ENM HOLDINGS LIMITED

安 寧 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock code: 00128)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the "Board") of ENM Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2022, together with the comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022**	2021
		HK$'000	HK$'000
Revenue	5	**94,387**	109,501
Cost of sales		**(41,122)**	(40,927)
Gross profit		**53,265**	68,574
Other income		**4,368**	1,651
Selling and distribution costs		**(34,569)**	(37,031)
Administrative expenses		**(64,058)**	(61,171)
Depreciation of property, plant and equipment, impairment loss and amortisation		**(1,637)**	(5,777)
Other operating gains/(losses), net	9	**(107,169)**	8,763
Loss from operations		**(149,800)**	(24,991)
Fair value gains on investment properties, net		**-**	5,700
Finance costs	7	**(1,352)**	(2,045)
Loss before tax		**(151,152)**	(21,336)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022**	2021
		HK$'000	HK$'000
Loss before tax		**(151,152)**	(21,336)
Income tax expense	8	**-**	-
Loss for the year	9	**(151,152)**	(21,336)
Attributable to:			
Owners of the Company		**(150,663)**	(21,280)
Non-controlling interests		**(489)**	(56)
		(151,152)	(21,336)
Loss per share		**HK$**	HK$
– basic	10(a)	**(9.13) cents**	(1.29) cents
– diluted	10(b)	**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022**	2021
		HK$'000	HK$'000
Loss for the year		**(151,152)**	(21,336)
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Fair value gain on revaluation of the club property	6	**85,000**	59,000
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(152)**	83
Other comprehensive income for the year, net of tax		**84,848**	59,083
Total comprehensive income/(loss) for the year		**(66,304)**	37,747
Attributable to:			
Owners of the Company		**(65,780)**	37,784
Non-controlling interests		**(524)**	(37)
		(66,304)	37,747

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	Note	2022	2021
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment		**426,060**	342,224
Right-of-use assets		**18,241**	19,881
Investment properties		**52,500**	52,500
Intangible assets		**348**	396
Financial assets at fair value through profit or loss	12	**59,804**	79,117
Total non-current assets		**556,953**	494,118
Current assets			
Inventories		**22,511**	21,992
Trade and other receivables	13	**13,023**	14,127
Financial assets at fair value through profit or loss	12	**457,895**	604,878
Pledged bank deposits		**10,000**	10,000
Time deposits		**89,368**	70,211
Cash and bank balances		**36,161**	40,853
Total current assets		**628,958**	762,061
Current liabilities			
Trade and other payables	14	**19,535**	19,960
Lease liabilities		**10,583**	14,125
Interest-bearing bank borrowings		**5,882**	7,001
Total current liabilities		**36,000**	41,086
Net current assets		**592,958**	720,975
Non-current liabilities			
Lease liabilities		**7,896**	6,774
NET ASSETS		**1,142,015**	1,208,319

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2022

	2022	2021
	HK$'000	HK$'000
Capital and reserves		
Issued capital	**1,206,706**	1,206,706
Accumulated losses	**(1,206,328)**	(1,055,665)
Other reserves	**1,142,752**	1,057,869
Equity attributable to owners of the Company	**1,143,130**	1,208,910
Non-controlling interests	**(1,115)**	(591)
TOTAL EQUITY	**1,142,015**	1,208,319

Notes:

1. Financial Information

The financial information relating to the years ended 31 December 2022 and 2021 included in this announcement does not constitute the Company's statutory consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622, Laws of Hong Kong) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622, Laws of Hong Kong) and will deliver the consolidated financial statements for the year ended 31 December 2022 in due course.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's external auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on this announcement.

2. Basis of Preparation

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

2. Basis of Preparation (Cont'd)

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

3. Adoption of New and Revised Hong Kong Financial Reporting Standards

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

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

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

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 - Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Directors anticipate that the application of the above new standard, amendments to standards and interpretation is unlikely to have a significant impact on the consolidated financial statements.

4. Segment Information

The Group has three reportable segments as follows:

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

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

4. Segment Information (Cont'd)

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

	Retail of fashion wear and accessories	Resort and recreational club operations	Investments	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2022:				
Revenue from external customers	**71,304**	**8,176**	**14,907**	**94,387**
Segment loss	**(18,229)**	**(11,446)**	**(114,952)**	**(144,627)**
Segment loss includes:				
Fair value losses on financial assets at fair value through profit or loss, net	**-**	**-**	**(75,872)**	**(75,872)**
Losses on disposal of financial assets at fair value through profit or loss, net	**(451)**	**-**	**(29,585)**	**(30,036)**
Interest income from:				
– Financial assets at fair value through profit or loss	**-**	**-**	**1,264**	**1,264**
– Other financial assets	**-**	**-**	**1,701**	**1,701**
Write-back for provision for reinstatement cost	**9**	**-**	**-**	**9**
Depreciation of property, plant and equipment and amortisation	**655**	**99**	**413**	**1,167**
Depreciation of right-of-use assets	**11,987**	**-**	**2,636**	**14,623**
Charge for inventories allowances	**5,226**	**-**	**-**	**5,226**
Impairment loss of property, plant and equipment	**401**	**69**	**-**	**470**
Other segment information:				
Additions to property, plant and equipment	**109**	**234**	**104**	**447**
Additions to right-of-use assets	**12,983**	**-**	**-**	**12,983**
As at 31 December 2022:				
Segment assets	**49,951**	**427,434**	**708,526**	**1,185,911**
Segment liabilities	**(25,093)**	**(2,896)**	**(10,025)**	**(38,014)**

4. Segment Information (Cont'd)

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

	Retail of fashion wear and accessories	Resort and recreational club operations	Investments	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2021:				
Revenue from external customers	76,433	8,612	24,456	109,501
Segment profit/(loss)	(22,539)	(10,344)	10,812	(22,071)
Segment profit/(loss) includes:				
Fair value gains on financial assets at fair value through profit or loss, net	-	-	11,554	11,554
Losses on disposal of financial assets at fair value through profit or loss, net	(47)	-	(3,382)	(3,429)
Interest income from:				
– Financial assets at fair value through profit or loss	-	-	1,144	1,144
– Other financial assets	-	-	1,077	1,077
Depreciation of property, plant and equipment and amortisation	3,227	107	507	3,841
Depreciation of right-of-use assets	16,255	-	2,336	18,591
Charge for inventories allowances	4,030	-	-	4,030
Impairment loss of property, plant and equipment	1,936	-	-	1,936
Other segment information:				
Additions to property, plant and equipment	521	69	286	876
Additions to right-of-use assets	4,913	-	7,908	12,821
As at 31 December 2021:				
Segment assets	50,828	341,771	863,580	1,256,179
Segment liabilities	(24,928)	(2,343)	(13,588)	(40,859)

