ENM HOLDINGS LIMITED
安 寧 控 股 有 限 公 司
(Incorporated in Hong Kong with limited liability)
(Stock code: 00128)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the "Board") of ENM Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019, together with the comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019**	2018
		HK$'000	HK$'000
Revenue	5	**131,841**	142,110
Cost of sales		**(44,453)**	(50,598)
Gross profit		**87,388**	91,512
Other income		**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	8	**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		**-**	1,073
Finance costs	6	**(2,245)**	(197)
Profit/(loss) before tax		**46,157**	(73,152)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Profit/(loss) before tax		**46,157**	(73,152)
Income tax expense	7	**-**	-
Profit/(loss) for the year	8	**46,157**	(73,152)
Attributable to:			
Owners of the Company		**46,197**	(73,097)
Non-controlling interests		**(40)**	(55)
		46,157	(73,152)
Earnings/(loss) per share		**HK$**	HK$
- basic	9(a)	**2.80 cents**	(4.43 cents)
- diluted	9(b)	**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018
	HK$'000	HK$'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	**-**	(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**	2018
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment		**69,212**	74,013
Right-of-use assets		**45,141**	-
Investment properties		**45,600**	46,400
Intangible assets		**871**	956
Financial assets at fair value through profit or loss	11	**67,577**	50,747
Total non-current assets		**228,401**	172,116
Current assets			
Inventories		**22,815**	24,075
Trade and other receivables	12	**35,047**	12,173
Financial assets at fair value through profit or loss	11	**627,148**	630,338
Pledged bank deposits		**10,000**	12,334
Time deposits		**36,888**	72,283
Cash and bank balances		**87,940**	28,788
Total current assets		**819,838**	779,991
Current liabilities			
Trade and other payables	13	**25,771**	25,141
Lease liabilities		**19,376**	-
Interest-bearing bank borrowings		**5,236**	3,195
Total current liabilities		**50,383**	28,336
Net current assets		**769,455**	751,655
Non-current liabilities			
Lease liabilities		**28,012**	-
NET ASSETS		**969,844**	923,771

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2019

	2019	2018
	HK$'000	HK$'000
Capital and reserves		
Issued capital	**1,206,706**	1,206,706
Accumulated losses	**(1,046,266)**	(1,092,463)
Other reserves	**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

Notes:

1. Financial Information

The financial information relating to the years ended 31 December 2019 and 2018 included in this announcement does not constitute the Company's statutory consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2019 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Company's external auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and consequently no assurance has been expressed by RSM Hong Kong on this announcement.

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 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 of Hong Kong Limited (the "Listing Rules") and with the requirements of the Hong Kong Companies Ordinance (Cap. 622).

2. Basis of Preparation (Cont'd)

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.

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.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (Cont'd)

(a) Application of new and revised HKFRSs (cont'd)

HKFRS 16 Leases (cont'd)

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%.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (Cont'd)

(a) Application of new and revised HKFRSs (cont'd)

HKFRS 16 Leases (cont'd)

(b) Lessee accounting and transitional impact (cont'd)

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 basis:

- 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.
- 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.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (Cont'd)

(a) Application of new and revised HKFRSs (cont'd)

HKFRS 16 Leases (cont'd)

(b) Lessee accounting and transitional impact (cont'd)

The following table reconciles the operating lease commitments 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 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 leases 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 (Cont'd)

(a) Application of new and revised HKFRSs (cont'd)

HKFRS 16 Leases (cont'd)

(b) Lessee accounting and transitional impact (cont'd)

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	Carrying amount as at 31 December 2018	Effects of adoption of HKFRS 16: Re-classification	Effects of adoption of HKFRS 16: Re-cognition of leases	Carrying amount as at 1 January 2019
		HK$'000	HK$'000	HK$'000	HK$'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.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (Cont'd)

(a) Application of new and revised HKFRSs (cont'd)

HKFRS 16 Leases (cont'd)

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

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. 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.

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 (Cont'd)

(a) Application of new and revised HKFRSs (cont'd)

HKFRS 16 Leases (cont'd)

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

	2019			2018
	Amounts reported under HKFRS 16	Estimated amounts related to operating leases as if under HKAS 17 (note 2)	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
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.

3. Adoption of New and Revised Hong Kong Financial Reporting Standards (Cont'd)

(a) Application of new and revised HKFRSs (cont'd)

HKFRS 16 Leases (cont'd)

(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.

(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. 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.

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.

4. Segment Information (Cont'd)

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

	Wholesale and retail of fashion wear and accessories	Resort and recreational club operations	Investments	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 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)**

4. Segment Information (Cont'd)

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

	Wholesale and retail of fashion wear and accessories	Resort and recreational club operations	Investments	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 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)

4. Segment Information (Cont'd)

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.

5. 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	2018
	HK$'000	HK$'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

6. Finance Costs

	2019 HK$'000	2018 HK$'000
Interest expenses on lease liabilities	**1,961**	-
Interest on bank loans	**284**	197
	2,245	197

7. 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.

8. 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
Write back for inventories allowances	**(2,727)**	(3,436)
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
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).

9. 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.

10. Dividends

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

11. Financial Assets at Fair Value Through Profit or Loss

	2019	2018
	HK$'000	HK$'000
Financial assets at fair value through profit or loss:		
Equity investments, at fair value		
- Listed in Hong Kong	**45,252**	47,124
- Listed outside Hong Kong	**15,106**	-
	60,358	47,124
Unlisted fund investments, at fair value	**588,557**	614,814
Debt investments, at fair value		
- 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.

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

11. Financial Assets at Fair Value Through Profit or Loss (Cont'd)

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

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

12. Trade and Other Receivables

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

13. Trade and Other Payables

Included in the Group's trade and other payables as at 31 December 2019 are trade and bills payables of HK$5,599,000 (2018: HK$6,636,000). An ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	2019	2018
	HK$'000	HK$'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

14. Subsequent Event

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.

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 unrests 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 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.

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 the 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%, 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 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 is an operating losses in 2019, which is negative HK$11.1 million. Compared to 2018's result the loss is enlarged, 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

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 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 profit 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 fair value profit 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 profit 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 profit 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.

<u>Money Market Portfolio</u>

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 in 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 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. 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 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. A 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 profit 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 5.3% 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 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 mainly with fixed tenor

As with the listed equity investments, with the Group's intention to reduce investments in individual bonds, the total carrying value of the Group's investment in 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") team 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$52,365,000 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.

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

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

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 condensed 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.

IMPORTANT EVENTS AFTER THE FINANCIAL YEAR

Save as the matters relating to impact of the coronavirus epidemic as disclosed in note 14 set out on page 23, 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.

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 has 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 Club will have to consider a major review of its 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 good assets are being 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 then has moved back towards 2% even as the rest of the sell-off accelerated.

Similarly with the Japanese yen which rallied from 110 to 102 to the USD during early March 2020, but now is closer to 109 again – despite risk continuing to sell-off.

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.

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.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company complied with all Code Provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2019.

REVIEW BY AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2019 have been reviewed by the Audit Committee of the Company.

BOARD OF DIRECTORS

At the date of this announcement, the Executive Director is Mr. David Charles PARKER (Chief Executive Officer); the Non-executive Director is Mr. Derek Wai Choi LEUNG (Non-executive Chairman); and the Independent Non-executive Directors are Mr. Kin Wing CHEUNG, Mr. Kiu Sang Baldwin LEE, Mr. Ted Tak Tai LEE and Ms. Sarah Young O'DONNELL.

By order of the Board
David Parker
Executive Director and
Chief Executive Officer

Hong Kong, 27 March 2020