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 2020

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 2020, together with the comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020** **HK$'000**	2019 HK$'000
Revenue	5	**104,977**	131,841
Cost of sales		**(39,419)**	(44,453)
Gross profit		**65,558**	87,388
Other income		**12,045**	1,510
Selling and distribution costs		**(40,361)**	(42,066)
Administrative expenses		**(62,225)**	(69,602)
Depreciation of property, plant and equipment, impairment loss and amortisation		**(16,052)**	(6,041)
Other operating gains, net	9	**24,906**	78,013
Profit/(loss) from operations		**(16,129)**	49,202
Fair value gains/(losses) on investment properties, net		**1,200**	(800)
Deficits write-back on revaluation of the club's property	6	**30,308**	-
Finance costs	7	**(3,596)**	(2,245)
Profit before tax		**11,783**	46,157

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020**	2019
		HK$'000	HK$'000
Profit before tax		**11,783**	46,157
Income tax expense	8	-	-
Profit for the year	9	**11,783**	46,157
Attributable to:			
Owners of the Company		**11,881**	46,197
Non-controlling interests		**(98)**	(40)
		11,783	46,157
Earnings per share		**HK$**	HK$
- basic	10(a)	**0.72 cents**	2.80 cents
- diluted	10(b)	N/A	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020**	2019
		HK$'000	HK$'000
Profit for the year		**11,783**	46,157
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Fair value gain on revaluation of the club's property	6	**188,724**	-
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**221**	(84)
Other comprehensive income/(loss) for the year, net of tax		**188,945**	(84)
Total comprehensive income for the year		**200,728**	46,073
Attributable to:			
Owners of the Company		**200,631**	46,134
Non-controlling interests		**97**	(61)
		200,728	46,073

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	Note	**2020**	2019
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment		**288,084**	69,212
Right-of-use assets		**25,651**	45,141
Investment properties		**46,800**	45,600
Intangible assets		**444**	871
Financial assets at fair value through profit or loss	12	**78,522**	67,577
Total non-current assets		**439,501**	228,401
Current assets			
Inventories		**21,844**	22,815
Trade and other receivables	13	**13,079**	35,047
Financial assets at fair value through profit or loss	12	**593,481**	627,148
Pledged bank deposits		**10,000**	10,000
Time deposits		**109,026**	36,888
Cash and bank balances		**41,581**	87,940
Total current assets		**789,011**	819,838
Current liabilities			
Trade and other payables	14	**23,311**	25,771
Lease liabilities		**18,439**	19,376
Interest-bearing bank borrowings		**6,617**	5,236
Total current liabilities		**48,367**	50,383
Net current assets		**740,644**	769,455
Non-current liabilities			
Lease liabilities		**9,573**	28,012
NET ASSETS		**1,170,572**	969,844

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2020

	2020	2019
	HK$'000	HK$'000
Capital and reserves		
Issued capital	**1,206,706**	1,206,706
Accumulated losses	**(1,034,385)**	(1,046,266)
Other reserves	**998,805**	810,055
Equity attributable to owners of the Company	**1,171,126**	970,495
Non-controlling interests	**(554)**	(651)
TOTAL EQUITY	**1,170,572**	969,844

Notes:

1. Financial Information

The financial information relating to the years ended 31 December 2020 and 2019 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 2019 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 2020 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 2020 as set out in this announcement have been agreed by the Company's external auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and consequently no assurance has been expressed by RSM Hong Kong on this announcement.

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange 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 Amendments to Reference to the Conceptual Framework in HKFRS Standards and 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 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19 Related Rent Concessions.

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

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

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

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The application of the amendments had no impact on the consolidated financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements of the Group.

Amendment to HKFRS 16, COVID-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19 Related Rent Concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19 Related Rent Concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

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

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

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions, the Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. Segment Information

The Group has three reportable segments as follows:

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

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

Segment profits or losses do not include the following:
- Unallocated other income;
- Unallocated corporate administrative expenses;
- Fair value gains/(losses) on investment properties, net;
- Deficits write-back on revaluation of the club's property;
- Finance costs; and
- Income tax expense.

Segment liabilities do not include interest-bearing bank borrowings.

4. Segment Information (Cont'd)

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

	Wholesale and retail of fashion wear and accessories	Resort and recreational club operations	Investments	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2020:				
Revenue from external customers	**68,614**	**6,239**	**30,124**	**104,977**
Segment profit/(loss)	**(36,260)**	**(14,518)**	**36,933**	**(13,845)**
Segment profit/(loss) includes:				
Fair value gains on financial assets at fair value through profit or loss, net	**-**	**-**	**21,907**	**21,907**
Gains on disposal of financial assets at fair value through profit or loss, net	**13**	**-**	**3,048**	**3,061**
Interest income from:				
- Financial assets at fair value through profit or loss	**-**	**-**	**1,753**	**1,753**
- Other financial assets	**-**	**-**	**878**	**878**
Written-back for provision for reinstatement cost	**338**	**-**	**-**	**338**
Reversal of allowance for trade receivables	**-**	**9**	**-**	**9**
Depreciation of property, plant and equipment and amortisation	**5,291**	**3,595**	**382**	**9,268**
Depreciation of right-of-use assets	**18,382**	**-**	**2,308**	**20,690**
Charge for inventories allowances	**5,334**	**-**	**-**	**5,334**
Impairment loss of property, plant and equipment	**5,392**	**1,050**	**-**	**6,442**
Impairment loss of intangible assets	**342**	**-**	**-**	**342**
Other segment information:				
Additions to property, plant and equipment	**15,177**	**196**	**92**	**15,465**
Additions to right-of-use assets	**1,200**	**-**	**-**	**1,200**
As at 31 December 2020:				
Segment assets	**72,356**	**282,631**	**873,525**	**1,228,512**
Segment liabilities	**(41,305)**	**(2,111)**	**(7,907)**	**(51,323)**

4. Segment Information (Cont'd)

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

	Wholesale and retail of fashion wear and accessories	Resort and recreational club operations	Investments	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2019:				
Revenue from external customers	95,036	14,617	22,188	131,841
Segment profit/(loss)	(11,126)	(14,342)	81,062	55,594
Segment profit/(loss) includes:				
Fair value gains on financial assets at fair value through profit or loss, net	-	-	68,629	68,629
Gains/(losses) on disposal of financial assets at fair value through profit or loss, net	(263)	-	9,190	8,927
Interest income from:				
- Financial assets at fair value through profit or loss	-	-	1,757	1,757
- Other financial assets	-	-	1,723	1,723
Depreciation of property, plant and equipment and amortisation	2,105	3,550	386	6,041
Depreciation of right-of-use assets	20,164	-	2,308	22,472
Written back of inventories allowances	(2,727)	-	-	(2,727)
Other segment information:				
Additions to property, plant and equipment	955	232	-	1,187
Additions to right-of-use assets	51,862	-	-	51,862
As at 31 December 2019:				
Segment assets	100,052	68,514	879,673	1,048,239
Segment liabilities	(57,705)	(3,027)	(12,427)	(73,159)

