



安寧控股有限公司
ENM Holdings Limited

Stock Code : 00128

2021
INTERIM REPORT

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CHIEF EXECUTIVE OFFICER'S STATEMENT

OVERVIEW

The Group recorded a profit attributable to shareholders of the Company for the first half of 2021 as compared to a loss for the same period of 2020. Such turnaround in the Group's profitability was mainly attributable to the net realised and unrealised gains of our portfolio of investments contributed by improvements in the global securities markets and the success of our private equity fund investments during the period under review. With the continued restrictions on cross-border travel and social distancing measures imposed by the Government amid the pandemic situation in Hong Kong, revenue from the Group's retail fashion business and recreational club operations remained below its pre-pandemic level resulting from the virtual elimination of Mainland China and other tourist arrivals, and statutory restrictions in permitted activities at the recreational club operations. Despite this challenging pandemic environment, the Group has contained the total operating losses during the period from these two segments (32% improvement over the same period last year) through the implementation of certain cost saving measures, some improvement in margins as well as savings in depreciation charges.

Following on the decisions in September 2020 by the Town Planning Board, previously announced in the 2020 Annual Report, the Rezoning Approval for the land (currently occupied by the Group for its operation of a country club) was included in an amendment to the Outline Zoning Plan ("OZP") for the Tsuen Wan District proposed by the Planning Department of the HKSAR Government and approved for gazettal by the Town Planning Board in February 2021. Such gazettal took place on 26 February 2021 and the proposed amended OZP was exhibited for public comment until 26 April 2021 notwithstanding that our proposal has already been through multiple rounds of public comments, following which there was a period for proponents to reply to any comments. Only five comments which were in any way relevant to our proposals were received and those were made public in June 2021 following which the Group submitted a reply to the Town Planning Board also in June 2021. It is expected that there will be a further statutory hearing on the matter before the end of 2021 followed by a submission to the HKSAR Chief Executive in Council as well as many steps required by the Lands Department before the Group will be able to develop this site as a residential site.

FINANCIAL REVIEW

The profit attributable to shareholders for the period ended 30 June 2021 amounted to HK\$17,051,000 as compared to a loss of HK\$60,895,000 for the last corresponding period. The net profit includes the combination of a loss attributable to the retail fashion business of HK\$10,600,000 (2020: loss of HK\$15,042,000), a loss from recreational club operations of HK\$5,339,000 (2020: loss of HK\$8,236,000), offset by a segment profit by the investments division of HK\$31,669,000 (2020: segment loss of HK\$33,612,000), including bank interest income of HK\$467,000, rental income of HK\$510,000 and related overhead cost deductions. Profit from operations (after unallocated corporate administrative expenses) amounted to HK\$14,500,000 (2020: loss from operations of HK\$58,898,000). The Group's profit (before share of loss attributable to non-controlling interests) for the period was HK\$17,029,000 (2020: loss of HK\$60,918,000), after deduction of finance costs of HK\$1,171,000 (2020: HK\$2,020,000) and was positively impacted by the fair value gain of HK\$3,700,000 (2020: HK\$ Nil) on revaluation of the Group's investment property. Earnings per share attributable to owners of the Company was HK\$1.03 cents (2020: loss per share of HK\$3.69 cents).

The major turnaround to the profit of HK\$17,029,000 for the period was mainly attributable to the following factors:

- (1) before general and administrative expenses, net realised and unrealised gains of HK\$41,894,000 (including interest and dividend income of HK\$13,477,000, net losses on disposal of HK\$637,000 and net unrealised fair value gains of HK\$29,054,000) within the investment portfolio and other equities investments for the period ended 30 June 2021 as compared to net realised and unrealized losses of HK\$24,610,000 (including interest and dividend income of HK\$17,218,000, net losses on disposal of HK\$13,394,000 and net unrealized fair value losses of HK\$28,434,000) for the corresponding period in 2020. “The melt down” in both equity and fixed income markets in late February and March 2020 after the outbreak of COVID-19 pandemic in late January 2020 adversely affected the performance of investment division for the corresponding period in 2020. Global securities markets improved significantly in the second half of 2020 which continued, albeit on a more mixed basis, in the first half of 2021. Together with the measures in place for carefully structured asset and manager allocation, most of the asset prices of our marketable fund investments and private equity funds have appreciated for the period under review. Further, substantial distribution and dividends of HK\$6,574,000 (2020: HK\$6,093,000) and HK\$2,211,000 (2020: HK\$ Nil) were received from our private equity fund investments, ASEAN China Investment Fund III L.P. and ASEAN China Investment Fund IV L.P. respectively. Thus overall, the Group’s investments division recorded a segment profit of HK\$31,669,000 for the first half of 2021 (2020: segment losses of HK\$33,612,000).
- (2) The COVID-19 pandemic devastated the already weak retail market in Hong Kong in 2020. The Hong Kong economy was on a recovery path amid the gradual relaxation of social distancing measures in the first half of 2021. However, the recovery was characterized by great uncertainties in the face of the spread of new variants of the COVID-19 virus and the slow pace of vaccination. Cross-border travel remained at a standstill as strict travel restrictions and mandatory quarantines were still generally in place. Consumer demand, particularly for the luxury sector in which we operate, stayed relatively subdued. Although the Group’s revenue from its retail fashion business was down by about 2% to HK\$34,274,000 (2020: HK\$34,861,000) for the period under review, the amount of gross profit contributed by retail fashion business grew 14% to HK\$17,694,000 (2020: HK\$15,547,000), driven by decreases in stock provision and improvement in margin management. Although the level of Government financial support and rental concessions from landlords significantly reduced compared to 2020, the Group continued to enhance its operational efficiency with cost tightening measures and savings in depreciation charges, while proactively improving the gross profit margin of fashion products. For the period ended 30 June 2021, the Group’s operating loss from the retail fashion business improved by 30% to HK\$10,600,000 (2020: HK\$15,042,000) even during such weak retailing environment.
- (3) As far as our Club operations are concerned, during the period under review, normal dining revenue from restaurants increased by 29% to HK\$1,559,000 (2020: HK\$1,207,000) as members appreciated the quality service and strict precautionary measures implemented for our restaurants. However, the prolonged statutory measures such as restrictions on social gathering and eateries continued to severely and adversely impact banquet (including wedding) and meeting revenues for Hilltop. As a result of the cancellation of weddings, conferences, lodging, family dinners and celebrations and other events amid the pandemic situation, the Group’s total revenue from recreational club operations remained substantially below its pre-pandemic level and dropped by 6% to HK\$3,324,000 (2020: HK\$3,522,000) as compared with the same period last year. During such prolonged difficult operating environment after the outbreak of COVID-19, but without the same level of Government financial support as in 2020, the Group continued to implement certain cost saving measures, as well as reduction in depreciation and successfully contained the operating losses from recreational club operations to HK\$5,339,000 (2020: HK\$8,236,000), reflecting a 35% improvement for the period ended 30 June 2021.

CHIEF EXECUTIVE OFFICER'S STATEMENT

- (4) In accordance with the Hong Kong Financial Reporting Standards, and with advice from an independent and reputable valuer, the Group has determined the highest and best use of the club's property by comparing its value based on the current use as a recreational club and the value based on the Rezoning Approval, which includes factoring in at this point the uncertainty and timing of remaining steps required to develop this site under the Rezoning Approval. This approach was first adopted for our 2020 Annual Report. At 30 June 2021, the fair value of the club's property of HK\$320 million (31 December 2020: HK\$281 million) is determined using open market and highest and best use basis with the use of residual approach (same approach as at 31 December 2020). A revaluation increase of HK\$39 million arising on the revaluation of such club's property is recognized in other comprehensive income for the period ended 30 June 2021 and accumulated in property revaluation reserve but has had no impact on the Group's Consolidated Statement of Profit or Loss for the period ended 30 June 2021.

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

	Six months ended 30 June		
	2021 HK\$'000	2020 HK\$'000	Change
Wholesale and retail of fashion wear and accessories	34,274	34,861	(2%)
Resort and recreational club operations	3,324	3,522	(6%)
Dividend income	12,831	16,341	(21%)
Interest income	1,113	1,356	(18%)
Consolidated revenue	<u>51,542</u>	<u>56,080</u>	(8%)

The Group's consolidated revenue for the period ended 30 June 2021 declined by 8% to HK\$51,542,000 (2020: HK\$56,080,000) which was mainly attributable to the decrease in dividend income of HK\$5,109,000 received from China Motor Bus Company, Limited (due to a special dividend of HK\$1 (2020: HK\$19) per share received by the Group).

The Group's gross profit dropped to HK\$34,370,000 (2020: HK\$36,036,000), reflecting a 5% decrease. The Group's gross profit margin of 67% for the period ended 30 June 2021 was about 2% higher than 2020, mainly caused by a combination of (i) a rebound in gross profit margin for the sales of retail fashion products by 7% (or about HK\$2,399,000) as a result of less discounts offered to incentivise customer spending amid the gradually stabilizing pandemic situation, and a decrease in stock provision and (ii) a decrease in dividend income of HK\$3,510,000 from our investments (included in "Revenue", for which the gross margin is theoretically 100%).

The Group's other income mainly comprised (i) rental income of HK\$510,000 (2020: HK\$570,000) from the Group's investment property situated in Hong Kong and (ii) anti-epidemic subsidies of HK\$200,000 (2020: HK\$1,719,000) received from the Hong Kong Government.

