



安寧控股有限公司  
*ENM Holdings Limited*

Stock Code : 00128

ANNUAL **2022**  
REPORT



SWANK



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# REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated financial statements of ENM Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and securities trading. The principal activities of the subsidiaries comprise of the retail of fashion wear and accessories, resort and recreational club operations, investment holding and securities trading.

## BUSINESS REVIEW

The “Chief Executive Officer’s Statement” on pages 8 to 30 provides a fair review of the Group’s operations, analysis using financial key performance indicators, indication of likely future development of the Group’s business, description of the principal risks and uncertainties facing the Group, particulars of important events that have occurred after the year ended 31 December 2022 as well as a report on the Group’s compliance with the relevant laws and regulations that have a significant impact on the Group. Discussions on the Group’s environmental policies and performance, the account of the Group’s key relationships with its employees, customers and suppliers and community investment are contained in the “Corporate Social Responsibility Report” on pages 57 to 78. The above discussions form part of this Report of the Directors.

## RESULTS AND DIVIDENDS

The result of the Group for the year ended 31 December 2022 is set out in the Consolidated Statement of Profit or Loss and the Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 85 and 86.

The Directors do not recommend the payment of any dividend for the year ended 31 December 2022.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements is set out on page 159.

This summary does not form part of the audited consolidated financial statements.

## INVESTMENT PROPERTIES

Particulars of the investment properties of the Group are set out on page 158.

## **SHARE CAPITAL**

There were no movements in the Company's issued share capital during the year.

## **EQUITY-LINKED AGREEMENTS**

No equity-linked agreements were entered into during the year or subsisted at the end of the year.

## **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.

## **DISTRIBUTABLE RESERVES**

As at 31 December 2022, the Company had no reserves available for distribution to shareholders of the Company.

## **CHARITABLE DONATIONS**

Charitable donations made by the Group during the year amounted to HK\$3,000.

## **MAJOR CUSTOMERS AND SUPPLIERS**

The five largest customers accounted for less than 10% of the Group's total revenue for the year. The five largest suppliers and the largest supplier accounted for approximately 57% and 23% of the Group's total purchases for the year, respectively.

None of the Directors of the Company, their close associates or any shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued shares) has any beneficial interest in the Group's five largest suppliers.

Due to the business nature, this is not applicable to the investment segment.

## REPORT OF THE DIRECTORS

### DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

#### EXECUTIVE DIRECTOR

Mrs. Penny Soh Peng CROSBIE-WALSH (*Chief Executive Officer*)

#### NON-EXECUTIVE DIRECTORS

Mr. Hung Han WONG (*Non-executive Chairman*)

Mr. David Charles PARKER (re-designated from an Executive Director to a Non-executive Director on 1 April 2022)

Mr. Hing Lun Dennis AU (resigned on 25 April 2022)

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kin Wing CHEUNG

Mr. Kiu Sang Baldwin LEE

Mr. Ted Tak Tai LEE

Ms. Sarah Young O'DONNELL

In accordance with Article 94 of the Company's Articles of Association, a Director appointed by the Board of Directors (the "Board") either to fill a casual vacancy or as an addition to the Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with Article 103 of the Company's Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, or such higher number of Directors to be determined by the Board, shall retire from office by rotation but shall be eligible for re-election, provided that every Director shall be subject to retirement at least once every three years. The Directors (including those appointed for a special term) to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

Particulars of Directors seeking re-election at the forthcoming annual general meeting are set out in the related notice to shareholders.

### DIRECTORS OF SUBSIDIARIES

The list of persons who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is kept at the registered office of the Company and available for inspection by the shareholders of the Company during office hours.

## **PERMITTED INDEMNITY PROVISION**

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Group.

## **DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES**

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 31 to 35.

## **DIRECTORS' SERVICE CONTRACTS**

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company that is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## **DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S INTERESTS**

As at 31 December 2022, none of the Directors and the Chief Executive Officer of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as adopted by the Company.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Neither the Company nor any of its specified undertakings was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year. None of the Directors or their respective spouses or minor children, had been granted any rights to subscribe for the securities of the Company or had exercised any such right during the year.

## **MANAGEMENT CONTRACTS**

Save for employment contracts, no other contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted at any time during the year.

## REPORT OF THE DIRECTORS

### INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2022, persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### *Long positions in ordinary shares of the Company:*

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

#### *Notes:*

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

Save as disclosed above, the Company has not been notified by any persons who had interests or short positions in the shares or underlying shares of the Company as at 31 December 2022 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Company confirms that it has complied with the disclosure requirements, where appropriate, in accordance with Chapter 14A of the Listing Rules.

## DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There were no transactions, arrangements and contracts of significance in relation to the Group’s business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year nor were there any other contracts of significance in relation to the Group’s business between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries, subsisted at the end of the year or at any time during the year.

## CORPORATE GOVERNANCE

The Company’s Corporate Governance Report is set out on pages 36 to 56.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company maintained the prescribed public float under the Listing Rules.

## AUDITOR

RSM Hong Kong, which will retire and, being eligible, offers itself for re-appointment at the forthcoming annual general meeting. A motion for the re-appointment of RSM Hong Kong will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Hung Han WONG**

*Non-executive Director and Non-executive Chairman*

Hong Kong, 28 March 2023

# 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 dining patronage to two persons per table and no evening dining 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 dining 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. Mainland 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<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> | Change<br>+ / (-) |
|--|-------------------------|-------------------------|-------------------|
| <b>Revenue</b>                                 | <b>94,387</b>           | 109,501                 | (14%)             |
| Retail of fashion wear and accessories         | <b>71,304</b>           | 76,433                  | (7%)              |
| Resort and recreational club operation         | <b>8,176</b>            | 8,612                   | (5%)              |
| Dividend income                                | <b>11,942</b>           | 22,235                  | (46%)             |
| Interest income                                | <b>2,965</b>            | 2,221                   | 33%               |
| <b>Loss from operations</b>                    | <b>(149,800)</b>        | (24,991)                | (499%)            |
| Fair value gains on investment properties, net | —                       | 5,700                   | (100%)            |
| Finance costs                                  | <b>(1,352)</b>          | (2,045)                 | 34%               |
| <b>Loss for the year</b>                       | <b>(151,152)</b>        | (21,336)                | (608%)            |
| <b>Loss attributable to shareholders</b>       | <b>(150,663)</b>        | (21,280)                | (608%)            |
| <b>Loss per share</b>                          | <b>HK (9.13) cents</b>  | 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<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> | Change<br>+ / (-) |
|--|-------------------------|-------------------------|-------------------|
| Retail of fashion wear and accessories     | <b>(18,229)</b>         | (22,539)                | 19%               |
| Resort and recreational club operations    | <b>(11,446)</b>         | (10,344)                | (11%)             |
| Investments                                | <b>(114,952)</b>        | 10,812                  | (1,163%)          |
| Unallocated corporate income/expenses, net | <b>(5,173)</b>          | (2,920)                 | (77%)             |
| <b>Loss from operations</b>                | <b>(149,800)</b>        | (24,991)                | (499%)            |

## CHIEF EXECUTIVE OFFICER'S STATEMENT

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).

## CHIEF EXECUTIVE OFFICER'S STATEMENT

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 depreciation 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 dining 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 Mainland 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.

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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 (including ETFs) 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.

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### *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.

### **Investment Portfolio**

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. Under the above backdrop of the investment environment, in order to improve performance balanced with risk management, the importance to shareholders of the potential returns and the increasing requirement for increasingly specialised and skilled investment management, the Group has determined to minimise its direct investments in individual listed stocks and increase substantially the proportion of its investment mainly in unitized equity and bond funds managed by professional and substantial asset managers. Also, the Group has allocated a certain portion of its investment to three Discretionary Investment portfolios, still under the control of the Group but managed by three Private Banks in Hong Kong.

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



## Investment Portfolio (Cont'd)

The Group's investment portfolio as at 31 December 2022 was as follows:

| Stock code/<br>ISIN code/<br>Bloomberg<br>code | Company Name  | Principal<br>businesses      | Number of<br>shares/units<br>held as at<br>31 December<br>2022<br>'000 | Note | Percentage<br>of<br>shareholding<br>as at<br>31 December<br>2022<br>% | Investment<br>cost of<br>investments<br>held as at<br>31 December<br>2022<br>HK\$'000<br>(Note 6) | For the year ended 31 December 2022   |  |                                |                                | Fair value<br>as at<br>31 December<br>2022<br>HK\$'000 | Percentage<br>to<br>the Group's<br>total assets<br>as at<br>31 December<br>2022<br>% | Fair value<br>as at<br>31 December<br>2021<br>HK\$'000 |
|--|---|------------------------------|--|------|---|---|---------------------------------------|--|--------------------------------|--------------------------------|--|--|--|
|  |   |                              |  |      |   |   | Fair value<br>gain/(loss)<br>HK\$'000 | Gain/(loss)<br>on disposal<br>HK\$'000 | Interest<br>income<br>HK\$'000 | Dividend<br>income<br>HK\$'000 |  |  |  |
| <i>Enhanced Yield Funds</i>                    |   |                              |  |      |   |   |                                       |  |                                |                                |  |  |  |
| PRUENHKY                                       | Prudence Enhanced Income<br>Fund Class A - Series 1         | Alternative fund             | 7  |      | N/A   | 40,276  | (949)                                 | --                                     | --                             | (949)                          | 46,444   | 3.9%   | 47,393   |
| JANBAA1D                                       | Janus Henderson Balanced Fund                               | Multi assets fund            | --   |      | N/A   | N/A   | --                                    | (4,018)                                | --                             | (4,018)                        | --   | --   | 34,800   |
| ALZIGITLX                                      | Allianz Income & Growth Fund                                | Multi assets fund            | --   |      | N/A   | N/A   | --                                    | (1,551)                                | --                             | (1,551)                        | --   | --   | 13,696   |
|  | Others  | Alternative fund             |  |      | N/A   | N/A   | (1,753)                               | --                                     | 1,191                          | (562)                          | 40,225   | 3.4%   | 14,782   |
| <i>Subtotal</i>                                |   |                              |  |      |   |   | (2,702)                               | (5,569)                                | 1,191                          | (7,080)                        | 86,669   | 7.3%   | 110,671  |
| <i>Equity Funds</i>                            |   |                              |  |      |   |   |                                       |  |                                |                                |  |  |  |
| DCUSSAID                                       | Dodge & Cox Worldwide US<br>Stock A USD                     | Equity fund                  | 71   |      | N/A   | 21,192  | (1,920)                               | --                                     | --                             | (1,920)                        | 20,597   | 1.7%   | 22,517   |
| SCHAEYCLX                                      | Schroder International Selection<br>Fund Asian Equity Yield | Equity fund                  | 36   |      | N/A   | 11,800  | (2,097)                               | (3,379)                                | --                             | (5,476)                        | 10,010   | 0.9%   | 24,215   |
| UBSCHOA  | UBS China A Opportunity Fund                                | Equity fund                  | 2  |      | N/A   | 4,208   | (1,409)                               | (3,869)                                | --                             | (5,278)                        | 3,745  | 0.3%   | 17,902   |
|  | Others  | Equity fund                  |  |      | N/A   | N/A   | (2,147)                               | (1,568)                                | 78                             | (3,627)                        | 10,302   | 0.9%   | 4,173  |
| <i>Subtotal</i>                                |   |                              |  |      |   |   | (7,573)                               | (8,806)                                | 78                             | (16,301)                       | 44,654   | 3.8%   | 68,807   |
| <i>Listed</i>                                  |   |                              |  |      |   |   |                                       |  |                                |                                |  |  |  |
| <i>Money Market Investment</i>                 |   |                              |  |      |   |   |                                       |  |                                |                                |  |  |  |
|  | Others  | Corporate bond<br>investment |  |      | N/A   | N/A   | (281)                                 | --                                     | 38                             | (243)                          | 1,277  | 0.1%   | --   |
|  |   |                              |  |      |   |   | (31,410)                              | (21,660)                               | 38                             | (46,461)                       | 290,632  | 24.5%  | 396,668  |

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## Investment Portfolio (Cont'd)

The Group's investment portfolio as at 31 December 2022 was as follows:

| Stock code/<br>ISIN code/<br>Bloomberg<br>code                 | Company Name | Principal<br>businesses   | Number of<br>shares/units<br>held as at<br>31 December<br>2022<br>'000 | Note | Percentage<br>of<br>shareholding<br>as at<br>31 December<br>2022<br>% | Investment<br>cost of<br>investments<br>held as at<br>31 December<br>2022<br>HK\$'000<br>(Note 6) | For the year ended 31 December 2022   |  |                                |                                | Fair value<br>as at<br>31 December<br>2022<br>HK\$'000 | Percentage<br>to<br>the Group's<br>total assets<br>as at<br>31 December<br>2022<br>% | Fair value<br>as at<br>31 December<br>2021<br>HK\$'000 |                   |
|--|--------------|---|--|------|---|---|---------------------------------------|--|--------------------------------|--------------------------------|--|--|--|-------------------|
|  |              |   |  |      |   |   | Fair value<br>gain/(loss)<br>HK\$'000 | Gain/(loss)<br>on disposal<br>HK\$'000 | Interest<br>income<br>HK\$'000 | Dividend<br>income<br>HK\$'000 |  |  |  | Total<br>HK\$'000 |
| <b>Financial Assets at fair value through profit or loss</b>   |              |   |  |      |   |   |                                       |  |                                |                                |  |  |  |                   |
| <b>- Current assets</b>  |              |   |  |      |   |   |                                       |  |                                |                                |  |  |  |                   |
| <b>B. Discretionary Investment Portfolio, at fair value</b>    |              |   |  |      |   |   |                                       |  |                                |                                |  |  |  |                   |
| <i>1) Managed by Morgan Stanley-Asia International Limited</i> |              |   |  |      |   |   |                                       |  |                                |                                |  |  |  |                   |
| <i>Listed and Unlisted</i>                                     |              |   |  |      |   |   |                                       |  |                                |                                |  |  |  |                   |
| Others   |              | Mainly Money market fund,<br>Bond fund, Equity fund,<br>Mutual fund and<br>Equity ETF | 1  |      | N/A   | N/A   | (2,689)                               | (8,655)                                | —                              | 238                            | (11,106)   | 60,260   | 5.1%   | 69,854            |
| <i>Subtotal</i>  |              |   |  |      |   |   | (2,689)                               | (8,655)                                | —                              | 238                            | (11,106)   | 60,260   | 5.1%   | 69,854            |
| <i>2) Managed by LGT Bank (Hong Kong)</i>                      |              |   |  |      |   |   |                                       |  |                                |                                |  |  |  |                   |
| <i>Listed and unlisted</i>                                     |              |   |  |      |   |   |                                       |  |                                |                                |  |  |  |                   |
| Others   |              | Corporate bond investment   | 2  |      | N/A   | N/A   | (4,395)                               | (481)                                  | 1,226                          | —                              | (3,650)  | 39,999   | 3.4%   | 44,148            |
| Others   |              | Equity and Fund investment  | 3  |      | N/A   | N/A   | (10,681)                              | (1,317)                                | —                              | 442                            | (11,456)   | 27,272   | 2.3%   | 38,204            |
| <i>Subtotal</i>  |              |   |  |      |   |   | (14,976)                              | (1,798)                                | 1,226                          | 442                            | (15,106)   | 67,271   | 5.7%   | 82,352            |
| <i>3) Managed by Julius Baer</i>                               |              |   |  |      |   |   |                                       |  |                                |                                |  |  |  |                   |
| <i>Listed</i>  |              |   |  |      |   |   |                                       |  |                                |                                |  |  |  |                   |
| Others   |              | Mainly Bond and Equity ETF  | 4  |      | N/A   | N/A   | (3,397)                               | (761)                                  | —                              | 318                            | (3,840)  | 19,042   | 1.6%   | 21,845            |
| <i>Subtotal</i>  |              |   |  |      |   |   | (3,397)                               | (761)                                  | —                              | 318                            | (3,840)  | 19,042   | 1.6%   | 21,845            |
|  |              |   |  |      |   |   | (21,062)                              | (11,214)                               | 1,226                          | 998                            | (30,052)   | 146,573  | 12.4%  | 174,051           |



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### Notes:

- 1) Including fund investments disposed during the year and the Group's other 24 investments mainly in unlisted bond and equity fund, money market fund, mutual fund and listed equity ETFs held at the year end. The carrying value of each of these investments represents less than 1% of the total assets of the Group as at 31 December 2022.
- 2) Including debt investments disposed during the year and other 26 investments in USD corporate bonds with fixed tenor listed in Hong Kong and overseas held at year end. The carrying value of each of these investments represents less than 1% of the total assets of the Group as at 31 December 2022.
- 3) Including equity/fund investments disposed during the year and other 54 investments in listed equity and unlisted fund investment held at year end. The carrying value of each of these investments represents less than 1% of the total assets of the Group as at 31 December 2022.
- 4) Including fund investments disposed during the year and the Group's other 10 investments mainly in listed bond and equity ETFs held at the year end. The carrying value of each of these investments represents less than 1% of the total assets of the Group as at 31 December 2022.
- 5) It represents the Partners' capital paid-up amount in Thousand US Dollars which the Group had paid as at 31 December 2022.
- 6) For investments held at year end with carrying value more than 1% of the Group's total asset as at 31 December 2022.

## 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.

## KEY RISKS AND UNCERTAINTIES

The Group's business prospects, operating results and financial position have been and will continue to be affected by a number of risks and uncertainties. The following sections identify the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties additional to the key risk areas outlined below.

### Business Risk

#### *Fashion Retail Business*

##### *Pandemic impact*

Amid severe anti-epidemic and strict social distancing measures implemented by the Hong Kong Government to contain infections in the fifth wave of COVID-19, retail market sentiment remained subdued for the most part of 2022. The ripple effect of continual decline in the global economic environment and Mainland China's zero-COVID policy sent the financial markets into a tail spinning downturn which in turn dampened local consumption demand. A mild improvement was seen in the second and third quarter of 2022 as a result of the Hong Kong Government's Consumption Voucher Scheme, but the relaxation of quarantine requirements in the final quarter of 2022 saw a small exodus of our customers on revenge travelling.

### *Shop premises*

A key factor to the success of a fashion retail business is the establishment of physical retail stores at suitable locations for our targeted customers. Given the scarcity of reasonably priced prime retail premises, there is no assurance on SWANK's ability to secure premises that are suitable for its retail stores or to lease them on commercially attractive terms. SWANK's business plans and performance may be adversely affected and hence it is important to keep up to date and maintain good connection with the key leasing personnel of good retail premises.

### *eCommerce competition*

During the COVID-19 pandemic, the luxury fashion E-Commerce market began to flourish. Customers continued the shift to spending online for ease of purchase, quality of service, price advantage and wider offerings, which may adversely affect the sales volume of SWANK's retail outlets. Our experienced sales team will continue to provide the unique "in store shopping" experience to be more than just a transactional destination to mitigate this risk.