4. Segment Information (Cont'd)

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

	2020	2019
	HK$'000	HK$'000
Profit or loss		
Total profit or loss of reportable segments	**(13,845)**	55,594
Unallocated other income	**2,574**	-
Unallocated corporate administrative expenses	**(4,858)**	(6,392)
Fair value gains/(losses) on investment properties, net	**1,200**	(800)
Deficits write-back on revaluation of the club's property	**30,308**	-
Finance costs	**(3,596)**	(2,245)
Consolidated profit for the year	**11,783**	46,157
Assets		
Total assets of reportable segments	**1,228,512**	1,048,239
Consolidated total assets	**1,228,512**	1,048,239
Liabilities		
Total liabilities of reportable segments	**(51,323)**	(73,159)
Interest-bearing bank borrowings	**(6,617)**	(5,236)
Consolidated total liabilities	**(57,940)**	(78,395)

Geographical information:

	Revenue		**Non-current assets**	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**83,949**	117,942	**360,979**	160,445
The Americas	**12,507**	4,854	**-**	-
Europe	**8,110**	8,661	**-**	-
Other Asia Pacific Region	**411**	384	**-**	379
Consolidated total	**104,977**	131,841	**360,979**	160,824

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

5. Revenue

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

	2020 **HK$'000**	2019 HK$'000
Revenue from contracts with customer		
(i) Wholesale and retail of fashion wear and accessories		
Sale of fashion wear and accessories recognised at a point in time	**68,614**	95,036
(ii) Resort and recreational club operations		
Catering service income recognised at a point in time	**3,332**	7,297
Resort and club facilities and other services income recognised over time	**702**	4,964
Entrance fee and subscription fee income recognised over time	**2,205**	2,356
	6,239	14,617
Revenue from other sources		
(i) Investments		
Dividend income arising from financial assets at fair value through profit or loss:		
- listed equity investments	**8,053**	6,280
- unlisted fund investments	**19,440**	12,428
Interest income from		
- Financial assets at fair value through profit or loss	**1,753**	1,757
- Other financial assets	**878**	1,723
	30,124	22,188
Total revenue of the Group	**104,977**	131,841

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

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

7. Finance Costs

	2020	2019
	HK$'000	HK$'000
Interest expenses on lease liabilities	**3,456**	1,961
Interest on bank loans	**140**	284
	3,596	2,245

8. Income Tax Expense

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2020 (2019: Nil) as the Company and its subsidiaries either did not generate any assessable profits for the year or have available tax losses brought forward from prior years to offset against any assessable profits generated during the year.

9. Profit for the year

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

	2020 **HK$'000**	2019 HK$'000
Cost of inventories sold#	**39,419**	44,213
Depreciation of property, plant and equipment	**9,183**	5,956
Depreciation of right-of-use assets	**20,690**	22,472
Impairment loss of property, plant and equipment	**6,442**	-
Amortisation of intangible assets	**85**	85
Impairment loss of intangible assets	**342**	-
Charge/(write back) for inventories allowances	**5,334**	(2,727)
Gains from financial assets at fair value through profit or loss, net*:		
Fair value gains, net	**(21,907)**	(68,629)
Gains on disposal, net	**(3,061)**	(8,927)
	(24,968)	(77,556)
Fair value losses/(gains) on investment properties, net	**(1,200)**	800
Loss/(gains) on disposal of property, plant and equipment*	**(2)**	2
Reversal of allowance for trade receivables	**(9)**	-
Foreign exchange losses/(gains), net*	**402**	(459)
Deficits write-back on revaluation of the club's property	**(30,308)**	-
Write back for provision for reinstatement cost*	**(338)**	-

Cost of inventories sold included charge for inventories allowances of HK$5,334,000 (2019: write back for inventories allowances of HK$2,727,000).

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

10. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$11,881,000 (2019: HK$46,197,000) and the weighted average number of ordinary shares of 1,650,658,676 (2019: 1,650,658,676) in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2020 and 2019.

11. Dividends

The directors do not recommend the payment of any dividend to shareholders for the years ended 31 December 2020 and 2019.

12. Financial Assets at Fair Value Through Profit or Loss

	2020	2019
	HK$'000	HK$'000
Financial assets at fair value through profit or loss:		
Equity investments, at fair value		
- Listed in Hong Kong	**34,460**	45,252
- Listed outside Hong Kong	**21,732**	15,106
	56,192	60,358
Unlisted fund investments, at fair value	**563,218**	588,557
Debt investments, at fair value		
- Listed in Hong Kong*	**12,079**	7,413
- Listed outside Hong Kong*	**40,514**	38,397
	52,593	45,810
	672,003	694,725

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

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

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

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

	2020 HK$'000	2019 HK$'000
Current assets - Financial assets at fair value through profit or loss		
- Listed equity investments	**56,192**	60,358
- Unlisted fund investments	**484,696**	520,980
- Listed debt investments	**52,593**	45,810
	593,481	627,148
Non-current assets - Financial assets at fair value through profit or loss		
- Unlisted fund investments	**78,522**	67,577
	672,003	694,725

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:

	2020 HK$'000	2019 HK$'000
Within 1 month	**720**	588
2 to 3 months	**5**	23
	725	611

14. Trade and Other Payables

Included in the Group's trade and other payables as at 31 December 2020 are trade and bills payables of HK$5,508,000 (2019: HK$5,599,000). An ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	2020	2019
	HK$'000	HK$'000
Within 1 month	**4,412**	3,511
2 to 3 months	**370**	2,067
Over 3 months	**726**	21
	5,508	5,599

15. Impacts of Coronavirus Pandemic

Since early 2020, the coronavirus pandemic ("the COVID-19 outbreak") has spread across China and other countries, and it has adversely affected our retail fashion business and resort and recreational club operations in Hong Kong and the performance of investment in financial instruments activities of the Group. The Group's financial performance and liquidity position from the retail fashion business, resort and recreational club operations and investment in financial instruments are affected adversely as compared to the same period in 2019 due to the impact from the COVID-19 outbreak. The Group is still in a sound financial position with its current ratio at 31 December 2020 standing at 16.3 times. Our strong liquidity position will provide support for the long-term prospects of our businesses.

16. Subsequent Event

The Group's Rezoning Approval was included by the Government's Planning Department in its Tsuen Wan Outline Zoning Plan ("OZP") amendment proposal No. S/TW/33 which was gazetted on 26 February 2021 following Town Planning Board approval. The draft Tsuen Wan OZP No. S/TW/34, incorporating the Tsuen Wan OZP No. S/TW/33 is exhibited under Section 5 of the Town Planning Ordinance (Chapter 131 Laws of Hong Kong) for public inspection and representation for a period of two months from 26 February 2021 to 26 April 2021.