The Group's selling and distribution expenses decreased by 12% to HK\$17,993,000 (2020: HK\$20,461,000). The decrease was primarily attributable to three major cost savings: (i) the decrease in occupancy costs for the flagship SWANK store due to the consolidation and relocation of two SWANK stores in Landmark (closed in March 2020) into one major SWANK store in Central Building (opened in March 2020), resulting in rental and other cost savings to SWANK for the period ended 30 June 2021 and (ii) the reduction of staff costs for retail stores and advertising expenses. These positive impacts from cost savings were partly offset by the decline in rental concessions received from landlords of physical retail stores to assist us in getting through the prolonged difficult time after the outbreak of COVID-19.

The Group's administrative expenses decreased by 6% to HK\$29,311,000 (2020: HK\$31,184,000), mainly due to: (i) the Group's further cost tightening measures for the resort and recreational club operations in view of the difficult operating environment; (ii) control of staff costs; and (iii) reduction in fees paid to professionals and consultants.

Depreciation for property, plant and equipment and amortization expenses decreased by 55% to HK\$1,842,000 (2020: HK\$4,134,000), mainly attributable to (i) as reported in 2020 Annual Report, the Group exceptionally recognized impairment losses for the renovation, furniture and equipment cost for retail stores and the Club's furniture, fixtures and equipment cost in view of the prolonged negative impacts of COVID-19 on our retail fashion business and recreational club operations, resulting in lower monthly depreciation charge since January 2021 and (ii) No depreciation charge (2020: HK\$1,519,000) is recognized for the revalued club's properties for the period ended 30 June 2021, after taking into account the estimated residual values as at 31 December 2020 and 30 June 2021.

The Group's "Other operating gains/(losses), net" mainly comprised net realised and unrealised fair value gains of HK\$28,417,000 from investment in financial instruments (before interest and dividend income, included in "Revenue") by the investments division for the period ended 30 June 2021 as compared to net realised and unrealised fair value losses of HK\$41,828,000 from investment in financial instruments by the investments division for the corresponding period in 2020.

For the period ended 30 June 2021, the Group's finance cost consisted of interest on bank loans of HK\$68,000 (2020: HK\$85,000) and interest expenses on lease liabilities of HK\$1,103,000 (2020: HK\$1,935,000). Since interest expenses on lease liabilities for existing retail stores were recognized on a front-loaded basis under HKFRS 16, finance cost decreased as compared with same period last year.

BUSINESS REVIEW

Retail Fashion

Swank Hong Kong

Following the challenges of 2020, SWANK has started its recovery in the first half of 2021 with a promising turnaround and a significant reduction in loss by 30% compared to the same period last year.

A complex market environment with uncertainty behind vaccination acceptance, "work from home" restrictions, social distancing measures, and closed borders contributed to the business impact of a slight 2% decrease in revenue compared to the same period last year. It should be noted that the first 3 weeks of January 2020 (before the advent of COVID-19) were quite strong in sales terms. Paule Ka store in Central was mainly impacted in the first half of 2021 with a decrease of 19% in sales turnover while the flagship SWANK store experienced only a slight decline of 6% on Women's sales, partly offset by a 1% increase on Men's sales turnover.

During this period, we closely monitored cost and leveraged restrictions to our advantage with the use of virtual showrooms for buying, resulting in substantial savings for travelling expenses. We also limited our marketing activities and continued discussions with our landlords to optimize rents and explore new opportunities.

Nevertheless, even though some of our clients could not return to Hong Kong, we experienced a positive trend and feedback from our customers visiting our new Central Building flagship store since it was opened in March 2020. Thus, despite the challenges of opening our new store during the pandemic, Central Building is succeeding in convincing our clientele of SWANK's new direction. In this Hong Kong domestic-focused market with much uncertainty, our customers are still fashion lovers, expecting us to deliver the best service and letting them discover the most-coveted fashion and lifestyle brands. Therefore, we need to adapt our retail and marketing strategy to address the new-normal Hong Kong market.

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We currently expect the border will remain closed for some period of time, but based on the positive trends of the Hong Kong market, with the recent increase of vaccination rate, less restrictions on social gathering and increasing footfall in our stores, we have ambitious plans for the second half of 2021. The SWANK Central Building flagship store remains our key asset for new growth and the pillar of our business in terms of image and turnover. Unfortunately, due to COVID-19 we could not yet promote and invite our customers to celebrate its opening. Online and social media have been the centre piece of our communication strategy. Still, under strict monitoring of government gathering guidelines, we aim to re-launch broader marketing activities with our VIP members and press to invite them to discover our new store and collection.

Under these challenging times, we see an opportunity to further invest in our e-commerce offering to serve our existing clients better and to reach and recruit new customers. It is now expected as a service from our clients and an opportunity to optimize our business and margin model. We have launched the SWANK outlet online platform in July 2021, and will launch the SWANK online store (Swank.com) by the end of the year to add to the offerings we have successfully partnered with global e-commerce giant FarFetch. In addition to E-Commerce to reach new customers, we also see opportunities to partner with brands to access the Hong Kong market through our distribution model. The Hong Kong retail landscape has changed, and new and more flexible models are now possible with the support of some of Hong Kong mall landlords. These plans must come with strict control of our spending, cost, and monitoring of our inventory to further improve overall margins. We will review our operating model to preserve our margin value by reviewing our rental cost, reducing traveling expense, and closely controlling operational costs.

Resort and Recreational Club Operations

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

Hilltop's operating loss for the first half of 2021 was HK\$5,339,000, being a 35% improvement compared to the first half of 2020 of HK\$8,236,000. The improvement was contributed by the increase in our Chinese and European restaurants patronage due to gradual loosening of the Government's social distancing requirements resulting from continued reduction of COVID-19 cases during the period together with strict cost control implemented.

The Club's management have taken advantage of the loosening of the social distancing requirements by offering to our members dining reward programs at our restaurants resulting in an increase in repeated visits and increased spending per visit.

Hilltop's function and banquet activities for the period ended 30 June 2021 continued to remain at a low level. The Government's social distancing requirement limiting function and banquet activities hosting more than 20 members and guests during the period resulted in cancellation or postponement of many functions and banquets.

For the second half of 2021, although social distancing requirements continue to restrict certain function and banquet activities, the Club has submitted in July 2021 to obtain approval for the operation of our food and beverages outlet under Bubble Type D as prescribed by the Government. In view of the relaxed social distancing measures, the Club is looking forward to welcoming more of our members and guests at our banquets and their weddings as well as at our food and beverages outlets.

Investment in Financial Instruments

The Group's investment in financial instruments mainly includes 4 categories; (A) a Marketable Funds Investment Portfolio including unitized open-ended fixed income and equity funds; (B) Discretionary Investment portfolios managed by two banks but still under the control of the Group; (C) direct listed Securities Investments; and (D) private equity funds and a senior loan fund with a fixed term. During the period under review, the Group has disposed all of the directly held and managed USD-denominated corporate bonds.

As of 30 June 2021, the total carrying value of the Group's investment portfolio in financial instruments was HK\$695,741,000 (31 December 2020: HK\$672,003,000), representing approximately 54.8% (31 December 2020: 54.7%) of the carrying value of the Group's total assets.

In the first half of year 2021, the investment market, including with respect to currencies, equities and fixed income investments was still volatile caused by spread of the COVID-19 Delta variant that brings new uncertainty to the pace of global economic recovery, along with the inflation concerns leading to volatility in United States 10-year Treasury yield and the strengthening of the various measures, such as anti-trust and cyber-security, by Mainland China and international regulators that induced additional concern in the investment market during the period under review.

Nevertheless, our diverse portfolio delivered a solid set of returns for the period under review. The main contributing factors, apart from the cautious asset allocation approved by the Board and selection of investment managers approved by our Investment Committee, was the benefit of the ripple effect from the global accommodative monetary and fiscal policies, together with resumption of economic activities starting to approach to pre-pandemic level resulting from global vaccine deployment that strengthened investment market sentiment and drove asset prices up especially for many developed equity markets.

Under this backdrop, the Group's investment in financial instruments recorded a net gain of HK\$41,894,000 (2020: a net loss of HK\$24,610,000) to the Group for the six months ended 30 June 2021 before general and administrative expenses. The HK\$41,894,000 net gain was attributable to HK\$29,054,000 unrealized mark-to-market gain, HK\$637,000 realized losses on disposal and HK\$13,477,000 distributions, dividends and interest received.

A. Marketable Funds Investment Portfolio – including unitized fixed income and equity fund investments

The marketable funds investment portfolio includes three investment strategies, which are an investment grade & high yield bond funds portfolio, an enhanced yield fund portfolio and an equity-based fund portfolio. All investments are marketable securities which are traded either on securities exchanges or over-the-counter.

The total carrying value of the Group's investment in the marketable funds investment portfolio was HK\$425,473,000 as of 30 June 2021 (31 December 2020: HK\$414,009,000), representing approximately 33.5% of the carrying value of the Group's total assets; and the asset allocation in the portfolio comprised of 51.5% fixed income funds, 34.7% enhanced income funds and 13.8% equity funds. The marketable funds investment portfolio recorded a net gain of HK\$11,510,000 (or 2.7%) (2020: net loss of HK\$24,078,000) for the six months ended 30 June 2021. The gain was mainly attributable to unrealized mark-to-market gains from the fund investments and interests/dividends received from our investments, reduced however by HK\$583,000 as a result of realized losses from certain disposals undertaken by or on behalf of the Group for prudence or for portfolio repositioning during the period.