### *Supplier and brand partnership*

The decrease in our sales volume might impact the partnership with key brands in their willingness to continue to supply smaller quantities of merchandise to SWANK. We need to work closely with key brands and maintain good relationships to keep up the trust and loyalty. We try to work with reputable partners, and have adopted a supplier selection policy whereby brands and suppliers are evaluated on the quality of their product, price rate, popularity and trend, trading terms, advertising and promotion support and the credibility.

### *Customer database*

SWANK runs a customer loyalty program that requires our customers to provide personal data and other sensitive information. Hence, we have developed policy in handling data security and privacy, and the use of IT security controls to protect the data.

## ***Resort and Recreational Club operation***

### *Pandemic impact*

The fifth wave of COVID-19 brought back some of the very stringent social distancing measures of the Hong Kong Government which severely impacted the Club's operations. Such pandemic risk leading to temporary suspension of the Club's recreational activities may hinder the Club's ability to gain revenue. Members' and employees' infection possess the risk of temporary closure, resulting in further loss of revenue. The Club has implemented various hygiene management procedures to minimise the potential of infection amongst members and employees, as well as having a business plan that targets to retain and attract members' consumptions upon the relaxation of social distancing restrictions.

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### *Aging of our facilities*

Many of the Club's facilities are in need of major refurbishment to increase the efficiency of their usage. We are careful to ensure compliance with various statutory and relevant regulations, kept up with inspection of the facilities at least annually by relevant government agencies, and carried out the necessary repairs and maintenance so as to fulfil our license renewal requirement. Nevertheless, there are many aspects of the Club's infrastructure that are not operating as efficiently or delivering as much comfort as they could which may affect members' patronage.

### *Membership database*

As a Club operator with possession of membership data and other sensitive information, we also have to be careful about the security and privacy in the handling of these data. IT security controls and employee guidelines on handling such private and sensitive information are provided at a company-wide basis to ensure that they are protected.

### *Tight labour market*

With the COVID-19 pandemic coming to an end in Hong Kong, business activities are expected to gradually increase to pre-pandemic level which puts pressure on the labour market for the food and beverage services. The Club regularly engages with external recruitment agencies to supply casual staff in catering service role to support banqueting events and also performs regular reviews of compensation and benefit packages to ensure competitiveness.

### ***Investments in Financial Instruments***

In 2022, central banks in most of the developed markets took aggressive actions in response to mounting inflation pressure that arose from their governments' accommodative monetary and fiscal policies, supply-chain disruption caused by the Russia-Ukraine War and the tight labour markets, mainly in the US and Europe. This resulted in swift and consecutive interest rate hikes with the US Fed raising a total of 425 basis points and significant reduction in its balance sheet. This tightening action caused a simultaneous sharp downturn in both fixed income and equity markets, an extremely rare situation that has not been seen for nearly 3 decades, which had a significant impact on the valuation of the Group's investment portfolio. This is an inherent market risk of investment products which react to fluctuation in the global, regional or local financial market condition, and political and economic factors in the relevant countries or business sectors.

In addition to market risk, financial instruments investment also face issuer risk, liquidity risk and currency risk. Issuer risk refers to the ability of an Issuer, and/or a Guarantor (if any) associated with a specific security, to meet its payment obligation to investors. This could have major impact on the return and valuation of the investment. Liquidity risk consists of secondary market risk and redemption risk. An investment product may have no buyer or the bid price may be below the original purchase price in the secondary market and/or there might be redemption restriction for certain investment. Currency risk refers to the fact that if a product is denominated in a currency other than our base currency, fluctuation in the rate of exchange may have an adverse effect on the value, price or income in respect of the investment.

The financial market is expecting some form of economic recession in 2023 and with the potential for geopolitical tension, between Russia and Ukraine, and US and China, to intensify, therefore, investments are anticipated to experience high volatility. With this backdrop of uncertainties, the Group will continue its prudent approach to balance the risks and returns of its investment portfolio. Furthermore, the Group has not used any leverage in its investment and does not invest in speculative derivatives, to avoid exposure to high-risk investment products.

## **Strategic Direction Risk**

The success of the Group's operations depends on achieving our strategic objectives, tied in with creating long-term value for our shareholders, which may be through acquisitions, joint ventures, dispositions or restructurings. The Group faces risk in its application of our assets and capital towards suitable investments and seizure of business and investment opportunities when they arise.

Appropriate measures have been put in place by management to enhance budget control and variance analysis to enable intelligent input into strategic decisions. The Board of Directors, with its broad and diverse knowledge and experience, has continued to provide strategic thinking and leadership, as well as oversight on behalf of all shareholders, in steering the direction and setting the parameters of the Group's decision-making. Implementation of, and performance against, appropriate strategy is monitored at both Management and Board level through regular updates and open communication.

## **Cyber risk and security and data fraud or theft**

Cyber-attack on the Group's information technology ("IT") system, can have serious impact on its retail operation and also disrupt the overall business, and data breaches can lead to unauthorised disclosure of customer data and access to Group information that may adversely affect the business integrity of the Group, potentially be in breach of various laws and regulations, as well as adversely affect its customers. In a global environment whereby cyber-attack and data breach are common occurrence, cyber security and data protection is critical and hence the Group has developed comprehensive internal control guidelines for information technology security policy, which are documented in our Internal Control handbook and reviewed periodically and updated, as required.

The Group has put in place the following IT security measures:

- (a) Implemented Next Generation Firewall and firewall upgraded with feature of zero-day protection.
- (b) Used End Point Protection (anti-virus) with periodical update.
- (c) Engaged email filtering service of a professional security vendor.
- (d) Periodically back up data.
- (e) Appropriate operating system security patch update provided by software vendors.
- (f) Review the IT Risk Register and Internal Control Handbook annually.
- (g) Hire certified consultant to perform regular network security assessment

## CHIEF EXECUTIVE OFFICER'S STATEMENT

### Manpower and Retention Risks

Following the social unrest in 2019, there were a number of political changes throughout the period of 2020 to 2022. At the same time, the Hong Kong Government also implemented some of the world's toughest anti-epidemic measures to meet its zero-COVID health policy, hence the city saw both the highest number of local population migrating overseas and expat repatriation, and the lowest number of overseas migrants into Hong Kong. In addition, the workforce that was previously in the retail and food and beverage industries have had to change jobs into other industries as COVID-19 caused major reduction of jobs in those industries. This has not only created fierce competition for acquiring high calibre and competent talent in the open market within which the Group operates, it has also made the goal to minimise input costs (including that of labour) in response to the difficult trading conditions extremely challenging. This also increased the risk of not being able to attract and retain key personnel and talent with appropriate and required skills, experience and competence to deliver our business objectives. Therefore, the Group, in recognizing this risk whilst keeping consistent with its overall need to manage expenditure, continues to be committed to providing attractive remuneration packages and training opportunities to suitable candidates and appropriate personnel. Effective and regular performance evaluation has also been adopted in order to reward outstanding employees and provide career path development.

### Legal and Compliance Risks

Legal and compliance risks relate to risks arising from the government and regulatory environment and actions, including those arising from our obligations to The Stock Exchange of Hong Kong Limited and Securities and Futures Commission, legal proceedings and compliance with local laws and regulations, including those relating to financial reporting, labour and environmental protection, prevention of corruption and health and safety.

We are exposed to certain legal risks in the course of our businesses, which may lead to enforcement actions, fines and penalties or the assertion of litigation claims and damages. While we believe that we have adopted appropriate risk management and compliance programs, and where necessary taken appropriate steps or made what we consider to be appropriate provisions, legal and compliance risks will continue to exist with possible legal exposures and other contingencies, the outcome of which cannot be predicted with certainty.

### Financial Risks

The Group is exposed to financial risks including foreign exchange risk, pricing risk, credit risk, liquidity risk and interest rate risks in the normal course of its business. For further details of such risks and relevant policies, please refer to Note 6 to the consolidated financial statements.

### Macro-economic, Political Instability and Business Continuity Risk

The Group runs diverse business operations and is exposed to changing economic, social and political developments that may impact consumer demand, disrupt operations and impact profitability. Adverse macro-economic conditions, social unrest or virus spread may impact the spending habits of consumers, investment returns and in turn our operations and overall financial performance. Any major disruption could make it difficult for the Group to continue carrying out its normal day-to-day business activities.

Our diversified operating strategy helps to mitigate the risk of reliance on particular investments or business operation. The Group has developed and continues to refine its business contingency plans and arrangements to be well prepared and ensure business continuity. The Group's IT systems have specific disaster recovery arrangements and is now able to support remote working, away from the head office operation if employees are unable to travel to the office.

## 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 unitized open-end equity and bond 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.

## CHIEF EXECUTIVE OFFICER'S STATEMENT

### 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.

### COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

SWANK, the fashion retail business, complies with the requirements under the Sales of Goods Ordinance, the Trade Descriptions Ordinance and the Competition Ordinance in respect of the sale of merchandise in Hong Kong.

For the resort and recreational club operation, Hill Top operates strictly in compliance with the Clubs (Safety of Premises) Ordinance and related laws and regulations to be issued a certificate of Compliance from the Licensing Authority of the Home Affairs Department. During the year ended 31 December 2022, Hill Top also strictly complied with the relevant requirements and restrictions under the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation including mask-on requirement, screening of body temperature, provision of hand sanitiser, limit of headcount per table, dine-in service hours, implementation of the "LeaveHomeSafe" and Vaccine Pass.

For the investments in financial instruments, the Group complies with the Securities and Futures Ordinance ("SFO") and the disclosure requirements under the Listing Rules.

The Group is committed to safeguarding personal data, specifically to protect the privacy of SWANK customers and of Hill Top members when collecting and processing their personal information, the Group complies with the Personal Data (Privacy) Ordinance.

In relation to Human Resource Management, the Group is committed to complying with the requirements of all applicable ordinances including the Employment Ordinance, the Employees' Compensation Ordinance, the Minimum Wage Ordinance, the Mandatory Provident Fund Schemes Ordinance, the Occupational Retirement Schemes Ordinance, the Personal Data (Privacy) Ordinance, ordinances which deal with discrimination against disability, sex, family status and race, and ordinances relating to occupational safety of staff, so as to safeguard the interests and well-being of employees. The Group also values good conduct of employees and wishes to safeguard shareholder funds and integrity of its businesses and business decisions and has thus adopted a Code of Conduct which sets out clear guidelines on prevention of bribery and to regulate and restrict the acceptance of benefits by employees.

At the corporate level, the Group complies with the requirements under the Companies Ordinance, the Listing Rules and the SFO for, among other things, the disclosure of information and proper and effective corporate governance.

To ensure that the Group complies with the relevant laws and regulations, Management constantly reviews its practices to keep up to date with the latest developments in regard to all relevant laws and regulations. Training on important topics such as the anti-corruption procedures and practices are provided periodically. Appropriate policies and procedures have been put in place to ensure compliance with the relevant laws and regulations. These policies and procedures are reviewed and updated where necessary.

Management and business unit/department heads attend external seminars and workshops on a regular basis to keep informed of the latest developments in regard to all relevant laws and regulations. During the year ended 31 December 2022, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group.

## 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.

## EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 115 staff, including Executive Directors, as compared to 115 as at 31 December 2021. Total employee costs (including Directors' emoluments) were approximately HK\$47,702,000 for the year ended 31 December 2022 (2021: HK\$48,273,000). Employees' remuneration is determined with reference to individual duties, responsibilities and performance. The Group provides employee benefits such as staff medical and life insurance schemes, provident and pension funds, sales commissions, discretionary performance bonuses and internal/external training support. During the year, we have also provided incentives to encourage staff to undertake COVID-19 vaccination. The Group has a comprehensive Code of Conduct that is applicable to all Group employees and Executive Directors.

## 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 have 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.

## CHIEF EXECUTIVE OFFICER'S STATEMENT

### 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 dining, 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.

### Penny Soh Peng CROSBIE-WALSH

*Executive Director and Chief Executive Officer*

Hong Kong, 28 March 2023

# BIOGRAPHIES OF DIRECTORS

## EXECUTIVE DIRECTOR

**Mrs. Penny Soh Peng CROSBIE-WALSH** (Former Name: Soh Peng LEE), aged 55, has been an Executive Director of the Company since November 2021 and the Chief Executive Officer of the Company since February 2022. Mrs. Crosbie-Walsh is the chair of Investment Committee, a member of the Corporate Governance Committee and the Remuneration Committee of the Company, and a director of all principal subsidiaries of the Company. She was the Chief Operating Officer of the Company from July 2021 to January 2022.

Before joining the Group, Mrs. Crosbie-Walsh held various positions in areas of operations, accounting and finance, internal audit and board directorship in a variety of industries that span across non-governmental organisations (“NGOs”), consumer goods, fashion, professional accounting and legal firms. Mrs. Crosbie-Walsh held the positions of Director of Operations for the Corporate Finance & Reconstruction (CFR) division of PricewaterhouseCoopers Hong Kong and financial controller at Marks and Spencer (Hong Kong) Limited (now known as ALF Retail Hong Kong Limited). Mrs. Crosbie-Walsh has been working in Hong Kong since she joined internal audit at Philip Morris (Hong Kong) Limited in 1993. Mrs. Crosbie-Walsh is a member of Chartered Accountants Australia and New Zealand (previously known as the Institute of Chartered Accountants Australia) and holds a Bachelor of Economics degree in Accounting from La Trobe University in Melbourne, Australia.

Mrs. Crosbie-Walsh is currently a Board director of a local NGO, Harmony House Limited, and also holds positions as chair of their capital expenditure committee as well as a member of their various board-level committees.

## NON-EXECUTIVE DIRECTORS

**Mr. Hung Han WONG**, aged 51, has been a Non-executive Director and the Non-executive Chairman of the Board of the Company since June 2021. Mr. Wong is a member of the Audit Committee, the Investment Committee and the Remuneration Committee of the Company.

Mr. Wong is currently an executive director and the Chief Operating Officer of Chinachem Group. He joined Chinachem Group in 2013 and was appointed Chief Operating Officer in 2018. He has direct managerial responsibilities over the group’s business support functions and he also oversees the group’s risk management and crisis management activities. Mr. Wong has over 25 years of experience spanning the information technology, consultancy and real estate industries. His career started with Hewlett-Packard, a US multi-national corporation which provided IT products and services. Thereafter, he spent a couple of years as a consultant in PricewaterhouseCoopers prior to joining Chinachem Group. Mr. Wong holds a Master of Science in Real Estate degree from the University of Hong Kong, a Master of Business Administration degree from the Hong Kong University of Science and Technology and a Bachelor of Science (Computer and Information Sciences) degree from the National University of Singapore.

Mr. Wong is currently a non-executive director of Pine Care Group Limited (whose shares are listed on The Stock Exchange of Hong Kong Limited, stock code: 1989). Mr. Wong is a director and a member of the executive committee of Chime Corporation Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. Wong is also a member of the executive committee of each of Diamond Leaf Limited, Parasia Limited and Solution Bridge Limited, which are all substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

## BIOGRAPHIES OF DIRECTORS

**Mr. David Charles PARKER**, aged 69, was appointed as an Executive Director of the Company in January 2017 and has been re-designated as a Non-executive Director of the Company since April 2022. Mr. Parker is a member of the Investment Committee of the Company. Mr. Parker was the Chief Executive Officer of the Company from January 2017 to January 2022.

Mr. Parker has extensive senior managerial experience in both listed and unlisted companies in Hong Kong in industries including financial services, property development, hotels ownership and operation, and oil transportation, logistics and storage. Before joining the Group, Mr. Parker had been the chief executive officer or the chief operating officer of companies listed on The Stock Exchange of Hong Kong Limited and held various positions in Chinachem Group over a period of close to eight years in the capacities of chief operating officer, director of corporate governance and executive director with responsibilities at various times for investments, legal, corporate secretarial, insurance, internal control, information technology, hotel operations, cinema operations and corporate social responsibility activities, and had represented it for various external investments and bodies. During his time as Chief Operating Officer of the listed financial services holding company Sun Hung Kai & Co. Ltd, Mr. Parker was appointed by the Securities and Futures Commission of Hong Kong (SFC) to its Working Group on the restructuring of the Financial Services Industry, which led to the reform of the margin financing and capital adequacy laws relating to the brokerage industry in Hong Kong. Since his retirement from the role of CEO from the Company, Mr Parker has been focussing on his family's private investments including a farming property in Western Australia, and on writing. Mr. Parker was educated at the University of Western Australia.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Kin Wing CHEUNG**, aged 68, has been an Independent Non-executive Director of the Company since June 2016. Mr. Cheung is the chairman of the Audit Committee and the Nomination Committee of the Company, and a member of the Investment Committee of the Company.

Mr. Cheung has extensive experience in information technology, financial accounting, auditing and management. Since February 1999, Mr. Cheung has been a director and lead consultant of Sunplex Consultants Limited, a company providing human resources management and information technology consultancy services to its clients (including government organisations and private companies). Mr. Cheung had held several positions, including assistant manager, manager and senior manager in Coopers & Lybrand (now known as PricewaterhouseCoopers) between September 1980 and March 1995 and was a partner of Coopers & Lybrand (now known as PricewaterhouseCoopers) from March 1995 until his resignation in May 1999. Mr. Cheung was a director of the finance and operation department of the Hong Kong Institute of Certified Public Accountants between July 2004 and April 2008 and a consultant of the Hong Kong Institute of Certified Public Accountants between April 2008 and August 2008. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of The Institute of Chartered Accountants in England and Wales. Mr. Cheung holds a Bachelor of Commerce from the University of Calgary, Canada.

Mr. Cheung is currently an independent non-executive director of BaWang International (Group) Holding Limited (whose shares are listed on The Stock Exchange of Hong Kong Limited, stock code: 1338) and Kin Pang Holdings Limited (whose shares are listed on The Stock Exchange of Hong Kong Limited, stock code: 1722). Mr. Cheung is also a director of Self Strengthening Service Centre Limited, which is an NGO engaged in charitable activities to help the underprivileged.

Mr. Cheung was an independent non-executive director of Trio Industrial Electronics Group Limited (whose shares are listed on The Stock Exchange of Hong Kong Limited, stock code: 1710) from February 2017 to May 2022. Mr. Cheung was also an independent director of AXA China Region Trustees Limited, a provider of investment and retirement solutions, from August 1999 to August 2015, and an independent non-executive director of Bank of Communications Trustee Limited, a trust company, from November 2003 to January 2018.

**Mr. Kiu Sang Baldwin LEE**, aged 66, has been an Independent Non-executive Director of the Company since June 2016. Mr. Lee is the chairman of the Remuneration Committee of the Company, and a member of the Audit Committee, the Corporate Governance Committee and the Nomination Committee of the Company.