The above event is a non-adjusting event after the financial year end and does not result in any adjustments to the consolidated financial statements for the year ended 31 December 2020.

CHIEF EXECUTIVE OFFICER'S STATEMENT

OVERVIEW

The Group recorded a lower profit for the year of 2020 as compared to the profit attributable to shareholders of the Company for the year of 2019. The COVID-19 pandemic, which commenced its impact in late-January and endured throughout the year, impacted significantly our financial performance in 2020. The Group's retail fashion business and recreational club operations were hit hard by the COVID-19 situation in Hong Kong which resulted in poor local consumer sentiment, statutory restrictions on permitted activities at the club operations under the relevant Government regulations, and the virtual elimination of Mainland and other tourist arrivals. Both the Group's retail fashion business and recreational club operations recorded significant revenue and gross profit declines, and reported losses in the financial year of 2020. Besides, the Group's investment portfolio also contributed less than the 2019 total investment return due to the volatility in the securities market during the year and certain realized losses on investments taken at the nadir of the securities market in March 2020.

Positively, however, the Group's application under Section 12A of the Town Planning Ordinance (Chapter 131, Laws of Hong Kong) to the Town Planning Board to rezone Lot 360, 360 Ext. and Ext. to 360 and Ext. thereto in D.D. 454, Lo Wai, Tsuen Wan, New Territories Hong Kong, where the recreation club is situated, from "Other Specified Uses" annotated "Sports and Recreation Club" to Residential was approved in September 2020 (the "Rezoning Approval"). On 26 February 2021, the Town Planning Board gazetted a draft amended Tsuen Wan Outline Zoning Plan ("OZP") No. S/TW/33, which amongst other matters gave effect to the Rezoning Approval, subject to the processes for approval of the amended OZP.

There are a number of remaining steps required before development can commence including the approval by the Chief Executive in Council of the above-mentioned amended OZP, the negotiation of a new land lease, the re-gazettal of the widened Hilltop Road and the determination and payment of a change of land lease premium. The Group has not entered into any definitive commitment following the Rezoning Approval, however the Group considers the approval up to the date of this report is a significant milestone in the rezoning process and we will make separate announcements as progress continues.

FINANCIAL REVIEW

The profit attributable to shareholders for the year ended 31 December 2020 amounted to HK$11,881,000 as compared to HK$46,197,000 for the last corresponding year. The net profit includes the combination of a loss attributable to the retail fashion business of HK$36,260,000 (2019: loss of HK$11,126,000) which included additional specific provisions above normal on inventory of HK$1,192,000 and an impairment loss on leasehold improvements, furniture, fixtures and equipment of HK$5,392,000 as a result of the impact from the effect of COVID-19 to the retail fashion business, a loss from recreational club operations of HK$14,518,000 (2019: loss of HK$14,342,000), which included an impairment loss on furniture, fixtures and equipment of HK$1,050,000 also resulting from the impact of COVID-19 on the recreational club operations, offset by a segment profit by the investments division of HK$36,933,000 (2019: segment profit of HK$81,062,000), including bank interest income of HK$878,000, rental income of HK$1,130,000 and related overhead cost deductions. Loss from operations (after unallocated corporate other income and administrative expenses) amounted to HK$16,129,000 (2019: profit from operations of HK$49,202,000). The Group's profit (before share of loss attributable to non-controlling interests) for the year was HK$11,783,000 (2019: profit of HK$46,157,000), after deduction of finance costs of HK$3,596,000 (2019: HK$2,245,000) and was positively impacted by the fair value gain of HK$1,200,000 (2019: negatively impacted by the fair value loss of HK$800,000) on revaluation of the Group's investment property, and deficit write-back of HK$30,308,000 (2019: HK$ Nil) on revaluation of the Group's resort and recreational club properties, the fair value of which was determined based on the "Highest and Best" use of the land following the Rezoning Approval obtained in September 2020. More detail on this is contained below. Earnings per share attributable to owners of the Company was HK$0.72 cents (2019: HK$2.80 cents).

The major contributions to the profit of HK$11,783,000 for the year were mainly attributable to the following factors:

(1) before general and administrative expenses, net realised and unrealised gains of HK$54,201,000 (including interest and dividend income of HK$29,246,000, net gains on disposal of HK$3,048,000 and net unrealised fair value gains of HK$21,907,000) within the investment portfolio and other equities investments for the year ended 31 December 2020 as compared to net realised and unrealized gains of HK$98,284,000 (including interest and dividend income of HK$20,465,000, net gains on disposal of HK$9,190,000 and net unrealized fair value gains of HK$68,629,000) for the corresponding year in 2019. 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 during the year, though the value increase was less than that of 2019. Further, substantial dividends of HK$7,804,000 (2019: HK$6,054,000), and also distribution and dividends of HK$9,501,000 (2019: HK$2,495,000) were received from our directly held listed stock, China Motor Bus Company Limited and a private equity investment, ASEAN China Investment Fund III L.P. respectively. However, the continued depreciation in the market value of the investment in PuraPharm Corporation Limited, resulting in unrealized fair value losses of HK$5,121,000 (2019: HK$6,999,000) and the realized losses taken for certain investments at the nadir of the securities market in March 2020 have adversely affected the performance of the investments division for the year of 2020. Thus overall, the Group's investments division recorded a segment profit of HK$36,933,000 (2019: segment profit of HK$81,062,000) amid the volatile securities market.

(2) The COVID-19 pandemic devastated the already weak retail market in Hong Kong. For the year ended 31 December 2020, the Group's retail fashion business saw a massive 34% decline in physical retail store sales over the same period last year. This was primarily attributable to the drastic deterioration in consumer sentiment, "work from home arrangements" and Government advice to the public to "stay home" if at all possible adversely impacting on the market from local shoppers, and the virtual elimination of mainland and other tourist arrivals caused by Government anti-epidemic measures such as border closures, travel restrictions and mandatory quarantines. However, with the ramp-up of internet sales, overall sales were down by 28% to HK$68,614,000 (2019: HK$95,036,000) for the year under review. Although vaccines have started to be administered in Hong Kong and around the world, the development of COVID-19 still remains uncertain and its adverse impact on our retail fashion business may continue well

into 2021. A return to normalcy for our patronage, particularly among tourist customers, could potentially take longer than a year. Although the 2020 impact of COVID-19 is already reflected in our results for that year (including normal provisioning), after taking into account the expected long-lasting impacts of COVID-19, the Group has recognized a further inventory provision of HK$1,192,000 and impairment loss of HK$392,000 and HK$5,000,000 for the renovation, furniture and equipment cost for our Harbour City store and Central Building store respectively. For the year of 2020, in spite of the management effort in obtaining rental concessions from landlords and support received from the Government's "Employment Support Scheme" "ESS" (six months during the year) and its "Retail Sector Subsidy Scheme", the Group reported an operating loss of HK$36,260,000 including COVID-19 specific impairments as mentioned above, (2019: loss of HK$11,126,000) from the retail fashion business during such decimated retailing environment.

