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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 2021

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 2021, together with the comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Revenue	5	109,501	104,977
Cost of sales		<u>(40,927)</u>	<u>(39,419)</u>
Gross profit		68,574	65,558
Other income		1,651	12,045
Selling and distribution costs		(37,031)	(40,361)
Administrative expenses		(61,171)	(62,225)
Depreciation of property, plant and equipment, impairment loss and amortisation		(5,777)	(16,052)
Other operating gains, net	9	<u>8,763</u>	<u>24,906</u>
Loss from operations		(24,991)	(16,129)
Fair value gains on investment properties, net		5,700	1,200
Deficits write-back on revaluation of the club's property	6	-	30,308
Finance costs	7	<u>(2,045)</u>	<u>(3,596)</u>
Profit/(loss) before tax		(21,336)	11,783

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Profit/(loss) before tax		(21,336)	11,783
Income tax expense	8	<u>-</u>	<u>-</u>
Profit/(loss) for the year	9	<u>(21,336)</u>	<u>11,783</u>
Attributable to:			
Owners of the Company		(21,280)	11,881
Non-controlling interests		<u>(56)</u>	<u>(98)</u>
		<u>(21,336)</u>	<u>11,783</u>
Earnings/(loss) per share		HK\$	HK\$
- basic	10(a)	<u>(1.29) cents</u>	<u>0.72 cents</u>
- diluted	10(b)	<u>N/A</u>	<u>N/A</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Profit/(loss) for the year		<u>(21,336)</u>	<u>11,783</u>
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value gain on revaluation of the club's property	6	59,000	188,724
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>83</u>	<u>221</u>
Other comprehensive income for the year, net of tax		<u>59,083</u>	<u>188,945</u>
Total comprehensive income for the year		<u><u>37,747</u></u>	<u><u>200,728</u></u>
Attributable to:			
Owners of the Company		37,784	200,631
Non-controlling interests		<u>(37)</u>	<u>97</u>
		<u><u>37,747</u></u>	<u><u>200,728</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021**

	Note	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Non-current assets			
Property, plant and equipment		342,224	288,084
Right-of-use assets		19,881	25,651
Investment properties		52,500	46,800
Intangible assets		396	444
Financial assets at fair value through profit or loss	12	79,117	78,522
Total non-current assets		<u>494,118</u>	<u>439,501</u>
Current assets			
Inventories		21,992	21,844
Trade and other receivables	13	14,127	13,079
Financial assets at fair value through profit or loss	12	604,878	593,481
Pledged bank deposits		10,000	10,000
Time deposits		70,211	109,026
Cash and bank balances		40,853	41,581
Total current assets		<u>762,061</u>	<u>789,011</u>
Current liabilities			
Trade and other payables	14	19,960	23,311
Lease liabilities		14,125	18,439
Interest-bearing bank borrowings		7,001	6,617
Total current liabilities		<u>41,086</u>	<u>48,367</u>
Net current assets		<u>720,975</u>	<u>740,644</u>
Non-current liabilities			
Lease liabilities		6,774	9,573
NET ASSETS		<u><u>1,208,319</u></u>	<u><u>1,170,572</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2021

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Capital and reserves		
Issued capital	1,206,706	1,206,706
Accumulated losses	(1,055,665)	(1,034,385)
Other reserves	1,057,869	998,805
	<hr/>	<hr/>
Equity attributable to owners of the Company	1,208,910	1,171,126
Non-controlling interests	(591)	(554)
	<hr/>	<hr/>
TOTAL EQUITY	<u><u>1,208,319</u></u>	<u><u>1,170,572</u></u>

Notes:

1. Financial Information

The financial information relating to the years ended 31 December 2021 and 2020 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 (Cap. 622, Laws of Hong Kong) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622, Laws of Hong Kong) and will deliver the consolidated financial statements for the year ended 31 December 2021 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 (Cap. 622, Laws of Hong Kong).

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 2021 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 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).

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 Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021.

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform – Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“IBOR reform”).

The amendments had no impact on the consolidated financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021

The Group previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 amendment in this financial year. There is no impact on the opening balance of equity at 1 January 2021.

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

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

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021, the Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. 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 Business Combination - Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment - Proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts - cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018 - 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes - Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

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:

<u>Segment</u>	<u>Activity</u>
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 other income;
- Unallocated corporate administrative expenses;
- Fair value gains on investment properties, net;
- Deficits write-back on revaluation of the club's property;
- 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:

	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 2021:				
Revenue from external customers	76,433	8,612	24,456	109,501
Segment profit/(loss)	(22,539)	(10,344)	10,812	(22,071)
<i>Segment profit/(loss) includes:</i>				
Fair value gains on financial assets at fair value through profit or loss, net	-	-	11,554	11,554
Losses on disposal of financial assets at fair value through profit or loss, net	(47)	-	(3,382)	(3,429)
Interest income from:				
- Financial assets at fair value through profit or loss	-	-	1,144	1,144
- Other financial assets	-	-	1,077	1,077
Depreciation of property, plant and equipment and amortisation	3,227	107	507	3,841
Depreciation of right-of-use assets	16,255	-	2,336	18,591
Charge for inventories allowances	4,030	-	-	4,030
Impairment loss of property, plant and equipment	1,936	-	-	1,936
<i>Other segment information:</i>				
Additions to property, plant and equipment	521	69	286	876
Additions to right-of-use assets	4,913	-	7,908	12,821
As at 31 December 2021:				
Segment assets	50,828	341,771	863,580	1,256,179
Segment liabilities	(24,928)	(2,343)	(13,588)	(40,859)

4. Segment Information (Cont'd)

Information about reportable segment profit or loss, assets and liabilities: (Cont'd)

