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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 2023

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 2023, together with the comparative figures for the previous year.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
<b>Revenue</b>	5	<b>120,836</b>	94,387
Cost of sales		<u>(52,060)</u>	<u>(41,122)</u>
<b>Gross profit</b>		<b>68,776</b>	53,265
Other income		<b>1,419</b>	4,368
Selling and distribution costs		<b>(31,991)</b>	(34,569)
Administrative expenses		<b>(68,004)</b>	(64,058)
Depreciation of property, plant and equipment, impairment loss and amortisation		<b>(1,125)</b>	(1,637)
Other operating gains/(losses), net	9	<u><b>12,364</b></u>	<u>(107,169)</u>
<b>Loss from operations</b>		<b>(18,561)</b>	(149,800)
Fair value gains on investment properties, net		<b>300</b>	-
Finance costs	7	<u><b>(1,123)</b></u>	<u>(1,352)</u>
<b>Loss before tax</b>		<b>(19,384)</b>	(151,152)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONT'D)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
<b>Loss before tax</b>		<b>(19,384)</b>	(151,152)
Income tax expense	8	<u>-</u>	<u>-</u>
<b>Loss for the year</b>	9	<b><u>(19,384)</u></b>	<b><u>(151,152)</u></b>
<b>Attributable to:</b>			
Owners of the Company		<b>(19,747)</b>	(150,663)
Non-controlling interests		<b><u>363</u></b>	<u>(489)</u>
		<b><u>(19,384)</u></b>	<b><u>(151,152)</u></b>
<b>Loss per share</b>		<b>HK\$</b>	<b>HK\$</b>
– basic	10(a)	<b><u>(1.20) cents</u></b>	<b><u>(9.13) cents</u></b>
– diluted	10(b)	<b><u>N/A</u></b>	<b><u>N/A</u></b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
<b>Loss for the year</b>		<u><b>(19,384)</b></u>	<u>(151,152)</u>
<b>Other comprehensive income/(loss):</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value gain/(loss) on revaluation of the club property	6	(55,000)	85,000
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(24)</u>	<u>(152)</u>
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<u><b>(55,024)</b></u>	<u>84,848</u>
<b>Total comprehensive loss for the year</b>		<u><b>(74,408)</b></u>	<u>(66,304)</u>
<b>Attributable to:</b>			
Owners of the Company		(74,766)	(65,780)
Non-controlling interests		<u>358</u>	<u>(524)</u>
		<u><b>(74,408)</b></u>	<u>(66,304)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2023**

	Note	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		371,060	426,060
Right-of-use assets		8,746	18,241
Investment properties		52,800	52,500
Intangible assets		-	348
Financial assets at fair value through profit or loss	12	49,822	59,804
		<hr/>	<hr/>
Total non-current assets		<b>482,428</b>	556,953
<b>Current assets</b>			
Inventories		11,925	22,511
Trade and other receivables	13	14,857	13,023
Financial assets at fair value through profit or loss	12	475,549	457,895
Pledged bank deposits		10,000	10,000
Time deposits		93,396	89,368
Cash and bank balances		16,180	36,161
		<hr/>	<hr/>
Total current assets		<b>621,907</b>	628,958
<b>Current liabilities</b>			
Trade and other payables	14	23,253	19,535
Lease liabilities		8,396	10,583
Interest-bearing bank borrowings		5,079	5,882
		<hr/>	<hr/>
Total current liabilities		<b>36,728</b>	36,000
		<hr/>	<hr/>
<b>Net current assets</b>		<b>585,179</b>	592,958
<b>Non-current liabilities</b>			
Lease liabilities		-	7,896
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>1,067,607</b>	1,142,015
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)**  
**AT 31 DECEMBER 2023**

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
<b>Capital and reserves</b>		
Issued capital	1,206,706	1,206,706
Accumulated losses	(1,226,075)	(1,206,328)
Other reserves	<u>1,087,733</u>	<u>1,142,752</u>
Equity attributable to owners of the Company	1,068,364	1,143,130
Non-controlling interests	<u>(757)</u>	<u>(1,115)</u>
<b>TOTAL EQUITY</b>	<u><u>1,067,607</u></u>	<u><u>1,142,015</u></u>

*Notes:*

**1. Financial Information**

The financial information relating to the years ended 31 December 2023 and 2022 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 2022 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 2023 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 2023 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 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 of Hong Kong Limited (the "Listing Rules") and with the requirements of the Companies Ordinance (Cap. 622, Laws of Hong Kong).

## 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 Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform - Pillar Two Model Rules - Amendments to HKAS 12
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has 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.

### ***Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"***

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

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

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

##### *Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” (cont'd)*

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in Note 4 to the consolidated financial statements.

#### (b) New HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) - Long Service Payment (“LSP”) offsetting mechanism

The Company and several subsidiaries are operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.



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

#### **(b) New HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) - Long Service Payment (“LSP”) offsetting mechanism (cont'd)**

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. The Group has estimated that the abolition of the offsetting mechanism did not have a material impact to the opening consolidated equity at 1 January 2022 and the consolidated financial statements for the year ended 31 December 2022 and 2023.

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

#### (c) Revised HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to standards and interpretation that have been issued but are not yet effective:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 - Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 - Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 - Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7 - Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 - Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Company anticipate that the application of all other amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

#### 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. Business units that have similar economic characteristics are combined in a single reportable segment. They are managed separately because each business requires different operating and marketing strategies.