4. Segment Information (Cont'd)

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

	2022	2021
	HK$'000	HK$'000
Profit or loss		
Total profit or loss of reportable segments	**(144,627)**	(22,071)
Unallocated corporate administrative expenses	**(5,173)**	(2,920)
Fair value gains on investment properties, net	**-**	5,700
Finance costs	**(1,352)**	(2,045)
Consolidated loss for the year	**(151,152)**	(21,336)
Assets		
Total assets of reportable segments	**1,185,911**	1,256,179
Consolidated total assets	**1,185,911**	1,256,179
Liabilities		
Total liabilities of reportable segments	**(38,014)**	(40,859)
Interest-bearing bank borrowings	**(5,882)**	(7,001)
Consolidated total liabilities	**(43,896)**	(47,860)

Geographical information:

	Revenue		**Non-current assets**	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**82,395**	87,367	**497,149**	415,001
The Americas	**4,908**	15,550	**-**	-
Europe	**6,714**	6,285	**-**	-
Other Asia Pacific Region	**370**	299	**-**	-
Consolidated total	**94,387**	109,501	**497,149**	415,001

In presenting the geographical information, revenue in relation to retail of fashion wear and accessories and resort and recreational club operations segment is based on the locations in which the revenue originated and revenue in relation to investments segment is based on the country of primary listing for listed instruments and the country of incorporation for unlisted instruments; non-current assets exclude financial assets and are based on the locations of the assets.

5. Revenue

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

	2022	2021
	HK$'000	HK$'000
Revenue from contracts with customer		
(i) Retail of fashion wear and accessories		
Sale of fashion wear and accessories recognised at a point in time	**71,304**	76,433
(ii) Resort and recreational club operations		
Catering service income recognised at a point in time	**4,959**	5,104
Resort and club facilities and other services income recognised over time	**934**	1,450
Entrance fee and subscription fee income recognised over time	**2,283**	2,058
	8,176	8,612
Revenue from other sources		
(i) Investments		
Dividend income arising from financial assets at fair value through profit or loss:		
– Listed equity investments	**1,326**	1,247
– Listed fund investments	**519**	-
– Unlisted fund investments	**10,097**	20,988
Interest income from		
– Financial assets at fair value through profit or loss	**1,264**	1,144
– Other financial assets	**1,701**	1,077
	14,907	24,456
Total revenue of the Group	**94,387**	109,501

6. Fair value gain on revaluation of the club property

The valuation technique adopted for the club property as at 31 December 2022 and 31 December 2021 is the "open market and highest and best use basis with the use of residual method". In accordance with the HKFRS 13 "Fair Value Measurement", and with advice from an independent and reputable valuer, the Group has revalued the club property based on its highest and best use by comparing the value based on its current use as a recreational club and the value based on obtaining the approval to rezone the property for residential development, after factoring in the uncertainty and timing of the remaining steps required to carry out the redevelopment. This approach was first adopted for the year ended 31 December 2020. As at 31 December 2022, the fair value of the club property is HK$425,000,000 (31 December 2021: HK$340,000,000). The increase in revaluation of HK$85,000,000 for the year ended 31 December 2022 (2021: HK$59,000,000) is recognised as other comprehensive income and accumulated in the property revaluation reserve which has no impact on the Group's consolidated statement of profit or loss for the year.

7. Finance Costs

	2022	2021
	HK$'000	HK$'000
Interest expenses on lease liabilities	**1,164**	1,911
Interest on bank loans	**188**	134
	1,352	2,045

8. Income Tax Expense

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2022 (2021: HK$Nil) as the Company and its subsidiaries either did not generate any assessable profits for the year or have available tax losses brought forward from prior years to offset against any assessable profits generated during the year.

9. Loss for the year

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

	2022	2021
	HK$'000	HK$'000
Cost of inventories sold#	**40,860**	40,927
Charge for inventories allowances	**5,226**	4,030
Depreciation of property, plant and equipment	**1,119**	3,793
Depreciation of right-of-use assets	**14,623**	18,591
Impairment loss of property, plant and equipment	**470**	1,936
Amortisation of intangible assets	**48**	48
Losses/(gains) from financial assets at fair value through profit or loss, net*:		
Fair value losses/(gains), net	**75,872**	(11,554)
Losses on disposal, net	**30,036**	3,429
	105,908	(8,125)
Fair value gains on investment properties, net	**-**	(5,700)
Losses/(gains) on disposal of property, plant and equipment*	**(243)**	7
Foreign exchange losses/(gains), net*	**1,513**	(645)
Write back for provision for reinstatement cost*	**(9)**	-

Cost of inventories sold included charge for inventories allowances of HK$5,226,000 (2021: HK$4,030,000).

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

10. Loss Per Share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of HK$150,663,000 (2021: loss of HK$21,280,000) and the weighted average number of ordinary shares of 1,650,658,676 (2021: 1,650,658,676) in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2022 and 2021.

11. Dividends

The directors do not recommend the payment of any dividend to shareholders for the years ended 31 December 2022 and 2021.

12. Financial Assets at Fair Value Through Profit or Loss

	2022	2021
	HK$'000	HK$'000
Financial assets at fair value through profit or loss:		
Equity investments, at fair value		
– Listed in Hong Kong	**20,657**	34,761
– Listed outside Hong Kong	**24,246**	35,006
	44,903	69,767
Fund investments, at fair value		
– Listed outside Hong Kong	**31,082**	22,651
– Unlisted	**400,437**	547,429
	431,519	570,080
Debt investments, at fair value		
– Listed in Hong Kong*	**6,405**	12,142
– Listed outside Hong Kong*	**34,872**	32,006
	41,277	44,148
	517,699	683,995

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

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

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

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

	2022 HK$'000	2021 HK$'000
Current assets – Financial assets at fair value through profit or loss		
– Listed equity investments	**44,903**	69,767
– Listed fund investments	**31,082**	22,651
– Unlisted fund investments	**340,633**	468,312
– Listed debt investments	**41,277**	44,148
	457,895	604,878
Non-current assets – Financial assets at fair value through profit or loss		
– Unlisted fund investments	**59,804**	79,117
	517,699	683,995

13. Trade and Other Receivables

The Group maintains a defined credit policy for its trade customers and the credit terms given vary according to the business activities. The financial strength of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. Overdue balances are reviewed regularly by management.