Investment Grade & High Yield Bond Funds Portfolio

In this strategy, the Group held 7 fixed income funds, which can be grouped into two categories, namely investment grade bond funds and high yield bond funds. As at 30 June 2021, the fair value of the Group's investment in this strategy was HK\$219,290,000, representing approximately 51.5% of the carrying value of the marketable funds investment portfolio and 17.3% of the carrying value of the Group's total assets. The total net return of the Group's investment was HK\$4,125,000 (or 1.4%) gain for the six months ended 30 June 2021. Below are the individual fund investments with fair values exceeding 1.5% of the carrying value of the Group's total assets:

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PIMCO GIS- Income Fund

The PIMCO Income Fund is a portfolio that is actively managed and utilizes a broad range of fixed income securities to maximize current income while maintaining a relatively low risk profile, with a secondary goal of capital appreciation. The fund (Institutional Income Class USD) has had a 5 year annualized return of 6.25% for the period 2016-2020. As at 30 June 2021, the Fair Value of the Group's investment in this Fund was HK\$83,750,000 (31 December 2020: HK\$82,105,000), representing approximately 6.6% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$1,647,000 (or 2%) gain in the period under review, including HK\$1,504,000 of dividend income and a HK\$143,000 mark-to-market gain. The total Fair Value as at 30 June 2021 reported above includes the mark-to-market return and the reinvestment of dividend income received.

Fidelity Asian Bond Fund

The Fidelity Asian Bond Fund invests at least 70% into investment grade bonds of issuers that have their main business activities in Asia. It is an actively managed fund which aims to provide income and capital appreciation. Emphasis is put on bottom up issuer selection and ensuring adequate diversity due to the asymmetric nature of corporate bond returns. The fund (Y-Acc-USD class) has had a 5 year annualized return of 5.84% for the period 2016-2020. As at 30 June 2021, the Fair Value of the Group's investment in this Fund was HK\$43,338,000 (31 December 2020: HK\$Nil), representing approximately 3.4% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$548,000 (or 1.3%) in mark-to-market gain for the half year under review.

Robeco High Yield Bond Fund

Robeco High Yield Bond Fund invests in corporate bonds with a sub-investment grade rating, issued primarily by issuers from the developed market (Europe/US). The selection of these bonds is mainly based on fundamental analysis. The portfolio is broadly diversified, with a structural bias to the higher-rated segment in high yield. Performance drivers are the top-down beta positioning as well as bottom-up issuer selection. The fund (Class CH USD) has had an annualized return of 5.89% for the period since its inception in May 2017 and ended December 2020. As at 30 June 2021, the Fair Value of the Group's investment in this Fund was HK\$39,638,000 (31 December 2020: HK\$39,578,000), representing approximately 3.1% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$1,053,000 (or 2.7%) gain in the half year under review including HK\$993,000 in dividend income and HK\$60,000 in mark-to-market gain.

BGF Asian Tiger Bond Fund

The BGF Asian Tiger Bond Fund (managed by BlackRock (Luxembourg) S.A.) aims to maximize total return and invests at least 70% of its total assets in the fixed income transferable securities of issuers domiciled in, or exercising the predominant part of their economic activity in so-called "Asian Tiger" jurisdictions. It includes South Korea, China, Taiwan, Hong Kong, the Philippines, Thailand, Malaysia, Singapore, Vietnam, Cambodia, Laos, Myanmar, Indonesia, Macau, India and Pakistan. The fund (D2 USD class) has had a 5 year annualized return of 5.64% for the period 2016-2020. As at 30 June 2021, the Fair Value of the Group's investment in this Fund was HK\$19,678,000 (31 December 2020: HK\$Nil), representing approximately 1.6% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$228,000 (or 1.2%) in mark-to-market gain for the half year under review.

BGF China Bond Fund

The BGF China Bond Fund (managed by BlackRock (Luxembourg) S.A.) aims to maximize total return. The fund invests at least 70% of its total assets in permitted fixed income transferable securities and fixed income related securities, include non-investment grade (limited to 50% of total assets), denominated in Renminbi or other non-Chinese domestic currencies issued by entities exercising the predominant part of their economic activity in the PRC. The fund may invest without limit in the PRC and currency exposure is flexibly managed. The fund (D2 USD class) has had a 5 year annualized return of 7.26% for the period 2016-2020. As at 30 June 2021, the Fair Value of the Group's investment in this Fund was HK\$19,453,000 (31 December 2020: HK\$Nil), representing approximately 1.5% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$12,000 (or 0.1%) in mark-to-market gain for the half year under review.

IP All Seasons Bond Fund

In March 2021, following a review of performance and advice received, the Group redeemed the whole of its investment in the IP All Seasons Bond Fund (managed by Income Partners Asset Management (HK) Limited) which invests primarily in global investment grade bonds issued by governments, government agencies, corporations and financial institutions. The Group recorded a loss of HK\$360,000 (-0.8%) including HK\$542,000 in dividend income and HK\$902,000 loss on redemption in the half year under review and there is currently no exposure to this fund.

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

In March 2021, following advice received, the Group redeemed the whole of its investment in the UBS (Lux) Bond Fund – Euro High Yield (USD Hedge) which invests primarily in high-yield corporate bonds denominated in EUR or hedged into EUR. The Group recorded a gain of HK\$596,000 (1.7%) including HK\$490,000 in dividend income and HK\$106,000 gain on redemption in the half year under review and there is currently no exposure to this fund.

Enhanced Yield Fund Portfolio

As at 30 June 2021, the Group held 4 funds in this strategy with a fair value of HK\$147,444,000, representing approximately 34.7% of the carrying value of the marketable fund investment portfolio and 11.6% of the carrying value of the Group's total assets. The total net return of the Group's investment was HK\$6,918,000 (or 4.3%) gain for the six months ended 30 June 2021. The Group's investment in three of the individual funds in these categories exceeds 1.5% of the carrying value of the Group's total assets.

IP All Seasons Asian Credit Fund

The IP All Seasons Asian Credit Fund (managed by Income Partners Asset Management (HK) Limited) aims to provide an absolute return of capital growth and income by investing in the liquid Asian credit markets while minimizing return volatility. The Fund seeks to enhance returns for this portfolio by (a) relative value trading; (b) utilizing credit derivatives such as credit linked notes and credit default baskets; and (c) employing leverage. It also employs various tactical approaches, including a country rotation approach, a sector rotation approach; and an instrument/arbitrage approach. With an aim to minimize return volatility, the Fund utilizes dynamic hedging strategies to hedge out certain interest rate, currency and credit risks from time to time. The fund (Accumulation Class) has had a 5 year annualized return of 7.19% for the period 2016-2020. As at 30 June 2021, the Fair Value of the Group's investment in this fund was HK\$54,635,000 (31 December 2020: HK\$73,642,000), representing approximately 4.3% of the carrying value of the Group's total assets. The Group redeemed HK\$19,450,000 of this fund in January 2021. The total net return of the Group's investment in this fund was HK\$444,000 (0.6%) gain including a loss on redemption of HK\$86,000 and HK\$530,000 in mark-to-market gain during the half year under review.

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Prudence Enhanced Income Fund

Prudence Enhanced Income Fund managed by Prudence Asset Management Pte Ltd. is an absolute return long-short credit strategy which aims to generate stable income and capital appreciation primarily by investing in a variety of fixed income instruments. The strategy seeks opportunities throughout Asia. The fund (accumulating class) has had a 5 year annualized return of 7.43% for the period 2016-2020. As at 30 June 2021, the Fair Value of the Group's investment in this Fund was HK\$47,280,000 (31 December 2020: HK\$44,071,000), representing approximately 3.7% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$3,209,000 (or 7.3%) in mark-to-market gain during the half year under review.

Janus Henderson Balanced Fund

The Janus Henderson Balanced Fund aims to provide a return from a combination of capital growth and income. The fund invests between 35%-65% of its assets in the shares (equities) of mainly US companies, and between 35%-65% of its assets in debt securities and loan participations issued mainly by US companies or the US issuers. The fund (Class A2 USD) has had an annualized return of 9.9% for the period 2016-2020. As at 30 June 2021, the Fair Value of the Group's investment in this Fund was HK\$32,398,000 (31 December 2020: HK\$30,086,000), representing approximately 2.6% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$2,312,000 (or 7.7%) in mark-to-market gain during the half year under review.

Equity-Based Funds Portfolio

As at 30 June 2021, the Group held 4 equity-based funds with a fair value of HK\$58,739,000, representing approximately 13.8% of the carrying value of the marketable fund investment portfolio and 4.6% of the carrying value of the Group's total assets. The Equity-based Funds Portfolio includes one technology fund, one China opportunity fund, one Asia Pacific (excluding Japan) equity fund and one United States equity fund. The total net return of the Group's investment in these funds was HK\$168,000 (or 0.3%) gain for the six months ended 30 June 2021.

Schroder International Selection Fund Asian Equity Yield

The Schroder International Selection Fund Asian Equity Yield aims to provide income and capital growth by investing at least two-third of its assets in equity and equity related securities of Asia Pacific companies (excluding Japan). The fund may invest directly in China B-Shares and China H-Shares and may invest up to 10% of its assets in China-A-Shares through Shanghai/Shenzhen-Hong Kong Stock Connect. The Fund (C Accumulation USD class) has had a 5 year annualized return of 10.28% for the period 2016-2020. The Group subscribed HK\$23,601,000 of this fund in January 2021. As at 30 June 2021, the Fair Value of the Group's investment in this Fund was HK\$24,254,000 (31 December 2020: HK\$Nil), representing approximately 1.9% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$653,000 (or 2.8%) mark-to-market gain during the half year under review.

