 2019	**3,195**	**16,216**	**19,411**
Changes from financing cash flows:			
New bank loans raised	**33,299**	**—**	**33,299**
Repayment of bank loans	**(31,258)**	**—**	**(31,258)**
Interest paid	**(284)**	**—**	**(284)**
Capital elements of lease rentals paid	**—**	**(19,740)**	**(19,740)**
Interest elements of lease rentals paid	**—**	**(1,961)**	**(1,961)**
	1,757	**(21,701)**	**(19,944)**
Other changes:			
Finance costs	**284**	**1,961**	**2,245**
Additions to lease liabilities	**—**	**50,912**	**50,912**
	284	**52,873**	**53,157**
As at 31 December 2019	**5,236**	**47,388**	**52,624**

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Total cash outflows for lease

Amounts included in the cash flow statements for leases comprise the following:

	2019 *HK$'000*	2018 *HK$'000*
Within operating cash flows	976	24,239
Within financing cash flows	21,701	—
	22,677	24,239

These amounts relate to the following:

	2019 *HK$'000*	2018 *HK$'000*
Lease rentals paid	22,677	24,239

36. CONTINGENT LIABILITIES

At 31 December 2019, the Group had the following contingent liabilities:

As reported in previous Annual and Interim reports, the Group has been through a long legal process to define and delimit its liability and obligations with respect to the supporting structures and slopes alongside the Hilltop Road (the relevant part of which is a private road) which provides access to its site in the Lo Wai district of Tsuen Wan.

Such liability and obligations were finally determined by the Court of Final Appeal ("CFA") in a judgment on 9 May 2018 that found that the Special Condition (31) on its related Land Grant did not impose any maintenance duty on certain slope features the subject of the preponderance of the Hong Kong Building Authority ("BA") Dangerous Hillside ("DH") Orders first issued in 2006, save for a DH Order issued in 2008 related to another Special Condition (13) of the Land Grant which as a result of the Court of Appeal judgment on 11 August 2017 was remitted to the original Appeal Tribunal (Buildings) for further consideration and determination. A hearing was set down for May 2019.

Prior to the hearing however, a Consent Settlement was entered into between the Group and the BA pursuant to which the hearing was vacated, the original BA DH Orders all withdrawn and the Group agreed to fully comply with a single DH Order issued by the BA on 13 June 2019 (the "New Limited Order"), the wording of which was agreed between the Group and the BA, limiting the Group's investigatory, and potential remedial and maintenance responsibilities to a small part of the slope features adjacent to works near the northernmost portion of the road undertaken by the Group in the early 1980s. The Group has submitted a proposal for remediation work to the BA on 13 December 2019 pursuant to the New Limited Order. The proposal is under review by the BA and the result is pending.

36. CONTINGENT LIABILITIES (CONTINUED)

As at 31 December 2019, except for a provision of HK$2,610,000 made for the estimated cost of remedial/maintenance obligation of the subject slope features with reference to the advice of the Company's consultant, and which the management considers adequate, no other provision has been made for related costs. The legal costs of the Group in relation to the 10 years of proceedings were expensed as they were incurred and recognised in the relevant year's profit and loss account. Pursuant to the CFA Judgment, the Group was awarded certain costs against the BA. Negotiations with respect to the recovery of these costs are ongoing and when finalised, the receivable funds will be treated as income in the profit and loss accounts as the expenditures that led to them were.

37. OPERATING LEASE ARRANGEMENTS

As lessee

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 *HK$'000*
Within one year	13,241
In the second to fifth years, inclusive	7,103
	20,344

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

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.

The Group regularly entered into short-term leases for short-term bazaars and advertising showcases. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 19.