An ageing analysis of the trade receivables, based on the invoice date and net of impairment, is as follows:

	2022 HK$'000	2021 HK$'000
Within 1 month	**960**	1,704
2 to 3 months	**28**	74
Over 3 months	**1**	-
	989	1,778

14. Trade and Other Payables

Included in the Group's trade and other payables as at 31 December 2022 are trade and bills payables of HK$3,955,000 (2021: HK$3,654,000). An ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	2022	2021
	HK$'000	HK$'000
Within 1 month	**2,925**	2,565
2 to 3 months	**929**	886
Over 3 months	**101**	203
	3,955	3,654

15. Impacts of Coronavirus Pandemic

Since early 2020, the coronavirus outbreak ("the COVID-19 outbreak") has become a global pandemic that has adversely affected our fashion retail business and resort and recreational club operations in Hong Kong, and also impacted upon the performance of our investments in global financial instruments. For the year ended 31 December 2022, the Group's financial performance and liquidity position continued to be impacted by the COVID-19 outbreak. However, the Group is still in a sound financial position with its current ratio as at 31 December 2022 standing at 17.5 times. Our strong liquidity position will provide support for the long-term prospects of the Group's businesses.

CHIEF EXECUTIVE OFFICER'S STATEMENT

OVERVIEW

2022 will probably go down as the most challenging year of operation for all three business segments of the Group because of the direct and peripheral impact of COVID-19. The Omicron variant emerged at the end of November 2021 and started to spread very quickly globally. In Hong Kong, even though the government's management and control over severe outbreak of COVID-19 throughout 2021 was very good, we could not escape the calamity brought upon the city by the higher spreading capability and mortality of Omicron when it was discovered in January 2022. This led to the Hong Kong Government to reintroduce all the anti-pandemic measures that were similar to those implemented at the start of the pandemic back in 2020, and more. These included stringent social distancing regulations such as a vaccine pass system, limiting dinning patronage to two persons per table and no evening dinning at food and beverage establishments after 6:00pm, and compulsory use of the mobile software application "leave-home-safe" at restaurants, clubs, shopping malls and public places that significantly impacted the food and beverage industry, and the retail market throughout Hong Kong. As a result, the Group's retail of fashion wear and accessories business segment and the resort and recreational operation business segment suffered significant drop in revenue, and experienced many days of zero-sales in the retail stores. The other material impact on the revenue of the resort and recreational business was the "enforced" cancellation of banquets and events due to the government's rules and regulations. All of these unforeseen consequences from the government's anti-pandemic measures resulted in very poor performance for the first half of 2022.

Even though dinning patronage at the recreational club gradually returned after the government started to relax the social distancing regulations in May 2022, the effect of the fifth wave of COVID-19 on the Hong Kong population lingered on, with concerns over potential new waves of the pandemic that could lead to more sudden change in the government's anti-pandemic measures which would halt the return to normality again, and also general anxiety over COVID-19. Hence, larger banquet or event bookings at the recreational club, which is well known as a unique venue for outdoor lawn wedding, did not fully return to normal level in the second half of 2022 to enable a meaningful recovery in lost revenue.

The fashion retail business segment's inability to fully recover in the second half of 2022, after the gradual lifting of the government's stringent social distancing measures, was mainly attributable to the continual downturn in the global financial markets that began at the start of 2022 and progressively gotten worse by the third quarter of 2022. The Hang Seng index was at its lowest number in October 2022, since the global financial crisis in 2009, and that really dampened our customers' consumption appetite of luxury fashion merchandise, coupled with a very onerous COVID-19 quarantine regulation imposed by the Hong Kong Government, tourist traffic was nowhere to be seen, until early 2023, when the border with Mainland China started to reopen and all inbound travel restrictions were lifted.

The investment segment accounted for the biggest proportion of the Group's loss from operations in 2022 with 77% attributable mainly to marked-to-market fair value movements. This was the result of a downturn in the global financial markets that started in 2022 and worsen significantly by the end of 2022 due to progressive and aggressive interest rate hikes, to curb serious inflation problem in most developed markets, especially in the United States of America. The spike in inflation was due to a number of factors including the economic dislocation brought about by COVID-19, a global pandemic that had not been seen since the 1819 Spanish Flu. Whilst the fiscal and monetary stimulus provided by governments and central banks around the world had helped to avoid a major global economic disaster, unexpected recovery in demand through 2021 ultimately led to historic and broad supply shortages, which is also a contributing factor to the inflation surge. In early 2022, the conflict between Russian and Ukraine brought about negative effect on global oil prices, natural gas, fertilizer, and food prices which further exacerbated the situation, with higher gasoline prices a major contributor to inflation. China's zero-COVID policy, up until the end of 2022, kept its border shut to the rest of the world for almost three years, and together with other domestic market issues, resulted in a significant slowdown in its economic growth, which in turn had a major impact on the Chinese financial market. Furthermore, there was an unprecedented scenario of both the global equity and bond markets falling in tandem throughout 2022 which is the main contributor to the mark-to-market losses in the Group's investment portfolio.

Faced with the various negative external factors, the Group recorded a loss of HK$150,663,000 attributable to shareholders of the Company for the year ended 31 December 2022. Excluding the fair value gains on investment properties for both 2022 and 2021, the underlying loss attributable to shareholders of the Company for the year ended 31 December 2022 increased by 458% compared to the year ended 31 December 2021 (loss of HK$26,980,000).

The Company's rezoning application in relation to the property at Hilltop Road from "Other Specified Uses" annotated "Sports and Recreation Club" to "Residential (Group B) 8" was approved by the Chief Executive in Council in February 2022. We have since engaged the service of a land consultant to commence the application for land exchange to the Lands Department. The progress has been slow, partly affected by COVID-19 as government staff were deployed from all departments to support the anti-pandemic work, and also due to the unique location of the site, there are a number of matters raised by various governmental departments, as part of the normal land exchange process, which require investigation and discussion with the relevant departments before we can proceed to finalise the terms for the new land grant.