UBS China A Opportunity Fund

The UBS China A Opportunity Fund invests principally in Chinese firms and the majority of net assets are invested in A shares which are stocks in Chinese companies that are registered in China's local markets. The fund (Class A) has had a 5 year annualized return of 22.96% for the period 2016-2020. As at 30 June 2021, the Fair Value of the Group's investment in this Fund was HK\$20,808,000 (31 December 2020: HK\$21,678,000), representing approximately 1.6% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK\$870,000 (or -4%) mark-to-market loss during the half year under review. This under-performance resulted from the tightening of Government controls, especially anti-trust and cyber-security restrictions during the reporting period, by Chinese regulators that created additional concerns for investors and led to declines in Chinese equity prices.

iShares Gold Trust

In January 2021, the Group redeemed the whole of its investment in the iShares Gold Trust which is an Exchange-Traded-Fund (ETF) listed in United States and seeks to reflect generally the performance of the price of gold. Total consideration after costs was HK\$15,748,000 and a gain of HK\$299,000 has been recorded during the period under review. The Group had invested in gold during a period of global uncertainty in the second half of 2020, and exited the position with this small profit in the more stable environment of the first half of 2021.

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

MS Portfolio

Still under the control of, and with each security in the name of the Group, we have allocated a certain portion of our investment to a discretionary management portfolio managed on our behalf by Morgan Stanley Asia International Limited. The MS Portfolio offers a bespoke asset allocation solution based upon Morgan Stanley Global Investment Committee model recommendations and dynamically incorporated monitoring of the macroeconomic outlook, market conditions, fund manager views and fund portfolio positioning into the portfolio. Investments are made via traditional and sophisticated multi-asset, equity and fixed income funds, ETFs and money market instruments. As of 30 June 2021, the total carrying value of the MS Portfolio was HK\$63,989,000 with 22 fund/ETF holdings (31 December 2020: HK\$67,160,000), representing approximately 5.0% of the carrying value of the Group's total assets. The asset allocation in the portfolio comprised of 0.2% money market fund, 18.2% fixed income funds, 67.8% equity funds and others 13.8%. The MS Portfolio recorded a net gain of HK\$3,319,000 (or 4.6%) during the period under review.

LGT Portfolio

Still under the control of, and with each security in the name of the Group, we have allocated a certain portion of our investment to a discretionary portfolio managed on our behalf by LGT Bank (Hong Kong). The LGT portfolio offers a bespoke asset allocation solution based upon recommendations from LGT's Investment Committee in Asia and dynamically incorporates monitoring of macroeconomic outlook, market conditions, and security and fund selection into the portfolio. Investments are largely made via direct equity and fixed income securities, and to a smaller extent with funds or ETFs. As of 30 June 2021, the total market value of the LGT portfolio was HK\$71,898,000 (31 December 2020: HK\$69,998,000), with 72 securities (fixed income and equities), 1 equity mutual fund, and 4 alternative investment holdings (including hedge funds, REITs and related structured products), representing in total approximately 5.7% of the carrying value of the Group's total assets. The asset allocation in the LGT portfolio as of 30 June 2021, comprised of 62.0% in fixed income, 34.5% in equities, and 3.5% in equity mutual fund and alternative investments. The underlying assets in the LGT portfolio have been set up to diversify risk and reduce volatility, and thus fixed income is the dominant asset class within the portfolio. The LGT portfolio recorded a net profit of HK\$2,202,000 (or 3.0%) during the period under review.

CHIEF EXECUTIVE OFFICER'S STATEMENT

C. Listed Securities

With the strategy of minimizing the Group's investments in individual listed stocks and increasing substantially the proportion of its investment in unitized equity and fixed income funds managed by professional asset managers, the Group disposed most of its listed stock holdings by the end of 2018. As of 30 June 2021, the Group directly held only two listed securities in our portfolio, which are China Motor Bus Company, Limited ("CMB") and PuraPharm Corporation Limited ("PuraPharm"). As of 30 June 2021, the total carrying value of investment in CMB and PuraPharm shares was HK\$37,164,000 (31 December 2020: HK\$33,517,000), representing approximately 2.9% of the carrying value of the Group's total assets. The investment in CMB and PuraPharm recorded a net gain of HK\$3,959,000, which represents an unrealized fair value gain of HK\$3,647,000 and dividend income of HK\$312,000 to the Group for the six months ended 30 June 2021 (2020: HK\$6,072,000 net loss).

China Motor Bus Company, Limited

The Group has had an investment in the shares of CMB for many years. As reported in the 2016 Annual Report and in our related announcement of 28 December 2016, the Group took advantage of an offer from a fund specialized in extracting value from underperforming assets to reduce substantially, and at a substantial profit from previous prices, our illiquid stake in this Hong Kong listed company which is now mainly a property developer. The Group believes that CMB's share price trades at a substantial discount to both its stated and its potential net asset value, and accordingly kept a small portion of its securities in order to benefit from the potential upside. It is the intention of the Group to retain this stock until a further profit opportunity arises. In the meantime, in the first half of this year, we obtained a moderate interim dividend and a special dividend of HK\$0.1 and HK\$1 per share respectively. The fair value gain under the reporting period is mainly due to the market's knowledge and the Company's estimation that even after the payment of these dividends and the exceptional high special dividends last year, more than HK\$50 per share of the total balance sheet of CMB is represented by cash and there are still major properties and property development opportunities in CMB.

PuraPharm Corporation Limited

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

D. Other Fund Investments, mainly include ASEAN China Investment Fund III L.P. (“ACIF III”) and ASEAN China Investment Fund IV L.P. (“ACIF IV”)

The total carrying value of the Group’s investment in this category was HK\$97,217,000 as of 30 June 2021 (31 December 2020: HK\$80,006,000) and it recorded a net gain of HK\$20,816,000 (2020: a net gain of HK\$3,998,000) for the six months ended 30 June 2021.

ACIF III Fund (Private Equity)

The Group 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 UOB Venture Management Private Limited (“UOBVM”) and targets investments in growth-oriented companies operating in East and South East Asia and China. As of 30 June 2021, the Group has a total investment of HK\$29,845,000 in this fund and its capital value was HK\$69,155,000 based on the management accounts it has provided. The total return of the Group’s investment in ACIF III is HK\$18,563,000 gain for the six months ended 30 June 2021 (2020: HK\$2,776,000 net gain). The Group continues to be happy with the performance of this long-term private-equity investment which helps us to manage our risk by giving us an exposure to a wide and diverse range of potentially profitable private equity investments managed by a tried and tested Manager. Based on the briefings provided by the manager to the Limited Partners in the fund of which we are one, we have confidence in both its performance and its prospects.

ACIF IV Fund (Private Equity)

With the success of ACIF III, the Group made a capital commitment of US\$4,000,000 (equivalent to HK\$31,120,000) in ACIF IV for a 1.649% shareholding. Like all private equity funds, the actual draw-down of funds will take place as required by the underlying investments over a few years. ACIF IV Fund is an exempted limited partnership incorporated in the Cayman Islands on 20 February 2018, which is a closed-end private equity fund. The Fund is also managed out of Singapore by UOBVM team, and is a “follow-on” fund to its predecessors (ACIF I, ACIF II and ACIF III) and continues its focus of investing primarily via minority stakes in expansion stage capital opportunities through privately negotiated equity and equity related investments in growing small and medium sized companies benefitting from the continuing expansion of trade and investment among the ASEAN member-states and China, and their respective overseas trading partners. The total return of the Group’s investment in ACIF IV is HK\$2,240,000 gain for the six months ended 30 June 2021 (2020: HK\$1,292,000 gain). This fund is still in its investment phase where substantial profits are not to be expected.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Disposal of all the listed USD corporate bond investments

The Group's intention has been to reduce investments in individual bonds directly managed by the Group. In March 2021, we disposed all the Group's directly held and managed USD corporate bonds with a consideration of HK\$7,401,000 (including accrued interest). The total net return of the Group's investment in those bonds was HK\$88,000 (or 1.2%) during the period including HK\$86,000 interest income and a realized gain of HK\$2,000. The proceeds of the funds will be redeployed elsewhere in our investment portfolio as described in earlier.

Outlook

In the second half of 2021, we anticipate that the financial markets will continue to be volatile, largely influenced by news on three fronts: (1) coronavirus mutations and the pace of global economy recovery, (2) inflation volatility and the corresponding monetary and fiscal policy, and (3) uncertainty of the extent of additional regulations imposed by global regulators, together with the geo-political uncertainty particularly between China and United States. We anticipate that both fixed income and equity investments will still experience volatility due to uncertainty about COVID-19 variants that are extending the time for the reopening of business activities to pre-pandemic levels; the inflationary pressure that may drive up interest rates leading to volatility in equity and fixed income investments; and the additional regulations imposed by global authorities, together with the effect of geo-political tension between China and United States.

Investment Portfolio

The purpose of Investment in Financial Instruments, which are managed on a fair value basis, is for earning distribution, yield enhancement, capital appreciation and liquidity. Under the above backdrop of the investment environment, in order to improve performance balanced with risk management, the importance to shareholders of the potential returns and the increasing requirement for utilizing specialized and skilled investment management, the Group determined to minimize its direct investments in individual listed stocks and increase substantially the proportion of its investment mainly in unitized equity and fixed income funds managed by professional and substantial asset managers. Also, the Group has allocated a certain portion of its investment to two discretionary portfolio management portfolios, still under the control of the Group but managed by an Investment Bank and a Private Bank in Hong Kong.

The details of the purpose, performance and business risks of investments, strategy for future investments and the prospects of investments are set out in other parts of this statement.