(3) The prolonged statutory measures such as restrictions on social gathering and eateries to halt the spread of COVID-19 brought severe disruption to the Group's recreational club operations. As a result of the cancellation of weddings, conferences, lodging, parties, family dinners and celebrations and other events amid the pandemic situation, and the forced closure of our sporting and other facilities for long periods, the Group's revenue from recreational club operations dropped by 57% to HK$6,239,000 (2019: HK$14,617,000) as compared with last year. Despite cost tightening measures and support from the Government's "ESS" (six months during the year) and "Club-House Subsidy Scheme, the Group reported an operating loss of HK$14,518,000 (2019: loss of HK$14,342,000) from recreational club operations.

(4) The Rezoning Approval complicated the revaluation of the Group's recreational club property as at 31 December 2020. 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 this 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. A deficit write-back of HK$30,308,000 on revaluation of the Group's resort and recreational club properties resulted from the fair value assessment as set out above. The valuation of the property as at 31 December 2020 is HK$281,000,000, which includes HK$188,724,000 recorded in the Group's property revaluation reserve.

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.

	2020 HK$'000	2019 HK$'000	Change
Wholesale and retail of fashion wear and accessories	68,614	95,036	(28%)
Resort and recreational club operations	6,239	14,617	(57%)
Dividend income	27,493	18,708	47%
Interest income	2,631	3,480	(24%)
Consolidated revenue	104,977	131,841	(20%)

The Group's consolidated revenue for the year ended 31 December 2020 declined by 20% to HK$104,977,000 (2019: HK$131,841,000) which was mainly attributable to the substantial decline in sales of (i) retail fashion products by 28% and (ii) catering, lodging and other services income from resort and recreation club operations by 57% as a result of the weak consumer market and economic downturn in Hong Kong following the COVID-19 outbreak since late January 2020. These negative impacts were mitigated by the increase in dividend income/distribution received from China Motor Bus Limited (due to a special dividend of HK$27 (2019: HK$20.8) per share received by the Group) and a private equity fund in which the Group has invested.

The Group's gross profit dropped to HK$65,558,000 (2019: HK$87,388,000), reflecting a 25% decrease. The Group's gross profit margin of 62% for the year ended 31 December 2020 was about 4% lower than 2019, mainly caused by a combination of (i) a significant drop in gross profit margin for the sales of retail fashion products by 11% (or about HK$7,500,000) as a result of higher discounts offered to incentivise customer spending during the unprecedented pandemic market situation and an increase in stock provision and (ii) an increase in dividend income from our investments (included in "Revenue", for which gross margin is theoretically 100%).

The Group's other income mainly comprised (i) rental income of HK$1,130,000 (2019: HK$1,140,000) from the Group's investment property situated in Hong Kong and (ii) anti-epidemic subsidies of HK$7,889,000 (2019: HK$Nil) received from the Hong Kong Government and (iii) one-off income, being recovery of legal costs of HK$2,574,000 from the Hong Kong Building Authority pursuant to the Court of Final Appeal judgement (For the Group's segment information in note 4 to the consolidated financial statement set out on pages 10 to 13, this one-off income is classified as unallocated other income).

The Group's selling and distribution expenses decreased by 4% to HK$40,361,000 (2019: HK$42,066,000). The decrease was primarily attributable to three major cost savings: (1) 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 whole year of 2020; (2) as a result of management efforts, rental concessions of HK$1,839,000 were obtained from landlords of physical retail stores for the year 2020 to assist us in getting through the prolonged difficult time after the outbreak of COVID-19 pandemic, and (3) the reduction of staff costs for retail stores. These positive impacts from cost savings were partly offset by (1) the increase in internet sales commission, derived from the ramp-up of internet sales for the year under review and (2) the increase in occupancy costs due to the full year effect from the opening of the second Paule Ka mono-brand store in Harbour City in August 2019.

The Group's administrative expenses decreased by 11% to HK$62,225,000 (2019: HK$69,602,000), mainly as a result of: (1) the Group's further cost tightening measures for the resort and recreational club operations in view of the difficult operating environment; (2) control of staff costs, and (3) reduction in fees paid to professionals and consultants.

Depreciation for property, plant and equipment, impairment loss and amortization expenses increased by 166% to HK$16,052,000 (2019: HK$6,041,000), mainly because of COVID-19 specific impairments of HK$6,784,000 and the relocation and opening of the major SWANK store in Central Building in March 2020. Amortization of the renovation, furniture and equipment cost for the new SWANK store started from March 2020. The stores being replaced had been either fully or mainly depreciated in the prior years. As stated above, the Group has exceptionally recognized impairment losses of HK$392,000 and HK$5,000,000 for the renovation, furniture and equipment cost for the Harbour City store and Central Building store respectively and an impairment loss of HK$1,050,000 for 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 respectively.

The Group's "Other operating gains, net" mainly comprised net realised and unrealised fair value gains of HK$24,955,000 from investment in financial instruments (before interest and dividend income, included in "Revenue") by the investments division for the year ended 31 December 2020 as compared to net realised and unrealised fair value gains of HK$77,819,000 from investment in financial instruments by the investments division for the corresponding year in 2019.

The Group recorded a finance cost on lease liabilities due to the adoption of HKFRS 16 of HK$3,456,000 (2019: HK$1,961,000) for the year ended 31 December 2020. The increase was mainly caused by the recognition of lease liabilities and the finance cost following the full year effect from the commencement of the new leases for the store in Harbour City in July 2019 and the new SWANK store in Central Building in October 2019.

BUSINESS REVIEW

Retail Fashion

SWANK Hong Kong

With the advent COVID-19 in late January 2020, the retail market in Hong Kong faced never-before experienced challenges. Hong Kong is renowned as one of the world most popular destinations with 65 million and 56 million visitors in 2018 and 2019 respectively. With the decline of almost all tourist visits (-99.7% vs 2019) since the second quarter of 2020, the total numbers of in-bound travellers dropped from 3.2 million in January 2020 to 199,000 in February 2020, and total of 161,000 from March to December 2020. As a result, the Hong Kong retail market was entirely reliant on local spending which was also constrained by "work from home arrangements" as well as "stay at home" advice. The social distancing implementation required by the Government further minimized retail traffic footfall. High–end luxury retail stores in prime locations suffered the most in 2020. However, the on-line business has been growing even more rapidly worldwide than before due to COVID-19, and on-line shopping for clothes and daily necessities became the new norm. SWANK started its on-line business in February 2019, with very positive sales in 2020 with a 217% increase compared to 2019, while the sales mix from our online business increased from 3% in 2019 to 14% in 2020.