38. CAPITAL COMMITMENTS

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

	2019 ***HK$'000***	2018 *HK$'000*
Contracted, but not provided for:		
– Capital contribution to unlisted funds *(note 22(c)(i) and (ii))*	**20,396**	22,132
– Property, plant and equipment	**11,221**	—

39. RELATED/CONNECTED PARTY TRANSACTIONS

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

	Note	**2019** *HK$'000*	2018 *HK$'000*
Lease expenses for lease liabilities, building management fees and air-conditioning charges paid to related companies	(i)		
– Office		**3,213**	–
Rental expenses, building management fees and air-conditioning charges paid to related companies	(i)		
– Office		**–**	4,058
– Retail shops/outlet		**–**	46
Secondment fees charged by a related company		**23**	589

Note:

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

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

	2019 *HK$'000*	2018 *HK$'000*
Short term employee benefits	**10,969**	12,715
Pension scheme contributions	**98**	108
Total compensation paid to key management personnel	**11,067**	12,823

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 39(a) to the consolidated financial statements, the related party transactions in respect of the lease expenses for lease liabilities, rental expenses, building management fees and air-conditioning charges for office paid to related companies for the years ended 31 December 2019 and 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 page 7.

The related party transactions in respect of (i) the rental expenses, building management fees and air-conditioning charges for retail shops/outlet and (ii) the secondment fees paid to related companies for the years ended 31 December 2019 and 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.

40. SUBSEQUENT EVENTS

Since early 2020, the coronavirus pandemic ("the COVID-19 outbreak") has spread across China and other countries, and it has adversely affected our retail fashion business and resort and recreational club operations in Hong Kong and the performance of investment in financial instruments activities of the Group. The Group's financial performance and liquidity position from the retail fashion business, resort and recreational club operations and investment in financial instruments are expected to be affected adversely as compared to the same period in 2019 due to the impact from the COVID-19 outbreak.

In preparing the consolidated financial statements, the Group applies fair value model to measure its resort and recreational club properties, investment properties, financial assets at fair value through profit or loss. In 2020, fair value of the Group's resort and recreational club properties, investment properties and financial assets at fair value may be subject to fluctuations due to the COVID-19 outbreak.

Up to the date on which these consolidated financial statements are issued, the Group is still in the process of assessing the impacts of the COVID-19 outbreak on the financial performance and position of the Group and is currently unable to estimate the quantitative impacts to the Group. The Group's current ratio as at 31 December 2019 is 16.3 times. The management of the Group is closely monitoring the developing situation and believes that despite the near-term uncertainty, our strong liquidity position will provide support for the long-term prospects of our businesses.

The COVID-19 outbreak is a non-adjusting event after the financial year end and does not result in any adjustments to the consolidated financial statements for the year ended 31 December 2019.

PARTICULARS OF INVESTMENT PROPERTIES

31 December 2019

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				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**131,841**	142,110	159,450	167,119	215,537
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	**48,402**	(74,028)	(6,324)	(6,576)	(105,384)
Finance costs	**(2,245)**	(197)	(328)	(441)	(657)
Share of profits/(losses) of associates	—	—	(2,584)	2,926	(1,076)
Gain on liquidation of subsidiaries	—	1,073	—	—	—
Gain on disposal of interest in an associate	—	—	2,584	—	—
PROFIT/(LOSS) BEFORE TAX	**46,157**	(73,152)	(6,652)	(4,091)	(107,117)
Tax	—	—	—	—	—
PROFIT/(LOSS) FOR THE YEAR	**46,157**	(73,152)	(6,652)	(4,091)	(107,117)
Attributable to:					
Equity holders of the Company	**46,197**	(73,097)	(6,505)	(3,935)	(106,896)
Non-controlling interests	**(40)**	(55)	(147)	(156)	(221)
	46,157	(73,152)	(6,652)	(4,091)	(107,117)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,048,239**	952,107	1,033,188	1,052,142	1,124,870
TOTAL LIABILITIES	**(78,395)**	(28,336)	(35,024)	(39,048)	(39,629)
NON-CONTROLLING INTERESTS	**651**	590	492	405	208
	970,495	924,361	998,656	1,013,499	1,085,449

CORPORATE INFORMATION

EXECUTIVE DIRECTOR

David Charles PARKER *(Chief Executive Officer)*

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 REGISTRAR

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

Address: Suites 3301-3302, 33rd Floor
Tower 2, Nina Tower
8 Yeung Uk Road
Tsuen Wan, New Territories
Hong Kong
Tel: (852) 2594 0600
Fax: (852) 2827 1491
Email: comsec@enmholdings.com