Investment Portfolio (Cont'd)

The Group's investment portfolio as at 30 June 2021 was as follows:

Stock code/ ISIN code/ Bloomberg code	Company Name	Principal businesses	Number of shares/units held as at 30 June 2021 '000	Note	Percentage of shareholding as at 30 June 2021 %	Investment Cost of investments held as at 30 June 2021 HK\$'000	For the period ended 30 June 2021				Fair value as at 30 June 2021 HK\$'000	Percentage to the Group's total assets as at 30 June 2021 %	Fair value as at 31 December 2020 HK\$'000	
							Fair value gain/(loss) HK\$'000	Gain/(loss) on disposal HK\$'000	Interest income HK\$'000	Dividend income HK\$'000				Total HK\$'000
Financial Assets at fair value through profit or loss														
- Current assets														
A. Marketable Funds Investment Portfolio, at fair value														
<i>Unlisted</i>														
<i>Investment Grade & High Yield Bonds Funds Portfolio</i>														
PINCMIID	PIMCO GIS – Income Fund	Fixed income fund	885		N/A	78,689	143	–	–	1,504	–	83,750	6.6%	82,105
FASBYAU LX	Fidelity Asian Bond Fund	Fixed income fund	340		N/A	42,790	548	–	–	–	–	43,338	3.4%	–
RHYBCHU LX	Robeco High Yield Bond Fund	Fixed income fund	48		N/A	38,900	60	–	–	993	–	39,638	3.1%	39,578
BGATBDU LX	BGF Asian Tiger Bond Fund	Fixed income fund	163		N/A	19,450	228	–	–	–	–	19,678	1.6%	–
BGRBDZU LX	BGF China Bond Fund	Fixed income fund	152		N/A	19,441	12	–	–	–	–	19,453	1.5%	–
IPASBAD KY	IP All Seasons Bond Fund	Fixed income fund	–		N/A	N/A	–	(902)	–	542	–	–	0.0%	42,893
UBEHKIU LX	UBS (Lux) Bond Fund - Euro High Yield (USD Hedge)	Fixed income fund	–		N/A	N/A	–	106	–	490	–	–	0.0%	35,496
GSAPUDH KY	Goldman Sachs INV UNIT	Fixed income fund	87		N/A	7,780	379	–	–	–	–	9,416	0.8%	9,036
	TST-AS High Yield Bond Fund	Fixed income fund	–		N/A	–	22	–	–	–	–	4,017	0.3%	3,995
	Others	Fixed income fund	–		N/A	–	–	–	–	–	–	–	–	–
	<i>Subtotal</i>						1,392	(796)	–	3,529	–	219,290	17.3%	213,103

CHIEF EXECUTIVE OFFICER'S STATEMENT

Investment Portfolio (Cont'd)

The Group's investment portfolio as at 30 June 2021 was as follows:

Stock code/ ISIN code/ Bloomberg code	Company Name	Principal businesses	Number of shares/units held as at 30 June 2021	Note	Percentage of shareholding as at 30 June 2021	Investment Cost of investments held as at 30 June 2021	For the period ended 30 June 2021				Fair value as at 30 June 2021	Percentage to the Group's total assets as at 30 June 2021	Fair value as at 31 December 2020
							Fair value gain/(loss)	Gain/(loss) on disposal	Interest income	Dividend income			
			'000		%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%	HK\$'000	
<i>Enhanced Yield Fund Portfolio</i>													
ASCFEHA KY	IP All Seasons Asian Credit Fund - Accumulation Shares Series 1	Fixed income fund	178		N/A	43,519	445	(88)	—	—	—	359	64,950
ASCFEHA KY	IP All Seasons Asian Credit Fund - Accumulation Shares Series 101	Fixed income fund	34		N/A	9,336	85	—	—	—	—	85	8,692
PRUENHN KY	Prudence Enhanced Income Fund Class A - Series 1	Alternative fund	7		N/A	40,276	3,209	—	—	—	—	3,209	44,071
JANBAA1 ID	Janus Henderson Balanced Fund	Multi assets fund	105		N/A	26,982	2,312	—	—	—	—	2,312	30,086
ALZIGIT LX	Allianz Income & Growth Fund	Multi assets fund	1		N/A	9,078	953	—	—	—	—	953	12,178
<i>Subtotal</i>							7,004	(88)	—	—	—	6,918	147,444
<i>Equity-Based Funds Portfolio</i>													
SCHAEYC LX	Schroder International Selection Fund Asian Equity Yield	Equity fund	72		N/A	23,601	653	—	—	—	—	653	24,254
UBSCHOA	UBS Chira A Opportunity Fund	Equity fund	6		N/A	10,072	(870)	—	—	—	—	(870)	20,808
DCUSSUA ID	Dodge & Cox Worldwide US Stock A USD	Equity fund	32		N/A	9,522	117	—	—	—	—	117	9,639
	Others	Equity fund			N/A	N/A	268	—	—	—	—	268	4,038
<i>Subtotal</i>							168	—	—	—	—	168	58,739
<i>Gold Exchange-traded Fund</i>													
XAU US Equity	Shares Gold Trust (AU)	Equity fund			N/A	N/A	—	299	—	—	—	299	—
<i>Subtotal</i>							—	299	—	—	—	299	—
							8,564	(583)	—	—	—	3,529	425,473
													33.5%
													414,009

Investment Portfolio (Cont'd)

The Group's investment portfolio as at 30 June 2021 was as follows:

Stock code/ ISIN code/ Bloomberg code	Company Name	Principal businesses	Number of shares/units held as at 30 June 2021 '000	Note	Percentage of shareholding as at 30 June 2021 %	Investment Cost of investments held as at 30 June 2021 HK\$'000	For the period ended 30 June 2021			Fair value as at 30 June 2021 HK\$'000	Percentage to the Group's total assets as at 30 June 2021 %	Fair value as at 31 December 2020 HK\$'000		
							Fair value gain/(loss) HK\$'000	Gain/(loss) on disposal HK\$'000	Interest income HK\$'000				Dividend income HK\$'000	Total HK\$'000
	Others	Mainly Bond fund, Equity fund, Mutual fund and Alternative fund		1	N/A	N/A	3,104	197	–	18	3,319	63,989	5.0%	67,160
							3,104	197	–	18	3,319	63,989	5.0%	67,160
<i>Subtotal</i>														
	Others	Corporate bond investment		2	N/A	N/A	(641)	(263)	560	–	(234)	44,553	3.6%	45,280
	Others	Equity and Fund investment		3	N/A	N/A	2,262	(4)	–	178	2,436	27,345	2.1%	24,718
							1,721	(257)	560	178	2,202	71,898	5.7%	69,998
							4,825	(60)	560	196	5,521	135,887	10.7%	137,158
<i>Subtotal</i>														

B. Discretionary Investment Portfolio, at fair value

1) Managed by Morgan Stanley Asia International Limited
Unlisted

2) Managed by LGT Bank (Hong Kong)
Listed and unlisted

Notes:

- 1) Including fund investments disposed during the period and the Group's other 22 investments mainly in unlisted bond and equity fund, money market fund, mutual fund and commodity fund held at the period end. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 30 June 2021.
- 2) Including debt investments disposed during the period and other 22 investments in USD corporate bonds with fixed tenor listed Hong Kong and overseas held at period end. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 30 June 2021.
- 3) Including equity/fund investments disposed during the period and other 55 investments in listed equity and unlisted fund investment held at period end. The carrying value of each of these investments represents less than 0.5% of the total assets of the Group as at 30 June 2021.
- 4) It represents the Partners' capital paid-up amount in Thousand US Dollars which the Group had paid as at 30 June 2021.
- 5) Included the Group's other 2 investments in USD corporate bonds with fixed tenor disposed during the period.
- 6) For investments held at period end with carrying value more than 0.5% of the Group's total asset as at 30 June 2021.

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

The Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2021.

TREASURY MANAGEMENT/POLICIES

As part of the ordinary activity of the Group, the Treasury function actively projects and manages the cash 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.

CHIEF EXECUTIVE OFFICER'S STATEMENT

LIQUIDITY AND FINANCIAL POSITION

At 30 June 2021, the Group was in a solid financial position with cash and non-pledged deposit holdings of HK\$136,719,000 (31 December 2020: HK\$150,607,000). At 30 June 2021, total borrowings and lease liabilities amounted to HK\$7,137,000 (31 December 2020: HK\$6,617,000) and HK\$18,083,000 (31 December 2020: HK\$28,012,000) respectively with HK\$22,780,000 (31 December 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 external unitized equity and debt-related investment funds during the second half of 2018 which continues in this period. The Group will retain more than enough cash deposits for its daily activities in the treasury portfolio, and has chosen a high proportion of the marketable funds to ensure that there is more than adequate liquidity available to deal with any likely eventuality as though the funds had been retained as cash. The Group's gearing ratio (a comparison of total borrowings and lease liabilities with equity attributable to equity holders of the Company) was 2.1% at the period-end date (31 December 2020: 3%). The Group is still in a sound financial position with its current ratio (current assets over current liabilities) at 30 June 2021 standing at 18.5 times (31 December 2020: 16.3 times). With the fact that our businesses continue to be adversely impacted by COVID-19 and its development remains uncertain, the management of the Group closely monitors the developments 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 our businesses.

At 30 June 2021, the Group's bank balance and borrowings were primarily denominated in United States dollars, Hong Kong dollars, Renminbi and Euro and exchange differences were reflected in the unaudited condensed consolidated financial statements. All borrowings of the Group are on a floating rate basis.

PLEDGE OF ASSETS

At 30 June 2021, pledges of the Group's fixed deposits of HK\$10,000,000 (31 December 2020: HK\$10,000,000) were given to banks to secure trade banking facilities to the extent of HK\$30,000,000 (31 December 2020: HK\$30,000,000), and foreign exchange facilities.

IMPORTANT EVENTS AFTER THE FINANCIAL PERIOD

There have been no important events significantly affecting the finances or financial prospects of the Group that have occurred since the end of the financial period.