	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 2020:				
Revenue from external customers	68,614	6,239	30,124	104,977
Segment profit/(loss)	(36,260)	(14,518)	36,933	(13,845)
<i>Segment profit/(loss) includes:</i>				
Fair value gains on financial assets at fair value through profit or loss, net	-	-	21,907	21,907
Gains on disposal of financial assets at fair value through profit or loss, net	13	-	3,048	3,061
Interest income from:				
- Financial assets at fair value through profit or loss	-	-	1,753	1,753
- Other financial assets	-	-	878	878
Written-back for provision for reinstatement cost	338	-	-	338
Reversal of allowance for trade receivables	-	9	-	9
Depreciation of property, plant and equipment and amortisation	5,291	3,595	382	9,268
Depreciation of right-of-use assets	18,382	-	2,308	20,690
Charge for inventories allowances	5,334	-	-	5,334
Impairment loss of property, plant and equipment	5,392	1,050	-	6,442
Impairment loss of intangible assets	342	-	-	342
<i>Other segment information:</i>				
Additions to property, plant and equipment	15,177	196	92	15,465
Additions to right-of-use assets	1,200	-	-	1,200
As at 31 December 2020:				
Segment assets	72,356	282,631	873,525	1,228,512
Segment liabilities	(41,305)	(2,111)	(7,907)	(51,323)

4. Segment Information (Cont'd)

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

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Profit or loss		
Total profit or loss of reportable segments	(22,071)	(13,845)
Unallocated other income	-	2,574
Unallocated corporate administrative expenses	(2,920)	(4,858)
Fair value gains on investment properties, net	5,700	1,200
Deficits write-back on revaluation of the club's property	-	30,308
Finance costs	(2,045)	(3,596)
	<u>(21,336)</u>	<u>11,783</u>
Assets		
Total assets of reportable segments	<u>1,256,179</u>	<u>1,228,512</u>
Consolidated total assets	<u>1,256,179</u>	<u>1,228,512</u>
Liabilities		
Total liabilities of reportable segments	(40,859)	(51,323)
Interest-bearing bank borrowings	(7,001)	(6,617)
Consolidated total liabilities	<u>(47,860)</u>	<u>(57,940)</u>

Geographical information:

	Revenue		Non-current assets	
	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Hong Kong	87,367	83,949	415,001	360,979
The Americas	15,550	12,507	-	-
Europe	6,285	8,110	-	-
Other Asia Pacific Region	299	411	-	-
Consolidated total	<u>109,501</u>	<u>104,977</u>	<u>415,001</u>	<u>360,979</u>

In presenting the geographical information, revenue in relation to 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) 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:

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
<i>Revenue from contracts with customer</i>		
(i) Retail of fashion wear and accessories		
Sale of fashion wear and accessories recognised at a point in time	<u>76,433</u>	<u>68,614</u>
(ii) Resort and recreational club operations		
Catering service income recognised at a point in time	5,104	3,332
Resort and club facilities and other services income recognised over time	1,450	702
Entrance fee and subscription fee income recognised over time	<u>2,058</u>	<u>2,205</u>
	<u>8,612</u>	<u>6,239</u>
<i>Revenue from other sources</i>		
(i) Investments		
Dividend income arising from financial assets at fair value through profit or loss:		
- listed equity investments	1,247	8,053
- unlisted fund investments	20,988	19,440
Interest income from		
- Financial assets at fair value through profit or loss	1,144	1,753
- Other financial assets	<u>1,077</u>	<u>878</u>
	<u>24,456</u>	<u>30,124</u>
Total revenue of the Group	<u><u>109,501</u></u>	<u><u>104,977</u></u>

6. Deficits write-back on revaluation of the club's property

Upon the approval of the Group's application under Section 12A of the Town Planning Ordinance (Chapter 131, Laws of Hong Kong) to the Town Planning Board to rezone the property on which the Group's club operation is situated from "Other Specified Uses" annotated "Sports and Recreational Club" to Residential in September 2020 ("Rezoning Approval"), based on Hong Kong Financial Reporting Standard 13 "Fair Value Measurement" ("HKFRS 13") the Group's club property was revalued by an independent professional qualified valuer with a revaluation increase of HK\$59,000,000 and HK\$219,032,000 as at 31 December 2021 and 31 December 2020 respectively. For the year ended 31 December 2021, the revaluation includes HK\$Nil (2020: HK\$30,308,000) of deficits write-back on revaluation and a revaluation increase of HK\$59,000,000 (2020: HK\$188,724,000) which was recognised as other comprehensive income and accumulated in the Group's properties revaluation reserve. In accordance with HKFRS13, the valuation technique adopted for the Group's club property as at 31 December 2021 and 31 December 2020 is the "open market and highest and best use basis with the use of residual method" based on the Rezoning Approval.

7. Finance Costs

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Interest expenses on lease liabilities	1,911	3,456
Interest on bank loans	134	140
	<u>2,045</u>	<u>3,596</u>

8. Income Tax Expense

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2021 (2020: 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.

9. Profit/(loss) for the year

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

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Cost of inventories sold [#]	40,927	39,419
Depreciation of property, plant and equipment	3,793	9,183
Depreciation of right-of-use assets	18,591	20,690
Impairment loss of property, plant and equipment	1,936	6,442
Amortisation of intangible assets	48	85
Impairment loss of intangible assets	-	342
Charge for inventories allowances	4,030	5,334
Gains from financial assets at fair value through profit or loss, net*:		
Fair value gains, net	(11,554)	(21,907)
Losses/(gains) on disposal, net	3,429	(3,061)
	(8,125)	(24,968)
Fair value gains on investment properties, net	(5,700)	(1,200)
Loss/(gains) on disposal of property, plant and equipment*	7	(2)
Reversal of allowance for trade receivables	-	(9)
Foreign exchange losses/(gains), net*	(645)	402
Deficits write-back on revaluation of the club's property	-	(30,308)
Write back for provision for reinstatement cost*	-	(338)
	<u> </u>	<u> </u>

Cost of inventories sold included charge for inventories allowances of HK\$4,030,000 (2020: HK\$5,334,000).