The opening of the flagship multi brand store at Central Building in March 2020 brought a new era to SWANK. With the new store concept and spacious location with separate ladies' and men's sections, we now offer a better shopping experience and product varieties to shoppers, and have received many compliments from our regular clients. Due to COVID-19, we cancelled our store opening celebration as well as our seasonal launch events, and there were other limitations on maximizing our exposure to the market. With the lack of walk-in traffic in Central due to "work from home arrangements", we were grateful that our sales professionals managed to closely connect with our regular clients and VIP customers to introduce them to our latest collections. Local sales trends rebounded somewhat in September 2020 as COVID-19 cases dropped to single digits per day, while we recorded one of our best performing month in October 2020 thanks to our innovative marketing promotion. However, store traffic dropped drastically with the 4th wave of COVID-19 from mid-November 2020 to year's end. Additionally, we experienced delayed shipments from a number of our brand suppliers due to their own production and other limitations also caused by COVID-19 in their home countries.

The Paule Ka business also faced significant challenges in 2020. The overall decline in sales was almost totally due to the lack of tourist presence at our Harbour City store. With a 94% drop in tourist traffic in Hong Kong compared to 2019, despite in-mall promotions, the business suffered drastically. Paule Ka's Central store also suffered from the lack of retail traffic, but our store maintained a stable sales trend due to its strong regular client base and high conversion rate. As customers spent less on working outfits due to the "work from home arrangements", business dropped by 25% compared to 2019 which was nevertheless an out-performance of the ladies luxury fashion market.

As a result of COVID-19, SWANK adopted an aggressive pricing strategy which resulted in an overall reduction in our profit margin by approximately 11% compared to 2019 and additional inventory provision and impairment loss on leasehold improvements, furniture, fixtures and equipment of HK$1,192,000 and HK$5,392,000 respectively. The COVID-19 related reduction in gross profit margin reduced our net income by about HK$7,500,000.

Resort and Recreational Club Operations

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

Hilltop Country Club is situated in the Lo Wai district of Tsuen Wan with a total site area of over 400,000 square feet, Hilltop is one of the earliest private country clubs in Hong Kong providing recreational and outdoor activities, conferences, dining and lodging facilities to its members and their guests. It is one of the few private clubs in Hong Kong that offers lodging facilities for members and their guests.

The operating performance of Hilltop for 2020 was not able to contribute profit to the Group partly due to the impact of COVID-19. However, Hilltop's operating results for the year with an operating loss of HK$13,468,000 (before impairment loss of HK$1,050,000 on furniture, fixture and equipment) were an improvement of HK$874,000 from the equivalent loss of HK$14,342,000 in 2019. This improvement is mainly attributed to the subsidies of the Employment Support Scheme by the Government, the cost savings strategy adopted by the Club's Management, and an increase in regular dining revenue.

The decrease in the Club's revenue from HK$14,617,000 in 2019 to HK$6,239,000 in 2020 was mainly a product of the Government's social distancing requirements and other restrictions as a result of the COVID-19 pandemic, which led to cancelling or postponing functions and wedding banquets, partly offset by an improvement from the patronage in our European and Chinese restaurants due to our high level of hygiene and the spacious environment provided to our members and guests.

In the coming year, the Club's management will try to strongly focus on the banquet and conference business for corporate members and increase revenue with the anticipation of the COVID-19 vaccinations, together with the anticipated economic recovery.

As mentioned in the overview section of this report, in September 2020, the Group obtained approval of its rezoning application. With the remaining steps required including the approval by the Chief Executive in Council of the amended OZP which gives effect to the Section 12A approval, the negotiation of a new land lease and the determination and payment of the change of land lease premium, the Group has not entered into any plan to wind down the Club's recreational and resort operations.

Investment in Financial Instruments

The purpose of Investment in Financial Instruments, which are managed on a fair value basis, is for earning distributions, yield enhancement, capital appreciation and liquidity. In view of the volatile and uncertain investment environment, in order to improve performance and to better manage risk, the importance to shareholders of the potential returns and the increasing requirement for increasingly specialized and skilled investment management, the Group decided more than two years ago to minimize its direct investments in individual listed stocks and corporate bonds and increase substantially the proportion of its investment mainly in unitized equity and fixed income funds managed by professional and reputable asset managers. Also, the Group allocated a certain portion of its investment to a discretionary portfolio management portfolio, still under the control of the Group but managed by two Investment Banks in Hong Kong.

The details of the business risks of investments, strategy for future investments and the prospects of investments are set out in other parts of the Chief Executive Officer's statement.

The Group's investment in financial instruments comprises 5 significant categories; (A) a Marketable Funds Investment Portfolio including unitized open-end fixed income, equity and money market funds; (B) a Discretionary Investment portfolio managed by two Investment Banks but still under the control of the Group; (C) direct listed Securities Investments; (D) directly held USD-denominated corporate bonds; and (E) private equity funds and a senior loan fund with a fixed term.

As of 31 December 2020, the total carrying value of the Group's investment portfolio in financial instruments was HK$672,003,000 (31 December 2019: HK$694,725,000), representing approximately 54.7% (31 December 2019: 66.4%) of the carrying value of the Group's total assets.

Our diverse portfolio delivered a solid set of returns despite a volatile market in 2020. The main contributing factors, apart from the cautious asset allocation approved by the Board and the selection of investment managers approved by our Investment Committee, was the decision of the United States Federal Reserve to launch a USD 700 billion asset purchase plan and cut interest rates to nearly zero, together with the passage by the United States Congress of a USD 2.2 trillion stimulus package in the aftermath of the "melt-down" in both equity and fixed income markets in late February and March 2020. These measures lifted investor sentiment, driving asset prices up in both fixed-income and equity markets. The United States Presidential election victory of former vice-President Joseph R. Biden in early November reduced some concern about trading uncertainties with China; as a result the Chinese, the United States and other global securities markets recorded substantial gains during the year.

Further our directly held listed stock, China Motor Bus Company Limited recorded considerable gains as the company declared special dividends of HK$27 per share or HK$1,223,318,000 following the sales of its property in North Point jointly held with Swire Properties.

Under this backdrop, the Group's investment in financial instruments recorded a net gain of HK$54,201,000 (or 6.88%) (2019: a net gain of HK$98,284,000) to the Group for the 12 months ended 31 December 2020 before general and administrative expenses.

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

The marketable and investment portfolio includes four investment strategies, which are a money market portfolio, an investment grade & high yield bond funds portfolio, an enhanced yield fund portfolio and an equity–based fund portfolio. All investments are marketable securities which are traded over-the-counter.