CONTINGENT LIABILITIES

The Group's contingent liabilities as at 30 June 2021 are set out in note 17 to the condensed consolidated financial statements.

A Consent Settlement was entered between the Group and the Hong Kong Building Authority ("BA") as a result of which the Group's investigatory, and potential remedial and maintenance responsibilities are limited to a small part of the slope features adjacent to works near the northernmost portion of the road undertaken by the Group in the early 1980s. Pursuant to the new Dangerous Hillside Order issued on 13 June 2019, the BA approved the Group's proposal for remedial work and the Group commenced it in October 2020. As at 30 June 2021, the remediation work was substantially completed pending for certain approval permits by the relevant Government authorities.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 122 staff, including one Executive Director compared with 133 as at 30 June 2020. Total employee costs (including Directors' emoluments) were approximately HK\$23,271,000 for the six months ended 30 June 2021 (2020: HK\$24,392,000). Employees' remuneration is determined with reference to individual duties, responsibilities and performance. The Group provides employee benefits such as staff insurance schemes, provident and pension funds, sales commissions, discretionary performance bonuses and internal/external training support. Within the period under review, we have also provided incentives to encourage the vaccination of our staff. The Group has a comprehensive Code of Conduct to be adhered to by all Group employees (including Executive Directors).

David Charles PARKER

Executive Director and Chief Executive Officer

Hong Kong, 27 August 2021

INDEPENDENT REVIEW REPORT



TO THE BOARD OF DIRECTORS OF ENM HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 42 which comprises the condensed consolidated statement of financial position of the Company as at 30 June 2021 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

RSM HONG KONG

Certified Public Accountants

Hong Kong

27 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	5	51,542	56,080
Cost of sales		(17,172)	(20,044)
Gross profit		34,370	36,036
Other income		903	2,535
Selling and distribution costs		(17,993)	(20,461)
Administrative expenses		(29,311)	(31,184)
Depreciation of property, plant and equipment and amortization		(1,842)	(4,134)
Other operating gains/(losses), net		28,373	(41,690)
Profit/(loss) from operations		14,500	(58,898)
Fair value gains on investment properties		3,700	—
Finance costs	6	(1,171)	(2,020)
Profit/(loss) before tax		17,029	(60,918)
Income tax expense	7	—	—
Profit/(loss) for the period	8	17,029	(60,918)
Attributable to:			
Owners of the Company		17,051	(60,895)
Non-controlling interests		(22)	(23)
		17,029	(60,918)
		HK\$ (unaudited)	HK\$ (unaudited)
Earnings/(loss) per share			
– Basic	9(a)	1.03 cents	(3.69 cents)
– diluted	9(b)	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	<i>(unaudited)</i>	<i>(unaudited)</i>
Profit/(loss) for the period	17,029	(60,918)
Other comprehensive income/(loss):		
<i>Items that will not be reclassified to profit or loss:</i>		
Fair value gain on revaluation of the club's property	39,000	—
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	25	(28)
Other comprehensive income/(loss) for the period, net of tax	39,025	(28)
Total comprehensive income/(loss) for the period	56,054	(60,946)
Attributable to:		
Owners of the Company	56,070	(60,916)
Non-controlling interests	(16)	(30)
	56,054	(60,946)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Note	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	325,577	288,084
Right-of-use assets		16,167	25,651
Investment properties		50,500	46,800
Intangible assets		420	444
Financial assets at fair value through profit or loss	12	97,201	78,522
Total non-current assets		489,865	439,501
Current assets			
Inventories		25,601	21,844
Trade receivables	13	1,109	725
Prepayments, deposits and other receivables		9,392	12,354
Financial assets at fair value through profit or loss	12	598,540	593,481
Pledged bank deposits		10,000	10,000
Time deposits		72,688	109,026
Cash and bank balances		64,031	41,581
Total current assets		781,361	789,011
Current liabilities			
Trade and other payables	14	19,380	23,311
Lease liabilities		15,643	18,439
Interest-bearing bank borrowings		7,137	6,617
Total current liabilities		42,160	48,367
Net current assets		739,201	740,644
Non-current liabilities			
Lease liabilities		2,440	9,573
NET ASSETS		1,226,626	1,170,572
Capital and reserves			
Issued capital	15	1,206,706	1,206,706
Accumulated losses		(1,017,334)	(1,034,385)
Other reserves		1,037,824	998,805
Equity attributable to owners of the Company		1,227,196	1,171,126
Non-controlling interests		(570)	(554)
TOTAL EQUITY		1,226,626	1,170,572

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(Unaudited)

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Issued capital	Special reserve	Exchange fluctuation reserve	Property revaluation reserve	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2020	1,206,706	808,822	1,233	—	(1,046,266)	970,495	(651)	969,844	
Total comprehensive loss and changes in equity for the period	—	—	(21)	—	(60,895)	(60,916)	(30)	(60,946)	
At 30 June 2020	<u>1,206,706</u>	<u>808,822</u>	<u>1,212</u>	<u>—</u>	<u>(1,107,161)</u>	<u>909,579</u>	<u>(681)</u>	<u>908,898</u>	
At 1 January 2021	1,206,706	808,822	1,259	188,724	(1,034,385)	1,171,126	(554)	1,170,572	
Total comprehensive income and changes in equity for the period	—	—	19	39,000	17,051	56,070	(16)	56,054	
At 30 June 2021	<u>1,206,706</u>	<u>808,822</u>	<u>1,278</u>	<u>227,724</u>	<u>(1,017,334)</u>	<u>1,227,196</u>	<u>(570)</u>	<u>1,226,626</u>	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (<i>unaudited</i>)	2020 HK\$'000 (<i>unaudited</i>)
Net cash generated from operating activities	2,256	17,168
Net cash generated from/(used in) investing activities	4,641	(27,367)
Net cash used in financing activities	(10,325)	(15,506)
Net decrease in cash and cash equivalents	(3,428)	(25,705)
Cash and cash equivalents at beginning of period	140,022	124,828
Effect of foreign exchange rate changes, net	125	(7)
Cash and cash equivalents at end of period	136,719	99,116
Analysis of balances of cash and cash equivalents		
Non-pledged time deposits	72,688	31,320
Less: Non-pledged time deposits with original maturity of over three months when acquired	—	(10,053)
Non-pledged time deposits with original maturity of less than three months when acquired	72,688	21,267
Cash and bank balances	64,031	77,849
	136,719	99,116

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The financial information relating to the year ended 31 December 2020 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2021 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) 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 Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

These condensed consolidated financial statements should be read in conjunction with the 2020 annual consolidated financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2020 except for the adoption of new and revised Hong Kong Financial Reporting Standards as described in note 2.

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

The accounting policies applied in these financial statements are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2020. In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2021 but they do not have a material effect on the Group’s financial statements. In addition, the Group has early adopted the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements except for the early adoption of the Amendment to HKFRS 16.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONT'D)

Amendment to HKFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021”

Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of accumulated losses at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the COVID-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$255,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

3. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group’s policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The following table shows the carrying amounts and fair value of assets, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value of the carrying amount is a reasonable approximation of fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. FAIR VALUE MEASUREMENTS (CONT'D)

(a) Disclosures of level in fair value hierarchy at the end of reporting period:

Description	Fair value measurements as at 30 June 2021 using:			Total HK\$'000 (unaudited)
	Level 1 HK\$'000 (unaudited)	Level 2 HK\$'000 (unaudited)	Level 3 HK\$'000 (unaudited)	
Recurring fair value measurements:				
Financial assets at fair value through profit or loss:				
– Listed equity investments	62,540	–	–	62,540
– Listed debt investments	–	44,553	–	44,553
– Unlisted fund investments	–	491,447	97,201	588,648
	<u>62,540</u>	<u>536,000</u>	<u>97,201</u>	<u>695,741</u>
Investment properties:				
– Industrial property situated in Hong Kong	–	50,500	–	50,500
Property, plant and equipment:				
– The club's property situated in Hong Kong	–	–	320,000	320,000
Total recurring fair value measurements	<u>62,540</u>	<u>586,500</u>	<u>417,201</u>	<u>1,066,241</u>

Description	Fair value measurements as at 31 December 2020 using:			Total HK\$'000 (audited)
	Level 1 HK\$'000 (audited)	Level 2 HK\$'000 (audited)	Level 3 HK\$'000 (audited)	
Recurring fair value measurements:				
Financial assets at fair value through profit or loss:				
– Listed equity investments	56,192	–	–	56,192
– Listed debt investments	–	52,593	–	52,593
– Unlisted fund investments	–	484,696	78,522	563,218
	<u>56,192</u>	<u>537,289</u>	<u>78,522</u>	<u>672,003</u>
Investment properties:				
– Industrial property situated in Hong Kong	–	46,800	–	46,800
Property, plant and equipment:				
– The club's property situated in Hong Kong	–	–	281,000	281,000
Total recurring fair value measurements	<u>56,192</u>	<u>584,089</u>	<u>359,522</u>	<u>999,803</u>

3. FAIR VALUE MEASUREMENTS (CONT'D)

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

Description	Property, plant and equipment	Financial assets at fair value through profit or loss	2021 Total HK\$'000 (<i>unaudited</i>)
	The club's property HK\$'000 (<i>unaudited</i>)	Unlisted fund investments HK\$'000 (<i>unaudited</i>)	
At 1 January 2021	281,000	78,522	359,522
Additions	—	6,661	6,661
Total fair value gain or loss recognised in other comprehensive income	39,000	—	39,000
Total fair value gain or loss recognised in profit or loss *	—	12,018	12,018
At 30 June 2021	320,000	97,201	417,201
* Include gains or losses for assets held at end of reporting period	—	12,018	12,018

Description	Property, plant and equipment	Financial assets at fair value through profit or loss	2020 Total HK\$'000 (<i>unaudited</i>)
	The club's property HK\$'000 (<i>unaudited</i>)	Unlisted fund investments HK\$'000 (<i>unaudited</i>)	
At 1 January 2020	65,000	64,949	129,949
Additions	—	5,203	5,203
Total fair value gain or loss recognised in profit or loss *	—	(2,025)	(2,025)
Depreciation charged to profit or loss	(1,519)	—	(1,519)
At 30 June 2020	63,481	68,127	131,608
* Include gains or losses for assets held at end of reporting period	—	(2,025)	(2,025)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. FAIR VALUE MEASUREMENTS (CONT'D)

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

The total fair value gains or losses recognised in profit or loss including those for assets held at end of reporting period arising from unlisted fund investments, are presented in "Other operating gains/(losses), net" in the condensed consolidated statement of profit or loss.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements of its financial instruments at 30 June 2021 and 31 December 2020:

The Group's senior management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The senior management reviews the fair value measurements twice a year, which is in line with the Group's reporting dates.