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

10. Earnings/(Loss) Per Share

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the loss for the year attributable to owners of the Company of HK\$21,280,000 (2020: profit of HK\$11,881,000) and the weighted average number of ordinary shares of 1,650,658,676 (2020: 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 2021 and 2020.

11. Dividends

The directors do not recommend the payment of any dividend to shareholders for the years ended 31 December 2021 and 2020.

12. Financial Assets at Fair Value Through Profit or Loss

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Financial assets at fair value through profit or loss:		
Equity investments, at fair value		
- Listed in Hong Kong	34,761	34,460
- Listed outside Hong Kong	35,006	21,732
	<u>69,767</u>	56,192
Fund investments, at fair value		
- Listed outside Hong Kong	22,651	-
- Unlisted	547,429	563,218
	<u>570,080</u>	563,218
Debt investments, at fair value		
- Listed in Hong Kong*	12,142	12,079
- Listed outside Hong Kong*	32,006	40,514
	<u>44,148</u>	52,593
	<u><u>683,995</u></u>	<u><u>672,003</u></u>

* 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 financial assets are mandatorily measured at fair value through profit or loss in accordance with HKFRS 9.

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

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

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Current assets - Financial assets at fair value through profit or loss		
- Listed equity investments	69,767	56,192
- Listed fund investments	22,651	-
- Unlisted fund investments	468,312	484,696
- Listed debt investments	44,148	52,593
	604,878	593,481
Non-current assets - Financial assets at fair value through profit or loss		
- Unlisted fund investments	79,117	78,522
	683,995	672,003

13. 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:

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Within 1 month	1,704	720
2 to 3 months	74	5
	1,778	725

14. Trade and Other Payables

Included in the Group's trade and other payables as at 31 December 2021 are trade and bills payables of HK\$3,654,000 (2020: HK\$5,508,000). An ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	<u>2021</u> HK\$'000	<u>2020</u> HK\$'000
Within 1 month	2,565	4,412
2 to 3 months	886	370
Over 3 months	203	726
	<u>3,654</u>	<u>5,508</u>

15. Impacts of Coronavirus Pandemic

Since early 2020, the coronavirus pandemic ("the COVID-19 outbreak") has spread across the globe, and it has adversely affected our fashion retail business and resort and recreational club operations in Hong Kong and impacted upon the performance of our investments in financial instruments. For the year ended 31 December 2021, the Group's financial performance and liquidity position are still impacted by the COVID-19 outbreak. However, the Group is still in a sound financial position with its current ratio as at 31 December 2021 standing at 18.5 times. Our strong liquidity position will provide support for the long-term prospects of the Group's businesses.

16. Subsequent Event

The Group's Rezoning Approval which was included by the Government's Planning Department in the Tsuen Wan Outline Zoning Plan ("OZP") was approved by the Chief Executive in Council on 8 February 2022. The Tsuen Wan OZP No. S/TW/35 has incorporated amendments made to the approved Tsuen Wan OZP No. S/TW/33, which involved, among other things, the rezoning of the Company's Club property from "Other Specified Uses" annotated "Sports and Recreation Club" to "Residential (Group B) 8".

The above event 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 2021.

CHIEF EXECUTIVE OFFICER'S STATEMENT

OVERVIEW

The Group started the year of 2021 with the hope that, following the global roll out of COVID-19 vaccine in late 2020, the pandemic would tail off in the second half of the year to enable economic recovery and begin to return to a more normal trading environment. However, with continued restrictions on cross-border and inbound travel, plus social distancing measures implemented by the Hong Kong Government, revenue from the Group's fashion retail business and recreational club operation remained below their pre-pandemic level as a result of virtual elimination of Mainland Chinese and other countries' tourist arrivals, and the ongoing governmental restriction on permitted activities at the club.

For the global financial markets, the second year of the COVID-19 pandemic was nearly as dramatic as the first. The stocks bulls have stayed firmly in charge, surging energy and food prices, turbo-charged inflation, rattling the bond markets, while Mainland China saw US\$1 trillion wipeouts in its heavyweight tech and property sectors. Our investment portfolio initially benefited from the rallies in the first half of 2021, boosted by the rapid vaccine roll out which led to reopening of many economies. The Group recorded a profit attributable to the shareholders of the Company for the six months ended 30 June 2021, however, this gain was reduced significantly in the second half of the year by a turnaround in the financial markets as inflation in the United States (US) was hotter than expected, prompting the US Federal Reserve to bring forward the timeframe of interest rate hikes. Further downturn in the markets took place after news that one of Mainland China's biggest property developers would likely default on its interest payments to bond holders. Then at the end of November, a new COVID variant, Omicron emerged and spooked the financial markets around the world causing more volatility.

Consequently, the Group recorded a loss of HK\$21,280,000 attributable to shareholders of the Company for the year ended 31 December 2021. Excluding the fair value gains on investment properties for both 2021 and 2020 and the one-off deficit write-back on revaluation of the club's property in 2020, the underlying loss attributable to shareholders of the Company for the year ended 31 December 2021 was HK\$26,980,000 being a 37% increase on the 2020 loss of HK\$19,627,000.

As announced by the Company on 18 February 2022, the Chief Executive in Council on 8 February 2022 approved the amendments made to the approved Tsuen Wan Outline Zoning Plan, which involved, among other things, the rezoning of the Company's Application Site at Hilltop Road from "Other Specified Uses" annotated "Sports and Recreation Club" to "Residential (Group B) 8". There remain further steps required by the Company including the application for exchange of Land Grant and the assessment of the change of land use premium before this site can be used for residential development.