Mr. Lee has been the managing director of Centurion Corporate Finance Limited since 1994. Mr. Lee is also a responsible officer for the dealing in securities, advising on securities, advising on corporate finance and asset management of Centurion Corporate Finance Limited, a licensed corporation under the SFO. Prior to his present posting, Mr. Lee was a director at Sun Hung Kai International Limited, the corporate finance arm of Sun Hung Kai & Co. Limited where he was involved in the supervision and management of the corporate finance team of Sun Hung Kai International Limited. Prior to returning to Hong Kong in 1991, Mr. Lee worked as a banker and a corporate finance professional in Toronto, Canada. Mr. Lee has experience in banking, asset management, securities trading and corporate finance. Mr. Lee is a fellow member of the Institute of Canadian Bankers and a senior fellow member of the Hong Kong Securities and Investment Institute. Mr. Lee holds a degree of Master of Business Administration from Concordia University in Montreal, Canada and a degree of Bachelor of Commerce from McGill University in Montreal, Canada.

**Mr. Ted Tak Tai LEE**, aged 72, has been an Independent Non-executive Director of the Company since August 2017. Mr. Lee is a member of the Audit Committee, the Investment Committee and the Remuneration Committee of the Company.

Mr. Lee is currently the managing director of T Plus Capital Limited which engages in the provision of strategic, financial and business development advisory services in China. He has a long history of providing advice on cross border investments, mergers and acquisitions, and has extensive experience in providing audit and accounting services to international and multinational companies in China and the United States. Mr. Lee was a senior partner of Deloitte Touche Tohmatsu Limited, where he worked for 31 years in both Asia and the United States. Mr. Lee is a US certified public accountant (inactive) and a member of the American Institute of Certified Public Accountants. Mr. Lee holds a MBA in finance and accounting from the University of Southern California and a Bachelor of Science in accounting from California State University, Fresno. He is the chairman of the USC Alumni Club of Shanghai.

Mr. Lee was an independent non-executive director of COFCO Joycome Foods Limited (whose shares are listed on The Stock Exchange of Hong Kong Limited, stock code: 1610) from December 2017 to December 2020 and an independent director of East West Bank (China) Limited (a wholly-owned China subsidiary of East West Bancorp, Inc. listed on NASDAQ) from May 2016 to July 2022. From September 2007 to April 2009, he was an executive director of Prax Capital, a private equity firm specializing in China-focused investments.

## BIOGRAPHIES OF DIRECTORS

**Ms. Sarah Young O'DONNELL** (Former Name: Sarah Elizabeth YOUNG), aged 59, was appointed as a Non-executive Director of the Company in August 2017 and has been re-designated as an Independent Non-executive Director of the Company since March 2018. Ms. O'Donnell is the chairman of the Corporate Governance Committee of the Company, and a member of the Nomination Committee and the Remuneration Committee of the Company.

Since 2014 Ms. O'Donnell has served in an advisory capacity for USA, Mid-East and Asia-based brands, retail and e-commerce concepts encompassing the categories of fashion, fashion accessories, fine jewellery and beauty. Ms. O'Donnell has extensive experience in the retail business across finance, business development and revamping, productivity management, brand management, store management and operations, and human resources development and management. Ms. O'Donnell was the chief executive officer of Hong Kong Seibu Enterprise Company Limited, a subsidiary of Hong Kong-listed Dickson Concepts International Limited from 2008 to 2014, where she ran Hong Kong Seibu department stores, and she also created and operated the cosmetics mega-stores, BEAUTY AVENUE. Prior to assuming the role of chief executive officer, Ms. O'Donnell served as the chief operating officer of Hong Kong Seibu Enterprise Company Limited and, prior to that, in regional roles with the Dickson Group as well as the Lane Crawford Group. Ms. O'Donnell started her career in the Bloomingdale's Management Training Program and then moved into store management and merchandising roles there. Ms. O'Donnell was awarded a Bachelor of Arts degree from Wellesley College and an Associate in Applied Science degree from Parsons School of Design, and was a Teaching Fellow at Harvard University. She serves on the Board of Directors as CFO of the National Eczema Association (NEA) based in San Francisco and is also on the Board of Directors of the New York Foundation for the Arts (NYFA). She is a member of the Wellesley Business Leadership Council.

### *Notes:*

1. Directors' emoluments are determined with reference to their duties, responsibilities and the Group's operating results. The details of the emoluments of the Directors on a named basis are disclosed in note 15 to the consolidated financial statements.
2. An Executive Director does not have any fixed term of service with the Company and is subject to retirement by rotation in accordance with the Company's Articles of Association.
3. All Non-executive Directors and Independent Non-executive Directors are appointed for a specific term of approximately two years commencing from the date of the annual general meeting at which they are re-elected and expiring at the annual general meeting to be held two years thereafter, and are subject to retirement by rotation in accordance with the Company's Articles of Association.
4. Save as disclosed above, none of the Directors (i) holds any other position with the Company or any of its subsidiaries; (ii) held a directorship in any other listed public companies in the past three years; and (iii) has any relationship with any directors, senior management, substantial or controlling shareholders of the Company.

## BIOGRAPHIES OF SENIOR MANAGEMENT

**Mr. Hon Sum Ricky WONG**, aged 43, joined the Group in September 2020. Mr. Wong is the Chief Financial Officer of the Company. Mr. Wong has extensive senior financial management experience in both listed and unlisted companies in Hong Kong. Prior to joining the Company, Mr. Wong had held the chief financial officer and other senior management roles in finance, as well as extensive experience in international accounting firms in Hong Kong and Sydney, Australia. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of Chartered Accountants Australia and New Zealand. Mr. Wong holds a Master of Commerce Degree in Finance from The University of New South Wales and a Bachelor of Commerce Degree in Accounting and Finance from The University of Sydney.

**Ms. Pui Yee Polly CHEUNG**, aged 41, joined the Group in June 2021. Ms. Cheung is the Merchandising & Commercial Director of The Swank Shop Limited, a fashion retail subsidiary of the Company. She has 15 years of experience in the fashion and retail industry, specializing in international premium and luxury brands. She has extensive experience in merchandising, fashion buying, brand management, retail store expansion, wholesale business, lease negotiations as well as established relationships with landlords and global business partners. Over her career, Ms. Cheung has worked closely with some of the major global fashion brands and retail/wholesale businesses in the industry such as Lane Crawford, The Pedder Group, Jimmy Choo, Moschino, Carven, Anya Hindmarch, to name a few.

**Ms. Pui Man CHENG**, aged 50, joined the Group in September 1999. Ms. Cheng is the Company Secretary of the Company. Prior to her current role, Ms. Cheng was a financial controller of the Company until June 2001. Before joining the Group, Ms. Cheng worked in the audit and assurance department of an international accounting firm. Ms. Cheng is a fellow member of the Hong Kong Institute of Certified Public Accountants, and a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Ms. Cheng holds a Bachelor of Business Administration.

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain good corporate governance standards and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance shareholders' value and safeguard the rights of shareholders and other stakeholders.

The Stock Exchange's Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules forms the basis of the Company's Corporate Governance Practice Manual (the "CG Practice Manual"). The Board recognises the principles underlying the CG Code and have incorporated all of them to the CG Practice Manual and other corporate governance policies of the Group.

In the opinion of the Directors, the Company has complied with all Code Provisions of the CG Code throughout the year ended 31 December 2022.

## CORPORATE CULTURE

The Board believes that a healthy and clearly defined corporate culture underpins the sustainable development of the Group. The Board sets and promotes corporate culture that aligns with the Group's purpose, values and business strategies in the following key aspects:

- (a) Integrity in business dealings and compliance with regulations;
- (b) Accountability;
- (c) High transparency and open communication throughout the Group;
- (d) Comprehensive staff incentive scheme; and
- (e) Corporate responsibility to the environment and community.

## BOARD OF DIRECTORS

### Board Composition

As of the date of this report, the Board comprised of seven Directors, including (i) one Executive Director, namely Mrs. Penny Soh Peng CROSBIE-WALSH (Chief Executive Officer); (ii) two Non-executive Directors, namely Mr. Hung Han WONG (Non-executive Chairman) and Mr. David Charles PARKER; and four Independent Non-executive Directors ("INEDs"), namely Mr. Kin Wing CHEUNG, Mr. Kiu Sang Baldwin LEE, Mr. Ted Tak Tai LEE and Ms. Sarah Young O'DONNELL. The Directors' biographical details are set out in "Biographies of Directors" on pages 31 to 34 of this annual report and are also available on the Company Website. An up to date list of the Directors and their roles and functions is available on the Company Website and Hong Kong Exchanges and Clearing Limited's Website ("HKEx Website"). All Directors, including INEDs, are also identified as such in all corporate communications that disclose the names of Directors.

To the best knowledge of the Directors, there is no financial, business, family or other material relationship among the Directors. All of them are free to exercise their independent judgment.

The changes to the composition of the Board and Board Committees during the year and up to the date of this report are as follows:

|                 |   |
|-----------------|---|
| 1 February 2022 | Mr. David Charles PARKER stepped down as the chairman of the Investment Committee of the Company but remains as a member of the Investment Committee of the Company.  |
| 1 February 2022 | Mr. David Charles PARKER resigned as a member of each of the Corporate Governance Committee and the Remuneration Committee of the Company.  |
| 1 February 2022 | Mrs. Penny Soh Peng CROSBIE-WALSH, an Executive Director, was appointed as the chairman of the Investment Committee of the Company in place of Mr. David Charles PARKER and as a member of the Remuneration Committee of the Company. |
| 1 April 2022    | Mr. David Charles PARKER was re-designated from an Executive Director to a Non-executive Director.  |
| 25 April 2022   | Mr. Hing Lun Dennis AU resigned as a Non-executive Director.  |

### Board Independence

The Company acknowledges that independence of the Board is crucial to good corporate governance. To ensure independent views and input are available to the Board, the Company has put in place the following mechanisms in its corporate governance framework:

(a) Composition of the Board and Board Committees

The number of INEDs represents more than one-third of the Board as required by Rule 3.10A of the Listing Rules. In addition, as required by Rule 3.10(2) of the Listing Rules, at least one of the INEDs has appropriate professional qualifications, or accounting or related financial management expertise.

All the Board Committees comply with the requirements prescribed by the Listing Rules as to the composition of certain Board Committees, and a minimum of one INED has been appointed to all the Board Committees to ensure independent views are available.

(b) Independence Assessment

The Nomination Committee must strictly adhere to the Nomination Policy and the independence assessment criteria as set out in the Listing Rules with regard to the nomination, appointment and re-appointment of INEDs.

Each INED is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence.

All INEDs met the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules (the "Independence Guidelines") during the year. The Company has received from each of the INEDs an annual confirmation of independence and still considers them to be independent.

(c) Compensation

No equity-based remuneration (e.g. share options or grants) with performance related elements is granted to INEDs as this may lead to bias in their decision making and compromise their objectivity and independence.

## CORPORATE GOVERNANCE REPORT

### (d) Board Decision Making

INEDs (similar to other Directors) are entitled to seek further information and documentation from Management on the matters to be discussed at Board meetings. They can also seek independent professional advice at the Company's expense.

INEDs (as with other Directors) shall not vote or be counted in the quorum on any board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.

The Chairman of the Board shall hold meetings at least annually with the INEDs without the presence of other Directors to discuss any major issues or concerns.

During the year, the Board has reviewed the implementation and effectiveness of the above mechanisms and considered them to have been effectively implemented.

### Role of the Board

The Board is accountable to the Shareholders for leading the Group in a responsible and effective manner. Directors are responsible to the Shareholders for the manner in which the affairs of the Company are managed, controlled and operated and for promoting the success of the Company by directing and supervising its affairs. The Board has adopted its terms of reference which set out the duties, powers and functions of the Board. The primary responsibilities of the Board are as follows:

- To manage the business of the Group;
- To lead and provide direction to Management by laying down strategies and overseeing their implementation;
- To oversee all matters relating to, and to formulate policies in relation to the Group's internal control, risk management, corporate governance and social responsibility, investment, the succession, remuneration and compensation for Directors and employees, and to supervise the implementation of such policies;
- To monitor the Group's operational and financial performance;
- To review and approve the annual report and accounts of the Group; and
- To ensure sufficient communication with stakeholders, including shareholders and employees.

### Non-executive Chairman and Chief Executive Officer

The Non-executive Chairman and the Chief Executive Officer positions are currently held by Mr. Hung Han WONG, a Non-executive Director and Mrs. Penny Soh Peng CROSBIE-WALSH, an Executive Director respectively.

The Non-executive Chairman is responsible for leading the Board, drawing up and approving Board meeting agenda, making sure that matters proposed by all Directors are taken into account for inclusion, facilitating effective contributions from and dialogue with all Directors and promoting constructive relations between them, ensuring that all Directors are properly briefed on issues arising at Board meetings and that they receive accurate, timely and clear information, and ensuring that good corporate governance practices and procedures are established. The Chief Executive Officer is responsible for leading Management in the day-to-day operation and management of the Group's business, managing the Company's relationships with its stakeholders, proposing, developing and implementing the Group's strategies and policies in pursuit of its objectives set by the Board, and putting in place programmes for management development and succession. Division of responsibilities between the Non-executive Chairman and the Chief Executive Officer is clearly defined in the Company's CG Practice Manual.

Mr. David Charles PARKER acted as the Chief Executive Officer of the Company from 13 January 2017 up to his retirement from the position on 1 February 2022. Mrs. Penny Soh Peng CROSBIE-WALSH succeeded Mr. David Charles PARKER as the Chief Executive Officer of the Company with effect from 1 February 2022.

### **Appointments, Re-election and Removal of Directors**

All Directors have received a formal letter of appointment setting out the key terms of their appointment. In accordance with Article 94 of the Company's Articles of Association, any Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election. In accordance with Article 103 of the Company's Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, or such higher number of Directors to be determined by the Board, shall retire from office by rotation but shall be eligible for re-election, provided that every Director shall be subject to retirement at least once every three years. The Directors (including those appointed for a special term) to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

All Non-executive Directors and INEDs are appointed for a specific term of approximately two years commencing from the date of the annual general meeting at which they are elected/re-elected and expiring at the annual general meeting to be held two years thereafter, and are subject to retirement by rotation in accordance with the Company's Articles of Association.

### **Diversity**

#### ***Board Diversity***

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has adopted a Board Diversity Policy that sets out the approach to achieving diversity in its composition. In deciding the members of the Board, consideration is given to a number of measurable objectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and the length of service with the Company. During the year, the Nomination Committee considered that the ability to achieve the Company's corporate strategy should serve as a measurable objective for determining the desired level of board diversity.

All Board appointments are based on merit against the objective criteria and contribution that the candidate will bring to the Board, having due regard to the benefits of diversity on the Board and also taking into account the corporate strategy and business operations of the Company. The Nomination Committee reviews the implementation of the Board Diversity Policy annually to ensure its effectiveness.

## CORPORATE GOVERNANCE REPORT

The following chart shows the profile of the Board as at the date of this Corporate Governance Report:

|   |             |             |             |             |
|---|-------------|-------------|-------------|-------------|
| Designation                               | ED          | NED         | INED        |             |
|   | 1 Director  | 2 Directors | 4 Directors |             |
| Gender                                    | Female      |             | Male        |             |
|   | 2 Directors |             | 5 Directors |             |
| Age Group                                 | 51 –60      |             | 61 –70      | > 70        |
|   | 3 Directors |             | 3 Directors | 1 Director  |
| Ethnicity                                 | Chinese     |             |             | Non-Chinese |
|   | 5 Directors |             |             | 2 Directors |
| Directorship with the Company             | <5 years    |             | 5 -10 years |             |
|   | 2 Directors |             | 5 Directors |             |
| Directorship(s) with other listed company | 0           |             |             | 1 –2        |
|   | 5 Directors |             |             | 2 Directors |

Remarks:

ED – Executive Director

NED – Non-executive Director

INED – Independent Non-executive Director

The Board has a balanced mix of skills, knowledge and experience, including management, finance and accounting, investment and real estate. The Nomination Committee formed the view that the current Board composition has provided the Company with a good balance and diversity in gender, skills and experience appropriate to manage the Group's business and for its future development.

### ***Gender Diversity of the Board***

The Board currently has 29% of female members (two out of seven Directors). The Board believes that gender diversity in the Board would introduce viewpoints from different but complementary perspectives of the two genders. The Board further believes gender diversity will promote effective decision making and enhance corporate governance, and to achieve this, the Board aims to maintain the level of the female representation on the Board of "at least two female Directors" or "not less than 25% female Directors", whichever is the lower.

The Company will ensure that there is gender diversity when recruiting management staff so that the Company will have a pipeline of female senior management and potential successors to the Board going forward.

### ***Gender Diversity of Workforce***

As at 31 December 2022, the gender ratio in the Group's total workforce (including Senior Management) was 64% female and 36% male. As the main business of the Group is fashion retail, it is an industry segment that traditionally has a bigger pool of female workers, hence it is more challenging for the Company to achieve a more balanced gender ratio. Notwithstanding that, the Group strived to keep a workable balance between male and female employee numbers.

## **Directors' Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. Based on specific enquiry of all Directors, all Directors complied with the required standards set out in the Model Code during the year.

## **Directors' Induction and Continuing Professional Development**

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Group's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. All corporate policies would also be provided to new Directors by the Company Secretary.

Directors participate in continuous training and development activities that keep them up to date on developments in all areas pertaining to the business of the Group and the performance of their duties as Directors. The Company Secretary from time to time provides Directors with updates on the latest development and changes in the Listing Rules, anti-bribery and corruption reading materials and other relevant legal and regulatory requirements to keep them abreast of the relevant rules and regulations affecting the Group's businesses.

The Directors provide the Company with their training records annually and such records are maintained by the Company Secretary. The training records of Directors for the year ended 31 December 2022 are reflected on page 47.

## **Board Meetings**

The Board held four regular meetings and two non-regular meetings during the year.

A schedule of the dates for regular Board meetings of each financial year is provided to Directors at the end of the preceding year and any amendments to the schedule are notified to Directors at least 14 days before the meetings. All Directors are invited to include matters that they would like to discuss in the agenda. For regular Board meetings, the agenda and accompanying papers are circulated to all Directors at least three calendar days in advance of the meetings. The Directors can attend Board meetings in person, by phone or through other electronic communication means in accordance with the Company's Articles of Association. The Directors may approve matters by way of passing written resolutions. Additional Board meetings may be convened, where necessary.

The minutes of Board meetings and Directors' written resolutions record the matters discussed and decisions resolved by the Board. The minutes would be sent to all Directors within reasonable timeframe after each meeting for comments and agreement. The minutes and written resolutions would be made available for inspection any time by the Directors.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, such a matter should be dealt with in a physical Board meeting, as opposed to being dealt with by a written resolution. INEDs with no conflict of interest will be present at Board meetings dealing with conflict issues.