FINANCIAL REVIEW

	2022 HK$'000	2021 HK$'000	Change +/(-)
Revenue	**94,387**	**109,501**	**(14%)**
Retail of fashion wear and accessories	71,304	76,433	(7%)
Resort and recreational club operation	8,176	8,612	(5%)
Dividend income	11,942	22,235	(46%)
Interest income	2,965	2,221	33%
Loss from operations	**(149,800)**	**(24,991)**	**(499%)**
Fair value gains on investment properties, net	-	5,700	(100%)
Finance costs	(1,352)	(2,045)	34%
Loss for the year	**(151,152)**	**(21,336)**	**(608%)**
Loss attributable to shareholders	**(150,663)**	**(21,280)**	**(608%)**
Loss per share	**HK (9.13) cents**	**HK (1.29) cents**	

The loss from operations for the year ended 31 December 2022 of HK$149,800,000 (2021: HK$24,991,000) attributable to the Group's reportable segments was:

	2022 HK$'000	2021 HK$'000	Change +/(-)
Retail of fashion wear and accessories	(18,229)	(22,539)	19%
Resort and recreational club operations	(11,446)	(10,344)	(11%)
Investments	(114,952)	10,812	(1,163%)
Unallocated corporate income/expenses, net	(5,173)	(2,920)	(77%)
Loss from operations	**(149,800)**	**(24,991)**	**(499%)**

The Group's retail of fashion wear and accessories business, SWANK, reported a decrease in revenue and gross profit of 7% and 13% respectively compared to 2021. The shortfall in revenue was primarily attributable to the reduction in footfall traffic and tourists as a result of the strict social distancing measures implemented by the Hong Kong Government at shopping centres and restaurants, and the stringent quarantine requirements on inbound travellers. The decline in gross profit of HK$4,979,000 (or 13%) as a result of lower sales revenue and higher stock provision for aged inventory was wholly offset by cost savings from outsourcing the warehouse operation to a third-party logistic (3PL) company, closure of the Harbour City retail store in July 2022, reduction in depreciation and impairment loss for the year ended 31 December 2022, lower retail store rental negotiated and wage subsidies received from the Hong Kong Government under the Employment Support Scheme (ESS). Nevertheless, the operating loss from this business segment for the year ended 31 December 2022 was HK$18,229,000 (2021: HK$22,539,000), a reduction of 19%.

The revenue of Hill Top, the Group's resort and recreational club operation, was most severely affected by the Hong Kong Government's COVID-19 anti-pandemic rules and regulations. Specifically, the introduction of a vaccine pass system, in response to the fifth wave of COVID-19, whereby unvaccinated individuals are not allowed to dine in restaurants. In addition, dinner service was barred for 104 days, together with restrictions on social gathering, which meant that no large events were permitted, and strict patronage limit to two diners per table, revenue for the year under review of HK$8,176,000 was 5% lower compared to HK$8,612,000 in 2021. Increase in price of some of the food ingredients and supplies due to global supply chain issues, and a higher repair and maintenance cost for the club properties, were partly offset by the ESS subsidies from the Hong Kong Government's Anti-Epidemic Fund, resulting in an operating loss of HK$11,446,000 (2021: HK$10,344,000) for the year ended 31 December 2022 that was 11% higher than last year.

As the investment portfolio of the Group primarily comprised of marketable bond and equity fund investments, with the continuous downturn in the global financial markets, it returned a net realised and unrealised losses (before general and administrative expenses) of HK$92,251,000 (2021: net realised and unrealised gains of HK$31,551,000) which included interest and dividend income of HK$13,206,000 (2021: HK$23,379,000), net losses on disposal of HK$29,585,000 (2021: HK$3,382,000) and net unrealised fair value losses of HK$75,872,000 (2021: net unrealised fair value gains of HK$11,554,000). Distributions and dividends received from our private equity fund investments in ASEAN China Investment Fund III L.P. and ASEAN China Investment Fund IV L.P. were also lower in 2022 at HK$3,381,000 (2021: HK$12,652,000) and HK$84,000 (2021: HK$2,212,000) respectively, however there was a gain on disposal of HK$3,289,000 (2021: unrealised fair value gains of HK$1,110,000) of all our PuraPharm Corporation Limited shares. Overall, for the year ended 31 December 2022, the Group's investments recorded a segment loss of HK$114,952,000 (2021: a segment profit of HK$10,812,000).

The Group's overall gross profit margin declined to 56.4% in 2022 compared to 62.6% in 2021. The reduction is mostly attributable to the need to adopt a different retail strategy of bringing forward sales discount on current season merchandise to boost sales revenue amid the fifth wave COVID-19 "lockdown" that also resulted in higher amount of unsold merchandise that required more stock provision which lowered SWANK's gross profit margin, plus lower dividend income from the Group's investment portfolio.

The Group's other income and expenditure for the year ended 31 December 2022 included:

- Other income of HK$4,368,000, which was HK$2,717,000 (or 165%) higher compared to the HK$1,651,000 in 2021, mainly comprised of:

  - rental income of HK$982,000 (2021: HK$1,020,000) from the Group's investment property; and
  - ESS subsidies of HK$2,900,000 (2021: HK$Nil) from the Hong Kong Government's anti-epidemic fund.

- ➢ Selling and distribution expenses of HK$34,569,000 with a 7% decrease compared to HK$37,031,000 in 2021, mainly attributable to:

  - decrease in occupancy costs from lower rental negotiated for the Chater House, Central retail store and closure of the Harbour City, Tsim Sha Tsui retail store in July 2022; and
  - partly offset by increase in occupancy costs with the opening of a new retail store in Elements, Tsim Sha Tsui in January 2022.

- ➢ Administrative expenses of HK$64,058,000, which was 5% higher than the 2021 amount of HK$61,171,000, mainly attributable to:

  - increase in repair and maintenance costs for the Group's club and investment properties;
  - resumption of overseas travel expenses for merchandise sourcing following the relaxation of quarantine rules and regulations on inbound travelers in the last quarter of 2022;
  - inflationary adjustment in salary and staff costs; and
  - partly offset by cost savings from outsourcing SWANK's warehousing and logistic operations to a third party logistic (3PL) company, thereby reducing staffing, warehouse rental and transportation costs.