FINANCIAL REVIEW

	2021	2020	Change
	HK\$'000	HK\$'000	+ / (-)
Revenue	109,501	104,977	4%
Retail of fashion wear and accessories	76,433	68,614	11%
Resort and recreational club operation	8,612	6,239	38%
Dividend income	22,235	27,493	(19%)
Interest income	2,221	2,631	(16%)
Loss from operations	(24,991)	(16,129)	(55%)
Fair value gains on investment properties, net	5,700	1,200	375%
Deficits write-back on revaluation of the club's properties	-	30,308	(100%)
Finance costs	(2,045)	(3,596)	43%
Profit/(loss) for the year	(21,336)	11,783	(281%)
Profit/(loss) attributable to shareholders	(21,280)	11,881	(279%)
Earnings/(loss) per share	HK (1.29) cents	HK 0.72 cents	

The loss from operations for the year ended 31 December 2021 of HK\$24,991,000 attributable to the Group's reportable segments were:

	2021	2020	Change
	HK\$'000	HK\$'000	+ / (-)
Retail of fashion wear and accessories	(22,539)	(36,260)	38%
Resort and recreational club operations	(10,344)	(14,518)	29%
Investments	10,812	36,933	(71%)
Unallocated corporate income/expenses, net	(2,920)	(2,284)	(28%)
Loss from operations	(24,991)	(16,129)	(55%)

The retail of fashion wear and accessories business, SWANK reported an increase in revenue of 11% compared to 2020, primarily attributable to uplift of approximately 25% in the second half of 2021 compared to the same period last year and a significant growth of nearly 43% in online sales amounting to HK\$13,354,000 (2020: HK\$9,365,000). The gross profit also increased by 22% to HK\$37,205,000 (2020: HK\$30,435,000), achieved through better selection of merchandise resulting in lower inventory holding which decreased the stock provision, and also better margin management with a more responsive sales strategy. As there was no Government financial support in 2021 (2020: HK\$3,970,000) and rental concessions from landlords were significantly lower than 2020, we enhanced operational efficiency with cost tightening measures and there was also reduction in depreciation. Hence, for the year ended 31 December 2021, the operating loss from this business segment was reduced significantly by 38% as compared to last year.

Although COVID-19 continued to adversely affect Hilltop, the Group's resort and recreational club operation, with ongoing Government restrictions on social gathering and strict implementation of patronage limits, Hilltop's revenue was 38% more compared to 2020, mainly attributable to the increase in regular restaurant dining of 80% to HK\$4,273,000 (2020: HK\$2,369,000) as members appreciated the quality service and strict precautionary measures implemented at our restaurants. Similarly, with a much lower level of Government financial support of only HK\$200,000 (2020: HK\$3,009,000), the club continued to implement various cost saving measures, as well as lowering depreciation to successfully reduce the operating loss for the year ended 31 December 2021 by 29% compared to last year.

The Group's investment portfolio, comprising of marketable securities and other equity investments, returned a realised and unrealised gains (before general and administrative expenses) of HK\$31,551,000 (2020: HK\$54,201,000) which included interest and dividend income of HK\$23,379,000 (2020: HK\$29,246,000), net losses on disposal of HK\$3,382,000 (2020: net gain of HK\$3,048,000) and a net unrealised fair value gains of HK\$11,554,000 (2020: HK\$21,907,000). Distributions and dividends received during 2021 from our private equity fund investments in ASEAN China Investment Fund III L.P. and ASEAN China Investment Fund IV L.P. were HK\$12,652,000 (2020: HK\$9,501,000) and HK\$2,212,000 (2020: HK\$600,000) respectively, but they were offset by the decrease in dividend income/distribution received from China Motor Bus Company Limited and our marketable bond funds. Overall, the Group's investments recorded a segment profit of HK\$10,812,000 (2020: HK\$36,933,000).

The investment market got off to a good start in 2021, continuing on from a positive end to 2020 after a favorable outcome in the US election. The rapid vaccination roll out also helped drive the market higher in February 2021 but with the sharp increase in inflation numbers as world economies started to open up, there was also high volatility in the global markets. In the second half of the year, the indebtedness of Mainland Chinese property developers and uncertainty of the extent of additional regulations will be imposed by global regulators, all adversely affected the performance of the Groups' investments.

The Group's other income and expenditure for the year ended 31 December 2021 included:

- Other income of HK\$1,651,000, which was HK\$10,394,000 (or 86%) lower compared to the HK\$12,045,000 in 2020 mainly comprising of:
 - rental income of HK\$1,020,000 (2020: HK\$1,130,000) from the Group's investment property situated in Hong Kong;
 - anti-pandemic subsidies of HK\$200,000 (2020: HK\$7,889,000) received from the Hong Kong Government; and
 - one-off recovery of legal costs incurred in 2020 of HK\$2,574,000 from the Hong Kong Building Authority pursuant to the Court of Final Appeal judgement (for the Group's segment information in note 4 to the consolidated financial statement set out on pages 9 to 12, this one-off income was classified as unallocated other income in 2020).
- Selling and distribution expenses of HK\$37,031,000 being an 8% decrease compared to 2020 of HK\$40,361,000, mainly attributable to cost savings from:
 - occupancy costs of SWANK flagship store as a result of the consolidation and relocation of two stores in Landmark into one at Central Building in March 2020; and
 - retail store staffing expenditures and advertising expenses.

These cost savings were partly offset by:

- reduction in rental concessions received from landlords of SWANK retail stores; and
 - increase in online sales commission from the 43% increase in online sales volume as mentioned above.
- Administrative expenses of HK\$61,171,000, a 2% reduction from the 2020 amount of HK\$62,225,000, mainly attributable to:
- cost tightening measures implemented at Hilltop, the resort and recreational club operation;
 - reduction in professionals and consultant fees; and
 - decrease in the repair and maintenance cost for the slope remedial work at the club property.
- Depreciation for property, plant and equipment, impairment loss and amortization expenses of HK\$5,777,000, being a 64% reduction from 2020 of HK\$16,052,000, mainly attributable to:
- impairment on leasehold improvement and furniture of SWANK flagship store of HK\$1,936,000 (2020: HK\$5,000,000) in view of the prolonged negative impacts of COVID-19; and
 - no depreciation charge (2020: HK\$3,032,000) for the Club's property, as a result of the revaluation in 2020 after taking into account the estimated residual value as at 31 December 2020 and 30 June 2021.
- “Other operating gains, net” which mainly comprised of net realised and unrealised fair value gains of HK\$8,172,000 (2020: HK\$24,955,000) from investment in financial instruments (before interest and dividend income which are, included in “Revenue”).