The total carrying value of the Group's investment in the marketable funds investment portfolio was HK$414,009,000 as of 31 December 2020 (31 December 2019: HK$460,487,000), representing approximately 33.7% of the carrying value of the Group's total assets; and the asset allocation in the portfolio as at year's end comprised of 51.5% fixed income funds, 38.6% enhanced yield funds, 6.2% equity funds and 3.7% gold exchange-traded fund. The marketable funds investment portfolio recorded a net profit of HK$21,151,000 (or 4.2%) (2019: net gain of HK$60,496,000) for the 12 months ended 31 December 2020. During the year, the Investment Committee of the Board and the management undertook a number of modifications of asset allocation, reflecting its view of risk at different times in a very volatile year.

Investment Grade & High Yield Bond Funds Portfolio

In this strategy, the Group held 6 fixed income funds, which can be mainly grouped into three categories, namely investment grade bond funds, high yield bond funds and a floating rate senior loan fund. As at 31 December 2020, the fair value of the Group's investment in this strategy was HK$213,103,000, 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$2,792,000 (or 1.1%) in profit for the 12 months ended 31 December 2020, including dividend income of HK$9,222,000 and offset by a mark-to-market loss of HK$ 178,000 and a realized loss of HK$ 6,252,000. Below are the individual fund investments with fair values exceeding 1.5% of the carrying value of the Group's total assets.

PIMCO GIS- Income Fund

The PIMCO Income Fund is a portfolio that is actively managed and utilizes a broad range of fixed income securities to maximize current income while maintaining a relatively low risk profile, with the 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 31 December 2020, the Fair Value of the Group's investment in this Fund was HK$82,105,000 (31 December 2019: HK$77,079,000), representing approximately 6.7% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$5,026,000 (or 6.3%) gain in the 12 months ended 31 December 2020, including a HK$2,102,000 mark-to-market gain and HK$2,924,000 of dividend income. The total Fair Value as at 31 December 2020 reported above is the net figure after including the mark-to-market return, and the reinvestment of dividend income received. The fund increased exposure to high quality credit after the sell-off in March 2020, which contributed positively as the spreads returned back to normal later.

IP All Seasons Bond Fund

The IP All Seasons Bond Fund (managed by Income Partners Asset Management (HK) Limited) aims to generate income and capital growth through investments in global investment grade bonds. The Fund invests in bonds issued by Governments, Government agencies, corporations and financial institutions on a global basis, with a strong emphasis on the Asian region. At least 70% of its bond portfolio consists of investment-grade related securities. The fund (Class A Distribution) has had a 5 year annualized return of 4.88% for the period 2016-2020. As at 31 December 2020, the Fair Value of the Group's investment in this Fund was HK$42,893,000 (31 December 2019: HK$44,426,000), representing approximately 3.5% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$676,000 (or 1.5%) gain comprising dividend income of HK$2,210,000 and mark-to-market loss of HK$1,534,000.

Robeco High Yield Bond Fund

The Robeco High Yield Bond Fund invests in corporate bonds with a sub-investment grade rating, issued primarily by issuers from the developed market (Europe/US). The selection of these bonds is mainly based on fundamental analysis. The portfolio is broadly diversified, with a structural bias to the higher-rated segment in high yield. Performance drivers are the top-down beta positioning as well as bottom-up issuer selection. The fund (Class CH USD) has had an annualized return of 5.89% for the period since its inception in May 2017 and ended December 2020. As at 31 December 2020, the Fair Value of the Group's investment in this Fund was HK$39,578,000 (31 December 2019: HK$39,771,000), representing approximately 3.2% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$1,731,000 (or 4.4%) gain for the 12 months ended 31 December 2020 comprising HK$1,924,000 in dividend income and HK$193,000 in mark-to-market loss.

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

The UBS Euro High Yield Bond Fund invests primarily in high-yield corporate bonds selected using strict criteria, and either denominated in EUR or hedged into EUR. When selecting issuers of such bonds, particular attention is taken to spread investments across the various credit ratings. The fund (Class K-1 with monthly distribution) has had a 5 year annualized return of 6.14% for the period 2016-2020. As at 31 December 2020, the Fair Value of the Group's investment in this Fund was HK$35,496,000 (31 December 2019: HK$36,491,000), representing approximately

2.9% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$1,169,000 (or 3.2%) gain in the 12 months ended 31 December 2020 comprising HK$2,164,000 in dividend income and HK$995,000 in mark-to-market loss.

Enhanced Yield Fund Portfolio

As at 31 December 2020, the Group held 4 funds in this strategy with a fair value of HK$159,977,000, representing approximately 38.6% of the carrying value of the marketable fund investment portfolio and 13% of the carrying value of the Group's total assets. The total net return of the Group's investment was HK$4,757,000 (or 2.3%) in profit for the 12 months ended 31 December 2020. Below are the individual fund investments with fair values exceeding 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 31 December 2020, the Fair Value of the Group's investment in this Fund was HK$73,642,000 (31 December 2019: HK$67,874,000), representing approximately 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$3,569,000 (or -4.6%) in mark-to-market loss during the 12 months ended 31 December 2020.

Prudence Enhanced Income Fund

Prudence Enhanced Income Fund, managed by Fangyuan Asset Management Limited, is an absolute return long-short credit strategy which aims to generate stable income and capital appreciation primarily by investing in a variety of fixed income instruments. The strategy seeks opportunities throughout Asia. The fund (accumulating class) has had a 5 year annualized return of 7.43% for the period 2016-2020. As at 31 December 2020, the Fair Value of the Group's investment in this Fund was HK$44,071,000 (31 December 2019: HK$80,910,000), representing approximately 3.6% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$2,062,000 (or 2.5%) during the 12 months ended 31 December 2020 including HK$2,185,000 mark-to-market gain and a realized loss of HK$123,000.

Janus Henderson Balanced Fund

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 other US issuers. The fund (Class A2, net) has had an annualized return of 9.9% for the period 2016-2020. As at 31 December 2020, the Fair Value of the Group's investment in this Fund was HK$30,086,000 (31 December 2019: HK$Nil), representing approximately 2.4% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$3,104,000 (or 11.5%) mark-to-market gain during the 12 months ended 31 December 2020.

Equity–Based Funds Portfolio

As at 31 December 2020, the Group held 2 equity-based funds with a fair value of HK$25,448,000, representing approximately 6.2% of the carrying value of the marketable fund investment portfolio and 2.1% of the carrying value of the Group's total assets. The Equity-based Funds Portfolio includes one China opportunity fund and one technology fund. The total net return of the Group's investment in equity-related funds was HK$13,600,000 (or 18.0%) gains for the 12 months ended 31 December 2020.

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 31 December 2020, the Fair Value of the Group's investment in this Fund was HK$21,678,000 (31 December 2019: HK$15,991,000), representing approximately 1.8% of the carrying value of the Group's total assets. The total net return of the Group's investment in this fund was HK$5,687,000 (or 35.6%) mark-to-market gain for the 12 months ended 31 December 2020.