The Company has arranged for appropriate and relevant insurance to cover Directors' liability in the event of any legal action against decision made by the Board.

## CORPORATE GOVERNANCE REPORT

### DELEGATION BY THE BOARD

#### Management

Management, under the leadership of the Chief Executive Officer, is responsible for the day-to-day running of the Group's businesses and the implementation of the strategies and policies as the Board may from time to time determine, with the exception of the matters stated in the Statement of Matters Reserved for the Board as set out in the Company's CG Practice Manual which require the approval of the Board.

Where the Board delegates aspects of its management and administrative functions to management, it gives clear directions as to the powers of management and periodically reviews the delegations to management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

#### Board Committees

The Board has established five Board Committees to oversee various aspects of the Group's affairs: the Audit Committee, the Corporate Governance Committee, the Investment Committee, the Nomination Committee and the Remuneration Committee. The Board Committees are governed by their respective terms of reference which clearly define their authorities and duties, and are provided with sufficient resources to discharge their duties. The Chairmen of the Board Committees report regularly to the Board on their work, decisions and recommendations. The terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are available on the Company Website and HKEx Website.

The membership of each Board Committee is shown below:

| Name of Directors                          | Audit Committee | Corporate Governance Committee | Investment Committee | Nomination Committee | Remuneration Committee |
|--|-----------------|--------------------------------|----------------------|----------------------|------------------------|
| <b>Executive Director</b>                  |                 |                                |                      |                      |                        |
| Mrs. Penny Soh Peng CROSBIE-WALSH          |                 | Member                         | Chairman             |                      | Member                 |
| <b>Non-executive Directors</b>             |                 |                                |                      |                      |                        |
| Mr. Hung Han WONG                          | Member          |                                | Member               |                      | Member                 |
| Mr. David Charles PARKER                   |                 |                                | Member               |                      |                        |
| <b>Independent Non-executive Directors</b> |                 |                                |                      |                      |                        |
| Mr. Kin Wing CHEUNG                        | Chairman        |                                | Member               | Chairman             |                        |
| Mr. Kiu Sang Baldwin LEE                   | Member          | Member                         |                      | Member               | Chairman               |
| Mr. Ted Tak Tai LEE                        | Member          |                                | Member               |                      | Member                 |
| Ms. Sarah Young O'DONNELL                  |                 | Chairman                       |                      | Member               | Member                 |

## Audit Committee

The Audit Committee is responsible for (i) monitoring and reviewing the effectiveness of the Group's financial reporting system, risk management and internal control systems; (ii) reviewing the Group's financial information; (iii) overseeing the relationship with the auditor of the Company; and (iv) monitoring and reviewing the effectiveness of the whistleblowing policy and system.

During the year, the Audit Committee held three meetings and below is a summary of the work it carried out during the year:

- Reviewed the 2021 Annual Report and the annual results announcement, and the 2022 Interim Report and the interim results announcement;
- Reviewed the approach and methodology applied with respect to the key audit matters included in the year end auditor's report;
- Reviewed and approved the external auditors' audit services and fees for 2022;
- Recommended the re-appointment of RSM Hong Kong as the external auditor of the Company at the annual general meeting;
- Reviewed the adequacy and effectiveness of the risk management and internal control systems;
- Reviewed the Group's internal control handbook;
- Reviewed the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit, financial reporting functions, and environmental, social and governance ("ESG") performance and reporting function;
- Reviewed the Group's Risk Register and discussed the enhancements;
- Reviewed and monitored the external auditor's independence and engagement to provide non-audit services;
- Reviewed the effectiveness of the Group's internal audit functions;
- Reviewed and approved the internal audit plans for 2022 and 2023;
- Reviewed periodic reports from the Internal Audit Department and the progress in resolving matters identified in the reports;
- Reviewed the revisions to the Internal Audit Charter;
- Monitored the operation of the whistleblowing policy, and reviewed reported whistleblowing cases and investigation reports; and
- Reviewed the amendments to its terms of reference.

None of the members of the Audit Committee is a former or existing partner of the Company's existing auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

## CORPORATE GOVERNANCE REPORT

### Corporate Governance Committee

The Corporate Governance Committee is responsible for (i) formulating, reviewing and making recommendations on the Company's policies and practices of corporate governance; (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) reviewing and monitoring the Code of Conduct of the Group; and (v) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the year, the Corporate Governance Committee held two meetings and below is a summary of the work it carried out during the year:

- Reviewed the Company's CG Practice Manual;
- Reviewed the Company's compliance with the CG Code;
- Reviewed the 2021 Corporate Governance Report;
- Reviewed the continuous professional development of Directors and senior management;
- Reviewed the implementation and effectiveness of the mechanisms for ensuring independent views and input are available to the Board; and
- Reviewed the amendments to its terms of reference.

### Investment Committee

The Investment Committee is responsible for (i) formulating and reviewing the investment strategies, policies and guidelines; (ii) reviewing and approving investment; and (iii) presenting to and advising the Board on material investment.

During the year, the Investment Committee held five meetings and passed three written resolutions and below is a summary of the work it carried out during the year:

- Obtained advice from independent professional consultant and reviewed the financial markets and external fund managers;
- Reviewed and updated (as required) the Investment Policies and Guidelines;
- Reviewed and formulated the investment strategies and asset allocation parameters in response to the changes in the conditions of financial markets and the advice from independent professional consultant;
- Reviewed investment opportunities in accordance with the formulated investment strategies and asset allocation parameters;
- Reviewed the investment portfolio and its performance regularly; and
- Reviewed the amendments to its terms of reference.

## Nomination Committee

The Nomination Committee is responsible for (i) reviewing the structure, size and composition of the Board; (ii) assessing the suitability and qualification of any proposed director candidate; (iii) assessing the independence of the INEDs; (iv) making recommendation to the Board on the appointment or re-appointment of Directors and succession planning for Directors; (v) reviewing the implementation and effectiveness of the Board Diversity Policy; and (vi) reviewing the Nomination Policy.

The Nomination Committee, in its process of recommending new Director appointment, is guided by the Nomination Policy, which sets out the selection and nomination process as well as criteria for selection of directors. Under the Nomination Policy, the Nomination Committee will evaluate potential candidate on his/her cultural and educational background, ethnicity, professional experience and skills with due regard to the benefits of diversity as set out in the Board Diversity Policy. The Nomination Committee will also consider the independence of a candidate with reference to the Independence Guidelines in the case of the appointment of an Independent Non-executive Director. There was no appointment of new Director during the year.

During the year, the Nomination Committee held two meetings and below is a summary of the work it carried out during the year:

- Reviewed the structure, size and composition of the Board;
- Assessed and reviewed the independence of INEDs;
- Recommended the re-election of retiring Directors at the annual general meeting;
- Approved the re-designation of Director from executive role to non-executive role;
- Approved the appointment of the Chief Executive Officer of the Company;
- Reviewed the amendments to the Nomination Policy;
- Reviewed the implementation and effectiveness of the Board Diversity Policy and the measurable objectives for implementing the Board Diversity Policy;
- Reviewed the amendments to the Board Diversity Policy;
- Reviewed the disclosure of Board Diversity in the Corporate Governance Report; and
- Reviewed the amendments to its terms of reference.

## CORPORATE GOVERNANCE REPORT

### Remuneration Committee

The Remuneration Committee is responsible for (i) formulating remuneration policies; (ii) determining remuneration packages of individual Executive Directors and senior management; (iii) making recommendations to the Board on the Directors fee structure; (iv) reviewing and approving compensation-related issues; and (v) reviewing and/or approving matters relating share schemes.

During the year, the Remuneration Committee held two meetings and below is a summary of the work it carried out during the year:

- Approved the bonus payment to the outgoing Chief Executive Officer payable upon his retirement;
- Approved the remuneration package of the incoming Chief Executive Officer;
- Approved the remuneration packages of Senior Management;
- Approved the Group's 2022 annual salary increment percentage;
- Reviewed the discretionary bonus proposals and approved the payment of certain bonus;
- Recommended an increase to the fee structure for Directors, the Non-executive Chairman and the Board Committees chairmen and members; and
- Reviewed the amendments to its terms of reference.

During the year ended 31 December 2022, there was no new appointment of director, hence no service contract for new director requiring approval by the Remuneration Committee.

### Director Remuneration Policy

The Board has adopted a Directors' Remuneration Policy that aims to attract, retain and motivate qualified industry professionals and high caliber talent to be the Company's Directors. The policy provides guidelines to set Directors' remuneration in a fair and transparent manner.

Remuneration package of Executive Directors shall be determined by the Remuneration Committee and is reviewed annually. Remuneration package of Executive Directors, comprised of various components (including benefits and provident fund), are benchmarked against companies of comparable businesses, similar scale and complexity. It is also based on the individual's qualification, seniority, and experience in the role. Executive Directors are also remunerated with Director's fee which is reviewed periodically.

Remuneration of Non-executive Directors shall be approved by the Board with the authorisation granted by the Company's shareholders at its an annual general meeting based on recommendation by the Remuneration Committee. Non-executive Directors are remunerated with respect to their duties and responsibilities. No equity-based remuneration with performance-related elements is granted to Independent Non-executive Directors.

## 2022 BOARD AND COMMITTEE ATTENDANCE AND TRAINING RECORDS

|  | Meetings attended/eligible to attend in 2022 <sup>(1)</sup> |                    |                                      |                         |                         |                           |     | Annual<br>General<br>Meeting | Training &<br>Development<br>Programme <sup>(2)</sup> |
|--|---|--------------------|--------------------------------------|-------------------------|-------------------------|---------------------------|-----|------------------------------|---|
|  | Board   | Audit<br>Committee | Corporate<br>Governance<br>Committee | Investment<br>Committee | Nomination<br>Committee | Remuneration<br>Committee |     |                              |   |
| <b>No of meetings held in 2022</b>         | 6   | 3                  | 2                                    | 5                       | 2                       | 2                         | 1   |                              |   |
| <b>Executive Director</b>                  |   |                    |                                      |                         |                         |                           |     |                              |   |
| Mrs. Penny Soh Peng CROSBIE-WALSH          | 6/6   |                    | 2/2                                  | 5/5                     |                         | 1/1                       | 1/1 | ✓                            |   |
| <b>Non-executive Directors</b>             |   |                    |                                      |                         |                         |                           |     |                              |   |
| Mr. Hung Han WONG                          | 6/6   | 3/3                |                                      | 5/5                     |                         | 2/2                       | 1/1 | ✓                            |   |
| Mr. David Charles PARKER                   | 6/6   |                    |                                      | 5/5                     |                         | 1/1                       | 1/1 | ✓                            |   |
| <b>Independent Non-executive Directors</b> |   |                    |                                      |                         |                         |                           |     |                              |   |
| Mr. Kin Wing CHEUNG                        | 6/6   | 3/3                |                                      | 5/5                     | 2/2                     |                           | 1/1 | ✓                            |   |
| Mr. Kiu Sang Baldwin LEE                   | 6/6   | 3/3                | 2/2                                  |                         | 2/2                     | 2/2                       | 1/1 | ✓                            |   |
| Mr. Ted Tak Tai LEE                        | 6/6   | 3/3                |                                      | 5/5                     |                         | 2/2                       | 1/1 | ✓                            |   |
| Ms. Sarah Young O'DONNELL                  | 6/6   |                    | 2/2                                  |                         | 2/2                     | 2/2                       | 1/1 | ✓                            |   |
| <b>Director resigned during the year</b>   |   |                    |                                      |                         |                         |                           |     |                              |   |
| Mr. Hing Lun Dennis AU                     | 2/2   |                    | 1/1                                  |                         | 2/2                     |                           |     | ✓                            |   |

### Notes:

- (1) Directors may attend meetings in person, by phone or through other means of electronic communication in accordance with the Company's Articles of Association.
- (2) Directors who undertook training and development through attending seminars/conferences and webinars which are relevant to the business or directors duties arranged by the Company or external organisation, and reading regulatory/corporate governance and industry related updates. In 2022, topics included anti-bribery and corruption, corporate governance, sustainability, regulatory compliance and directors duties.

## CORPORATE GOVERNANCE REPORT

### ACCOUNTABILITY AND AUDIT

#### Financial Reporting

The Board is responsible for presenting a balanced, clear and comprehensive, assessment of the Group's performance, position and prospects in all corporate communications. Management provides the Board with monthly updates, with a view to giving it a balanced and understandable assessment of the Group's performance, financial position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Directors are responsible for the preparation of the Group's consolidated financial statements which give a true and fair view of the Group's state of affairs, results and cash flows for the year. In preparing the consolidated financial statements, the Directors have selected suitable accounting policies and applied them consistently, made prudent, fair and reasonable judgments and estimates, and prepared the consolidated financial statements on a going concern basis.

The statement of the auditor of the Company about its responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 79 to 84.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

#### Risk Management and Internal Control

##### *Responsibility*

The Board has the overall responsibility to ensure that sound and effective risk management and internal control systems are maintained. Management is responsible for designing, implementing and monitoring the risk management and internal control systems to manage risks. Sound and effective risk management and internal control systems are designed to identify and manage the risk of failure to achieve business objectives. Such systems are designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems.

##### *Risk Management Framework*

Risk management is enhanced continually, linking to our corporate strategies and as a continuous part of day-to-day business operations for all key decision making processes and core business activities. Major activities of the risk management process include risk assessment, which constitutes the sub-processes of risk identification, risk analysis and risk evaluation. There involves also risk assessment documentation, methodologies, risk treatment, monitoring and review for ensuring the overall effectiveness of risk management. Fraud risk management through code of conduct and whistleblowing policies is adopted to uphold honesty, integrity and fair play as our core values of the Group at all times.

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness. The Audit Committee supports the Board in monitoring the Group's risk exposures, and the design and operating effectiveness of the underlying risk management and internal control systems. The Audit Committee, acting on behalf of the Board, oversees the following processes:

- (i) Regular reviews of the principal business risks, and control measures to mitigate, reduce or transfer such risks; the strengths and weaknesses of the overall internal control system and action plans to address the weaknesses or to improve the assessment process;
- (ii) Regular reviews of the business process and operations reported by the Internal Audit Department, including action plans to address the identified control weaknesses and status update and monitor in implementing its recommendations; and
- (iii) Regular reports by the external auditors, if any, of any control issues identified in the course of their work and the discussion with the external auditors of the scope of their respective review and findings.

The Audit Committee will then report to the Board after due review as to the effectiveness of the Group's risk management and internal control systems. The Board considers the works and findings of the Audit Committee in forming its own view on the effectiveness of these systems.

### ***Internal Control System***

The Group's internal control system aims to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations. The Group's internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority. Policies and procedures are laid down for its key business processes and business units covering business operations, financial reporting, human resources and computer information systems.

The Group has developed a Code of Conduct for its employees. All employees are required to strictly follow the Group's Code of Conduct to prevent potential bribery, extortion, fraud and money laundering which may exploit their positions against the Group's interests in the course of business. Employees are required to submit an annual declaration with respect to the compliance with the Code of Conduct. The Group has also adopted a Code of Conduct for External Parties, which aims to strengthen the Group's high level of integrity and also prevent any potential bribery situations between suppliers and its employees. The Code of Conduct for External Parties is published on the Company Website.

The Group has developed whistleblowing policies for employees and external parties respectively, which aim to provide reporting channels and guidance on reporting possible improprieties in financial reporting, internal control or other matters related to the Group, and reassurance to whistleblowers of the protection that the Company will extend to them against unfair dismissal or victimisation for any genuine reports made under these whistleblowing policies. The Whistleblowing Policy for External Parties is published on the Company Website.

## CORPORATE GOVERNANCE REPORT

### *COSO Internal Controls*

The Group's internal control model is based on that set down by the Committee of Sponsoring Organisations of the U.S. Treadway Commission ("COSO") for internal controls, and has five components, namely Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In developing the Group's internal control model based on the COSO principles, management has taken into consideration the Group's organisational structure and the nature of its business activities.

(i) Control Environment

The Board has demonstrated a commitment to integrity and ethical values. It works with independence from management and exercises oversight of the development and performance of internal control. Management establishes the structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. The Board is committed to attract, develop, and retain competent individuals in alignment with objectives. It holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

(ii) Risk Assessment

The risk assessment specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives. It identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed. It also considers the potential for fraud in assessing risks to the achievement of objectives by identifying and assessing changes that could significantly impact the system of internal control.

(iii) Control Activities

Management selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. It also develops general control activities over technology to support the achievement of objectives. Control activities through policies and procedures are established to put into practice.

(iv) Information and Communication

Management obtains, generates and uses relevant, quality information to support the functioning of internal control. There is internal communication of objectives and responsibilities necessary to support the functioning of internal control. External communication regarding matters affecting the functioning of internal control is made where necessary.

(v) Monitoring

Management has ongoing evaluations to ascertain whether the components of internal control are present and functioning. It evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the Board, as appropriate.

### ***Internal Audit Department***

The Group's Internal Audit Department ("IA Department") assists the Board, the Audit Committee and Management to protect the assets, reputation and sustainability of the Group and its stakeholders through independently reviewing the adequacy and effectiveness of the Group's governance, risk management and internal control systems. The IA Department is an independent and objective function that reports directly to the Audit Committee, it has full, free and unrestricted access to all activities, information, records, properties and personnel of the Group as stipulated in the Internal Audit Charter. The Head of Internal Audit maintains regular communication with and has direct access to the Chairman of the Audit Committee for discussion on internal audit matters as and when required.

IA Department adopts a risk-based approach in formulating the audit plan, which is reviewed and approved by the Audit Committee on an annual basis. Audit assignments covering the entire business cycle of the Group are designed and prioritised based on the results of the risk assessment.

During the year, IA Department executed the internal audit assignments according to the approved annual internal audit plan. These assignments included but not limited to:

- (i) Conducting independent and regular audits which cover financial, operational and compliance controls in accordance with the internal audit plan;
- (ii) Reviewing the systems of internal control and risk management of the Group and proposing enhancements to these systems for consideration by the Audit Committee and/or the senior management and/or the individual department concerned;
- (iii) Conducting special reviews and investigations of areas of concern identified by the Board, the Audit Committee and management; and
- (iv) Overseeing the Whistleblowing mechanism and conducting special investigations as and when appropriate.

All audit findings and control weaknesses, if any, are reported by the IA Department to the Audit Committee and Management on a regular basis. Post-audit follow-up reviews are performed to ensure that relevant corrective measures on the previously identified internal control deficiencies have been properly implemented as intended and on a timely basis. The significant audit findings and the status of corresponding corrective measures taken by management will be brought to the attention of the Audit Committee.

### ***Review of the Effectiveness of Risk Management and Internal Controls***

During the year, on behalf of the Board, the Audit Committee conducted an annual review of the effectiveness of risk management and internal control systems that covered all material controls, including financial, operational, environmental, social and compliance controls and considered:

- (i) Areas of risks identified by Management;
- (ii) Adequacy of the resources, qualification and experience of staff, training programmes and budget of the Group's accounting, internal audit, financial reporting function, and ESG performance and reporting function; and
- (iii) Enhancement to the risk management and internal control systems identified as being necessary or proposed by the IA Department.