Segment profits or losses do not include the following:

- Unallocated corporate administrative expenses;
- Fair value gains on investment properties, net;
- 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
<b>Year ended 31 December 2023:</b>				
Revenue from external customers	86,867	12,805	21,164	120,836
Segment profit/(loss)	(10,310)	(11,373)	10,027	(11,656)
<i>Segment profit/(loss) includes:</i>				
Fair value gains on financial assets at fair value through profit or loss, net	-	-	11,546	11,546
Gains/(losses) on disposal of financial assets at fair value through profit or loss, net	111	-	(39)	72
Interest income from:				
– Financial assets at fair value through profit or loss	-	-	1,708	1,708
– Other financial assets	-	-	4,990	4,990
Write-back for provision for reinstatement cost	12	-	-	12
Write-back of accrued payables	439	-	-	439
Depreciation of property, plant and equipment and amortisation	202	55	355	612
Depreciation of right-of-use assets	9,155	-	2,636	11,791
Charge for inventories allowances	9,204	76	-	9,280
Impairment loss of property, plant and equipment	-	213	-	213
Impairment loss of intangible assets	300	-	-	300
Impairment loss of trade receivables	-	8	-	8
<i>Other segment information:</i>				
Additions to property, plant and equipment	707	75	-	782
Additions to right-of-use assets	2,034	-	262	2,296
<b>As at 31 December 2023:</b>				
Segment assets	37,983	371,105	695,247	1,104,335
Segment liabilities	(18,109)	(3,925)	(9,615)	(31,649)

#### 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
<b>Year ended 31 December 2022:</b>				
Revenue from external customers	71,304	8,176	14,907	94,387
Segment loss	(18,229)	(11,446)	(114,952)	(144,627)
<i>Segment loss includes:</i>				
Fair value losses on financial assets at fair value through profit or loss, net	-	-	(75,872)	(75,872)
Losses on disposal of financial assets at fair value through profit or loss, net	(451)	-	(29,585)	(30,036)
Interest income from:				
– Financial assets at fair value through profit or loss	-	-	1,264	1,264
– Other financial assets	-	-	1,701	1,701
Write-back for provision for reinstatement cost	9	-	-	9
Depreciation of property, plant and equipment and amortisation	655	99	413	1,167
Depreciation of right-of-use assets	11,987	-	2,636	14,623
Charge for inventories allowances	5,226	-	-	5,226
Impairment loss of property, plant and equipment	401	69	-	470
<i>Other segment information:</i>				
Additions to property, plant and equipment	109	234	104	447
Additions to right-of-use assets	12,983	-	-	12,983
<b>As at 31 December 2022:</b>				
Segment assets	49,951	427,434	708,526	1,185,911
Segment liabilities	(25,093)	(2,896)	(10,025)	(38,014)

#### 4. Segment Information (Cont'd)

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

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
<b>Profit or loss</b>		
Total profit or loss of reportable segments	(11,656)	(144,627)
Unallocated corporate administrative expenses	(6,905)	(5,173)
Fair value gains on investment properties, net	300	-
Finance costs	(1,123)	(1,352)
	<u>(19,384)</u>	<u>(151,152)</u>
Consolidated loss for the year	<u>(19,384)</u>	<u>(151,152)</u>
<b>Assets</b>		
Total assets of reportable segments	<u>1,104,335</u>	<u>1,185,911</u>
Consolidated total assets	<u>1,104,335</u>	<u>1,185,911</u>
<b>Liabilities</b>		
Total liabilities of reportable segments	(31,649)	(38,014)
Interest-bearing bank borrowings	(5,079)	(5,882)
Consolidated total liabilities	<u>(36,728)</u>	<u>(43,896)</u>

##### Geographical information:

	Revenue		Non-current assets	
	<u>2023</u>	2022	<u>2023</u>	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	105,768	82,395	432,606	497,149
Europe	8,196	6,714	-	-
The Americas	6,455	4,908	-	-
Other Asia Pacific Region	417	370	-	-
Consolidated total	<u>120,836</u>	<u>94,387</u>	<u>432,606</u>	<u>497,149</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 in which the revenue originated 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:

	<b>2023</b>	2022
	<b>HK\$'000</b>	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	<b>86,867</b>	71,304
(ii) Resort and recreational club operations		
Catering service income recognised at a point in time	<b>8,355</b>	4,959
Resort and club facilities and other services income recognised over time	<b>2,127</b>	934
Entrance fee and subscription fee income recognised over time	<b>2,323</b>	2,283
	<b>12,805</b>	8,176
<i>Revenue from other sources</i>		
(i) Investments		
Dividend income arising from financial assets at fair value through profit or loss:		
– Listed equity investments	<b>1,227</b>	1,326
– Listed fund investments	<b>458</b>	519
– Unlisted fund investments	<b>12,781</b>	10,097
Interest income from		
– Financial assets at fair value through profit or loss	<b>1,708</b>	1,264
– Other financial assets	<b>4,990</b>	1,701
	<b>21,164</b>	14,907
Total revenue of the Group	<b>120,836</b>	94,387

## 6. Fair value gain/(loss) on revaluation of the club property

The valuation technique adopted for the club property as at 31 December 2023 and 31 December 2022 is the “open market and highest and best use basis with the use of residual method”. In accordance with the HKFRS 13 “Fair Value Measurement”, and with advice from an independent and reputable valuer, the Group has revalued the club 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 2023, the fair value of the club property is HK\$370,000,000 (31 December 2022: HK\$425,000,000). The fair value loss on revaluation of HK\$55,000,000 is recognised as other comprehensive loss for the year ended 31 December 2023 (2022: fair value gain on revaluation of HK\$85,000,000 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 for the year.

## 7. Finance Costs

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Interest expenses on lease liabilities	781	1,164
Interest on bank loans	342	188
	<u>1,123</u>	<u>1,352</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 2023 (2022: HK\$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. Loss for the year

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

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Cost of inventories sold <sup>#</sup>	51,879	40,860
Charge for inventories allowances	9,280	5,226
Depreciation of property, plant and equipment	564	1,119
Depreciation of right-of-use assets	11,791	14,623
Impairment loss of property, plant and equipment	213	470
Amortisation of intangible assets	48	48
Impairment loss of intangible assets	300	-
Impairment loss of trade receivables	8	-
Losses/(gains) from financial assets at fair value through profit or loss, net*:		
Fair value losses/(gains), net	(11,546)	75,872
Losses/(gains) on disposal, net	(72)	30,036
	(11,618)	105,908
Fair value gains on investment properties, net	(300)	-
Losses/(gains) on disposal of property, plant and equipment*	5	(243)
Foreign exchange losses/(gains), net*	(300)	1,513
Write-back of accrued payables*	(439)	-
Write back for provision for reinstatement cost*	(12)	(9)

# Cost of inventories sold included charge for inventories allowances of HK\$9,280,000 (2022: HK\$5,226,000).

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

## 10. Loss Per Share

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of HK\$19,747,000 (2022: loss of HK\$150,663,000) and the weighted average number of ordinary shares of 1,650,658,676 (2022: 1,650,658,676) in issue during the year.