Gold Exchange-traded Fund

iShares Gold Trust

iShares Gold Trust is an Exchange-Traded-Fund (ETF) listed in the United States which seeks to reflect generally the performance of the price of gold. As at 31 December 2020, the Fair Value of the Group's investment in this Fund was HK$15,481,000 (31 December 2019: HK$Nil), representing approximately 1.3% of the carrying value of the Group's total assets.

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

MS Portfolio

Still under the control of, and with each security in the name of the Group, we have allocated a certain portion of our investment to a discretionary management portfolio managed on our behalf by Morgan Stanley Asia International Limited. The MS Portfolio offers a bespoke asset allocation solution based upon Morgan Stanley Global Investment Committee Model recommendations and dynamically incorporated monitoring of the macroeconomic outlook, market conditions, fund manager views and fund portfolio positioning into the portfolio. Investments are made via traditional and sophisticated multi-asset, equity and fixed income funds, ETFs and money market instruments. As of 31 December 2020, the total carrying value of the MS Portfolio was HK$67,160,000 with 26 fund/ETF holdings (31 December 2019: HK$59,062,000), representing approximately 5.5% of the carrying value of the Group's total assets. The asset allocation in the portfolio comprised 27.3% fixed income funds, 56.2% equity funds and others 16.5%. The underlying assets in the MS Portfolio were set up gradually to spread risk and a certain portion of the funds can be invested in the Money Market Fund awaiting suitable opportunities. The MS Portfolio recorded a net profit of HK$9,823,000 (or 15.9%) during the 12 months ended 31 December 2020.

<u>LGT Portfolio</u>
Still under the control of, and with each security in the name of the Group, we have allocated a certain portion of our investment to a discretionary portfolio managed on our behalf by LGT Bank (Hong Kong). The LGT portfolio offers a bespoke asset allocation solution based upon recommendations from LGT's Investment Committee in Asia and dynamically incorporates monitoring of macroeconomic outlook, market conditions, and security and fund selection into the portfolio. Investments are largely made via direct equity and fixed income securities, and to a smaller extent with funds or ETFs. As of 31 December 2020, the total market value of the LGT portfolio was HK$69,998,000 (31 December 2019: HK$55,857,000), with 77 securities (fixed income, equities and 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 of 31 December 2020, comprised 65% in fixed income, 35% in equities, equity mutual fund and alternative investments. The underlying assets in the LGT portfolio have been set up to diversify risk and reduce volatility, and thus fixed income is the dominant asset class within the portfolio. The LGT Portfolio returned a gain of HK$10,658,000 (or 17.2%) during the 12 months ended 31 December 2020.

C. Listed Securities

Under the intention to minimize the Group's investments in individual listed stocks and corporate bonds and increase substantially the proportion of its investment in unitized equity and fixed income funds managed by professional asset managers, the Group disposed most of its listed stock holdings by the end of 2018. As of 31 December 2020, the Group directly held only two listed securities in our portfolio, which are China Motor Bus Company, Limited ("CMB") and PuraPharm Corporation Limited ("PuraPharm"). As of 31 December 2020, the total carrying value of the investments in CMB and PuraPharm shares was HK$33,517,000 (31 December 2019: HK$44,329,000), representing approximately 2.7% of the carrying value of the Group's total assets. The investment in CMB and PuraPharm recorded a net loss of HK$2,595,000, which represents an unrealized fair value loss of HK$10,811,000, a realized gain of HK$411,000 and dividend income of HK$7,805,000 to the Group for the 12 months ended 31 December 2020 (31 December 2019: HK$5,580,000 net gain).

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. Even after the payment of these special dividends, more than HK$60 per share of the total balance sheet of CMB is represented by cash and there are still major properties and property development opportunities in CMB. The total carrying value of the Group's investment in CMB had reduced to HK$27,713,000 as of 31 December 2020 (31 December 2019: HK$33,403,000), representing approximately 2.3% of the carrying value of the Group's total assets.

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 which has unfortunately never eventuated. At the same time, the lack of liquidity in the securities trading of the stock has prevented us from exiting except to a very small degree in 2019. The total carrying value of the Group's investment in PuraPharm had reduced to HK$5,804,000 as of 31 December 2020 (31 December 2019: HK$10,926,000), representing approximately 0.4% of carrying value of the Group's total assets.

D. Listed USD corporate bond investments mainly with fixed tenor

As with the listed equity investments, with the Group's intention to reduce investments in individual bonds, the total carrying value of the Group's investment in listed corporate bonds had reduced to HK$7,313,000 as of 31 December 2020 (31 December 2019: HK$7,413,000), representing approximately 0.6% of carrying value of the Group's total assets. The Group's investment in corporate bonds recorded a net gain of HK$273,000 (or 3.7 %) for the 12 months ended 31 December 2020 (2019: a net gain of HK$1,109,000).

E. Other Fund Investments, mainly include ASEAN China Investment Fund III L.P. ("ACIF III") and ASEAN China Investment Fund IV L.P. ("ACIF IV")

The total carrying value of the Group's investment in this category was HK$80,006,000 (31 December 2019: HK$67,577,000) as of 31 December 2020 and it recorded a net gain of HK$14,891,000 (2019: a net gain of HK$19,052,000) for the 12 months ended 31 December 2020.

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 the UOB Venture Management Private Limited ("UOBVM") team and targets investments in growth oriented companies operating in East and South East Asia and China. As of 31 December 2020, the Group has a total invested of HK$29,543,000 in this fund and its capital value was HK$56,865,000 based on the management accounts it has provided. The total return of the Group's investment in ACIF III is HK$13,308,000 gain for the 12 months ended 31 December 2020 (2019: HK$18,823,000 gain). The internal rate of return for the fund as of 31 December 2020 was 23.86%, 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 the UOBVM team, and is a "follow-on" fund to its predecessors (ACIF I, ACIF II and ACIF III) and continues its focus of investing primarily via minority stakes in expansion stage capital opportunities through privately negotiated equity and equity related investments in growing small and medium sized companies benefitting from the continuing expansion of trade and investment among the ASEAN member-states and China, and their respective overseas trading partners. The total return of the Group's investment in ACIF IV for the year 2020 is HK$1,549,000 gain which include distribution income of HK$600,000 and fair value gain HK$949,000 of the underlying investments offset by the management fee charged by the General Partner and the administration fee of the fund. This fund is still in its investment phase where substantial profits are not to be expected; nevertheless, the fund currently has a positive internal rate of return of 3.58%.

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

The Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

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 Euro, with insignificant portions in Yen, British Pound 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 requirement.