## CORPORATE GOVERNANCE REPORT

The Audit Committee concluded that the Group's risk management and internal control systems remained effective and adequate.

The Chief Executive Officer of the Company also provided a confirmation to the Board on the effectiveness of the risk management and internal control systems in December 2022 after receiving the confirmations on the effectiveness of these systems provided by the Chief Financial Officer and individual managers across the Group as well as Internal Audit Department.

As a result of the above, the Board whilst keeping it under review, in light of experience, also considered the Group's risk management and internal control systems remained effective and adequate.

### Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- (i) is required to disclose inside information as soon as reasonably practicable in accordance with the SFO and the Listing Rules;
- (ii) conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;
- (iii) upon receipt of a statutory or other demands or a threat for legal proceedings, takes the situation seriously and if necessary, seeks legal advice in relation to any disclosure obligations;
- (iv) has included in employment contracts (or an addendum to the employment contract) a strict prohibition on the unauthorised use of confidential information; and
- (v) has established and implemented the Policy on Disclosure and Handling of Inside Information.

### External Auditor

The Audit Committee monitors the audit and non-audit services rendered to the Group by the external auditor and ensures that the engagement of the external auditor in non-audit services will not impair its audit independence or objectivity. The Company has adopted the policy on the engagement of external auditor to supply non-audit services, which set out: (i) the classification of services as permitted audit-related or non-audit services and prohibited non-audit services; and (ii) the approval process for non-audit services.

The remuneration in respect of audit and non-audit services provided to the Group by the Company's auditor, RSM Hong Kong and other RSM network firms for the year ended 31 December 2022 was:

|  | <i>HK\$'000</i> |
|--|-----------------|
| Audit services (disclosed in note 13 to the consolidated financial statements) | 1,090           |
| Non-audit services:  |                 |
| Taxation services  | 37              |
| Other assurance services   | 238             |
| Other reporting services   | 16              |
|  | <u>1,381</u>    |

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Shareholders Communication Policy (“SCP”), which is available on the Company Website, sets out the provisions with the aim to provide the Shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable them to make informed assessments of the Company, and to allow the Shareholders and the investment community to engage with the Company.

Information is communicated to the Shareholders and the investment community through (i) disclosures submitted to the Stock Exchange; (ii) the Company Website; (iii) Corporate Communications (as defined in the Listing Rules, including, but not limited to, annual and interim reports, announcements, circulars, notices of general meeting); and (v) general meetings of the Company.

In accordance with the SCP:

### (i) Shareholders’ Enquiries

Shareholders shall direct questions about their shareholdings to the Company’s Registrar. The contact details of the Company’s Registrar are:

Computershare Hong Kong Investor Services Limited  
Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong  
Tel: (852) 2862 8628

Shareholders and the investment community may at any time make a request for the Company’s information to the extent that such information is publicly available.

Shareholders and the investment community who have any other query in respect of the Company are most welcome to contact the Company Secretary whose contact details are:

Company Secretary  
ENM Holdings Limited  
Suites 3301-3302, 33rd Floor, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong  
Email: comsec@enmholdings.com  
Fax: (852) 2827 1491

### (ii) Corporate Communications

Corporate Communications are made out to the Shareholders in plain language and in both English and Chinese to facilitate Shareholders’ understanding. Shareholders are encouraged to access the Corporate Communications electronically via the Company Website to be more environmental. Shareholders have the right to choose their preferred language of communication (either English and/or Chinese) or the means of receipt (electronic or paper format).

## CORPORATE GOVERNANCE REPORT

### (iii) Company Website

The Company Website provides a wide range of information about the Company and its operations, and contains all Corporate Communications. The Company Website is reviewed and updated on a regular basis. Information released by the Company to the Stock Exchange is also posted on the Company Website immediately thereafter.

### (iv) General Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote for and on their behalf at meetings if they are unable to attend personally. Appropriate arrangements for the general meetings shall be in place to encourage Shareholders' participation. The Chairman of the meeting shall allow relevant questions to be asked at the meetings. Board members, in particular the chairmen of Board Committees or their delegates, appropriate management executives and external auditors shall attend general meetings to answer Shareholders' questions.

### (v) Investment Community Communications

To facilitate communication with the Shareholders and the investment community, the Company may arrange investor/analyst briefing, one-on-one meeting, roadshow, media interview and marketing events from time to time. Directors and employees of the Company who have contacts or dialogues with investors, analysts, media or other interested outside parties are required to comply with the disclosure obligations and requirements under the Company's Policy on Disclosure and Handling of Inside Information.

To ensure that disclosures and communications are consistent and authorised, only the following designated Directors and employees of the Company are authorised to discuss the Company's corporate matters with Shareholders, investors, analysts, the media or other members of the public:

- (a) The Chairman of the Board;
- (b) Chief Executive Officer; and
- (c) Chief Financial Officer.

### (vi) Shareholders' Privacy

The Company recognises the importance of Shareholders' privacy and shall not disclose Shareholders' information without their consent, unless required by law to do so.

The Company gives sufficient notice of general meetings to the Shareholders. To facilitate enforcement of shareholders' rights, separate resolutions are proposed at general meetings on each substantially separate issue. All resolutions put to vote at general meetings are taken by poll. Procedures regarding the conduct of the poll are explained to shareholders at each general meeting, and questions from shareholders regarding the voting procedures are answered.

During the year, the Board reviewed the implementation and effectiveness of the SCP. With the above measures in place, the SCP was considered to have been effectively implemented.

## SHAREHOLDERS' RIGHTS

### Calling of General Meeting by Shareholders

Under the Companies Ordinance, registered shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings may request to call a general meeting of the Company. The request (a) must state the general nature of the business to be dealt with at the meeting, (b) must be signed by the shareholder(s) who requested the general meeting, and (c) must be deposited at the registered office of the Company (the "Registered Office") at Suites 3301-3302, 33rd Floor, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong for the attention of the Company Secretary. If the resolution is to be proposed as a special resolution, the request should include the text of the resolution and specify the intention to propose the resolution as a special resolution. The request may consist of several documents in like form, each signed by one or more shareholder(s) who requested the general meeting.

### Procedures for Putting Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board through the Company Secretary by mail to the Registered Office or by email to [comsec@enmholdings.com](mailto:comsec@enmholdings.com) or by fax at (852) 2827 1491.

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committee of the Company, where appropriate, to response.

### Procedures for Putting Forward Proposals at General Meetings by Shareholders

#### *Circulation of shareholders' statement*

Under the Companies Ordinance, registered shareholder(s) of the Company representing at least 2.5% of the total voting rights of all the shareholders who have a relevant right to vote, or at least 50 shareholders who have a relevant right to vote may request the Company to circulate to shareholders of the Company entitled to receive notice of a general meeting a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution or other business to be dealt with at that meeting. The request (a) must be signed by the shareholder(s) who requested the circulation of the statement, (b) must be deposited at the Registered Office for the attention of the Company Secretary, (c) must identify the statement to be circulated, and (d) must be received by the Company at least 7 days before the meeting to which it relates.

#### *Circulation of resolution for requesting an annual general meeting*

Under the Companies Ordinance, registered shareholder(s) of the Company representing at least 2.5% of the total voting rights of all the shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate, or at least 50 shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate, may request the Company to give, to shareholders of the Company entitled to receive notice of the annual general meeting, notice of a resolution that is intended to be moved at that meeting. The request (a) must be signed by the shareholder(s) who requested the circulation of such resolution, (b) must be deposited at the Registered Office for the attention of the Company Secretary, (c) must identify the resolution of which notice is to be given, and (d) must be received by the Company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting.

## CORPORATE GOVERNANCE REPORT

### *Nomination of a person for election as a Director*

Pursuant to Article 107 of the Company's Articles of Association, a shareholder can propose a person (not being the shareholder himself/herself) for election to the office of Director at any general meeting by giving the Company notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his/her willingness to be elected. The period for lodging such notices shall commence no earlier than the day after the dispatch of the notice of the general meeting, appointed for such election, and end no later than 7 days prior to the date of such general meeting.

### DIVIDEND POLICY

The Company has adopted its Dividend Policy. In determining the dividend amount, the Board will take into account a number of factors such as the Group's current and future operations, strategic and business plans, capital expenditure and future development requirements, liquidity position, financial results, general financial condition as well as the economic outlook. No predetermined dividend payout ratio is set in the Dividend Policy.

### ARTICLES OF ASSOCIATION

No amendment was made in the Company's Articles of Association during the year. The latest version of the Company's Articles of Association is available on the Company Website and HKEx Website.

### COMPANY SECRETARY

The Company Secretary is a full time employee of the Company. The Company Secretary supports the Board by ensuring good information flow within the Board, and that the Board's policy and procedures and all applicable rules and regulations are followed. The Company Secretary is responsible for advising the Board on corporate governance matters and facilitating the induction and continuous professional development of Directors. During the year, the Company Secretary undertook over 15 hours of relevant professional training to update her skills and knowledge.

**Sarah Young O'DONNELL**

*Chairman of the Corporate Governance Committee*

Hong Kong, 28 March 2023

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## ABOUT THIS REPORT

This Corporate Social Responsibility Report (“CSR Report”) is prepared in accordance with the Environmental, Social, and Governance Reporting Guide (the “ESG Reporting Guide”) set out in Appendix 27 of the Listing Rules. This CSR Report has complied with the “comply or explain” provisions in the ESG Reporting Guide.

This CSR Report mainly covers the social and environmental aspects of the ESG Reporting Guide. The governance aspect of the ESG Reporting Guide is addressed in the Corporate Governance Report of this Annual Report.

## BOARD STATEMENT

The Group recognises its corporate social responsibility to the society. The Board is committed to ensuring that the Group’s business operations incorporate consideration of impact on the environment, relevant social aspects and good corporate governance. The Board accepts full responsibility for the Group’s Environmental, Social and Governance (“ESG”) strategies and reporting. The Board has adopted an ESG Policy which sets out the framework for managing and applying the Group’s ESG commitment. The Board reviews and approves the Group’s ESG strategies, priorities, targets and goals, as well as the related policies and frameworks regularly. The Board also ensures the effectiveness of risk management and internal control mechanism applicable to ESG.

The Board has established a Corporate Social Responsibility Working Group (the “CWG”) to oversee and report on the environmental and social (“ES”) matters which includes community investment. The CWG is governed by Terms of Reference that clearly define its authority and duties, and is provided with sufficient resources to discharge its duties. The CWG reports directly to the Board, led by the Chief Executive Officer of the Company and comprises of senior management including the Chief Financial Officer and Heads of all business units. The duties of the CWG include:

- To prepare a formal ESG policy for the Board’s approval and review the policy periodically to ensure its relevance to the Group’s operations;
- To identify material ES matters in the Group’s operations, then evaluate, prioritise and take appropriate actions to address them;
- To make recommendations on the Group’s ES-related goals and targets for the Board’s approval;
- To develop and implement the Group’s ES strategies, frameworks and policies, and report regularly to the Board on the progress of the development and effectiveness of the implementation; and
- To prepare the annual CSR Report or any other reports required by and in accordance with all applicable laws, rules and regulations.

The operational structure of corporate governance and risk management and internal control framework of the Group are set out in the Corporate Governance Report of this Annual Report.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## SCOPE OF THIS CSR REPORT AND REPORTING PERIOD

The reporting scope of this CSR Report is the same as that of last financial year's report which covers:

- (i) Group head office in Hong Kong;
- (ii) Fashion Retail Business in Hong Kong, operated by The Swank Shop Limited ("Swank"); and
- (iii) Resort and Recreation Club Operation in Hong Kong, Hill Top Country Club (the "Club") operated by Hill Top Country Club Limited ("Hill Top").

The reporting period of this CSR Report is from 1 January 2022 to 31 December 2022 (the "Reporting Period"), which is the same as the financial reporting period of this Annual Report.

## REPORTING PRINCIPLES

This CSR Report has been prepared based on four reporting principles: materiality, quantitative, balance, and consistency.

1. **Materiality:** The Group identifies key environmental and social aspects of its operations through a materiality assessment.
2. **Quantitative:** This CSR Report discloses the environmental and social key performance indicators ("KPIs") in quantitative terms. Information about the standards, methodologies, assumptions and/or calculation references, and source of key conversion factors used for these KPIs are stated where appropriate.
3. **Balance:** This CSR Report is prepared in an objective and impartial manner to ensure that the information is disclosed faithfully to reflect the overall performance of the Group in the environmental and social aspects.
4. **Consistency:** Methodologies used in this CSR Report are consistent with those used in the prior years in terms of data statistics and calculation to ensure the comparability of information.

## STAKEHOLDER ENGAGEMENT

The Group values the stakeholders and their feedback on the relevant ESG aspects of its business operations. To understand and address any major concerns, the Group has maintained regular communication with key stakeholders, including but not limited to shareholders and investors, employees, customers and suppliers. The Group takes into consideration stakeholders' expectations when formulating the business and ESG strategies via diverse mode of engagement and communication channels, as shown below.

| Major Stakeholders         | Communication Channels   |
|----------------------------|--|
| Shareholders and Investors | Annual general meetings and other shareholders' meetings<br>Annual and interim reports<br>Announcements and circulars<br>Company website |
| Employees                  | CWG meetings<br>Staff engagement events<br>Performance appraisal<br>Internal circulars<br>Trainings                                      |
| Customers                  | Social media<br>Company Website  |
| Suppliers                  | Business engagements and meetings<br>Review and assessment   |

## MATERIALITY ASSESSMENT

In this CSR Report, the Group has applied the principle of materiality by identifying the key environmental and social aspects of the Group's business operations that have the most significant impact. An annual materiality assessment exercise was undertaken by the Group during the year with the primary objective to identify relevant environmental and social aspects that are material to the Group's operations. This involved conducting interviews and/or surveys with internal and external stakeholders. The Group made reference to the ESG Reporting Guide to identify material items to be disclosed in this CSR Report.

## CORPORATE SOCIAL RESPONSIBILITY REPORT

Through the materiality assessment, the Group has determined that the items listed below are material environmental and social considerations for the Group's business operations:

- Environmental protection policies
- Energy consumption and management
- Climate change
- Employee remuneration and welfare benefits
- Diversity and equal opportunity of employees
- Employee training and development
- Occupational health and safety
- Product and service quality
- Customer satisfaction
- Customer privacy
- Protection of intellectual property rights
- Anti-corruption
- Legal compliance

### ENVIRONMENTAL SUSTAINABILITY

In recent decades, more evidence of the importance of environmental protection has surfaced from further studies on and data collected from global climate change together with air, water and other pollution caused by human activities. The Group has taken actions and implemented measures in its operations and activities that would contribute to the protection of the environment and help curb global warming by reducing its carbon footprint.

#### Air Emissions

Air emissions can be generated from the consumption of liquefied petroleum gas ("LPG") in water heaters and cooking equipment at the Club and are also emitted from the Group's own vehicles.

During the year, the approximate amounts of air emissions generated by the Group's business operations are as follows:

|   | Nitrogen oxides<br>(NO <sub>x</sub> ) |               | Sulphur oxides<br>(SO <sub>x</sub> ) |             | Particulate matter<br>(PM) |             |
|---|---------------------------------------|---------------|--------------------------------------|-------------|----------------------------|-------------|
|   | 2022<br>kg                            | 2021<br>kg    | 2022<br>kg                           | 2021<br>kg  | 2022<br>kg                 | 2021<br>kg  |
| Emission from gaseous fuel consumption<br>– LPG | 3.94                                  | 4.77          | 0.02                                 | 0.01        | –                          | –           |
| Emission from vehicles<br>– Diesel              | 113.62                                | 134.43        | 0.21                                 | 0.25        | 7.68                       | 8.34        |
| Total air emissions                             | <u>117.56</u>                         | <u>139.20</u> | <u>0.23</u>                          | <u>0.26</u> | <u>7.68</u>                | <u>8.34</u> |

*Note:* The air emissions are calculated according to methods and conversion factors mentioned in “How to prepare an ESG Report-Appendix 2: Reporting Guidance on Environmental KPIs (version updated on 25 March 2022)” issued by The Stock Exchange of Hong Kong Limited.

Since January 2022, Swank has outsourced the storage and transportation of merchandise to a third party logistic company (“3PL”). As the 3PL does not provide travelling distance and diesel consumption data, the emission from vehicles has been reduced in this reporting period.

The Group complies with the provisions in relation to motor vehicle emissions under the Road Traffic Ordinance (Chapter 374 of the laws of Hong Kong).

Due to the nature of the Club's operation, the use of water heaters, cooking equipment and vehicles are inevitable. Therefore, it is not feasible to set an air emission target. The Group has adopted the following preventive and corrective measures to control air emissions from these sources:

- Conduct regular inspection and maintenance of water heaters and cooking equipment to enhance fuel efficiency;
- Conduct regular vehicle inspection and maintenance to enhance fuel efficiency;
- Only use Euro V standard vehicles; and
- Educate employees to turn off the engine of idling vehicles.

The Group regularly reminds its driving employees to observe the Motor Vehicle Idling (Fixed Penalty) Ordinance (Chapter 611 of the laws of Hong Kong) by switching off idling engine of the vehicles so as to reduce harmful effects to the environment.

## CORPORATE SOCIAL RESPONSIBILITY REPORT

### Greenhouse Gas Emissions

Greenhouse Gas (“GHG”) emissions are generated by many types of everyday activities, such as electricity consumption, combustion of fuel and gases, and operating vehicles. The increase in GHG emissions is one of the main contributing factors to rising temperature of earth and carbon dioxide is the major GHG emitted through human activities. The Group is committed to managing its GHG emissions by reducing its use of and improving the efficiency in the use of energy and resources in its day-to-day operations. The Group aims to progressively reduce the GHG emission for the same scale of operation. To achieve a reduction in the intensity of GHG emission, the Group has adopted the following measures which to reduce the consumption of energy, water and paper, as well as the amount of non-hazardous waste it produces. The Group continues to closely monitor its GHG emissions and other environmental data, and review the effectiveness of its existing measures, to maximise energy efficiency and improve environmental performance.

The major sources of GHG emissions are:

- LPG consumption for water heating in guest bathrooms, and cooking at the Club;
- Use of charcoal for barbecue service at the restaurant in the Club;
- Diesel consumption of shuttle buses operated by the Club;
- Refrigerants used in air-conditioning equipment and refrigerators;
- Use of electricity in all locations/premises;
- Paper waste disposed at landfills;
- Electricity used for processing fresh water and sewage by the relevant government departments; and
- Employees’ business air travel.