### (b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2023 and 2022.

## 11. Dividends

The directors do not recommend the payment of any dividend to shareholders for the years ended 31 December 2023 and 2022.

## 12. Financial Assets at Fair Value Through Profit or Loss

	<u>2023</u>	<u>2022</u>
	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss:		
Equity investments, at fair value		
– Listed in Hong Kong	16,889	20,657
– Listed outside Hong Kong	17,378	24,246
	<b>34,267</b>	44,903
Fund investments, at fair value		
– Listed outside Hong Kong	28,458	31,082
– Unlisted	417,804	400,437
	<b>446,262</b>	431,519
Debt investments, at fair value		
– Listed in Hong Kong*	5,492	6,405
– Listed outside Hong Kong*	34,475	34,872
– Unlisted	4,875	-
	<b>44,842</b>	41,277
	<b>525,371</b>	517,699

\* 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>2023</u> HK\$'000	<u>2022</u> HK\$'000
Current assets – Financial assets at fair value through profit or loss		
– Listed equity investments	34,267	44,903
– Listed fund investments	28,458	31,082
– Unlisted fund investments	367,982	340,633
– Listed debt investments	39,967	41,277
– Unlisted debt investments	4,875	-
	<b>475,549</b>	457,895
Non-current assets – Financial assets at fair value through profit or loss		
– Unlisted fund investments	<b>49,822</b>	59,804
	<b>525,371</b>	517,699

## 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>2023</u> HK\$'000	<u>2022</u> HK\$'000
Within 1 month	1,220	960
2 to 3 months	67	28
Over 3 months	-	1
	<b>1,287</b>	989

#### 14. Trade and Other Payables

Included in the Group's trade and other payables as at 31 December 2023 are trade and bills payables of HK\$3,301,000 (2022: HK\$3,955,000). An ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	<u>2023</u> HK\$'000	<u>2022</u> HK\$'000
Within 1 month	2,933	2,925
2 to 3 months	333	929
Over 3 months	<u>35</u>	<u>101</u>
	<u><u>3,301</u></u>	<u><u>3,955</u></u>

#### 15. Subsequent Events

As mentioned elsewhere in this announcement, and with reference to the announcement published by the Company on 26 March 2024, the Board has resolved to cease the operation of Hill Top Country Club (the "Club") effective from 16 June 2024. The above event is a non-adjusting event after the financial year and does not result in any adjustments to the consolidated financial statements for the year ended 31 December 2023.

The closure of the Club will not have a material impact on the Group's financial statements as assets and liabilities that are related to the Club's operation are immaterial except for the Club property which has been revalued based on its highest and best use under HKFRS for residential development. The cessation of the Club's operation is expected to reduce losses from the resort and recreational club business segment in the Group's 2024 financial statements compared to the year ended 31 December 2023.

# CHIEF EXECUTIVE OFFICER'S STATEMENT

## OVERVIEW

In 2023, the Group's total revenue grew by 28% to achieve HK\$120,836,000 (2022: HK\$94,387,000). The loss from operations of the Group for the year ended 31 December 2023 was HK\$18,561,000, as compared to HK\$149,800,000 in 2022, representing an 88% reduction in losses. The net loss (excluding one-time item<sup>(1)</sup>) before tax of the Group for the year ended 31 December 2023 was HK\$13,295,000, a reduction of 91%, as compared to a loss of HK\$151,152,000 in 2022.

The uplift in revenue for the Group was achieved through improvement in the trading environment during 2023. With the ending of COVID-19 anti-pandemic measures in Hong Kong from early 2023 and the reopening of the border fully to incoming travelers, the retail of fashion wear and accessories business benefitted from the return of tourist and China Mainland cross border shoppers, and also local customers' gradual reversion to their pre-pandemic shopping habits. The resort and recreational operation segment was also able to capitalise on the resumption of wedding and group gathering, with the ending of social distancing requirement, to achieve better revenue than 2022. However, the momentum of this post COVID-19 recovery did not continue throughout 2023, tourist numbers fell short of market expectation while more locals were travelling out of Hong Kong, hence consumption and patronage in our retail stores and club operation respectively remained weak in 2023.

The operating result of the Group was also enhanced by the positive contribution from the investment segment on the back of the global investment market recovery in 2023. The Company continued to take a cautious approach and diversified investment strategy, which helped to deliver a good investment return that was overall close to the benchmarks. All business segments exercised conscious cost management throughout 2023 and notwithstanding the additional "one-off" expenditures of professional fees and costs incurred for the privatization offer, the Group was able to deliver a significant reduction in operating loss compared to 2022.

The Hilltop Road land exchange application process through the Lands Department that commenced at the end of 2021 continues to progress slower than anticipated, in common with other similar applications, whereby the rate of progress was exacerbated by the emergence of problems encountered by relevant government departments which have to be consulted on the application, from COVID-19 restrictions and ongoing bouts of COVID-19 illness amongst their staff members in 2022. Nevertheless, given the rezoning application had been approved in 2021, the Company is confident to ultimately complete the land exchange application. Based on the current stage of the land exchange application process and the advice of the Company's land consultant, the Company anticipates that a formal basic terms of offer (that includes the amount of change of land premium) may be issued in the second half of 2026.