- ➢ Depreciation for property, plant and equipment, impairment loss and amortisation expenses of HK$1,637,000, being 72% lower than the HK$5,777,000 in 2021, was mainly attributable to SWANK's flagship store in Central being fully depreciated and impaired of the cost of leasehold improvement, and furniture and fixtures, in December 2021.

- ➢ "Other operating gains/(losses), net" mainly comprised of net realised and unrealised fair value losses of HK$105,457,000 (2021: net realised and unrealised fair value gains of HK$8,172,000) from investment in financial instruments (before interest and dividend income which are included in "Revenue") and exchange losses, net amount of HK$1,513,000 (2021: exchange gain, net amount of HK$645,000).

In accordance with the Hong Kong Financial Reporting Standards ("HKFRS"), and with advice from an independent and reputable valuer, the Group has valued the club property based on its highest and best use by comparing the value based on its current use as a recreational club and the value based on obtaining the approval to rezone the property for residential development, after factoring in the uncertainty and timing of the remaining steps required to carry out the redevelopment. This approach was first adopted for the year ended 31 December 2020. As at 31 December 2022, the fair value of the club property was HK$425,000,000 (31 December 2021: HK$340,000,000). This increase in valuation of HK$85,000,000 was recognised as other comprehensive income for the year ended 31 December 2022 and accumulated in the property revaluation reserve which had no impact on the Group's consolidated statement of profit or loss for the year .

For the year ended 31 December 2022, the Group's finance cost included interest on bank loans of HK$188,000 (2021: HK$134,000) and interest expenses on lease liabilities of HK$1,164,000 (2021: HK$1,911,000). Since interest expenses on lease liabilities for existing retail stores were recognised on a front-loaded basis under HKFRS 16 and the lease for retail store in Harbour City was not renewed after the expiry in July 2022, the finance cost this year was lower as compared to 2021.

BUSINESS REVIEW

SWANK

2022 overall was a difficult trading year for the Hong Kong retail market and hence also for SWANK, whereby the first half was impacted by the most stringent COVID-19 measures implemented by the government in response to the outbreak of the Omicron variant while the second half was overshadowed by the volatile global financial markets. Measures to control the spread of COVID-19 such as the introduction of vaccine pass reduced shoppers foot traffic in malls to near zero. Social distancing measures of maximum two diners per table and no dine-in after 6:00pm dampened consumption sentiment, and strict quarantine rules for inbound travellers, infected individuals and family members all contributed to abysmal retail store sales for the first four months of 2022. This unforeseen turn around in Hong Kong's previous good control and management of the pandemic disrupted SWANK's business plan consisting of a series of marketing and publicity events to bring customers back to shop in the retail stores, after two years of the pandemic and to raise awareness of the Central Building flagship store which opened in March 2020.

With the gradual removal and relaxation of the anti-fifth wave-epidemic regulations beginning from the end of April 2022, SWANK was able to capture some "revenge shopping" with attractive promotions and discounts which brought in some strong sales numbers in the months of May and June. However, trading in the second half of 2022 was affected by the volatile global financial markets leading to another dampening of consumption sentiment. Fortunately, revenue generated from online sales continued to flourish via SWANK's partnership with a well-established fashion online sales platform and we will continue to expand the merchandise offerings on the platform to capture the growth in online shopping.

Nevertheless, in this very challenging year, the sales revenue of SWANK was only 7% lower than 2021, while operating loss was HK$4,310,000 (or 19%) lower than 2021 mainly due to lower gross profit margin of 45.2% compared to 48.7% in 2021 as a result of the need to offer more discounts on current season merchandise to incentivise customer spending amid the fifth wave COVID-19 pandemic situation, and higher amount in stock provision for aged inventory, offset by operating cost savings from shop rental reductions, outsourcing the warehouse operation to a 3PL company, less deprecation and impairment loss and ESS subsidies from the Hong Kong Government's Anti-Epidemic Fund.

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

The operation of a resort and recreational club is highly dependent on patronage of the facilities with most revenue generated from banqueting, food and beverage consumptions at the restaurants, and lodging and venue rental. In the past three years of a pandemic environment in Hong Kong, 2022 was by far the toughest one on the operation of Hill Top. During the fifth wave of COVID-19, when the Omicron variant swept through Hong Kong in the beginning of 2022, lodging and banqueting revenue were significantly down as a result of the extreme anti-pandemic measures implemented by the Hong Kong Government. Under the vaccine pass arrangement, unvaccinated individuals were not allowed to enter specified public venues, including the Club's premises, except exempted individuals with special medical approval. Other "social distancing" measures also resulted in cancellation of large gathering events and limited patronage of the restaurants as only two diners per table was allowed before 6:00pm.

Nevertheless, the Club managed to limit its operating loss to HK$11,446,000 which was slightly higher than the 2021 operating loss of HK$10,344,000. This was achieved through uplift in revenue after the government lifted its anti-pandemic measures in late April 2022, Management's enhanced costs control initiative in procurement and ESS subsidies received from the Hong Kong Government's Anti-Epidemic Fund. New and creative marketing initiatives to attract members' patronage of the Club's dinning and recreational facilities were the primary contributors to the increase in revenue in the second half of 2022. Hill Top's revenue dropped by 5% compared to 2021, mainly attributable to a decrease in revenue from venue rental and lodging, partly offset by an increase in patronage and revenue in the Chinese and Western restaurants throughout the second half of 2022, after a significant decline in the months of February to April 2022 as a result of the government's strict social distancing rules and regulations.

Investments

The Group's investment in financial instruments mainly comprises of four categories: (A) Marketable Funds Investment including, unitized open-end bond and equity fund, and money market investment; (B) Discretionary Investment Portfolios managed by three Private Banks under the control of the Group; (C) Listed Securities Investments; and (D) Other Fund Investments, including Private Equity Funds.

As at 31 December 2022, the total carrying value of the Group's investment portfolio in financial instruments was HK$517,699,000 (2021: HK$683,995,000), representing approximately 43.7% (2021: 54.5%) of the carrying value of the Group's total assets. During the year under review, the Group disposed all of its holding of PuraPharm Corporation Limited shares under Listed Securities Investments. The loss in the Group's investment in financial instruments was a net realised and unrealised loss of HK$92,251,000 (2021: a net gain of HK$31,551,000) for the year ended 31 December 2022, before general and administrative expenses.