During the year, the approximate amounts of the Group’s GHG emissions from various sources are as follows:

| Group Head Office                  | Unit                 | 2022   | 2021   |
|------------------------------------|----------------------|--------|--------|
| Scope 2 - Indirect emissions       |                      |        |        |
| • Purchased Electricity            | kg CO <sub>2</sub> e | 44,391 | 43,760 |
| Scope 3 – Other indirect emissions |                      |        |        |
| • Paper consumption                | kg CO <sub>2</sub> e | 4,452  | 6,859  |
| • Water consumption                | kg CO <sub>2</sub> e | 36     | 38     |
| • Business air travel <sup>2</sup> | kg CO <sub>2</sub> e | 1,694  | —      |
| Total GHG emission                 | kg CO <sub>2</sub> e | 50,573 | 50,657 |

| <b>Fashion Retail Business</b>              | <b>Unit</b>                           | <b>2022</b>    | <b>2021</b> |
|---|---------------------------------------|----------------|-------------|
| Scope 1 - Direct emissions                  |                                       |                |             |
| • Diesel                                    | kg CO <sub>2</sub> e                  | —              | 6,395       |
| Scope 2 - Indirect emissions                |                                       |                |             |
| • Purchased Electricity                     | kg CO <sub>2</sub> e                  | <b>84,155</b>  | 100,259     |
| Scope 3 – Other indirect emissions          |                                       |                |             |
| • Paper consumption                         | kg CO <sub>2</sub> e                  | <b>16,106</b>  | 15,834      |
| • Business air travel <sup>2</sup>          | kg CO <sub>2</sub> e                  | <b>12,909</b>  | —           |
| Total GHG emission                          | kg CO <sub>2</sub> e                  | <b>113,170</b> | 122,488     |
| Total GHG emission intensity                | kg CO <sub>2</sub> e/thousand revenue | <b>1.59</b>    | 1.60        |
| <b>Resort and Recreation Club Operation</b> | <b>Unit</b>                           | <b>2022</b>    | <b>2021</b> |
| Scope 1 - Direct emissions                  |                                       |                |             |
| • LPG                                       | kg CO <sub>2</sub> e                  | <b>64,649</b>  | 78,232      |
| • Charcoal                                  | kg CO <sub>2</sub> e                  | <b>1,890</b>   | 4,641       |
| • Diesel                                    | kg CO <sub>2</sub> e                  | <b>35,853</b>  | 37,155      |
| • Refrigerants                              | kg CO <sub>2</sub> e                  | <b>87,030</b>  | 209,486     |
| Scope 2 - Indirect emissions                |                                       |                |             |
| • Purchased Electricity                     | kg CO <sub>2</sub> e                  | <b>402,694</b> | 377,734     |
| Scope 3 – Other indirect emissions          |                                       |                |             |
| • Paper consumption                         | kg CO <sub>2</sub> e                  | <b>2,100</b>   | 2,520       |
| • Water consumption                         | kg CO <sub>2</sub> e                  | <b>9,029</b>   | 9,503       |
| Total GHG emission                          | kg CO <sub>2</sub> e                  | <b>603,245</b> | 719,271     |
| Total GHG emission intensity                | kg CO <sub>2</sub> e/thousand revenue | <b>73.78</b>   | 83.52       |
| <b>Total GHG emission</b>                   | <b>Unit</b>                           | <b>2022</b>    | <b>2021</b> |
| Scope 1                                     | kg CO <sub>2</sub> e                  | <b>189,422</b> | 335,909     |
| Scope 2                                     | kg CO <sub>2</sub> e                  | <b>531,240</b> | 521,753     |
| Scope 3                                     | kg CO <sub>2</sub> e                  | <b>46,326</b>  | 34,754      |
| Total GHG emission                          | kg CO <sub>2</sub> e                  | <b>766,988</b> | 892,416     |
| Total GHG emission intensity                | kg CO <sub>2</sub> e/thousand revenue | <b>8.13</b>    | 8.15        |

*Notes:*

1. The GHG emissions are calculated according to methods and conversion factors mentioned in “How to prepare an ESG Report-Appendix 2: Reporting Guidance on Environmental KPIs (version updated on 25 March 2022)” issued by The Stock Exchange of Hong Kong Limited and Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 edition) jointly published by Environmental Protection Department and Electrical and Mechanical Services Department.
2. Due to travel restriction during the COVID-19 pandemic, the Group’s employees had no business air travel in 2021.

## CORPORATE SOCIAL RESPONSIBILITY REPORT

### Waste Management

Due to the nature of the business operations, the Group does not produce any hazardous waste.

Non-hazardous waste from the Group's operations mainly includes (i) paper used in the office; (ii) carton boxes and plastic bags used in logistical/packaging; and (iii) solid waste at the Club. Non-hazardous wastes generated at the Group's head office and the retail stores are handled by the respective building management company which does not provide figures as to the amount of non-hazardous waste for individual premises. Non-hazardous waste generated at the Club is collected by a contracted waste collector.

During the year, the approximate amounts of various types of non-hazardous waste disposed by the Group are as follows:

| Types of non-hazardous wastes                                   | Unit                | 2022   | 2021   |
|---|---------------------|--------|--------|
| Paper for office use  | kg                  | 1,111  | 1,564  |
| Carton boxes and plastic bags for logistical/packaging purposes | kg                  | 869    | 1,087  |
| Solid waste at Hill Top   | kg                  | 22,950 | 34,916 |
| Total non-hazardous wastes                                      | kg                  | 24,930 | 37,567 |
| Total non-hazardous wastes intensity                            | kg/thousand revenue | 0.26   | 0.34   |

The Group aims to reduce the intensity of non-hazardous waste progressively for the same scale of operation. The Group has adopted the following initiatives and assumes responsibility for better waste management by:

- Discourage the printing of e-mails;
- Set double sided printing/copying as the default mode where possible;
- Replace physical written communications with electronic communications for daily workings;
- Reuse office stationaries (e.g., envelopes and folders) whenever practicable; and
- Reuse carton boxes and plastic bags whenever practicable.

The Group follows the general provisions of the Waste Disposal Ordinance (Chapter 354 of the laws of Hong Kong), which prohibits dumping wastes in public places or on private premises without the consent of the owner or occupier.

## Use of Resources

The Group strives to save on energy and resources through implementation of internal policies and use of advanced technologies which ensure that resources are consumed in a responsible manner. To encourage employees to embrace the Group's green policies in daily operations, it has published an "Environmental Friendly Guideline" covering areas such as printing paper consumption, energy saving actions and reuse of stationeries.

In addition to abovementioned Waste Management initiatives, the Group also promotes the following eco-friendly behaviours:

- Turn off lighting or electrical equipment whenever away from the office for long periods of time, for example, during lunch or after work hours or before long holidays, to save energy consumption;
- Set "Screen Saver" for computers and lower brightness of monitor;
- Use daylight whenever practicable;
- Remove or unscrew unused light bulbs/tubes;
- Inspect water taps regularly to identify leakage or dripping and rectify promptly;
- Place "Save Water" labels next to water taps to remind lower usage; and
- Place "Green boxes" next to photocopiers to collect paper for reuse or recycling.

Swank encourages its customers to pay more attention to recycling and reusing the shopping bags.

Hill Top encourages its members and patrons to make the best use of the Club's resources, including electricity, water, paper and other consumables. To reduce the impact on the environment from their GHG emissions, the Club gradually replaces conventional bulbs with LED lights when replacement is required, charcoal used for barbecue are reused, and only Euro V standard buses are used for the shuttle service.

Since September 2011, shareholders have been given the option to receive corporate communications of the Company by electronic means through the Company Website and HKEx website. Hence paper used for printing interim and annual reports has been substantially reduced.

The Group complies with the Product Eco-responsibility Ordinance (Chapter 603 of the laws of Hong Kong) with respect to the levy on plastic and non-woven shopping bags.

The Group continues its commitment to installing and switching to energy-saving lighting fixtures and sourcing energy efficient equipment to ensure functioning in optimal conditions and efficiency. Only LED lightings are used in new retail stores.

Efficient use of resources not only reduces waste and emissions, but also reduces operating expenses, which is ultimately beneficial to both the Group and the environment. The Group continues to promote saving in the operations and efficient use of resources. The Group aims to progressively reduce the resources consumed for the same scale of operation.

## CORPORATE SOCIAL RESPONSIBILITY REPORT

### Energy Consumption

During the year, the approximate amounts of the Group's energy consumption are as follows:

| <b>Group Head Office</b>                    | <b>Unit</b>          | <b>2022</b>      | <b>2021</b> |
|---|----------------------|------------------|-------------|
| Electricity consumption                     | kWh                  | <b>113,823</b>   | 118,272     |
| Energy consumption intensity                | kWh/gross floor area | <b>10.93</b>     | 11.35       |
| <b>Fashion Retail Business</b>              | <b>Unit</b>          | <b>2022</b>      | <b>2021</b> |
| Electricity consumption                     | kWh                  | <b>126,874</b>   | 167,420     |
| Electricity consumption intensity           | kWh/gross floor area | <b>7.12</b>      | 9.86        |
| Diesel consumption                          | litre                | <b>—</b>         | 2,325       |
| Total energy consumption                    | kWh                  | <b>126,874</b>   | 192,310     |
| Total energy consumption intensity          | kWh/thousand revenue | <b>1.78</b>      | 2.52        |
| <b>Resort and Recreation Club Operation</b> | <b>Unit</b>          | <b>2022</b>      | <b>2021</b> |
| Electricity consumption                     | kWh                  | <b>1,032,548</b> | 1,020,904   |
| Electricity consumption intensity           | kWh/gross floor area | <b>15.07</b>     | 14.90       |
| Charcoal consumption                        | kg                   | <b>603</b>       | 1,482       |
| Diesel consumption                          | litre                | <b>13,037</b>    | 13,511      |
| LPG consumption                             | kg                   | <b>21,428</b>    | 25,930      |
| Total energy consumption                    | kWh                  | <b>1,475,131</b> | 1,538,407   |
| Total energy consumption intensity          | kWh/thousand revenue | <b>180.42</b>    | 178.64      |

## Water Consumption

During the year, the Group did not encounter any issue in sourcing water resource.

The Group Head Office consumed water to the amount of 57m<sup>3</sup> (2021: 60m<sup>3</sup>) during the year. The water consumption in the Head Office is mainly for drinking and sanitation purposes and is of minimal amount. Therefore, the Group did not set water efficiency targets for the Head office.

The water consumption data for the fashion retail business was not available as there is no separate meter for an individual shop unit to record its water usage.

During the year, the approximate amount of water consumption of the Resort and Recreation Club Operation is as follows:

|                             | Unit                             | 2022   | 2021   |
|-----------------------------|----------------------------------|--------|--------|
| Water consumption           | m <sup>3</sup>                   | 15,702 | 16,850 |
| Water consumption intensity | m <sup>3</sup> /thousand revenue | 1.92   | 1.96   |

## Packaging Material Consumption

During the year, the approximate amounts of packaging material consumption of the Fashion Retail Business are as follows:

| Type of packaging material              | Unit | 2022  | 2021  |
|---|------|-------|-------|
| Plastic                                 |      |       |       |
| • Bag for logistical/packaging purposes | kg   | 955   | 1,027 |
| Paper                                   |      |       |       |
| • Shopping bag                          | kg   | 1,211 | 1,248 |
| • Carton box for logistical purposes    | kg   | 105   | 265   |
| • Box for packaging purposes            | kg   | 1,475 | 1,248 |
| Total packaging material                | kg   | 3,746 | 3,788 |

The Group Head Office does not use any packaging material and the usage amount at the Resort and Recreation Club Operation is insignificant.

## CORPORATE SOCIAL RESPONSIBILITY REPORT

### Paper Consumption

During the year, the approximate amounts of the Group's paper consumption for office use and corporate communications are as follows:

| Segments                             | Unit | 2022 | 2021  |
|--------------------------------------|------|------|-------|
| Group Head Office                    | kg   | 928  | 1,429 |
| Retail Fashion Business              | kg   | 564  | 538   |
| Resort and Recreation Club Operation | kg   | 438  | 525   |

### The Environment and Natural Resources

The Group strives to contribute to the protection of the environment by integrating a range of environmental initiatives across its business operations. The Group is committed to minimising the environmental impact of its business operations by reinforcing environmental awareness and implementing measures that conserve the use of resources, and promote energy saving and good waste management. The Club covers an area of 400,000 square feet with revitalizing scenic landscape, abundant trees, plants and flowers. As an oasis in the city, the Group is able to offset a substantial amount of carbon emission within its operational boundary.

The nature of the Group's business operations do not involve any daily activities that have a significant impact on the environment and natural resources. Nevertheless, the Group would still take into consideration the impact of its business activities on the surrounding environment and climate change when making any major business decision.

During the year, the Group is not aware of any material non-compliance with any of the abovementioned ordinances, and any relevant laws, rules or regulations in relation to air and greenhouse gas emissions, discharges into water sewages and land, and generation of hazardous and non-hazardous waste that had a significant impact on the Group.

### Climate Change

Extreme climate conditions such as Typhoon Mangkhut in 2018 had impacted on the logistics for Hill Top's members and suppliers to reach to the Club due to the 'hilly' road conditions. The Club has enhanced its insurance policy to cover extreme climate conditions to minimise the cost of impact from severe weather. Enhancement to supply delivery during the typhoon months will ensure adequate provision to its members. Regular checking and trimming the trees near the entrance of the Club are carried out to avoid any falling or broken trees to block the road.

## SOCIAL SUSTAINABILITY

### EMPLOYMENT AND LABOUR PRACTICES

#### Employment

The Group treasures its human talent as one of its most valuable assets and key to driving success and achieving sustainable development of its business operations. The Group strives to provide a safe working environment and offer market competitive remuneration.

The Group's Human Resource ("HR") policies strictly adhere to all applicable employment laws and regulations in Hong Kong, including the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) and are duly applied to determine employees' welfare and benefits. The Group's HR Department regularly reviews and updates the HR policies in accordance with the latest relevant laws and regulations.

Talent acquisition and retention are vital to the future development of the Group's business. The Group offers comprehensive and competitive remuneration and welfare packages to attract and retain talents, and remuneration policies are reviewed on a regular basis. The Group also makes reference to market benchmarks to attract and maintain a high-calibre workforce. The Group conducts annual staff performance assessments and offers promotion opportunities and salary increments to reward employees' contributions. Discretionary or performance bonus may be awarded to employees in recognition of their specific work achievements and to encourage them to strive for continuous improvement. At the same time, termination of employment contract are based on reasonable, fair and lawful grounds. The Group strictly prohibits unfair dismissals.

The Group determines working hours and rest periods for employees according to their employment category and offers flexibility on the starting work time, depending on the job nature and position, to enable employees to have a healthy balance between work and family commitments. In addition to stipulated statutory holidays, employees may also have other leave entitlements such as marriage leave, jury leave, compassionate leave and examination leave.

To cultivate employees' sense of belonging, additional employee benefits such as medical subsidies or insurance, staff discounts and early leave on the eve of festival days are offered. During the year, the Group hosted a variety of activities and arranged a number of other benefits such as staff parties, heavily discounted merchandise sales, Christmas lucky draw, mooncakes, Tuen Ng Festival rice dumplings, Easter Egg Hunt Contest, Halloween Mufti Day, etc. To cater for the needs of Hill Top employees, free working meals and transportation between the Club and nearby MTR stations are provided to employees. The Group also subsidises membership fee of the relevant professional bodies that employees join and grants long service awards to eligible staff.

In terms of internal coaching and communication, effective and frequent two-way communication between general and managerial staff is encouraged. Employees can communicate timely and smoothly with colleagues and management through a number of channels such as Teams, bulletin board posting, emails, training, website, internal public folders and meetings. Such an interactive communication system benefits the Group's decision-making process and can lead to a barrier-free employer-employee relationship.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are determined irrespective of gender, race, age, disability, family status, marital status, sexual orientation, religious beliefs, nationality or any other non-job related factors. The Group's equal opportunity policy enforces zero tolerance to any workplace discrimination, harassment or victimisation in accordance with relevant government legislation and regulations, such as the Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong), the Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong), the Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong), and the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong). If there are any discrimination incidents, employees can report to HR Department or to the Head of Internal Audit Department (including anonymously in the latter case if the reporter so wish to). Disciplinary action would be taken on non-compliance or breach of legislation in relation to the Group's equal opportunity policy.

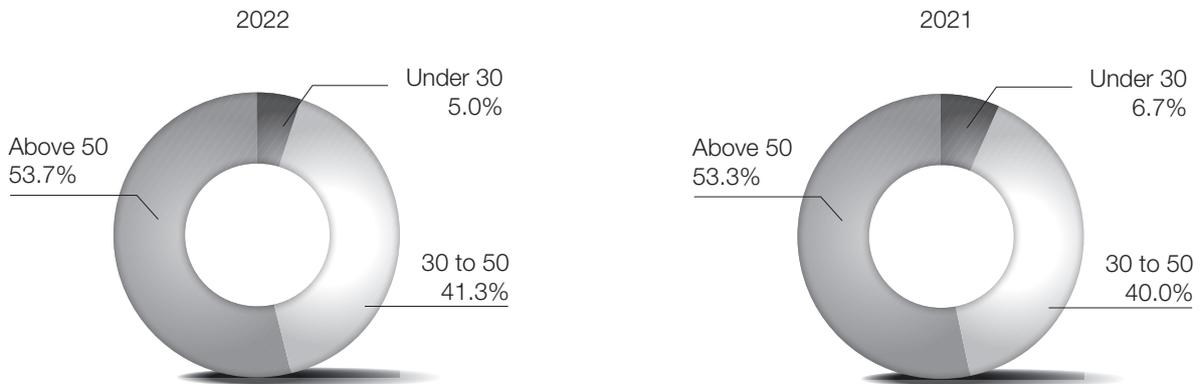
During the year, the Group was not aware of any material non-compliance with the abovementioned ordinances and other relevant laws, rules or regulations that had a significant impact on the Group relating to employment and labour practices.

As at 31 December 2022, the Group had 121 employees (2021: 120 employees) and all of them were situated in Hong Kong.

## Gender Distribution



## Age Distribution



## Health and Safety

To provide and maintain good working conditions and a safe and healthy working environment, the Group's staff handbook sets out the safety and emergencies policies, which are in line with various laws and regulations, including the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong).

Management is committed to workplace health and safety, and has incorporated a range of occupational health and safety measures for employees in the office, retail shops and the Club. Posters providing tips on postures and other safety actions while working on computer and suggestions of stretching exercise are displayed in the office pantry. Safety bulletins and warning signs are posted at the Club's engineering department to remind employees to take precautionary measures. The Group has arranged for a number of employees to acquire Qualified First Aider status for the benefit of its employees and customers in the event of a medical emergency or accident. The Group adopts the Government's guidelines in ensuring safety of employees in relation to severe weather conditions such as typhoons and major rainstorms.