In accordance with the Hong Kong Financial Reporting Standards (“HKFRS”), and with advice from an independent and reputable valuer, the Group has valued the club's property based on its highest and best use by comparing the value based on its current use as a recreational club and the value based on obtaining the approval to rezone the property for residential development, after factoring in the uncertainty and timing of the remaining steps required to carry out the redevelopment. This approach was first adopted for the year ended 31 December 2020. As at 31 December 2021, the fair value of the club's property is HK\$340,000,000 (2020: HK\$281,000,000). This increase in valuation of HK\$59,000,000 is recognized as other comprehensive income and accumulated in the property revaluation reserve which has no impact on the Group's consolidated statement of profit or loss. In 2020, the revaluation increase of HK\$219,032,000 comprised of a HK\$30,308,000 net one-off deficits write-back on revaluation, and a further revaluation adjustment of HK\$188,724,000, which was recorded as other comprehensive income in the Group's property revaluation reserve.

For the year ended 31 December 2021, the Group's finance cost included interest on bank loans of HK\$134,000 (2020: HK\$140,000) and interest expenses on lease liabilities of HK\$1,911,000 (2020: HK\$3,456,000). Since interest expenses on lease liabilities for existing retail stores were recognized on a front-loaded basis under HKFRS 16, the finance cost this year is lower as compared to 2020.

BUSINESS REVIEW

SWANK

The Hong Kong retail market in 2021, for the most part was a “new-normal” trading environment with no inbound tourist traffic, and therefore heavily dependent on local customers and online sales. In the first quarter of 2021, just after the fourth wave of COVID-19 which started in mid-November 2020 ended, we saw a modest increase in sales of 5% compared to the same period in the previous year. With the roll out of vaccines, there were fewer social distancing restrictions imposed by the government and companies gradually came out of “working from home” arrangements, which helped to deliver a full year increase in sales of 11% compared to 2020. In particular, in the second half of 2021, amid the uncertain trading environment, we were still able to achieve gradual increase in sales, which peaked in the month of November to deliver the highest monthly sales of the previous 20 months. The approximately 25% increase in sales for the second half of the year was achieved with good sales promotion and successful marketing campaigns.

The Central Building flagship store which opened in March 2020 showed promising performance, despite the fact that under the shadow of COVID-19, we were still unable to have an official opening, limiting the ability to increase its market exposure. The Retail team implemented other creative ways to attract new customers and increase the visitation of existing customers to the store, leading to a sale revenue growth of 8% compared to 2020. This growth was achieved for both womenswear and menswear, which validated the new retail presence strategy of a single flagship store. Our mono brand store Paule Ka in Chater House also performed better in the second half 2021 with visible improvement in footfall after a minor store renovation and new visual merchandising. On the other hand, the Harbour City store, being located in a shopping mall that traditionally is frequented by Mainland Chinese and other overseas shoppers, did not perform as well due to cross-border restrictions and non-existence of tourists.

This COVID-19 driven new-normal trading environment did however, helped to speed up the growth in online sales, with a 43% increment in 2021, through collaboration with a well-established online sales platform that helped us build in-house capabilities to support this new sales channel to scale-up. The merchandising team worked on improving the level of service, better understanding of the potential of the platform and the customers’ requirements, so that we can propel the growth with better merchandising and margin control.

In response to the challenging trading environment, we applied an aggressive cost-saving approach to the variable expenditure, leading to an improved shop contribution in 2021 as compared to 2020. In addition, careful monitoring of our gross profit margin and tight control over the back-office expenses helped reduce the operating loss in this segment of operation by 38%. In June 2021, a new Merchandising and Commercial Director was hired to focus on implementing new merchandising and marketing strategies with the aim to develop more core brands to attract new customers while continuing to work closely with our top brands to stabilise sourcing for existing customers.

Hill Top Country Club (“Hilltop” or “the Club”)

COVID-19 continued to impact on the operating performance of Hilltop in 2021. The most affected areas were lodging and banqueting whereby the cessation of cross-border traffic and social distancing restrictions imposed by the Government limited the sales revenue. Nevertheless, the Club’s operating loss of HK\$10,344,000 was a 29% improvement on the loss of HK\$14,518,000 (that included impairment of HK\$1,050,000 on the Club’s furniture and equipment) in 2020. This improvement is the result of continuing cost savings initiative adopted by the Club’s Management, reduction in depreciation and increase in dining revenue.

Hilltop’s revenue increased by 38% compared to last year mainly attributable to increased patronage in our European and Chinese restaurants as a result of implementing a high level of hygiene and providing a spacious environment to our members and their guests. Other proactive measures taken included various creative promotional offers to entice more frequent patronage by our members. This upside was partly offset by lower function and banquet revenue due to cancellation and postponement, in response to the Government’s social distancing requirements and other restrictions which were imposed because of COVID-19 that limited certain functions and banquet activities during several key months of the year.

Investments

The purposes of the Group’s investment in financial instruments are earnings contribution, yield enhancement, capital appreciation and liquidity. Recognizing that there are volatility and uncertainty in the financial markets, and in order to better manage risk, taking into consideration the importance of delivering more consistent return on investments, we continued with the prior years’ approach of minimizing direct investments in individual listed securities and corporate bonds and allocating substantial proportion of the investments in open-end unitized equity and fixed income funds, and discretionary portfolio managed by professional asset managers. Some years ago, we had allocated US\$8 million to invest in private equity funds specializing in the East and South-East Asian markets, managed by the experienced venture management arm of a reputable international bank.