The valuation techniques used and the key inputs to the level 2 and level 3 fair value measurements of its financial instruments are set out below:

Description	Valuation technique and key inputs
<i>Level 2:</i>	
Listed and unlisted debt and fund investments	Quoted price provided by fund administrators/financial institutions
<i>Level 3:</i>	
Unlisted fund investment	Net asset value provided by the administrator of the fund

The information about the significant unobservable inputs of its financial instruments used in level 3 fair value measurement is set out below.

Description	Unobservable inputs	Range		Effect on fair value for increase of inputs
		30 June 2021	31 December 2020	
Unlisted fund investment	Net asset value	N/A	N/A	N/A

There were no changes in the valuation techniques used in fair value measurement at 30 June 2021 and 31 December 2020.

4. SEGMENT INFORMATION

The Group has three reportable segments as follows:

Segment	Activity
Wholesale and retail of fashion wear and accessories	The trading of fashion wear and accessories
Resort and recreational club operations	The provision of resort and recreational facilities including lodging and catering services
Investments	The holding and trading of investments for short term and long term investment returns

The Group's reportable segments are strategic business units that offer different products and services. Strategic business units that have similar economic characteristics are combined in a single reportable segment. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include the following:

- Unallocated corporate administrative expenses;
- Fair value gains on investment properties, net;
- Finance costs; and
- Income tax expense.

Segment liabilities do not include interest-bearing bank borrowings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. SEGMENT INFORMATION (CONT'D)

	Wholesale and retail of fashion wear and accessories HK\$'000 (<i>unaudited</i>)	Resort and recreational club operations HK\$'000 (<i>unaudited</i>)	Investments HK\$'000 (<i>unaudited</i>)	Total HK\$'000 (<i>unaudited</i>)
6 months ended 30 June 2021:				
Revenue from external customers	34,274	3,324	13,944	51,542
Segment profit/(loss)	(10,600)	(5,339)	31,669	15,730
As at 30 June 2021:				
Segment assets	64,450	321,149	885,627	1,271,226
Segment liabilities	(29,479)	(1,207)	(6,777)	(37,463)
6 months ended 30 June 2020:				
Revenue from external customers	34,861	3,522	17,697	56,080
Segment loss	(15,042)	(8,236)	(33,612)	(56,890)
As at 31 December 2020:				
Segment assets, audited	72,356	282,631	873,525	1,228,512
Segment liabilities, audited	(41,305)	(2,111)	(7,907)	(51,323)

	Six months ended 30 June	
	2021 HK\$'000 (<i>unaudited</i>)	2020 HK\$'000 (<i>unaudited</i>)
Reconciliations of reportable segment profit or loss:		
Total profit or loss of reportable segments	15,730	(56,890)
Unallocated corporate administrative expenses	(1,230)	(2,008)
Fair value gains on investment properties	3,700	—
Finance costs	(1,171)	(2,020)
Consolidated profit/(loss) for the period	17,029	(60,918)

5. REVENUE

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	<i>(unaudited)</i>
<i>Revenue from contracts with customer</i>		
(i) Wholesale and retail of fashion wear and accessories		
Sale of fashion wear and accessories recognised at a point in time	34,274	34,861
(ii) Resort and recreational club operations		
Catering service income recognised at a point in time	1,599	2,037
Resort and club facilities and other services income recognised over time	708	370
Entrance fee and subscription fee income recognised over time	1,017	1,115
	3,324	3,522
<i>Revenue from other sources</i>		
(iii) Investments		
Dividend income arising from financial assets at fair value through profit or loss:		
– listed equity investments	479	5,562
– unlisted fund investments	12,352	10,779
Interest income from:		
– Financial assets at fair value through profit or loss	646	877
– Other financial assets	467	479
	13,944	17,697
	51,542	56,080

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (<i>unaudited</i>)	2020 HK\$'000 (<i>unaudited</i>)
Interest on bank loans	68	85
Interest on lease liabilities	1,103	1,935
	<u>1,171</u>	<u>2,020</u>

7. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax and overseas income tax has been made for the six months periods ended 30 June 2021 and 2020 since the Group has no assessable profit in Hong Kong and other countries in which the Group operates or has sufficient tax losses brought forward to set off against the assessable profits for both periods.

8. PROFIT/(LOSS) FOR THE PERIOD

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

	Six months ended 30 June	
	2021 HK\$'000 (<i>unaudited</i>)	2020 HK\$'000 (<i>unaudited</i>)
Cost of inventories sold [#]	17,172	20,044
Depreciation of right-of-use assets	9,484	11,206
Depreciation of property, plant and equipment	1,818	4,092
Amortisation of intangible assets	24	42
Charge for inventories allowances	947	2,207
Losses/(gains) from financial assets at fair value through profit or loss, net*:		
Fair value losses/(gains), net	(29,054)	28,434
Losses on disposal, net	637	13,479
	(28,417)	41,913
Fair value gains on investment properties	(3,700)	—
Gains on disposal of property, plant and equipment, net*	—	(2)
Write back for provision for reinstatement cost*	—	(338)
Foreign exchange losses, net*	44	117
	<u>44</u>	<u>117</u>

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

Cost of inventories sold included charge for inventories allowances of HK\$947,000 (30 June 2020: HK\$2,207,000).

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the period attributable to owners of the Company of HK\$17,051,000 (30 June 2020: loss of HK\$60,895,000) and the weighted average number of ordinary shares of 1,650,658,676 (30 June 2020: 1,650,658,676) in issue during the period.

(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 six months periods ended 30 June 2021 and 2020.

10. DIVIDENDS

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2021 and 2020.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment of approximately HK\$310,000 (30 June 2020: HK\$15,080,000).

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Financial assets at fair value through profit or loss:		
Equity investments, at fair value (note a):		
– Listed in Hong Kong	37,902	34,460
– Listed outside Hong Kong	24,638	21,732
	62,540	56,192
Unlisted Fund investments, at fair value (note b and note c):	588,648	563,218
Debt investments, at fair value (note d):		
– Listed in Hong Kong*	12,411	12,079
– Listed outside Hong Kong*	32,142	40,514
	44,553	52,593
	695,741	672,003

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Current assets – Financial assets at fair value through profit or loss		
– Listed equity investments (note a)	62,540	56,192
– Unlisted fund investments (note b)	491,447	484,696
– Listed debt investments (note d)	44,553	52,593
	598,540	593,481
Non-current assets – Financial assets at fair value through profit or loss		
– Unlisted fund investments (note c)	97,201	78,522
	695,741	672,003

Notes:

(a) Listed equity investments, at fair value

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

(b) The fund investments as at 30 June 2021 amounted to HK\$491,447,000 (31 December 2020: HK\$484,696,000) which were traded over-the-counter and the Group managed and evaluated the performance of these fund investments on a fair value basis, in accordance with the Group's risk management and investment strategy. The fair values of the fund investments are based on the price quoted by the fund administrator/financial institution. The directors believe that the estimated fair value quoted by the fund administrator/financial institution is reasonable, and that it is the most appropriate value at the end of the reporting period.

(c) Unlisted fund investments, at fair value

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

As at 30 June 2021, carrying amount of unlisted fund investments included an investment in a fund, ASEAN China Investment Fund III L.P. ("ACIF III"), amounted to HK\$69,155,000 (31 December 2020: HK\$56,865,000) which is not quoted in an active market. The fair value of the investment in ACIF III is stated with reference to the net asset value provided by the administrator of the fund at the reporting date. The directors believe that the estimated fair value provided by the administrator of the fund is reasonable, and that is the most appropriate value at the end of the reporting period.

The Group has committed to contribute a total of US\$4,000,000 (equivalent to approximately HK\$31,120,000) to ACIF III and the unfunded commitment as at 30 June 2021 amounted to US\$192,000 (equivalent to approximately HK\$1,494,000) (31 December 2020: US\$231,000 (equivalent to approximately HK\$1,797,000)). Contributions will be made when capital call is issued by the general partner of the fund.

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

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

Notes: (Cont'd)

(c) Unlisted fund investments, at fair value (Cont'd)

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

As at 30 June 2021, the carrying amount of unlisted fund investments included an investment in a fund, ASEAN China Investment Fund IV L.P. ("ACIF IV"), amounted to HK\$28,046,000 (31 December 2020: HK\$21,657,000) which is not quoted in an active market. The fair value of the investment in ACIF IV is stated with reference to the net asset value provided by the administrator of the fund at the reporting date. The directors believe that the estimated fair value provided by the administrator of the fund is reasonable, and that is the most appropriate value at the end of the reporting period.