As the Company believes that the land exchange application is making progress and taking into consideration that the operating environment for the Club's operation will remain challenging and continue to be loss making, the Board of Directors has resolved to cease the resort and recreational club business from 16 June 2024. The closure of the Club's operation is expected to generate improvement to the Company's operating result in 2024 and beyond. The Club's

membership team will be communicating details of the Club's operation up to 15 June 2024 to members and will also be available on hand to answer any queries. The Company thanks all valuable Club members' support of Hill Top Country Club over the years.

## **FINANCIAL REVIEW**

	<b>2023</b>	<b>2022</b>	<b>Change</b>
	HK\$'000	HK\$'000	+ / (-)
<b>Revenue</b>	<b>120,836</b>	<b>94,387</b>	<b>28%</b>
Retail of fashion wear and accessories	86,867	71,304	22%
Resort and recreational club operation	12,805	8,176	57%
Dividend income	14,466	11,942	21%
Interest income	6,698	2,965	126%
<b>Loss from operations</b>	<b>(18,561)</b>	<b>(149,800)</b>	<b>88%</b>
Fair value gains on investment properties, net	300	-	NA
Finance costs	(1,123)	(1,352)	17%
<b>Loss for the year</b>	<b>(19,384)</b>	<b>(151,152)</b>	<b>87%</b>
Exclude: One-time item <sup>(1)</sup>	6,089	-	NA
<b>Loss for the year (excluding one-time item<sup>(1)</sup>)</b>	<b>(13,295)</b>	<b>(151,152)</b>	<b>91%</b>
<b>Loss attributable to shareholders</b>	<b>(19,747)</b>	<b>(150,663)</b>	<b>87%</b>
<b>Loss per share</b>	<b>HK (1.20) cents</b>	<b>HK (9.13) cents</b>	<b>87%</b>

<sup>(1)</sup> Loss for the year ended 31 December 2023 exclude one-time expense of HK\$6,089,000 in relation to the professional fees incurred for the privatization offer/proposal received from Solution Bridge Limited.

The loss from operations for the year ended 31 December 2023 of HK\$18,561,000 (2022: HK\$149,800,000) attributable to the Group's reportable segments was:

	<b>2023</b>	<b>2022</b>	<b>Change</b>
	HK\$'000	HK\$'000	+ / (-)
Retail of fashion wear and accessories	(10,310)	(18,229)	43%
Resort and recreational club operations	(11,373)	(11,446)	1%
Investments	10,027	(114,952)	109%
Unallocated corporate income/expenses, net	(6,905)	(5,173)	(33%)
<b>Loss from operations</b>	<b>(18,561)</b>	<b>(149,800)</b>	<b>88%</b>

The Group's fashion retail business, SWANK reported an increase in revenue and gross profit of HK\$15,563,000 or 22% and HK\$5,384,000 or 17% respectively as compared to 2022 despite a challenging trading environment whereby tourist numbers were still significantly below pre-pandemic level, and they were also changing consumption habits away from shopping towards more food and beverage or special tourist spots. At the same time, many of our local Hong Kong customers are frequent travellers so they made more purchases out of Hong Kong compared to last year. Hence the business had to offer more attractive discounts, increase advertising and publicity in order to be able to maximise sales revenue. This had

successfully resulted in an increase in gross profit of HK\$5,384,000 amid a lower gross margin. The total sales revenue of SWANK's retail stores and outlet was 32% higher than that in 2022 notwithstanding that the total selling footage in the second half of 2023 was reduced by approximately 1,200 square feet or 10%, as a result of the unexpected closure of the Paule Ka store in July 2023, as the lease of the store was not renewed by the landlord due to refurbish plans for its retail footage. On the other hand, the online shopping trend was gradually slowing down hence SWANK's online sales revenue also suffered a significant reduction of 21% in 2023, as compared to 2022. With a reduced number of retail stores, the stock provision for inventory as at the end of 2023 had to be increased and therefore, gross profit margin dropped slightly by about 2%, as compared to 2022. However, with a tight control on expenditure, SWANK was able to deliver a significant reduction of 43% in operating loss from HK\$18,229,000 for the year ended 2022 to HK\$10,310,000 for the year ended 2023.

The revenue of Hill Top, the Group's resort and recreational club operation also reported an increase of 57% to the amount of HK\$12,805,000 and is mainly contributed by an increase in restaurant dining patronage, wedding banquets and event functions, after all anti-pandemic social distancing measures were removed in early 2023. However, the operating costs for 2023 as compared to 2022 were higher, primarily attributable to a tight labour market for food and beverage staff, pushing up staffing costs, plus the absence of Employment Support Scheme ("ESS") wage subsidies from the Hong Kong Government's anti-epidemic fund (2022: HK\$1,084,000). Hence, despite a concerted effort to control costs, the operating loss for the year ended 31 December 2023 of HK\$11,373,000 was at par with last year's amount of HK\$11,446,000.

The Group's overall gross profit margin sustained at 56.9% for the year ended 31 December 2023 (2022: 56.4%). Dividend and interest income from our investment segment increased by HK\$6,257,000 (at a theoretical gross profit margin of 100%), while Hill Top's gross profit margin improved slightly by about 3%, through increase in higher margin wedding banquets and SWANK's gross profit margin was slightly lower by about 2%, due to higher stock provision to account for reduced number of retail stores. The Group's other income and expenditure for the year ended 31 December 2023 included:

- Other income of HK\$1,419,000, which was HK\$2,949,000 or 68% lower compared to HK\$4,368,000 in 2022, mainly comprising:
  - rental income of HK\$984,000 (2022: HK\$982,000) from the Group's investment property situated in Hong Kong; and
  - ESS wage subsidies of HK\$Nil (2022: HK\$2,900,000) received from the Hong Kong Government.
- Selling and distribution expenses of HK\$31,991,000, being a 7% decrease compared to HK\$34,569,000 for 2022, mainly attributable to:
  - decrease in occupancy costs from the closure of SWANK's Harbour City retail store in July 2022 and Chater House retail store in July 2023. These cost savings were partly offset by the increase in occupancy costs of Elements and Central Building retail stores, mainly attributable to higher variable rental payable with higher sales revenue; and
  - reduction in online sales commission as a result of a decrease in SWANK's internet sales for the year under review.