In 2021, the diverse portfolio delivered a reasonable return considering the high volatility in the global financial markets. In the first half of the year, the widespread deployment of COVID-19 vaccines brought hope of global economic recovery and growth, along with positive market sentiments arising from worldwide accommodative fiscal and monetary policies, asset prices moved up, especially in the equity markets. However, in the second half of the year the advent of unexpectedly high global inflation, rising interest rate expectations and projected elimination of, quantitative easing by Central Banks impacted the full year performance of the portfolio. In the fixed income portfolio, expectations of rising interest rates and volatility associated with emerging market instruments particularly in the Chinese bond market held us to a return of 1.4%. Our enhanced yield funds (primarily debt instruments) performed well with the exception of the Income Partners All Asian Credit Fund which we disposed of in September 2021, realising a loss, but avoided the more substantial losses it subsequently incurred. This gave us to an overall return of 3.9% for this portfolio. The equity funds portfolio performed well generally, with the main detractor being the performance of our investments in the China “A” equity market which suffered from regulatory changes and market sentiment adversely affecting many investment leaders. Excluding our investment in the UBS China A Opportunity Fund, this portfolio reported a solid return of 4.8%.

As at 31 December 2021, the fair value of the Group's investment portfolio was HK\$683,995,000 (2020: HK\$672,003,000), representing approximately 54.5% (2020: 54.7%) of the carrying value of the Group's total assets. Under this backdrop, for the year ended 31 December 2021, the Group's investment in financial instruments recorded a net gain of HK\$31,551,000 (or 4.6%) (2020: HK\$54,201,000) before general and administrative expenses.

The Group's investment in financial instruments can be broken down into 4 main categories; (A) a Marketable Funds Investment Portfolio of open-end unitized equity, fixed income and money market funds; (B) a Discretionary Investment portfolio divided and managed by three Investment Banks, under the instruction and control of the Group; (C) direct investment in listed Securities; and (D) investment mainly in private equity funds.

A. Marketable Funds Investment Portfolio – including unitized equity, fixed income and money market funds investment

The marketable funds 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 fund portfolio.

The total carrying value of the Group's investment in this category was HK\$396,668,000 as of 31 December 2021 (2020: HK\$414,009,000), representing approximately 31.6% of carrying value of the Group's total assets; and the asset allocation in this category portfolio is 54.8% in fixed income funds, 27.9% in enhanced yield funds and 17.3% in equity funds. This category portfolio recorded a net gain of HK\$8,427,000 (or 1.9%) (2020: HK\$21,151,000) for the year ended 31 December 2021.

Investment Grade & High Yield Bond Funds Portfolio

In this strategy, the Group held 7 fixed income funds, which can be grouped into two main categories, namely investment grade bond funds and high yield bond funds. As at 31 December 2021, the fair value of the Group's investment in this strategy was HK\$217,190,000, representing approximately 54.8% of the carrying value of the marketable funds investment portfolio and 17.3% of the carrying value of the Group's total assets. The net return on investment was HK\$3,271,000 (or 1.4%) in profit for the year ended 31 December 2021. Below are the individual fund investments with fair values exceeding 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 that seek to produce an attractive level of income with a secondary goal of capital appreciation. The fund (Institutional Income Class USD) has had a 5 year annualized return of 4.7% for the period 2017-2021. As at 31 December 2021, the fair value of the Group's investment in this fund was HK\$83,984,000 (2020: HK\$82,105,000), representing approximately 6.7% of the carrying value of the Group's total assets. The total net return of this fund was HK\$2,136,000 (or 2.5%) gain in the year ended 31 December 2021, comprised of a HK\$898,000 mark-to-market loss and HK\$3,034,000 of dividend income. For 2022, we have elected to receive the dividend in cash rather than reinvest into the fund.

Enhanced Yield Fund Portfolio

As at 31 December 2021, the Group held 5 funds in this strategy with a fair value of HK\$110,671,000, representing approximately 27.9% of the carrying value of the marketable fund investment portfolio and 8.9% of the carrying value of the Group's total assets. The net return on investment was HK\$6,291,000 (or 3.9%) in profit for the year ended 31 December 2021. The Group's investment in the individual fund in this strategy does not exceed 5% of the carrying value of the Group's total assets.

Equity-Based Funds Portfolio

As at 31 December 2021, the Group held 4 equity-based funds with a fair value of HK\$68,807,000, representing approximately 17.3% of the carrying value of the marketable fund investment portfolio and 5.4% of the carrying value of the Group's total assets. The Equity-Based Funds Portfolio includes one US equity fund, one Asian equity fund, one China opportunity fund and one technology fund. The net return on investment in these funds was a loss of HK\$1,434,000 (or -2.0%) for the year ended 31 December 2021. The Group's investment in the individual fund in this strategy does not exceeds 5% of the carrying value of the Group's total assets.

B. A Discretionary Investment Portfolio divided and managed by Morgan Stanley Asia International Limited (“MS Portfolio”), LGT Bank (Hong Kong) (“LGT Portfolio”) and Bank Julius Baer & Co. Ltd. (Singapore) (“JB Portfolio”)

MS Portfolio

The MS Portfolio offers a bespoke asset allocation investment based on 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, Exchange-Traded Fund (“ETF”s) and money market instruments. As at 31 December 2021, the total carrying value of the MS Portfolio was HK\$69,854,000 (2020: HK\$67,160,000) with 19 funds holding representing approximately 5.6% of the carrying value of the Group's total assets. The asset allocation in the portfolio comprised of 22.3% fixed income funds, 66.7% equity funds and others 11% in other investment. 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\$4,730,000 (or 6.6%) for the year ended 31 December 2021.

LGT Portfolio

LGT offers a bespoke asset allocation investment based on 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 directly in equity and fixed income securities, and to a smaller extent in mutual funds or ETFs. In November 2021, we increased an allocation of US\$1.1 million to the LGT Portfolio. As at 31 December 2021, the total carrying value of the LGT Portfolio was HK\$82,352,000 (2020: HK\$69,998,000), with 76 securities, representing approximately 6.6% of the carrying value of the Group's total assets. The asset allocation in the LGT Portfolio as at 31 December 2021, comprised of 53.6% in fixed income and 46.4% in equities, 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 this portfolio. The LGT Portfolio returned a net gain of HK\$5,241,000 (or 6.5%) during the year ended 31 December 2021.