The Group has committed to contribute a total of US\$4,000,000 (equivalent to approximately HK\$31,120,000) to ACIF IV and the unfunded commitments as at 30 June 2021 amounted to US\$440,000 (equivalent to HK\$3,423,000) (31 December 2020: US\$1,257,000 (equivalent to HK\$9,780,000)). Contributions will be made when capital call is issued by the general partner of the fund.

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

(d) The fair values of the debt investments as at 30 June 2021 amounted to HK\$44,553,000 (31 December 2020: HK\$52,593,000) are based on quoted market price. These debt investments were mainly issued/guaranteed by companies listed on The Stock Exchange of Hong Kong Limited/overseas stock exchanges. The directors believe that the estimated fair value quoted by the bank is reasonable, and that it is most appropriate value at the end of the reporting period.

As at 30 June 2021, these debt investments have maturity date ranging from 11 October 2023 to 1 November 2027 (31 December 2020: 26 May 2021 to 1 November 2027).

As at 30 June 2021, these debt instruments bear fixed/floating coupon interest rate ranging from 1% to 5.45% (31 December 2020: 1.00% to 5.45%). The carrying amounts of the Group's debt investments are denominated in US dollars.

13. TRADE 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:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 1 month	1,099	720
2 to 3 months	8	5
Over 3 months	2	—
	1,109	725

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

14. TRADE AND OTHER PAYABLES

Included in the Group's trade and other payables as at 30 June 2021 are trade and bills payables of HK\$3,872,000 (31 December 2020: HK\$5,508,000) and contract liabilities of HK\$1,172,000 (31 December 2020: HK\$1,812,000).

An ageing analysis of the trade and bills payables, based on the invoice date, is as follows:

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Within 1 month	3,192	4,412
2 to 3 months	462	370
Over 3 months	218	726
	<u>3,872</u>	<u>5,508</u>

15. ISSUED CAPITAL

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Issued and fully paid: 1,650,658,676 (31 December 2020: 1,650,658,676) ordinary shares	<u>1,206,706</u>	<u>1,206,706</u>

16. RELATED/CONNECTED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the period:

	Note	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Lease expenses for lease liabilities, building management fees and air-conditioning charges paid to related companies - office	(i)	<u>1,577</u>	<u>1,592</u>

Note:

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

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

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Short term employee benefits	4,604	4,767
Pension scheme contributions	<u>36</u>	<u>39</u>
Total compensation paid to key management personnel	<u>4,640</u>	<u>4,806</u>

17. CONTINGENT LIABILITIES

At 30 June 2021, the Group had the following contingent liabilities:

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17. CONTINGENT LIABILITIES (CONT'D)

Prior to the hearing however, a Consent Settlement was entered into between the Group and the BA pursuant to which the hearing was vacated, the original BA DH Orders all withdrawn and the Group agreed to fully comply with a single DH Order issued by the BA on 13 June 2019 (the "New Limited Order"), the wording of which was agreed between the Group and the BA, limiting the Group's investigatory, and potential remedial and maintenance responsibilities to a small part of the slope features adjacent to works near the northernmost portion of the road undertaken by the Group in the early 1980s. The Group submitted a proposal for remediation work to the BA on 13 December 2019 pursuant to our obligations under the New Limited Order following the afore-mentioned agreement. The BA approved the proposal and the Group commenced the remediation work in October 2020. As at 30 June 2021, the remediation work was substantially completed pending for certain approval permits by the relevant Government authorities and the related cost for the remediation work has been expensed or accrued in the condensed consolidated financial statements.

18. CAPITAL COMMITMENTS

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

	30 June 2021 HK\$'000 (unaudited)	31 December 2020 HK\$'000 (audited)
Contracted, but not provided for:		
Capital contribution to unlisted funds (note 12(c)(i) and (ii))	4,914	11,577

19. 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 retail fashion business and resort and recreational club operations in Hong Kong and impacted upon the performance of our investments in financial instruments. During the period ended 30 June 2021, the Group's financial performance and liquidity position from the retail fashion business and resort and recreational club operations are still adversely affected due to the impact from the COVID-19 outbreak. The Group is still in a sound financial position with its current ratio at 30 June 2021 standing at 18.5 times. Our strong liquidity position will provide support for the long-term prospects of our businesses.

20. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 August 2021.

OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Based on specific enquiry of all Directors, all Directors complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021.

DIRECTORS’ AND CHIEF EXECUTIVE OFFICER’S INTERESTS

As at 30 June 2021, none of the Directors and Chief Executive Officer of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the “SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	Capacity	Number of shares held	Percentage of the Company’s issued shares
Diamond Leaf Limited	Beneficial owner	162,216,503	9.83%
Solution Bridge Limited	Beneficial owner	408,757,642	24.76%
Parasia Limited	Interest of controlled corporations	570,974,145 Note (i)	34.59%
Chime Corporation Limited	Interest of controlled corporations	570,974,145 Note (ii)	34.59%
Mr. CHAN, Wai Tong Christopher	Trustee	730,974,145 Notes (iii) & (iv)	44.28%
Mr. JONG, Yat Kit	Trustee	730,974,145 Notes (iii) & (iv)	44.28%
Mr. WONG, Tak Wai	Trustee	730,974,145 Notes (iii) & (iv)	44.28%
Ms. KUNG, Nina (deceased)	Interest of controlled corporations	570,974,145 Note (v)	34.59%

Notes:

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

OTHER INFORMATION

- (iii) Chime Corporation Limited was a controlled corporation of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai, as joint and several administrators of the estate of Kung, Nina also known as Nina Kung and Nina T H Wang, and of the estate of Wang Teh Huei alias Teh Huei Wang. Thus, each of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai was deemed to be interested in the shares in which Chime Corporation Limited was deemed to be interested.
- (iv) Each of Mr. CHAN, Wai Tong Christopher, Mr. JONG, Yat Kit and Mr. WONG, Tak Wai was a trustee of the estate of Kung, Nina also known as Nina Kung and Nina T H Wang, and of the estate of Wang Teh Huei alias Teh Huei Wang.
- (v) The interests disclosed under Ms. KUNG, Nina (deceased) represent her deemed interests in the shares of the Company by virtue of her interests in Diamond Leaf Limited and Solution Bridge Limited (as per the late Ms. KUNG, Nina's last disclosure of interests notice dated 4 April 2006).

Save as disclosed above, the Company has not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company as at 30 June 2021 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 six months ended 30 June 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 six months ended 30 June 2021.

CHANGES IN DIRECTORS' INFORMATION

The changes in Directors' information since the date of the Company's 2020 Annual Report are set out below pursuant to Rule 13.51B(1) of the Listing Rules:

- (1) At the Company's annual general meeting held on 9 June 2021 (the "2021 AGM"), Mr. Hing Lun Dennis AU, Non-executive Director, was re-elected as a Director of the Company for a term of approximately two years expiring at the conclusion of the Company's annual general meeting to be held in 2023, subject to retirement by rotation in accordance with the Company's Articles of Association.
- (2) At the 2021 AGM, Mr. David Charles PARKER, Executive Director, was re-elected as a Director of the Company. His directorship is for an unspecified term, but he is subject to retirement by rotation in accordance with the Company's Articles of Association.
- (3) At the 2021 AGM, Mr. Hung Han WONG, Non-executive Director, was elected as a Director of the Company for a term of approximately two years expiring at the conclusion of the Company's annual general meeting to be held in 2023, subject to retirement by rotation in accordance with the Company's Articles of Association.
- (4) Mr. Derek Wai Choi LEUNG retired as Non-executive Director of the Company immediately after the conclusion of the 2021 AGM. Upon his retirement, Mr. Leung has ceased to be the Non-executive Chairman of the Board of Directors, the chairman of the Corporate Governance Committee, and a member of each of the Audit Committee, the Corporate Governance Committee, the Investment Committee and the Nomination Committee of the Company.

- (5) Mr. Hung Han WONG, Non-executive Director, has been appointed as the Non-executive Chairman of the Board of Directors, and a member of each of the Audit Committee, the Investment Committee and the Remuneration Committee of the Company with effect from the conclusion of the 2021 AGM.
- (6) Mr. Hing Lun Dennis AU, Non-executive Director, has been appointed as a member of each of the Corporate Governance Committee and the Nomination Committee of the Company with effect from the conclusion of the 2021 AGM.
- (7) Ms. Sarah Young O'DONNELL, Independent Non-executive Director, has been appointed as the chairman of the Corporate Governance Committee of the Company with effect from the conclusion of the 2021 AGM.

REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2021 are unaudited, but have been reviewed by the Company's external auditor, RSM Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, whose unmodified review report is set out on page 22 of this interim report. The condensed consolidated financial statements for the six months ended 30 June 2021 have also been reviewed by the Company's Audit Committee.

BOARD OF DIRECTORS

As at the date of this report, the Executive Director is Mr. David Charles PARKER (Chief Executive Officer), 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.

CORPORATE INFORMATION

EXECUTIVE DIRECTOR

David Charles PARKER (*Chief Executive Officer*)

NON-EXECUTIVE DIRECTORS

Hung Han WONG (*Non-executive Chairman*)

Hing Lun Dennis AU

INDEPENDENT NON-EXECUTIVE DIRECTORS

Kin Wing CHEUNG

Kiu Sang Baldwin LEE

Ted Tak Tai LEE

Sarah Young O'DONNELL

COMPANY SECRETARY

Pui Man CHENG

AUDITOR

RSM Hong Kong

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Causeway Bay

Hong Kong

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