In the face of rampant inflation, the United States ("US") Federal Reserve ("Fed") aggressively lifted its federal funds rate by 425 basis points to 4.5% in 2022, the steepest increase since the 1980s. Such restrictive monetary tightening action dented the global financial market heavily, sending both fixed income and equity assets lower in 2022, a phenomenon that was rarely seen for the past three decades. The global fixed income market, which constitutes the majority of the Group's investments, dived 16.3% in 2022, while the US and China onshore equity markets, in where the Group has significant geographical exposures, stumbled 19.4% and 21.6% in 2022 respectively. With some early signs of easing inflation pressure and the relaxation of China's zero-Covid policy in the fourth quarter of 2022, the global fixed income and equity markets staged a strong rebound which helped to recoup some of the heavy losses incurred in the first nine months of 2022.

Nevertheless, our diversified investment portfolio was able to mitigate the impact of such a historic downturn, minimising the net realised and unrealised loss to perform better than the market benchmarks and peers. The main positive contributing factor was our timely reductions in some of the non-performing fixed income and equity funds to redeploy to better performing investments, such as cash and less volatile alternative asset investments types, classified under the Enhanced Yield Fund strategy. This strategy was the best performer within our Marketable Funds Investment portfolio, only incurring 6.0% loss in 2022, mainly attributable to the resilient performance of the alternative investment strategy funds and other private asset funds. The Equity Fund strategy registered the worst performance with 20.1% loss during the year as China and other Asian equity funds incurred heavy mark-to-market losses and realised losses on disposal. The Fixed Income Fund strategy also registered a negative return of 10.2%, but beat the performance of relevant benchmark.

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

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

The total carrying value of the Group's investment in this category was HK$290,832,000 as at 31 December 2022 (2021: HK$396,668,000), representing approximately 24.5% of the carrying value of the Group's total assets; and the asset allocation in this portfolio was 0.4% in a money market investment, 54.4% in bond funds, 29.8% in enhanced yield funds and 15.4% in equity funds. This category of portfolio recorded a net loss of HK$46,461,000 (or -11.5%) (2021: a net gain of HK$8,427,000) for the year ended 31 December 2022. The net loss was attributable to HK$31,410,000 of unrealised mark-to-market loss, and HK$21,660,000 of realised loss on disposals, partly offset by and HK$6,609,000 of dividend and interest income received.

Investment Grade & High Yield Bond Funds

In this strategy, the Group held seven bond funds which can be grouped into the categories of investment grade bond and high yield bond funds. As at 31 December 2022, the fair value of the Group's investment in this strategy was HK$158,232,000, representing approximately 54.4% of the carrying value of the marketable funds investment portfolio and 13.3% of the carrying value of the Group's total assets. The net return on this investment was a HK$22,837,000 loss (or -10.2%) for the year ended 31 December 2022. Below is an individual fund with fair value exceeding 5% of the carrying value of the Group's total assets.

PIMCO GIS- Income Fund

The PIMCO Income Fund is a portfolio that is actively managed and utilises a broad range of fixed income securities that seek to produce an attractive level of income with a secondary goal of capital appreciation. The fund (Institutional Income Class USD) has had a 5-year annualised return of 2.0% for the period of 2018 to 2022. As at 31 December 2022, the fair value of the Group's investment in this fund was HK$66,093,000 (2021: HK$83,984,000), representing approximately 5.6% of the carrying value of the Group's total assets. The net return of this fund was a HK$6,556,000 loss (or -7.8%) for the year ended 31 December 2022, comprised of a HK$9,075,000 unrealised mark-to-market loss and a HK$1,035,000 realised loss on disposal, partly offset by HK$3,554,000 of dividend received. For 2022, we have elected to receive the dividend in cash rather than reinvest into the fund.

Enhanced Yield Fund

As at 31 December 2022, the Group held six funds in this strategy with a fair value of HK$86,669,000, representing approximately 29.8% of the carrying value of the marketable fund investment portfolio and 7.3% of the carrying value of the Group's total assets. This strategy consists of one China credit long/short fund, two private real estate funds, two private credit funds and one Trend-following strategy fund. The net return on investment was a HK$7,080,000 loss (or -6.0%) for the year ended 31 December 2022. The Group's investment in individual fund in this strategy did not exceed 5% of the carrying value of the Group's total assets.

Equity Funds

As at 31 December 2022, the Group held five equity-based funds with a fair value of HK$44,654,000, representing approximately 15.4% of the carrying value of the marketable fund investment portfolio and 3.8% of the carrying value of the Group's total assets. This strategy included one U.S. equity fund, two China A-share funds, one Asian (excluding Japan) equity fund and one global infrastructure fund. The net return on investment was a HK$16,301,000 loss (or -20.1%) for the year ended 31 December 2022. The Group's investment in individual fund in this strategy did not exceed 5% of the carrying value of the Group's total assets.

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

MS Portfolio

Morgan Stanley ("MS") offers a bespoke asset allocation solution based upon its Global Investment Committee Model. The Asia Investment Management Services team leverages the extensive research, investment expertise and execution capabilities of MS to invest in traditional and sophisticated multi-asset, equity and fixed income funds, Exchange-Traded Funds ("ETF") and money market instruments. As at 31 December 2022, the total carrying value of the MS Portfolio was HK$60,260,000 (2021: HK$69,854,000) with a total of twenty-four funds and ETF holdings, representing approximately 5.1% of the carrying value of the Group's total assets. The asset allocation in the portfolio comprised of 17.0% money market investment, 15.0% fixed income funds, 63.8% equity funds and 4.2% other investments. The MS Portfolio has been set up to gradually spread risk with a high flexibility to invest a significant proportion in the Money Market Investment awaiting suitable opportunities to reinvest in other asset classes. The MS Portfolio recorded a net loss of HK$11,106,000 (or -14.6%) during the year.