JB Portfolio

In November 2021, in response to the high volatility in the investment markets in the second half of the year, the Group decided to add to the Discretionary Portfolio Management category of investment and allocated US\$3 million to be managed on our behalf by Bank Julius Baer & Co. Ltd. (Singapore) (“Julius Baer”). Julius Baer offers a bespoke asset allocation solution based upon assessment and recommendations of their Global Chief Investment Officer and dynamically incorporates monitoring of macroeconomic outlook, market conditions, and asset allocation strategy into the portfolio through ETF investment. As at 31 December 2021, the total carrying value of the JB Portfolio was HK\$21,845,000, with 13 securities (in fixed income and equity ETFs), representing in total approximately 1.7% of the carrying value of the Group’s total assets. The asset allocation in the JB portfolio as at 31 December 2021, comprised of 38% in fixed income ETFs and 62% in equity ETFs. The underlying assets in the JB Portfolio have been set up to further diversify our discretionary investment portfolios through investments in ETFs. The JB Portfolio returned a HK\$358,000 (or 1.5%) net gain in approximately one month from inception through to 31 December 2021.

C. Listed Securities

In keeping with the aim to minimize the Group’s investments in individual listed equities and corporate bonds and switch to investments 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 at 31 December 2021, the Group directly holds only two listed securities in the investment portfolio, which are China Motor Bus Company Limited (“CMB”) and PuraPharm Corporation Limited (“PuraPharm”) with a total carrying value of HK\$34,159,000 (2020: HK\$33,517,000), representing approximately 2.7% of the carrying value of the Group’s total assets. The investment in CMB and PuraPharm recorded a net gain of HK\$1,550,000 for the year ended 31 December 2021 (2020: HK\$2,595,000 net loss). which represents an unrealised fair value net gain of HK\$642,000 and dividend income of HK\$908,000.

D. Other Fund Investments, mainly in Private Equity Funds

The total carrying value of the Group’s investment in this category as at 31 December 2021 was HK\$79,117,000 (2020: HK\$80,006,000) and recorded a net gain of HK\$11,157,000 (2020: HK\$14,891,000) for the year ended 31 December 2021.

ASEAN China Investment Fund III L.P. (“ACIF III”)

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 United Overseas Bank Venture Management Private Limited (“UOBVM”) and targets investments in growth oriented companies operating in East and South East Asia and China. As at 31 December 2021, the Group has invested a total of HK\$27,183,000 in this fund and its capital value was HK\$51,530,000 based on the management accounts it has provided. The return on investment in ACIF III is HK\$9,677,000 net gain for the year ended 31 December 2021 (2020: HK\$13,308,000). The Group continues benefit from the positive performance of this long-term private-equity investment which helped to manage our risk by providing exposure to a wide and diverse range of potentially profitable private companies managed by a team of tried and tested Managers. Based on the updates provided to the Limited Partners in the fund of which we are one, we have confidence in both its performance and upside prospects.

ASEAN China Investment Fund IV L.P. (“ACIF IV”)

With the success of ACIF III, the Group made an additional capital commitment of US\$4 million (equivalent to HK\$31,120,000) in ACIF IV for a 1.649% shareholding. 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. As at 31 December 2021, the Group has invested a total of HK\$27,928,000 in this fund and its capital value was HK\$27,587,000 based on the management accounts it has provided. The total return of the Group’s investment in ACIF IV is a HK\$1,467,000 net gain for the year ended 31 December 2021 (2020: HK\$1,549,000) comprising distribution income of HK\$2,212,000 offset by the mark-to-market loss of HK\$745,000.

Disposal of all the listed USD corporate bond investments

With the intention to reduce investments in directly managed individual bonds, in March 2021, the Group disposed all of its USD corporate bonds holdings with a consideration of HK\$7,401,000 (including accrued interest). The net return of the Group’s investment in those bonds was HK\$88,000 (or 1.2%) during the period under review including HK\$86,000 of interest income and a realised gain of HK\$2,000.

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

The Group had no acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

TREASURY MANAGEMENT/POLICIES

As part of the ordinary activities of the Group, Treasury actively projects and manages the cash balance and borrowing requirements 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 minimize 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 Euros, with insignificant portions in Yen, British Pounds and United States dollars and a relatively small portion of investments are denominated in currencies other than United States dollars, Hong Kong dollars and Renminbi. The Group has undertaken appropriate 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 requirements for its fashion business.

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2021, the Group was in a solid financial position with cash and non-pledged deposit holdings of HK\$111,064,000 (2020: HK\$150,607,000). Total borrowings and lease liabilities amounted to HK\$7,001,000 (2020: HK\$6,617,000) and HK\$20,899,000 (2020: HK\$28,012,000) respectively with HK\$21,126,000 (2020: HK\$25,056,000) repayment falling due within one year. As mentioned in previous annual reports and described in more detail above, the Group has invested a substantial proportion of the cash and non-pledged deposit holdings in open-end unitized equity and fixed income funds from the second half of 2018 which continued in this year. The Group will retain sufficient cash deposits for its daily activities in the treasury portfolio, and has chosen to invest in a high proportion of marketable funds to ensure that there is more than adequate liquidity available to deal with any likely eventuality as though the funds had been retained as cash. As at 31 December 2021, the Group's gearing ratio (a comparison of total borrowings and lease liabilities with equity attributable to equity holders of the Company) was 2.3% (2020: 3%) and is in a sound financial position with its current ratio (current assets over current liabilities) standing at 18.5 times (2020: 16.3 times). As all segments of the Group's operations continue to be adversely impacted by COVID-19 and recovery from the prolonged negative impacts remains uncertain, management will closely monitor the financial position and believes that while the near term remains challenging, our strong liquidity and low-cost positions will provide support for the long-term prospects of the Group.