- Administrative expenses increased by 6% to HK\$68,004,000 (2022: HK\$64,058,000), primarily attributable to:
  - the legal and professional fees incurred in 2023 in relation to a proposal received for the privatization of the Company by way of a scheme of arrangement under Section 673 of the Companies Ordinance; and
  - increase in casual labour costs and electricity expenses at Hill Top, from the increase in patronage of its facilities and services in the year under review.
- Depreciation for property, plant and equipment, impairment loss and amortisation expenses of HK\$1,125,000, being 31% reduction from HK\$1,637,000 in 2022, mainly attributable to having fully depreciated and impaired the cost of leasehold improvement and furniture and fixtures of SWANK's retail stores in December 2022.
- "Other operating gains/(losses), net" mainly comprised net realised and unrealised fair value gains of HK\$11,507,000 (2022: net realised and unrealised fair value losses of HK\$105,457,000) from investment in financial instruments (before interest and dividend income which are included in "Revenue") and exchange gains, net amount of HK\$300,000 (2022: exchange losses, net amount of HK\$1,513,000).

In accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), and with the advice from an independent and reputable valuer, the Group has valued the club 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 2023, the fair value of the club property was HK\$370,000,000 (31 December 2022: HK\$425,000,000). The decrease in revalued amount of HK\$55,000,000 was recognised as other comprehensive loss for the year ended 31 December 2023 and accumulated in the property revaluation reserve which had no impact on the Group's consolidated statement of profit or loss for the year.

For the year ended 31 December 2023, the Group's finance cost included interest on bank loans of HK\$342,000 (2022: HK\$188,000) and interest expenses on lease liabilities of HK\$781,000 (2022: HK\$1,164,000). The increase in interest on bank loans of HK\$154,000 was due to higher interest rates charged by banks on borrowings. On the other hand, interest expenses on lease liabilities under HKFRS 16 has decreased by HK\$383,000, mainly attributable to the ending of leases for the Harbour City retail store and Chater House in July 2022 and July 2023 respectively. Overall, the finance cost for the year ended 31 December 2023 has dropped by HK\$229,000 or 17% as compared to 2022.

## **BUSINESS REVIEW**

### **SWANK**

As mentioned in the 2023 Interim Report, with the gradual relaxation of the Hong Kong Government's COVID-19 anti-pandemic measures from September 2022, tourists began to return to Hong Kong and cross border travels of Mainland Chinese fully resumed in February 2023, hence sales revenue for the fashion retail segment began to improve in early 2023 and by 31 December 2023 was 22% higher than last year to reach HK\$86,867,000, as compared to



the amount for 2022 of HK\$71,304,000. Whilst the sales uplift in the first half of 2023 was close to 40%, against the difficult business environment for the same period in 2022 that was severely impacted by the fifth wave of COVID-19, the momentum of post-pandemic recovery of the retail market slowed in the second half of 2023. Hence the increase in sales revenue for second half of 2023, as compared to the same period in 2022, was a lower uplift of 9% which was also partly attributable to losing approximately 1,200 square feet of selling footage due to the inability to renew the lease of Paule Ka retail store in July 2023. Nevertheless, the total sales revenue for the year ended 31 December 2023 was HK\$15,563,000 more than last year.

Notwithstanding a number of factors in 2023 which presented operating challenges for the fashion retail business, SWANK was able to reduce the operating loss in consecutive years since the start of the COVID-19 pandemic in 2020 (2022: HK\$18,229,000; 2021: HK\$22,539,000; 2020: HK\$36,260,000) to HK\$10,310,000 for the year ended 31 December 2023, representing a 71%, or total of HK\$25,950,000 decrease in operating losses. This reduction is achieved primarily through strong cost management, especially in rental expense whereby landlords were approached to negotiate for either rent rebate or more favourable rates upon renewal, taking into consideration the poor retail environment brought about by the COVID-19 pandemic. However, a year after the end of pandemic for Hong Kong, landlords are gradually becoming less negotiable with the rental of prime retail space.

### ***Hill Top Country Club (“Hill Top” or “the Club”)***

The Club began the year with a significant increase in patronage of its food and beverage outlets and wedding banquet and function bookings to achieve a 107% increase in revenue for the first half of 2023 as compared to last year, which fully capitalized on the benefits of relaxation in the Hong Kong Government’s anti-pandemic measures since late 2022 and the ground works laid in 2022 to attract more members and customers. However, even though the full year revenue in 2023 had increased by 57% to HK\$12,805,000 (2022: HK\$8,176,000), due to increase in various operating expenses, especially staffing costs due to labour shortage, Hill Top was not able to improve on its bottom line.

During the year, the Club actively offered more variety of activities and made changes to attract members and customers patronage, such as weekend staycation, Chinese hot pot, alternative spending and reward program, new al-la carte menu at both Chinese and Western restaurants and various children’s activities which resulted in good acquisition and retention of short-term membership. However, with increased popularity of cross border travel to Mainland China for cheaper and better food and beverage offerings amongst local Hongkongers, Hill Top’s revenue fell short of expectation and hence the operating loss of this business segment was not lowered compared to last year.

As mentioned in the Overview section of this report, the Board has resolved to cease the Club’s operation from 16 June 2024. The Club will continue to provide existing services and facilities up to 15 June 2024 and members can contact the membership service department with any queries.

## *Investments*

The Group's investment in financial instruments mainly comprises four categories: (A) Marketable Funds Investment including, unitized open-end bond and equity fund, and money market investment; (B) Discretionary Investment Portfolios managed by three financial institutions under specific agreed mandate and controlled by the Group; (C) Listed Securities Investments; and (D) Other Fund Investments, including Private Equity Funds. As at 31 December 2023, the total carrying value of the Group's investment portfolio in financial instruments was HK\$525,371,000 (31 December 2022: HK\$517,699,000), representing approximately 47.6% (31 December 2022: 43.7%) of the carrying value of the Group's total assets.