LGT Portfolio

LGT offers a bespoke asset allocation solution based on recommendations from LGT's Investment Committee in Asia and dynamically incorporates monitoring of macroeconomic outlook, market conditions, and fundamentals of securities funds into the portfolio. Investments are largely in equity and fixed income securities, and to a smaller extent, in mutual funds or ETFs. As at 31 December 2022, the total market value of the LGT portfolio was HK$67,271,000 (2021: HK$82,352,000), with twenty-six fixed income securities, forty-nine equities, and five alternative investment holdings, representing in total approximately 5.7% of the carrying value of the Group's total assets. The asset allocation in the LGT portfolio as at 31 December 2022 was 59.5% in fixed income, 37.5% in equities, and 3.0% in alternative investments. The LGT portfolio has been set up to diversify risk and reduce volatility, thus with fixed income investment as the dominant asset class. The LGT portfolio recorded a net loss of HK$15,106,000 (or -17.5%) during the year.

JB Portfolio

Julius Baer offers a bespoke asset allocation solution based upon assessment and recommendations of its Global Chief Investment Officer and dynamically incorporates monitoring of macroeconomic outlook, market conditions, and asset allocation strategy into the portfolio through ETF investment. As at 31 December 2022, the total carrying value of the JB Portfolio was HK$19,042,000 (2021: HK$21,845,000), comprised of three fixed income ETFs, six equity ETFs and one listed REIT. The asset allocation in the JB portfolio as at 31 December 2022 comprised of 37.3% in fixed income ETFs, 57.9% in equity ETFs and 4.8% in listed REIT, representing in total approximately 1.6% of the carrying value of the Group's total assets. The JB Portfolio has been set up to diversify our investment to ETF investments and it returned a net loss of HK$3,840,000 (or -16.2%) during the year.

C. Listed Securities

In keeping with the investment approach to minimise direct investment in individual listed equities, the Group disposed the entire holding of PuraPharm Corporation Limited ("PuraPharm") shares during the year, realizing a net gain of HK$3,289,000 with total proceeds of HK$10,202,000. As at 31 December 2022, the Group had only one listed security in its investment portfolio, namely China Motor Bus Company Limited ("CMB"), with a total carrying value of HK$20,490,000 (2021: HK$27,245,000), representing approximately 1.7% of the carrying value of the Group's total assets. The investment in CMB recorded a net loss of HK$5,846,000 (2021: HK$440,000 net gain), comprised of an unrealised fair value loss of HK$6,754,000, partly offset by dividend income of HK$908,000 for the year ended 31 December 2022.

D. Other Fund Investments – Private Equity Funds

The total carrying value of the Group's investment in this category was HK$59,804,000 as at 31 December 2022 (2021: HK$79,117,000), representing approximately 5.1% of the carrying value of the Group's total assets and recorded a net loss of HK$13,181,000 (2021: a net gain of HK$11,157,000) for the year ended 31 December 2022.

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

The Group has made an investment commitment of US$4,000,000 (equivalent to HK$31,120,000) in ACIF III for a 1.532% shareholding. ACIF III is managed out of Singapore by United Overseas Bank Venture Management Private Limited ("UOBVM") and targets investments in growth-oriented companies operating in East and Southeast Asia countries and China. As at 31 December 2022, the Group invested a total of HK$23,802,000 in this fund and its capital value was HK$32,755,000 based on the management accounts it has provided. The total return on investment in ACIF III was a HK$12,012,000 net loss for the year ended 31 December 2022 (2021: net gain of HK$9,677,000), comprised of HK$15,393,000 in fair value loss, partly offset by HK$3,381,000 of distribution income. Given the poor performance of the equity market, this fair value loss mainly stemmed from the fund's listed securities holdings. Despite this short-term setback, ACIF III is viewed as a long-term investment which helps to diversify the Group's investment portfolio with exposure to a wider range of potentially profitable private companies managed by a team of tried and tested Managers. Based on the update provided to the Limited Partners of the fund of which we are one, we have confidence in both its performance and upside prospects in the long run.

ASEAN China Investment Fund IV L.P. ("ACIF IV")

With the success of ACIF III, the Group made another capital commitment of US$4,000,000 (equivalent to HK$31,120,000) in ACIF IV for a 1.649% shareholding. ACIF IV is an exempted limited partnership incorporated in the Cayman Islands on 20 February 2018 and a closed-end private equity fund. The fund is also managed out of Singapore by the UOBVM team, and is a "follow-on" fund to its predecessors (ACIF I, ACIF II and ACIF III) and continues the focus of investing primarily via minority stakes in expansion stage capital opportunities through privately negotiated equity and equity related investments in small and medium sized growing companies that benefit from the continuing expansion of trade and investment among the ASEAN member-states and China, and their respective overseas trading partners. As at 31 December 2022, the Group invested a total of HK$28,643,000 in this fund and its capital value was HK$27,049,000 based on the management accounts it has provided. The total return of the Group's investment in ACIF IV was a HK$1,169,000 net loss for the year ended 31 December 2022 (2021: net gain of HK$1,467,000) comprised of a fair value loss of HK$1,253,000, partly offset by distribution income of HK$84,000.

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

The Group had no acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

TREASURY MANAGEMENT/POLICIES

As part of the ordinary activities of the Group, Treasury actively projects and manages the cash balance and borrowing requirements of the Group to ensure sufficient funds are available to meet the Group's commitments and day-to-day operations. The Group's liquidity and financial requirements are reviewed regularly.

In order to minimise risk, the Group continues to adopt a prudent approach regarding cash management and foreign currency exposure. Treasury is permitted to invest cash in short-term deposits subject to specified limits and guidelines. Forward foreign exchange contracts are utilised when considered appropriate to mitigate foreign exchange exposures subject to specified limits and guidelines.

The Group's imported purchases are mainly denominated in Euro, with insignificant amounts in Japanese Yen, British Pounds and United States Dollars and a relatively small portion of the investment portfolio is denominated in currencies other than United States Dollars and Hong Kong Dollars. The Group has undertaken appropriate scale of hedging to protect its foreign currency exposure, especially with respect to Euro and will, from time to time, review its position and market conditions to determine the amount of hedging (if any) that is required. Typically, the Group purchases forward contract of Euro and Euro cash amounting to approximately half of its anticipated merchandise purchase requirements in each season for its fashion business.