As at 31 December 2021, the Group's bank balances and borrowings were denominated primarily in United States dollars, Hong Kong dollars, Renminbi and Euro and exchange differences were reflected in the audited consolidated financial statements. All borrowings of the Group are on a floating interest rate.

PLEDGE OF ASSETS

As at 31 December 2021, HK\$10,000,000 of the Group's fixed deposits (2020: HK\$10,000,000) were pledged to banks to secure trade banking facilities of up to HK\$30,000,000 (2020: HK\$30,000,000), and foreign exchange facilities.

IMPORTANT EVENTS AFTER THE FINANCIAL YEAR

The approval of the Company's application to rezone the Hilltop property which was included by the Government's Planning Department in the Tsuen Wan Outlined Zoning Plan ("OZP") was executed by the Chief Executive in Council on 8 February 2022. The Tsuen Wan OZP No. S/TW/35 has incorporated amendments made to the approved Tsuen Wan OZP No. S/TW/33, which involved, among other things, the rezoning of the Company's Club property from "Other Specified Uses" annotated "Sports and Recreation Club" to "Residential (Group B) 8".

Save as the matter above, there have been no important events significantly affecting the finances and future prospects of the Group that have occurred since the end of the financial year.

FUTURE OUTLOOK AND STRATEGIES

SWANK

The COVID-19 pandemic, lasting more than 2 years now, will have been one of the most severe shock to the global economy in recent decades. Unemployment rates in Hong Kong since the beginning of 2020 until the end of 2021 hovered between 7% and 4%, the highest in more than a decade. Combined with the negative impact to income, wealth and asset prices alongside a complete halt to tourism, Hong Kong's retail sales experienced one of the steepest decline the industry has ever gone through. Meanwhile, we do not expect tourism to recover in any meaningful way soon, even after quarantine and social distancing measures are lifted, it would likely take time for tourists to feel safe to travel again. The Group expects local consumer sentiment will only improve after the economy recovers.

Nevertheless, we plan to look forward to the year ahead of a new market environment with new possibilities. We will ensure that we are ready to welcome customers back to our stores with stronger customer service and better merchandise offerings.

Presence and Distribution

We plan to explore new retail locations of smaller footprint to enable us to test out new brands and attract new customers. In January 2022, we have already reinforced our retail presence on the Kowloon side with the opening of a new womenswear store in the prestigious shopping mall, Elements. We will continue to seek opportunities to secure premises or sales footage in good locations that offer favourable financial terms.

Merchandising

We will leverage on our expertise in curating coveted brands for our customers. We would look to partner with selective brands, both existing and new, to promote their merchandise in the Hong Kong market. Our success is linked to our ability to secure and build brand relationships that may lead to us becoming their exclusive distribution channel in Hong Kong and the region.

Service evolution

The loyalty of our customers has been achieved through decades of high quality personal service in-store. While we will continue to build on this strength, we also plan to formulate a new clientele strategy to better understand potential customers, know their needs, and tailor services that will meet their expectations. We plan to renew our customer relationship management (CRM) approach, to recreate a new customer experience before, during, and after their store visits. This strategy will come with a new digital platform to also capture online customers who buy fashion on more advanced service-oriented platforms.

Hill Top Country Club

At the time of writing this, the most stringent anti-epidemic measures have been put in place by the Government in response to the severe impact of the 5th wave of COVID-19 whereby all the Club's activities had to be suspended, dining is restricted to a maximum 2 persons who have taken at least one shot of vaccination per table and opening hours is only up to 6:00 p.m. These regulations started to be put in place from January 2022 resulting in near zero banqueting (including weddings) and events revenue for the first quarter of 2022. In response, similar to 2021, we will continue to keep a tight control on expenditure, especially variable costs and also continue to recruit new members.

As referred to in the Overview section at the beginning of this CEO Statement, and also previously announced publicly, the Chief Executive in Council has approved the Tsuen Wan OZP which included the Club's property, in February 2022. However, there remain further steps to be taken and applications required before the Group is able to redevelop this site for residential purpose. We have commenced to take the necessary steps.

Investments in Financial Instruments

2022 kicked off with huge volatility in the global financial markets led by a broad sell off in the equities market, in particular the Tech sector. This volatility is anticipated to continue with the US Federal Reserve tapering asset purchase, reducing market liquidity, and rate hikes which could intensify on the back of uncertainties around global monetary policies.

Market volatility has now risen sharply on account of Russia's invasion of Ukraine on 24 February 2022. Sanctions were swiftly imposed by the US, EU and others, causing an immediate rise in commodities prices which has triggered a supply shock (in motor vehicle manufacturing and wheat production) that will have serious repercussions on global, and in particular, European economic outlook. According to the European Central Bank (ECB), roughly half of headline inflation in January this year was driven by higher energy prices. Further increases would make the ECB's job of balancing inflation and growth even more difficult. Global inflationary pressures will grow should elevated prices in commodities be sustained for long periods. For now, the estimated drag on global GDP growth is estimated to be minimal outside of Europe.

Nevertheless, market corrections have been windows of opportunities in the past. We have all lived through the 911 attacks and Gulf War. All of these historical events have triggered market corrections, but none of them have left lasting impact on asset prices, especially the further they recede into the past. They underscore the need to remain vigilant to downside risk in the face of fast changing markets as well being alert to as opportunities that may arise. The Group will continue the prudent approach to balance risks and reward of the investment portfolio through diversification of securities type, geography and nature of industries.

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 2021.

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 2021.

REVIEW BY AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee of the Company.

BOARD OF DIRECTORS

As at the date of this announcement, the Executive Directors are Mrs. Penny Soh Peng CROSBIE-WALSH (Chief Executive Officer) and Mr. David Charles PARKER, the Non-executive Directors are Mr. Hung Han WONG (Non-executive Chairman) and Mr. Hing Lun Dennis AU, 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
Penny Soh Peng CROSBIE-WALSH
Executive Director
and Chief Executive Officer

Hong Kong, 29 March 2022