After the investment market meltdown in 2022, brought upon by aggressive monetary tightening actions of the central banks of major developed countries and the concern of possible economic recession, both the fixed income and equity markets staged a strong rebound in 2023. The global fixed income market, represented by the Bloomberg Global Aggregate Index, rose by 5.7% while the global equity market, represented by the FTSE All World Index, gained 22.7%, mainly boosted by the decline in treasury yield as bond investors expected the United States ("US") Federal Reserve ("Fed") to pivot by cutting interest rate as soon as in March-2024 and the rising hope of achieving an economic soft landing in the US. In contrast, China is one of few major equity markets that suffered negative return. The onshore Chinese equity index CSI 300 Index and the offshore Hang Seng Index registered negative returns of 9.1% and 10.5% respectively in 2023. Internally, the domestic economic recovery disappointed the market as the ailing property market and the weak employment market more than offset the benefits from post-COVID reopening. The mild and piece-meal stimulus measures of China's central government were not strong enough to restore global investors' confidence in the Chinese equity market. Externally, the geopolitical tension between China and US remained unthawed.

Riding on the rallies of the fixed income and equity markets, especially in the last two months of 2023, the Group's diverse investment portfolio, managed with a prudent approach, delivered a satisfactory return for the period under review. This was achieved, besides adhering to cautious asset allocation approved by the Board and selection of investment managers approved by the Investment Committee, via closely monitoring the market conditions and taking timely action to adjust the asset allocation and investment strategies. As such, the Group's investment in financial instruments was able to revert to a net gain of HK\$27,681,000 (2022: a net loss of HK\$92,251,000) for the year ended 31 December 2023, before general and administrative expenses.

## **A. Marketable Funds Investment Portfolio – including unitized open-end bond and equity fund, and money market investment**

The marketable funds investment portfolio consists of four primary investment strategies, namely money market investment, investment grade & high yield bond funds, enhanced yield funds and equity funds.

The total carrying value of the Group's investment in this category was HK\$306,572,000 as at 31 December 2023 (31 December 2022: HK\$290,832,000), representing approximately 27.8% of the carrying value of the Group's total assets; and the asset allocation in this portfolio was 0.4% in a money market investment, 56.9% in bond funds, 29.1% in enhanced yield funds and 13.6% in equity funds. This category of portfolio recorded a net gain of HK\$16,561,000 or 5.1% (2022: a net loss of HK\$46,461,000) for the year ended 31 December 2023. The net gain was attributable to HK\$10,980,000 unrealised mark-to-market gain, HK\$2,646,000 realised loss on disposal and HK\$8,227,000 dividend and interest income received.

### **Investment Grade & High Yield Bond Funds**

In this strategy, the Group held six bond funds which can be grouped into the categories of investment grade and high yield bond funds. As at 31 December 2023, the fair value of the Group's investment in this strategy was HK\$174,119,000, representing approximately 56.9% of the carrying value of the marketable funds investment portfolio and 15.8% of the carrying value of the Group's total assets. The net return on this investment was a HK\$14,213,000 gain or 7.8% for the year ended 31 December 2023. Below are individual funds with fair value exceeding 5% of the carrying value of the Group's total assets.

#### ***PIMCO GIS- Income Fund***

The PIMCO Fund is a portfolio that is actively managed and utilises 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 annualised return of 3.7% for the period of 2019 to 2023. As at 31 December 2023, the fair value of the Group's investment in this fund was HK\$67,470,000 (31 December 2022: HK\$66,093,000), representing approximately 6.1% of the carrying value of the Group's total assets. The net return of this fund was HK\$5,508,000 gain or 8.3% for the year ended 31 December 2023, comprised a HK\$1,377,000 unrealised mark-to-market gain and HK\$4,131,000 of dividend received.

### **Enhanced Yield Fund**

As at 31 December 2023, the Group held six funds in this strategy with a fair value of HK\$89,302,000, representing approximately 29.1% of the carrying value of the marketable funds investment portfolio and 8.1% of the carrying value of the Group's total assets. This portfolio consisted of one China long/short credit fund, one infrastructure private fund, two private real estate funds and two private credit funds. The net return on investment was a HK\$457,000 gain or 0.5% for the year ended 31 December 2023. The Group's investment in individual fund in this strategy did not exceed 5% of the carrying value of the Group's total assets.

### **Equity Funds**

As at 31 December 2023, the Group held four equity-based funds with a fair value of HK\$41,809,000, representing approximately 13.6% of the carrying value of the marketable fund investment portfolio and 3.8% of the carrying value of the Group's total assets. This portfolio included one U.S. fund, one China offshore fund, one China A-share fund, and one Asian (excluding Japan) fund. The net return on investment was a HK\$1,787,000 gain or 3.4% for the twelve months ended 31 December 2023. The Group's investment in individual fund in this strategy did not exceed 5% of the carrying value of the Group's total assets.

### **B. 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**

Morgan Stanley ("MS") offers a bespoke asset allocation solution based upon its Global Investment Committee Model. The Asia Investment Management Services team leverages the extensive research, investment expertise and execution capabilities of MS to invest in traditional and sophisticated multi-asset, equity and fixed income funds, Exchange-Traded Funds ("ETF") and money market instruments. As at 31 December 2023, the total carrying value of the MS Portfolio was HK\$67,966,000 (31 December 2022: HK\$60,260,000) with a total of 22 funds and ETF holdings, representing approximately 6.2% of the carrying value of the Group's total assets. The asset allocation in the portfolio comprised 1.2% money market investment, 28.8% fixed income funds, 62.8% equity funds (including ETF) and 7.2% other investments. The MS Portfolio has been set up to gradually spread risk with a high flexibility to invest a significant proportion in the Money Market Investment awaiting suitable opportunities to reinvest in other asset classes. The MS Portfolio recorded a net gain of HK\$6,540,000 or 10.0% during the period under review.