The Group also strives to provide a healthy and safe working environment for its employees in other ways such as prohibiting smoking and drinking liquor (except for special celebrating occasions) in any workplace; regular cleaning of the air-conditioning systems; regular disinfection treatment of carpets; regular inspections on fire prevention systems and conducting fire drills. The Group offers free annual flu vaccination to its employees.

All work-related injury is protected by the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). There was no work-related fatality for the years ended 31 December 2020, 2021 and 2022. However, in 2022, the number of working days lost due to work injuries was 161 days (3 cases) (2021: 13 days (1 case)).

During the outbreak of COVID-19 pandemic in the past three years, the Group implemented additional measures to safeguard the health and safety of its employees, including providing free surgical masks and alcohol-based hand sanitisers, offering free virus testing, organizing professional health talk on COVID-19 vaccine and increasing the frequency of disinfecting and cleaning of the office and stores premises. Employees were required to wear masks in the workplace and had their temperature checked when entering into the workplace. The Group also implemented work-from-home arrangement and flexible working/lunch hours to avoid commuting during crowded times.

During the year, the Group was not aware of any material non-compliance with the abovementioned ordinances and other relevant laws, rules or regulations that had a significant impact on the Group in relation to health and safety of employees.

## CORPORATE SOCIAL RESPONSIBILITY REPORT

### Development and Training

The Group offers different training and development opportunities to employees to strengthen their work-related skills and knowledge, and to improve operational efficiency and productivity. Regular in-house training and development are also provided to employees, such as occupational safety and health training, anti-corruption training, and IT related training to all employees, product training sessions and workshops on fabric used, styling and pattern to frontline staff in the retail stores. The Group encourages and subsidises employees to pursue relevant educational or training opportunities to enhance employees' competitiveness and improve the quality of work through continuous learning.

### Labour Standards

The Group does not employ child or forced labour. The HR Department regularly reviews hiring practices of the Group to ensure that no child or forced labour is employed. The recruitment process consists of age verification and identification examination to avoid child labour. If the use of forced labour or child labour is discovered, the employment contract will be terminated, and an investigation will be conducted if needed. The brands of merchandise that the Group purchases are all manufactured in regulated environments (mainly the EU) where child or forced labour are banned.

During the year, the Group was not aware of any material non-compliance with the relevant laws, rules or regulations that had a significant impact on the Group in relation to preventing child or forced labour.

### Social Performance Indicators

|                        | 2022 | 2021 |
|------------------------|------|------|
| <b>Total workforce</b> |      |      |
| Number of employees    | 121  | 120  |
| By gender              |      |      |
| Male                   | 44   | 40   |
| Female                 | 77   | 80   |
| By employment type     |      |      |
| Full-time              | 115  | 115  |
| Part-time              | 6    | 5    |
| By age group           |      |      |
| Under 30               | 6    | 8    |
| 30 to 50               | 50   | 48   |
| Above 50               | 65   | 64   |
| By geographical region |      |      |
| Hong Kong              | 121  | 120  |

## Social Performance Indicators (Continued)

|  | 2022        | 2021        |
|--|-------------|-------------|
| <b>Employee Turnover Rate</b>                                |             |             |
| Total turnover rate  | 17.4%       | 23.2%       |
| By gender  |             |             |
| Male   | 21.4%       | 30.6%       |
| Female   | 15.3%       | 19.4%       |
| By age group   |             |             |
| Under 30   | 42.9%       | 30.0%       |
| 30 to 50   | 20.4%       | 20.0%       |
| Above 50   | 12.4%       | 22.2%       |
| By geographical region                                       |             |             |
| Hong Kong  | 17.4%       | 23.2%       |
| <b>Development and Training</b>                              |             |             |
| Number and Percentage (%) of employees who received training | 107 (88.4%) | 110 (91.7%) |
| By gender  |             |             |
| Male   | 39 (36.4%)  | 37 (33.6%)  |
| Female   | 68 (63.6%)  | 73 (66.4%)  |
| By employee category   |             |             |
| Senior management  | 5 (4.7%)    | 5 (4.5%)    |
| Middle management  | 17 (15.9%)  | 24 (21.8%)  |
| General staff  | 85 (79.4%)  | 81 (73.6%)  |
| <b>Training Hours</b>  |             |             |
| Average number of training hours per employee                | 5.2         | 5.4         |
| By gender  |             |             |
| Male   | 2.7         | 4.1         |
| Female   | 6.6         | 6.0         |
| By employee category   |             |             |
| Senior management  | 25.3        | 18.5        |
| Middle management  | 5.8         | 8.5         |
| General staff  | 4.3         | 4.3         |

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## OPERATING PRACTICES

### Supply Chain Management

As a socially responsible enterprise, it is critical and vital for the Group to both maintain and manage a sustainable and reliable supply chain. The current supply chain management practice includes establishing mutual trust and understanding between the Group and relevant business partners. The Group expects suppliers to comply with the laws and regulations in the countries and regions where their operations are located, and operate in good faith by adhering to proper business ethics. The Group endeavors to follow up on the implementation of remedial measures, if any, to ensure that they are carried out properly and effectively. The Group also understands the importance of maintaining good relationships with suppliers and business partners to ensure sustainable development of the business. Accordingly, senior management has kept good communication, exchange ideas and share business updates with them when appropriate.

COVID-19 pandemic presented unprecedented challenges to the supply chain. During the outbreak of COVID-19, the Group maintained close communication with its suppliers and formulated contingency plans to minimise disruptions to the business operations and secure stable supply.

During the year, there was no material or significant dispute between the Group and its suppliers.

### *Fashion Retail Business*

Swank's senior management is responsible for monitoring the quality of the suppliers and implementing the supply chain practices. Swank selects suppliers that meet its merchandise requirements and market positioning of "Luxury & Sophisticated". Swank has a formal brand selection policy and procedure that governs the selection and evaluation of merchandise brand, which the key criteria include product design, styling, price, sales track record, product workmanship or quality, brand awareness, accountability, trade terms, delivery, the suppliers' background, credit rating and their awareness of social and environmental responsibility. To avoid any disruptions to supply chain in the fashion retail operation, Swank maintains a frequent dialogue with suppliers through regular meetings, phone calls and emails. Most of Swank's suppliers produce in highly regulated and "safe" environments, such as the European Union.

During the year, Swank purchased from 68 suppliers around the globe, 49 from Europe, 8 from Japan, 6 from the United Kingdom, 3 from the United States of America, 1 from China, and 1 from Hong Kong.

### ***Resort and Recreational Club Operations***

Hill Top procures mainly supplies for its food and beverage services, guest room and club facilities. Hill Top's Purchasing Department and the relevant procuring departments endeavor to ensure that quality of the suppliers are good and continuously apply the supply chain practices. Supplier selection and evaluation criteria include source of the products, their quality, variety and price, supplier's after sales service and technical support. Hill Top conducts annual evaluation of its major suppliers to assess their performance against the abovementioned criteria.

To support marine conservation and preservation of natural resources, Hill Top has ceased serving shark fin at its restaurants and banquets. Hill Top has also started to gradually reduce plastic consumption through progressively changing takeaway containers and bags to be made of biodegradable or more environmentally friendly materials.

During the year, the Club engaged with 62 suppliers, all of them were situated in Hong Kong.

### **Product and Service Responsibility**

#### ***Fashion Retail Business***

Swank is in the business of retailing premium fashionwear of prestigious names and strives to secure the finest store locations for its sophisticated clientele which is guided by four core principles, "STYLING", "QUALITY", "SERVICE" and "SELECTION". Under these principles, management has placed great importance on product quality through systematic inspection procedures whereby procured merchandise undergoes meticulous manual inspection. Swank requires suppliers to provide relevant internationally recognised certification(s) to ensure that the merchandise has been produced under good quality conditions. The merchandise must comply with the standards and local laws and regulations of the relevant country of origin. Swank will recall unqualified merchandise if necessary, in accordance with pre-agreed return procedures. Swank strictly abides by the Competition Ordinance (Chapter 619 of the Laws of Hong Kong) and the Sales of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) relating to the sale of goods.

During the outbreak of COVID-19 in the past three years, Swank implemented a series of anti-epidemic measures in its retail stores, including temperature check of customers, provision of alcohol-based hand sanitisers, mandatory mask wearing for customers and employees at all times in the store, sanitising merchandise and fitting rooms after each customer's fitting, so that customers were able to shop in a store environment that was safe and hygienic. Swank's flagship store in Central Building also installed a CoronoSPRAY Intelligent Sanitizing Station that was able to sanitise the whole body and belongings of customers, as well as the store's indoor environment.

#### ***Resort and Recreational Club Operation***

Hill Top Country Club is a private membership club. Hill Top offers a comprehensive range of services and facilities to its members, including accommodation, dining, recreational and outdoor activities. Hill Top operates strictly in compliance with the Clubs (Safety of Premises) Ordinance (Chapter 376 of the Laws of Hong Kong) and related laws and regulations to obtain a Certificate of Compliance from the Licensing Authority of Home Affairs Department. During the year, Hill Top met the requirements in respect of building safety, fire safety, health and sanitation and renewed its Certificate of Compliance. To provide the best quality services to its members, Hill Top closely monitors the environment, facilities and hygiene of the Club to maintain the provision of a safe and comfortable environment to its members. The fire prevention systems are inspected regularly and fire drills are conducted periodically to ensure safety. Health and safety guidelines are posted in the kitchen areas to remind employees and chefs of necessary precautionary measures to take in their daily operations.

## CORPORATE SOCIAL RESPONSIBILITY REPORT

During the outbreak of COVID-19 in the past three years, the Club strictly complied with the relevant requirements and restrictions under the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Chapter of 599H of the Laws of Hong Kong) including mask-on requirement, screening of body temperature, provision of hand sanitiser, limit of headcount per table, dine-in service hours, and implementation of the “LeaveHomeSafe” and Vaccine Pass. The Club also implemented a series of anti-epidemic measures, including temperature checks of members, providing alcohol-based hand sanitisers, requesting members to wear masks, increasing the frequency of disinfecting and cleaning of club facilities and premise, so that members could enjoy the club facilities in a safe and hygienic environment. The Club also installed a Fogging Disinfection Atomiser to sanitise its restaurants, function rooms and other club facilities.

### *Products and Services Satisfaction*

All sales and marketing materials aim to provide accurate and precise information to customers and are reviewed and approved in accordance with internal procedures. The Group strictly abides by the Trade Descriptions Ordinance (Chapter of 362 of the Laws of Hong Kong) and the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong).

Swank and Hill Top through their websites, newsletters and social media platforms, such as Facebook and Instagram, and other channels, promote offerings and activities to customers and members, and in turn gather comments and feedback.

Complaints received are handled by the respective business management in accordance with internal procedures. The respective business management investigates the complaints and takes appropriate action in a timely manner. During the year, Swank received five complaints on product quality and all were satisfactorily resolved (offered exchange, credit note or return). Hill Top did not receive any complaints during the year.

A suggestion box is placed at the Club and in the retail stores for members and customers to deposit their opinions and comments. The respective business management reviews and responds promptly, and takes follow up action where necessary.

During the year, the Group did not recall any merchandise due to safety and health reasons and there was no material or significant dispute between the Group and any retail store customers or club members.

### *Protection of Intellectual Property Rights*

The Group builds up and protects its intellectual property rights through prolonged use and registration of domain names and trademarks. The Group has registered trademarks in various classes in Hong Kong in accordance with the Trademark Ordinance (Chapter 559 of the Laws of Hong Kong) and in other jurisdictions under the relevant laws and regulations. In addition, the Group’s trademarks and domain names are constantly monitored and renewed upon their expiration.

### **Consumer Data Protection**

The Group places utmost importance on protecting the privacy of its customers in the collection, usage, processing and storage of their personal data. The Group strictly abides by the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) to ensure that customers' rights are protected. All personal data collected are treated confidentially, kept securely and processed only for the purpose for which it has been collected. Swank's Privacy Policy is clearly stated on its website.

During the year, the Group was not aware of any material non-compliance with the abovementioned ordinances and other relevant laws, rules or regulations that had a significant impact on the Group in relation to product and service responsibility.

### **Anti-corruption**

To maintain a fair, ethical and efficient business environment, the Group strictly abides by the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and has developed its Code of Conduct for its employees with reference to such ordinance. All employees are required to strictly follow the Group's Code of Conduct to prevent potential bribery, extortion, fraud and money laundering which may exploit their positions against the Group's interests in the course of business. Any breach of the rules will be disciplined, including termination of employment, and may be reported to the relevant authorities for possible prosecution under applicable laws. All employees are required to submit an annual declaration with respect to the compliance with the Code of Conduct. The Group has also adopted the Code of Conduct for External Parties, which aims to strengthen the Group's high level of integrity and also prevent any potential bribery situations between suppliers and its employees, and such code is available on the Company Website.

During the year, there were no non-compliance cases in relation to bribery, extortion, fraud and money laundering. There were also no concluded legal cases regarding corruption brought against the Group or its employees.

During the year, anti-corruption e-learning materials were sent to all Directors and employees with the aim to provide a refresher on the anti-corruption laws and regulations. The Company had also arranged Directors and Senior Management to attend an integrity training webinar "Ethics Legacy – Ethical and Governance Roles of Directors and Senior Management of Publicly Listed Companies" organised by the Hong Kong Ethics Development Centre of the Independent Commission Against Corruption of Hong Kong.

### **Whistleblowing Policy**

The Group has developed and formulated an internal whistleblowing policy namely "Policy for Employees Reporting Possible Improprieties in Matters of Financial Reporting, Internal Control or Other Matters" (the "Employee Whistleblowing Policy"), which aims to provide its employees with the reporting channels and guidance on reporting such matters with reassurance to whistleblowers of the protection that the Company will extend to them against any unfair dismissal or harassment for a genuine report made under this Employee Whistleblowing Policy. The Group provides a confidentiality mechanism to protect the whistleblowers without fear of threats or retaliation. The Group conducted a training session on whistleblowing in 2018 for employees, presided over by an Independent Non-executive Director who is also the Chairman of the Audit Committee. Thereafter, all new staff are shown the education video of this whistleblowing training as part of induction.

The Group has also adopted the "Whistleblowing Policy for External Parties", which aims to provide the same reporting channels and guidance on reporting possible improprieties in any matter related to the Group to external parties that transact with the Group, and such policy is available on the Company Website.

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## COMMUNITY INVESTMENT

The Group places emphasis on cultivating awareness of social responsibility among its employees and encourages them to participate in community activities. The Group believes that initiating charitable events that provide opportunities for employees to take part in is a win-win situation. The Group targets to support the work of NGOs that help to fulfil needs of the society and community.

During the year, the Group undertook the following investments in the community:

- (i) A Halloween Mufti Day was organised at the Group's head office to enable staff to participate in fund raising for Playright Children's Play Association ("PCPA"), a NGO that purses the mission of advocating the value of play and seek societal commitment to meet the play needs of every child at policy, planning and provision levels, while at the same time, also engaged in an office-wide fun activity of dressing up for Halloween. The total amount of funds raised and donated to PCPA was HK\$6,000;
- (ii) Hill Top provided a function room at a discounted price to Hong Kong Rehabilitation Power, a NGO that provides vocational training and employment assistance to persons with disabilities, for their annual general meeting; and
- (iii) The Group sponsored and hosted a charity event "Family Summer Camp" organised by Harmony House. This was a full day event of activities offered to under-privileged families in the Yuen Long area with the aim to strengthen the bonding of parents and children through games, workshops and meals together, and to enhance parent-child relationship. The Group also encouraged employees and provided time off work to volunteer at this charity event to support their participation in community activity.

**Penny Soh Peng CROSBIE-WALSH**

*Executive Director and Chief Executive Officer*

Hong Kong, 28 March 2023

# INDEPENDENT AUDITOR'S REPORT



## TO THE MEMBERS OF ENM HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

### Opinion

We have audited the consolidated financial statements of ENM Holdings Limited and its subsidiaries ("the Group") set out on pages 85 to 157, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. The key audit matters we identified are:

1. Fair values of the club property; and
2. Allowances for inventories.

## INDEPENDENT AUDITOR'S REPORT

| Key Audit Matter   | How our audit addressed the Key Audit Matter   |
|--|--|
| <p><b>Fair values of the club property</b><br/><i>(Refer to note 5 and note 18 to the consolidated financial statements)</i></p>   |  |
| <p>The Group has a club property situated in Hong Kong with aggregate value of HK\$425,000,000 as at 31 December 2022. As described in note 4(e) to the consolidated financial statements, the club property is stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.</p>  | <p>Our procedures in relation to management's valuation assessment of the club property included:</p>  |
| <p>In determining the fair values of the club property, the Group takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group determined the highest and best use of the club property to be development for residential which differs from its current use as a club operation, on the basis of the rezoning approval as further explained in note 18 to the consolidated financial statements.</p> | <ul style="list-style-type: none"><li>- Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity;</li><li>- Understanding and evaluating key control over the group's estimation of the fair value at the club property;</li><li>- Evaluating the outcome of prior period estimation of the fair value the club property to assess the effectiveness of management's estimation process;</li><li>- Evaluating the Group's determination that the highest and best use of the club property is redevelopment for residential use based on our understanding of the progress and status of the rezoning approval;</li><li>- Evaluating the external valuer's competence, capabilities and objectivity;</li><li>- Holding discussions with management and the Group's external valuer to understand the valuation methodologies and key input used;</li><li>- With the assistance of an auditor's valuation specialist:<ul style="list-style-type: none"><li>i) Assessing the appropriateness and mathematical accuracy of the valuation model;</li><li>ii) Challenging the reasonableness of the key assumptions in light of available market information;</li><li>iii) On a sample basis, checking the relevance and reasonableness of input data used, including the market price of nearby residential properties, estimation of market construction cost, anticipated developer's profit margin, and reasonableness of adjustments to the input data to reflect the specific characteristics of the club property;</li></ul></li></ul> |
| <p>The Group appointed an independent professional valuer to assist management to assess the fair value of the club property for redevelopment to residential use using the residual approach, whereby the valuation was derived from the gross development value upon completion (using a direct comparison approach) less estimated development costs and allowance for developer's risk and profit.</p>   |  |

**Key Audit Matter****How our audit addressed the Key Audit Matter****Fair values of the club property (Continued)**

*(Refer to note 5 and note 18 to the consolidated financial statements)*

The Group recognised a revaluation increase of HK\$85,000,000 for the year ended 31 December 2022 (note 18).

The determination of the highest and best use of the club property requires significant management judgement. The fair value measurement of the club property is categorised as level 3 as the residual approach requires the use of certain unobservable inputs and assumptions about the risks that involve greater estimation uncertainty.

The inherent risk in relation to the fair value estimate of the club property is considered significant. Therefore, we identified the fair value of the club property as a key audit matter.