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2022, the Group was in a solid financial position with cash and non-pledged deposit holdings of HK$125,529,000 (31 December 2021: HK$111,064,000). Total borrowings and lease liabilities amounted to HK$5,882,000 (31 December 2021: HK$7,001,000) and HK$18,479,000 (31 December 2021: HK$20,899,000) respectively with HK$16,465,000 (31 December 2021: HK$21,126,000) repayment falling due within one year. As previously reported and elaborated in more detail above, the Group has invested a substantial proportion of the cash and non-pledged deposit holdings in open-end unitized equity and fixed income funds since the second half of 2018 which continued into this year. The Group will retain sufficient cash deposits for its regular operation activities in the treasury portfolio, and has chosen to invest a high proportion in marketable funds to ensure that there is more than adequate liquidity. As at 31 December 2022, 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% (31 December 2021: 2.3%) and is in a sound financial position with its current ratio (current assets over current liabilities) standing at 17.5 times (31 December 2021: 18.5 times).

As all segments of the Group's operation were adversely impacted by COVID-19 and recovery from the prolonged negative impacts remains uncertain, management will closely monitor the financial position and believes that while the near term remains challenging, our strong liquidity and tight-cost management will provide support for the long-term prospects of the Group.

As at 31 December 2022, the Group's bank balances and borrowings were denominated primarily in United States Dollars, Hong Kong Dollars and Euro and exchange differences were reflected in the audited consolidated financial statements. All borrowings of the Group are on a floating interest rate.

PLEDGE OF ASSETS

As at 31 December 2022, HK$10,000,000 of the Group's fixed deposits (2021: HK$10,000,000) were pledged to banks to secure trade banking facilities of up to HK$30,000,000 (2021: HK$30,000,000), and foreign exchange facilities.

IMPORTANT EVENTS AFTER THE FINANCIAL YEAR

There have been no important events significantly affecting the finances and future prospects of the Group that have occurred since the end of the financial year.

FUTURE OUTLOOK AND STRATEGIES

SWANK

With the COVID-19 pandemic behind us, in 2023 the Group expects local consumption to show modest growth whilst the return of overseas customers will help to boost its retail sales volume as borders has re-opened. SWANK looks forward to the year ahead to be presented with renewed operating playing field including more shoppers from Mainland China and around the world returning to Hong Kong after three years, and to our retail stores to experience with the amiable and attentive customer service, to be welcomed with a wider range of the latest in-trend merchandise curated from some of the most well-designed brands. Our experienced merchandising team will continue to closely monitor customers' response to the brands we carry to ensure that underperforming ones are promptly replaced with more exclusive and sought after ones by both existing and potential customers. The retail operation and marketing teams will be focusing on providing elevated customer in-store shopping experience, especially in SWANK's flagship store in Central Building.

We intend to explore new retail opportunities, and capitalise on one of SWANK's key strength of identifying brands with high potential to introduce to the Hong Kong market, that may provide the business with better financial returns. Our newest womenswear store in the prestigious Element shopping mall, known to be a destined shopping location of Mainland China shoppers, which opened in January 2022 and stocked with a number of new brands, has shown promising signs that the reopening of Hong Kong's border will be enable SWANK to do what it does best.

With the resumption of overseas travel and hence buying in person, the merchandising team will be able to view each season's collection and hand-pick selections that will better meet the refined taste of our customers. This will, hopefully in time, improve our sell through percentage and reduce inventory stock. The marketing team will be focusing its attention on strategically bringing customers back into our stores with a series of marketing and publicity events. Decades of high-quality in-store personal service is one of the primary contributors to customers' loyalty to SWANK, so the retail team will build on this strength.

Hill Top Country Club

During 2022, the Club has done a number of ground works to pave the way for better membership recruitment, higher quality banqueting and event delivery, and more engaging activities for members in 2023. In the coming year, the Club will continue to actively market the apposite class of membership to recruit new members that would enjoy the facilities and services that Hill Top has to offer, such as a "local getaway" from the hectic city lifestyle. As all of the COVID-19 related rules and regulations have been removed by the Hong Kong Government and people are gradually returning to normality, we hope that with the natural greenery environment of Tai Mo Shan as a backdrop to Hill Top, the Club is in an advantageous position to provide unique outdoor activities, such as lawn wedding and alfresco dinning, which are a scarcity in Hong Kong.

As briefly mentioned in the Overview section at the beginning of this CEO Statement, the application for exchange of Land Grant in relation to the property at Hilltop Road is work in progress that requires ongoing follow up with the various relevant governmental departments, assisted by a number of externally engaged consultants.

Investments in Financial Instruments

A resilient rebound in global fixed income and equity markets at the start of 2023, bolstered by the hope that the interest rate hike would take a pause alongside easing inflation, gave a short-lived hope that 2023 will be a year of recovery from the most challenging investment year of 2022. Latest economic data released in March 2023 gave a mixed signal to the inflation outlook which imply that the inflation problem is stickier than expected and thus the tightening may last longer than the financial market had anticipated. The market also widely believes that the monetary tightening would start to dent the real economy in 2023, leading to corporate earnings recession which will take a toll on the equity market. Against this backdrop, the Group remains cautious on investing in the US equity market and favours the high credit quality (investment grade) fixed income market.

After two consecutive years (2021 and 2022) of steep declines, the China equity market is widely expected to stage a strong comeback in 2023, especially after the Chinese government abandoned its zero-COVID policy and refocused on pro-growth economic policy starting from year end of 2022. In contrast to most of the developed economies, like US and Europe where major economic slowdown or recession could take place, China is one of the few large economies that is expected to post more than 5% real GDP growth in 2023. This should open the door for us to look for good investment opportunities in the Chinese market.

We hope that the sharp market correction of 2022, like the other corrections after the 911 attack and the Gulf War that we have lived through, will similarly not leave lasting impact on asset prices but instead, provide the opportunities to invest at a more attractive price level. We will remain vigilant to downside risk in the face of global markets which are still expected to have some high volatility, as well being alert to opportunities that may arise. The Group will continue the prudent approach to balance risks and reward of investments through diversification of assets type, geography and industries.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2022.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company complied with all Code Provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2022.

REVIEW BY AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee of the Company.

BOARD OF DIRECTORS

As at the date of this announcement, the Executive Director is Mrs. Penny Soh Peng CROSBIE-WALSH (Chief Executive Officer), the Non-executive Directors are Mr. Hung Han WONG (Non-executive Chairman) and Mr. David Charles PARKER, and the Independent Non-executive Directors are Mr. Kin Wing CHEUNG, Mr. Kiu Sang Baldwin LEE, Mr. Ted Tak Tai LEE and Ms. Sarah Young O'DONNELL.

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

Hong Kong, 28 March 2023