#### **LGT Portfolio**

LGT offers a bespoke asset allocation solution based on recommendations from LGT's Investment Committee in Asia and dynamically incorporates monitoring of macroeconomic outlook, market conditions, and fundamentals of securities into the portfolio. Investments are largely in equity and fixed income securities, and to a smaller extent, in mutual funds or ETFs. As at 31 December 2023, the total market value of the LGT portfolio was HK\$62,327,000 (31 December 2022: HK\$67,271,000), with 32 fixed income securities, 45 equities, and 4 alternative (including hedge funds and REIT) fund holdings, representing in total approximately 5.6% of the carrying value of the Group's total assets. The asset allocation in the LGT portfolio as at 31 December 2023 was 69.8% in fixed income, 29.2% in equities, and 1.0% in alternative investments. The LGT portfolio has been set up to diversify risk and reduce volatility, thus with fixed income investment as the dominant asset class. The LGT portfolio recorded a net gain of HK\$10,675,000 or 17.2% during the period under review.

### **JB Portfolio**

Julius Baer offers a bespoke asset allocation solution based upon assessment and recommendations of its 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 2023, the total carrying value of the JB Portfolio was HK\$21,883,000 (31 December 2022: HK\$19,042,000), comprised one or 3.9% money market fund, three or 31.9% fixed income ETFs and seven or 64.2% equity ETFs, representing in total approximately 2.0% of the carrying value of the Group's total assets. The JB Portfolio has been set up to diversify the Group's investment into ETFs and it returned a net gain of HK\$3,017,000 or 15.2% during the period under review.

### **C. Listed Securities**

The Group maintains its investment approach that minimises direct investment in individual listed equities. Hence, as at 31 December 2023, the Group had only one listed equity in its investment portfolio, namely China Motor Bus Company Limited ("CMB"), with a total carrying value of HK\$16,801,000 (31 December 2022: HK\$20,490,000), representing approximately 1.5% of the carrying value of the Group's total assets. The investment in CMB recorded a net loss of HK\$2,781,000 (2022: HK\$5,846,000 net loss), comprised an unrealised fair value loss of HK\$3,689,000 and dividend income of HK\$908,000 for the year ended 31 December 2023.

### **D. Other Fund Investments - Private Equity Funds**

The total carrying value of the Group's investment in this category was HK\$49,822,000 as at 31 December 2023 (31 December 2022: HK\$59,804,000) and recorded a net loss of HK\$6,331,000 (2022: a net loss of HK\$13,181,000) for the year ended 31 December 2023.

#### ***ASEAN China Investment Fund III L.P. ("ACIF III")***

The Group has made an investment commitment of US\$4,000,000 (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 countries and Mainland China. As at 31 December 2023, the Group has invested a total of HK\$24,030,000 in this fund and the Group's share of capital value was HK\$22,548,000 based on the management accounts the fund manager has provided. The total return on investment of ACIF III was a HK\$6,024,000 net loss for the year ended 31 December 2023 (2022: net loss of HK\$12,012,000), comprised HK\$10,435,000 fair value loss and HK\$4,411,000 distribution income received. This fair value loss mainly stemmed from decline in the fair value of the fund's listed and unlisted securities holdings of Mainland Chinese companies. Despite this short-term setback, ACIF III is viewed as a long-term investment which helps to diversify the Group's investment portfolio with exposure to a wider range of potentially profitable private companies managed by a team of Managers with good track records. ACIF III has delivered a satisfactory 14.48% net internal rate of return since inception.

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

With the success of ACIF III, the Group has made another capital commitment of US\$4,000,000 (equivalent to HK\$31,120,000) in ACIF IV for a 1.649% shareholding. ACIF IV is an exempted limited partnership incorporated in the Cayman Islands on 20 February 2018 and 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 the focus of investing primarily via minority stakes in expansion stage capital opportunities through privately negotiated equity and equity related investments in small and medium sized growing companies that benefit from the continuing expansion of trade and investment among the ASEAN member-states and Mainland China, and their respective overseas trading partners. As at 31 December 2023, the Group had invested a total of HK\$29,285,000 in this fund and the Group’s share of capital value was HK\$27,274,000 based on the management accounts the fund manager has provided. The total return of the Group’s investment in ACIF IV was a HK\$307,000 net loss for the year ended 31 December 2023 (2022: net loss of HK\$1,169,000). This fair value loss was primarily from decline in the fair value of the fund’s unlisted securities in Mainland China, Vietnam and Indonesia. Similar to ACIF III, ACIF IV is also viewed as a long-term diversified investment of the Group’s portfolio.

## **MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS**

The Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

## **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 the 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 currency exposure. Treasury is permitted to invest cash in short-term deposits subject to specified limits and guidelines. Forward foreign exchange contracts are utilised 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 amounts in Japanese Yen, British Pounds and United States Dollars and a relatively small portion of the investment portfolio is denominated in currencies other than United States Dollars and Hong Kong Dollars. The Group has undertaken appropriate scale of hedging to protect its foreign currency exposure, especially with respect to Euro and will, from time to time, review its position and market conditions to determine the amount of hedging (if any) that is required. Typically, the Group purchases forward contract of Euro and Euro cash amounting to approximately half of its anticipated merchandise purchase requirements in each season for its fashion business.