LIQUIDITY AND FINANCIAL POSITION

At 31 December 2020, the Group was in a solid financial position with cash and non-pledged deposit holdings of HK$150,607,000 (31 December 2019: HK$124,828,000). At 31 December 2020, total borrowings and lease liabilities amounted to HK$6,617,000 (31 December 2019: HK$5,236,000) and HK$28,012,000 (31 December 2019: HK$47,388,000) respectively with HK$25,056,000 (31 December 2019: HK$24,612,000) 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 2020 and this year. The Group will retain more than enough cash deposits for its daily activities in the treasury portfolio, and has chosen a high proportion of the marketable funds to ensure that there is more than adequate liquidity 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 3.0% at the year-end date (31 December 2019: 5.4%). The Group is still in a sound financial position with its current ratio (current assets over current liabilities) at 31 December 2020 standing at 16.3 times (31 December 2019: 16.3 times). Despite the fact that our businesses suffered to varying degrees in 2020 and the development of COVID-19 still remains uncertain, the management of the Group is closely monitoring the developing situation and believes that while the near term remains challenging, our strong liquidity position will provide support for the long-term prospects of our businesses.

At 31 December 2020, 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 audited consolidated financial statements. All borrowings of the Group are on a floating rate basis.

PLEDGE OF ASSETS

At 31 December 2020, pledges of the Group's fixed deposits of HK$10,000,000 (31 December 2019: HK$10,000,000) were given to banks to secure trade banking facilities to the extent of HK$30,000,000 (31 December 2019: HK$30,000,000) and foreign exchange facilities.

IMPORTANT EVENTS AFTER THE FINANCIAL YEAR

The Group's Section 12.A Rezoning Approval was included by the Government's Planning Department in its Tsuen Wan Outline Zoning Plan amendment proposal ("OZP") No. S/TW/33 which was gazetted on 26 February 2021 following Town Planning Board approval. The draft Tsuen Wan OZP No. S/TW/34, incorporating the Tsuen Wan OZP No. S/TW/33 is exhibited under Section 5 of the Town Planning Ordinance (Chapter 131 Laws of Hong Kong) for public inspection and representation for a period of two months from 26 February 2021 to 26 April 2021.

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

FUTURE OUTLOOK AND STRATEGIES

SWANK Hong Kong

The global direction for traditional retailers is a decline in physical retail store networks such that diversification to e-commerce channels becomes a key growth area. To adjust retailer's footprints to the new map of luxury buying, maximizing customer experience is key element of success. SWANK's strategy is at the forefront of this global trend from our existing store network with our key focus on enhancing customer experience at our new multi-brand flagship store, while expanding our e-commerce business by partnering with a renowned world class e-commerce platform and the planned launch of our own online sales platform at SWANK.com in 2021. We will focus on brand building to re-introduce SWANK to the on-line market, enhance digital marketing and be active on social media to reach out to a wide spectrum of shoppers both in Hong Kong and elsewhere. E-commerce is forecast to be one of our key sales channel going forward to contribute to SWANK's growth. A key feature of e-commerce is that many of the costs that in a traditional retail environment would be fixed costs (such as shop leases) are replaced by variable costs in an e-commerce environment.

The global luxury market outlook forecasts business returning to the first half of 2019 levels by the end of 2022 to early 2023. Luxury brands are targeting so-called Generations Y & Z currently being represented by less than 60% of sales mix but expected to reach 65% to 70% by 2025. However, SWANK's strategy is clear, we treasure the long relationship with our regular clients, maintaining expertise and high quality of service with a personal touch, and offering world class quality luxury products. The buying strategy for SWANK multi label for 2021 will be focusing on the top quality European ready to wear brands like Brunello Cucinelli, Kiton, Brioni, Agnona, Ermanno Scervino, Colombo and Herno, with the presentation of fashion brands like Andrew Gn, Antonio Marras, Erdem, Victor & Rolf, Markus Lupfer, Pierre Louis Mascia and Paul Smith to create excitement for our clients. We will extend our accessories assortment from our core brands as well as to explore new partnerships such as with Rupert Sanderson (shoes) and Tom Dixon (home décor). 'An Eye for Beauty, A Passion for Perfection' is our motto; we will maintain our passion to bring exciting brands to the market, also looking into partnership opportunities for mono brand stores with the right location and right moment.

Hilltop

The impact of COVID-19 and the corresponding measures imposed by the Government severely adversely impacted banquet (including weddings) and meeting revenue for Hilltop, however a positive outlook into the second half of 2021 is expected from a reasonable pipeline of bookings for functions, weddings, conferences and other events. Although the varying restrictions impacting our restaurants, and our sports and entertainment facilities have had a severe impact on our revenues, the Club's management team noted the gradual increase in demand as members appreciate the level of quality service and of hygiene that we have implemented.

As referred to elsewhere in this CEO Statement, and announced publicly, following decisions in September 2020 by the Town Planning Board, the Rezoning Approval for this land has been 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 26th February and the proposed amended OZP is exhibited for public comment until 26th April 2021 following which there is a period for proponents to reply to any comments, and further decisions by authorities, notwithstanding that our proposal has already been through multiple rounds of public comments, as well as those by Government departments which resulted in significant amendments and the approval under s12A by the Town Planning Board in September 2020. However, there remain further steps required by the Group and approval in due course by the Chief Executive in Council in respect of such plan, as well as many steps required by the Lands Department before the Group will be able to develop this site as a residential site, the Club will continue to recruit on a year-by-year membership basis in the growing Tsuen Wan and surrounding residential areas.

Investments

Over the last 12 months, the outbreak of the coronavirus pandemic has led to a volatile and difficult year for investment in marketable securities in 2020. Since February 2021, the United States and the United Kingdom have seen large declines in COVID-19 new cases and an even larger decline in hospitalization and deaths. With further advancements in COVID-19 testing and increasing uptake of COVID-19 vaccinations in most developed countries, this should diminish the need for social distancing and help the resumption of all forms of business together with cross-border travel. This, together with ongoing fiscal stimulus and accommodative monetary policies introduced by various Governments and central banks, will gradually improve global business confidence going forward.

As of the time of writing, the market was convinced that a return to pre-pandemic lives would lead to a strong economic recovery and drive up equity prices in the United States. The US Federal Reserve's Chairman also said economic reopening could cause inflation to pick up temporarily. Thus, despite the rising optimism, existing challenges and uncertainties, including the volatile Sino-US relations and inflation risk, may lead to corrections and further volatility in the market.

Looking ahead, the Group will continue its prudent approach to balance the risks and reward of the investment portfolio by diversification of securities type, geography and nature of industries.

In summary, our 2021 focus will be on recovery in our retail business as COVID-19 recedes, continued operation at economically optimal levels of our resort club, prudent allocation of our investment portfolio, and a rigorous pursuit of our rezoning application, with its required new land grants and other associated Government requirement.

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 2020.

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 2020.

REVIEW BY AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company.

BOARD OF DIRECTORS

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

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

Hong Kong, 26 March 2021