## **LIQUIDITY AND FINANCIAL POSITION**

As at 31 December 2023, the Group was in a solid financial position with cash and non-pledged deposit holdings of HK\$109,576,000 (31 December 2022: HK\$125,529,000). Total borrowings and lease liabilities amounted to HK\$5,079,000 (31 December 2022: HK\$5,882,000) and HK\$8,396,000 (31 December 2022: HK\$18,479,000) respectively with HK\$13,475,000 (31 December 2022: HK\$16,465,000) repayment falling due within one year. As previously reported and elaborated in more detail above, the Group has invested a substantial proportion of the cash and non-pledged deposit holdings in unitized open-end equity and bond funds since the second half of 2018. The Group will retain sufficient cash deposits for its regular operation activities in the treasury portfolio and has chosen to invest a high proportion in marketable funds to ensure that there is more than adequate liquidity. As at 31 December 2023, the Group's gearing ratio (a comparison of total borrowings and lease liabilities with equity attributable to equity holders of the Company) was 1.3% (31 December 2022: 2.1%) and is in a sound financial position with its current ratio (current assets over current liabilities) standing at 16.9 times (31 December 2022: 17.5 times).

As all segments of the Group's operations were adversely impacted by COVID-19 in 2022 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 tight-cost management will provide support for the long-term prospects of the Group. As at 31 December 2023, the Group's bank balances and borrowings were denominated primarily in United States Dollars, Hong Kong Dollars and Euro, and exchange differences were reflected in the audited consolidated financial statements. All borrowings of the Group are on a floating interest rate.

### **PLEDGE OF ASSETS**

As at 31 December 2023, HK\$10,000,000 of the Group's fixed deposits (31 December 2022: HK\$10,000,000) were pledged to banks to secure trade banking facilities of up to HK\$30,000,000 (31 December 2022: HK\$30,000,000) and foreign exchange facilities.

### **IMPORTANT EVENTS AFTER THE FINANCIAL YEAR**

As mentioned elsewhere in this announcement, and with reference to the announcement published by the Company on 26 March 2024 (the "Business Update Announcement"), the Board has resolved to cease the operation of Hill Top Country Club (the "Club") effective from 16 June 2024. The closure of the Club will not have a material impact on the Group's financial statements as assets and liabilities that are related to the Club's operation are immaterial except for the Club property which has been revalued based on its highest and best use under HKFRS for residential development. The cessation of the Club's operation is expected to reduce losses from the resort and recreational club business segment in the Group's 2024 financial statements compared to the year ended 31 December 2023. For further details, please refer to the Business Update Announcement.

## **FUTURE OUTLOOK AND STRATEGIES**

### **SWANK**

With the weaker than expected recovery of the retail market in 2023, SWANK will likely continue to face head-winds in 2024. The luxury fashion retail market landscape in Hong Kong looks to be shifting away from its pre-pandemic form, coupled with uncertainties in the pace of economic recovery in Hong Kong and China, consumer spending can be expected to continue to be weak. The Group had already taken a number of cost reduction measures in the second half of 2023, in light of the trading challenges, including not replacing some of the resigned staff especially at senior level, instead combined or streamlined job roles which will result in a leaner organization structure at lower fixed operating costs.

Other operational efficiency measures that have been taken include trimming the number of merchandise brands SWANK will carry to the ones that are most sought after by our loyal and regular customers, to reduce the amount of inventory carryover at the end of each season, and also only renew the lease of stores that have better potential to increase the profitability of SWANK.

Customer relationship management will continue to be the focus in the coming year to ensure that the loyalty of SWANK's customers is recognised and appreciated. More brand training will be conducted to enable our dedicated sales team to better serve our customers.

### **Hill Top Country Club**

The Group and Management of the Club will ensure that, for the remaining period of time that the Club is in operation, the services and facilities of the Club will continue to be offered and delivered to members at the same level of commitment. After closure, the grounds of the Club will be safeguarded and maintained at minimal cost by professional contractors engaged to ensure the safety and security.

With this decision to cease the Club operation from 16 June 2024, the Group will take proactive steps to manage the redundancy process of the Club employees, including but not limited to searching for deployment opportunities in other business segment of the Group or outside of the Company, and assist in making contact where applicable. For employees that may be terminated as a result of the closure of the Club, the Group's human resource department will oversee the process to ensure that all terminated employees of the Club be terminated as fair and reasonable with compensation that meets the requirements of the Hong Kong labour law and regulations.

### **Investments in Financial Instruments**

Entering 2024, the performance of global fixed income and equity markets have been divergent, with the Bloomberg Global Aggregate Index at nearly 3% lower since at the start of 2024 while the FTSE All-World Equity Index climbing over 3%. Recent stronger-than-expected inflation prints in the United States ("US") has impacted on the investment market's hope of an early interest rate cut in March, sending the fixed income yield away from its previous upward trend. On the other hand, the better-than-feared corporate results and the



continuing Artificial Intelligence (“AI”) hype have helped equity assets to defy the gravity of the rising treasury bond yield. The uncertainties surrounding the possibility of deteriorating government fiscal policy change brought about by a number of worldwide presidential elections (but in particular the US) and potential spillover from default of commercial real estate in some of the developed markets are the key risks to the performance of investments in 2024. Nonetheless, an economic “soft landing” in the US remains the base case, as economic data including consumption, housing and employment all point to a resilient economy while inflation continues on a decline trend. Against this backdrop, the Group sees that it would be safe to gradually switch out from 2023’s more conservative strategy of maintaining higher cash balance to capitalise on interest rate hikes, to a more liberal investment strategy cautiously. The Group will continue a prudent approach to balance the risks and reward of investment through diversification of securities type, geography and 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 2023.

## **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 C1 of the Listing Rules throughout the year ended 31 December 2023.

## **REVIEW BY AUDIT COMMITTEE**

The audited consolidated results of the Group for the year ended 31 December 2023 have been reviewed by the Audit Committee of the Company.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Executive Director is Mrs. Penny Soh Peng CROSBIE-WALSH (Chief Executive Officer), the Non-executive Director is Mr. Hung Han WONG (Non-executive Chairman) and the Independent Non-executive Directors are Mr. Kin Wing CHEUNG, Ms. Imma Kit Sum LING and Mr. Hin Fun Anthony TSANG.

By order of the Board  
**Penny Soh Peng CROSBIE-WALSH**  
*Executive Director*  
*and Chief Executive Officer*

Hong Kong, 26 March 2024