**Allowances for inventories**

*(Refer to note 5 and note 23 to the consolidated financial statements)*

At 31 December 2022, the Group held gross inventories of HK\$45,625,000 and had made allowances for inventories of HK\$23,114,000. Allowances for inventories are made based on the ageing and estimated net realisable value of inventories. The assessment of the allowances involves judgment and estimates which are based on current market conditions and the historical experience of selling products of similar nature.

As a result, management apply judgment in determining the appropriate allowances for inventories based upon a detailed analysis of old season and current season inventory and net realisable value below cost based upon plans for inventory to go into sale.

The inherent risk in relation to the determination of the allowance for inventories is considered significant as it involves estimates and assumption which were subjective. Therefore, we identified the allowance for inventories as a key audit matter.

iv) On a sample basis, comparing the data used by the Group's external valuer against the development plan approved by the government authority, published industry benchmarks and comparable market transactions.

– Assessing the adequacy of the fair value disclosures in respect of the club property in the consolidated financial statements.

Our procedures in relation to management's allowance assessment included:

- Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity;
- Understanding and evaluating key control over the Group's estimation of the allowance for inventories;
- Evaluating the outcome of prior period estimation of the allowance for inventories to assess the effectiveness of management's estimation process;
- Reviewing the historical ageing of inventories;
- Identifying and assessing aged and obsolete inventories when attending inventory counts;
- Assessing the estimated sales prices used by management by testing the historical sales prices that have been achieved;
- Evaluating the expected future sales of the inventories by reviewing historical sales performance; and
- Reviewing the adequacy of allowance for inventories and inventories' write-offs.

## INDEPENDENT AUDITOR'S REPORT

### Other Information

The directors are responsible for the Other Information. The Other Information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

### Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## Auditor's responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## INDEPENDENT AUDITOR'S REPORT

### Auditor's responsibilities for the Audit of the Consolidated Financial Statements (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tsang Kit Fong, Maria.

#### **RSM Hong Kong**

*Certified Public Accountants*

29th Floor, Lee Garden Two,

28 Yun Ping Road,

Causeway Bay,

Hong Kong

28 March 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

|  | Note  | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--|-------|------------------|------------------|
| <b>Revenue</b>   | 9     | 94,387           | 109,501          |
| Cost of sales  |       | (41,122)         | (40,927)         |
| <b>Gross profit</b>  |       | 53,265           | 68,574           |
| Other income   | 10    | 4,368            | 1,651            |
| Selling and distribution costs   |       | (34,569)         | (37,031)         |
| Administrative expenses  |       | (64,058)         | (61,171)         |
| Depreciation of property, plant and equipment,<br>impairment loss and amortisation |       | (1,637)          | (5,777)          |
| Other operating gains/(losses), net  | 13    | (107,169)        | 8,763            |
| <b>Loss from operations</b>  |       | (149,800)        | (24,991)         |
| Fair value gains on investment properties, net                                     |       | —                | 5,700            |
| Finance costs  | 11    | (1,352)          | (2,045)          |
| <b>Loss before tax</b>   |       | (151,152)        | (21,336)         |
| Income tax expense   | 12    | —                | —                |
| <b>Loss for the year</b>   | 13    | (151,152)        | (21,336)         |
| <b>Attributable to:</b>  |       |                  |                  |
| Owners of the Company  |       | (150,663)        | (21,280)         |
| Non-controlling interests  |       | (489)            | (56)             |
|  |       | (151,152)        | (21,336)         |
| <b>Loss per share</b>  |       | HK\$             | HK\$             |
| – basic  | 16(a) | (9.13) cents     | (1.29) cents     |
| – diluted  | 16(b) | N/A              | N/A              |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

|   | Note | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---|------|------------------|------------------|
| <b>Non-current assets</b>                             |      |                  |                  |
| Property, plant and equipment                         | 18   | 426,060          | 342,224          |
| Right-of-use assets                                   | 19   | 18,241           | 19,881           |
| Investment properties                                 | 20   | 52,500           | 52,500           |
| Intangible assets                                     | 21   | 348              | 396              |
| Financial assets at fair value through profit or loss | 22   | 59,804           | 79,117           |
| Total non-current assets                              |      | 556,953          | 494,118          |
| <b>Current assets</b>                                 |      |                  |                  |
| Inventories   | 23   | 22,511           | 21,992           |
| Trade and other receivables                           | 24   | 13,023           | 14,127           |
| Financial assets at fair value through profit or loss | 22   | 457,895          | 604,878          |
| Pledged bank deposits                                 | 25   | 10,000           | 10,000           |
| Time deposits   | 25   | 89,368           | 70,211           |
| Cash and bank balances                                | 25   | 36,161           | 40,853           |
| Total current assets                                  |      | 628,958          | 762,061          |
| <b>Current liabilities</b>                            |      |                  |                  |
| Trade and other payables                              | 26   | 19,535           | 19,960           |
| Lease liabilities                                     | 27   | 10,583           | 14,125           |
| Interest-bearing bank borrowings                      | 28   | 5,882            | 7,001            |
| Total current liabilities                             |      | 36,000           | 41,086           |
| <b>Net current assets</b>                             |      | <b>592,958</b>   | <b>720,975</b>   |
| <b>Non-current liabilities</b>                        |      |                  |                  |
| Lease liabilities                                     | 27   | 7,896            | 6,774            |
| <b>NET ASSETS</b>                                     |      | <b>1,142,015</b> | <b>1,208,319</b> |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2022

|  | Note | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--|------|------------------|------------------|
| <b>Capital and reserves</b>                  |      |                  |                  |
| Issued capital                               | 30   | 1,206,706        | 1,206,706        |
| Accumulated losses                           |      | (1,206,328)      | (1,055,665)      |
| Other reserves                               | 32   | 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)            |
| <b>TOTAL EQUITY</b>                          |      | <b>1,142,015</b> | <b>1,208,319</b> |

Approved by the Board of Directors on 28 March 2023 and are signed on its behalf by:

**Hung Han WONG**

*Non-executive Director and Non-executive Chairman*

**Penny Soh Peng CROSBIE-WALSH**

*Executive Director and Chief Executive Officer*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

|  | Attributable to owners of the Company |                       |                              |                              |                           | Total                   | Non-controlling interests | Total equity            |
|--|---------------------------------------|-----------------------|------------------------------|------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
|  | Issued capital                        | Special reserve       | Exchange fluctuation reserve | Property revaluation reserve | Accumulated losses        |                         |                           |                         |
|  | HK\$'000                              | HK\$'000              | HK\$'000                     | HK\$'000                     | HK\$'000                  | HK\$'000                | HK\$'000                  | HK\$'000                |
|  |                                       | (Note 32(b)(i))       | (Note 32(b)(ii))             | (Note 32(b)(iii))            |                           |                         |                           |                         |
| At 1 January 2021  | 1,206,706                             | 808,822               | 1,259                        | 188,724                      | (1,034,385)               | 1,171,126               | (554)                     | 1,170,572               |
| Total comprehensive income and change in equity for the year | —                                     | —                     | 64                           | 59,000                       | (21,280)                  | 37,784                  | (37)                      | 37,747                  |
| At 31 December 2021  | <u>1,206,706</u>                      | <u>808,822</u>        | <u>1,323</u>                 | <u>247,724</u>               | <u>(1,055,665)</u>        | <u>1,208,910</u>        | <u>(591)</u>              | <u>1,208,319</u>        |
| At 1 January 2022  | <b>1,206,706</b>                      | <b>808,822</b>        | <b>1,323</b>                 | <b>247,724</b>               | <b>(1,055,665)</b>        | <b>1,208,910</b>        | <b>(591)</b>              | <b>1,208,319</b>        |
| Total comprehensive loss and change in equity for the year   | —                                     | —                     | (117)                        | 85,000                       | (150,663)                 | (65,780)                | (524)                     | (66,304)                |
| At 31 December 2022  | <u><b>1,206,706</b></u>               | <u><b>808,822</b></u> | <u><b>1,206</b></u>          | <u><b>332,724</b></u>        | <u><b>(1,206,328)</b></u> | <u><b>1,143,130</b></u> | <u><b>(1,115)</b></u>     | <u><b>1,142,015</b></u> |

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

| Note  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                         |                         |
| Loss for the year   | (151,152)               | (21,336)                |
| Adjustments for:  |                         |                         |
| 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                      |
| Finance costs   | 1,352                   | 2,045                   |
| Charge for inventories allowances   | 5,226                   | 4,030                   |
| Dividend income from:   |                         |                         |
| Financial assets at fair value through profit or loss                                     | (11,942)                | (22,235)                |
| Interest income from:   |                         |                         |
| Financial assets at fair value through profit or loss                                     | (1,264)                 | (1,144)                 |
| Other financial assets  | (1,701)                 | (1,077)                 |
| Fair value gains on investment properties, net  | —                       | (5,700)                 |
| Losses/(gains) on disposal of property, plant and equipment                               | (243)                   | 7                       |
| Fair value losses/(gains) from financial assets at fair value through profit or loss, net | 75,872                  | (11,554)                |
| Losses on disposal of financial assets at fair value through profit or loss, net          | 30,036                  | 3,429                   |
| COVID-19 Related rent concessions received  | (117)                   | (403)                   |
| Write back for provision for reinstatement cost   | (9)                     | —                       |
| Foreign exchange loss/(gain), net   | 2,814                   | (359)                   |
| Operating loss before working capital changes   | (34,868)                | (29,929)                |
| Increase in inventories   | (5,744)                 | (4,178)                 |
| Decrease/(increase) in trade and other receivables  | 2,079                   | (2,978)                 |
| Decrease in trade and other payables  | (292)                   | (3,733)                 |
| <b>Cash used in operations</b>  | <b>(38,825)</b>         | <b>(40,818)</b>         |
| Interest received   | 2,334                   | 2,363                   |
| Dividends received from:  |                         |                         |
| Financial assets at fair value through profit or loss                                     | 11,588                  | 21,246                  |
| Purchases of financial assets at fair value through profit or loss                        | (162,240)               | (248,194)               |
| Proceeds from disposal of financial assets at fair value through profit or loss           | 219,849                 | 250,099                 |
| <b>Net cash generated from/(used in) operating activities</b>                             | <b>32,706</b>           | <b>(15,304)</b>         |

|   | Note  | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---|-------|------------------|------------------|
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |       |                  |                  |
| Purchases of property, plant and equipment  |       | (480)            | (1,332)          |
| Purchases of financial assets at fair value through profit or loss  |       | (1,077)          | (7,184)          |
| Proceeds from disposal of property, plant and equipment   |       | 265              | —                |
| Proceeds from refund of capital from financial assets at fair value through profit or loss                      |       | 3,744            | 4,358            |
| Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired |       | (29,191)         | 10,585           |
| <b>Net cash generated from/(used in) investing activities</b>   |       | <b>(26,739)</b>  | <b>6,427</b>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |       |                  |                  |
| New bank loans raised   | 34(a) | 24,390           | 27,893           |
| Repayment of bank loans   | 34(a) | (25,509)         | (27,509)         |
| Interest paid   | 34(a) | (188)            | (134)            |
| Capital element of lease rentals paid   | 34(a) | (15,256)         | (18,861)         |
| Interest element of lease rentals paid  | 34(a) | (1,164)          | (1,911)          |
| <b>Net cash used in financing activities</b>  |       | <b>(17,727)</b>  | <b>(20,522)</b>  |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>  |       | <b>(11,760)</b>  | <b>(29,399)</b>  |
| Effect of foreign exchange rate changes, net  |       | (2,966)          | 441              |
| <b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>   |       | <b>111,064</b>   | <b>140,022</b>   |
| <b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>   |       | <b>96,338</b>    | <b>111,064</b>   |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>  |       |                  |                  |
| Non-pledged time deposits   |       | 89,368           | 70,211           |
| Less: Non-pledged time deposits with original maturity of over three months when acquired                       |       | (29,191)         | —                |
| Non-pledged time deposits with original maturity of less than three months when acquired                        |       | 60,177           | 70,211           |
| Cash and bank balances  |       | 36,161           | 40,853           |
|   |       | <b>96,338</b>    | <b>111,064</b>   |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

## 1. CORPORATE INFORMATION

ENM Holdings Limited (the “Company”) was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. The address of its registered office and principal place of business is Suites 3301-3302, 33/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

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 (CONTINUED)

#### (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<br>accounting<br>periods<br>beginning<br>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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. revaluation of investment properties, the club property and certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

#### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### (c) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured either at fair value or at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Foreign currency translation

##### (i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

##### (ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

##### (iii) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Property, plant and equipment

Property, plant and equipment, except the club property held for use in the provision of recreational facilities or hospitality services, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

The club property held for use in the provision of recreational facilities or hospitality services, is stated in the consolidated statement of financial position at its revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such club property is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such club property is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation of revalued club property is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

|                                   |   |
|-----------------------------------|---|
| The club property                 | Over the remaining lease terms                                |
| Leasehold improvements            | Over the shorter of the remaining lease terms or 5 to 6 years |
| Furniture, fixtures and equipment | 2 to 5 years  |
| Motor vehicles                    | 3 to 5 years  |

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rentals and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time.

Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is withdrawn from use. Any gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 4(s).

#### (g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

##### (i) *The Group as a lessee*

Where the contract contains lease component(s) and non-lease component(s), the Group has elected to separately account for lease and non-lease components.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Leases (Continued)

#### (i) *The Group as a lessee (Continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 4(f).

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

#### (ii) *The Group as a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Trademarks

Trademarks are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 20 years.

#### (i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis or the actual basis and comprises invoiced value of purchases, and where appropriate, freight, insurance and delivery charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

#### (j) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(y) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

#### (k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Recognition and derecognition of financial instruments (Continued)

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (l) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### *Debt investments*

Debt investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest ("SPPI"). Interest income from the investment is calculated using the effective interest method.
- Fair value through other comprehensive income ("FVOCI") - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

#### *Equity investments*

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as revenue.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

#### (n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

#### (o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

#### (p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### (q) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

#### (r) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

#### (i) *Retail of fashion wear and accessories*

Revenue from the sale of fashion wear and accessories is recognised when control of the goods has transferred, being at the point the customer purchases the fashion wear and accessories at the retail shops or upon the delivery of fashion wear and accessories through e-commerce platform. Payment of the transaction price is due immediately at the point the customer purchases the fashion wear and accessories. Under the Group's standard contract terms, customers normally have a right of return within 7 days and 14 days for sales via retail stores and an on-line e-tailer channel respectively. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method.

#### (ii) *Resort and recreational club operations*

Entrance fee income and subscription fee income is recognised over the membership and subscription period respectively. Revenue from the provision of resort and club facilities and other services is recognised over time as the services are rendered. Revenue from catering service is recognised at a point in time when the goods are transferred or the service are provided to the customer, being at the point that the customers have received the services or obtained control of the goods.

#### (iii) *Dividend income*

Dividend income is recognised when the shareholders' rights to receive payment are established.

#### (iv) *Interest income*

Interest income from financial assets at FVPL is included in the revenue, see note 9.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the consolidated statement of profit or loss as part of revenue. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) **Revenue recognition (Continued)**

(v) ***Rental income***

Rental income is recognised on a straight-line basis over the lease term.

(vi) ***Management and other services***

Revenue from the provision of management and other services is recognised over the period in which the services are rendered.

(t) **Employee benefits**

(i) ***Employee leave entitlements***

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) ***Pension obligations***

The Group operates only the defined contribution retirement schemes.

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) ***Termination benefits***

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (v) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to cost are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### (w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (w) Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (y) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, trade and other receivables and cash and cash equivalents. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (y) Impairment of financial assets (Continued)

##### *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in the financial instrument's external (if available) credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- significant increases in credit risk on other financial instruments of the same debtor.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) the financial instrument has a low risk of default,
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (y) Impairment of financial assets (Continued)

#### *Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

#### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

#### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### *Measurement and recognition of Expected Credit Losses ("ECL")*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (y) Impairment of financial assets (Continued)

##### *Measurement and recognition of Expected Credit Losses (“ECL”) (Continued)*

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

#### (z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

#### (za) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

## 5. CRITICAL JUDGMENTS AND KEY ESTIMATES

### Critical judgments in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgments that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

#### (a) *Deferred tax for investment properties*

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the directors have adopted the presumption that investment properties measured using the fair value model are recovered through sale.

#### (b) *Business model assessment*

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Group's continuous assessment of whether the business model for which the financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### (a) *Allowances for inventories*

Allowances for inventories are made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgment and estimates which are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to serve industry cycles. The Group will reassess the estimates by the end of each reporting period.

As at 31 December 2022, allowances for inventories amounted to HK\$23,114,000 (2021: HK\$19,837,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 5. CRITICAL JUDGMENTS AND KEY ESTIMATES (CONTINUED)

#### Key sources of estimation uncertainty (Continued)

##### *(b) Fair values of properties*

The Group appointed an independent professional qualified valuer to assess the fair values of the club property and investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgment and are satisfied that the method of valuation is reflective of the current market conditions.

Further details, including the valuation techniques, judgement and key assumptions used for fair value measurement, have been disclosed in note 7 to the consolidated financial statements.

The aggregated carrying amount of the club property and investment properties as at 31 December 2022 were HK\$477,500,000 (2021: HK\$392,500,000)

##### *(c) Fair value of financial assets at fair value through profit or loss - unlisted fund investments*

In the absence of quoted market prices in an active market, the directors estimate the fair value of certain of the Group's unlisted fund investments, details of which are set out in note 22(c)(i) and (ii) to the consolidated financial statements, by considering information from a variety of sources, including the latest financial information from the fund manager or administrator.

Whilst the Group considers these valuations are the best estimates, the ongoing COVID-19 pandemic has resulted in greater market volatility and may cause further disruptions to the investees' business, which have led to higher degree of uncertainties in respect of the valuations in the current year.

The carrying amount of these unlisted fund investments as at 31 December 2022 was HK\$59,804,000 (2021: HK\$79,117,000).

## 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### (a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its purchases transactions, investments and bank deposits are principally denominated in foreign currency including US dollar, Euro and Renminbi. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table summarises the change in the Group's consolidated loss after tax in response to reasonably possible changes in foreign exchange rates on currencies to which the Group has exposure at the end of the reporting period and that all other variables remain constant. Such exposure relates to trade and other receivables, bank deposits, investments, trade and bills payables.

|                         | Change in percentage in exchange rate against Hong Kong dollar | Effect on loss after tax HK\$'000 | Effect on equity HK\$'000 |
|-------------------------|--|-----------------------------------|---------------------------|
| <b>31 December 2022</b> |  |                                   |                           |
| US dollar               | +/- 0.5%   | -/+ 2,777                         | +/- 2,777                 |
| Euro                    | +/- 5%   | -/+ 419                           | +/- 419                   |
| Renminbi                | +/- 5%   | —                                 | —                         |
| <b>31 December 2021</b> |  |                                   |                           |
| US dollar               | +/- 0.5%   | -/+ 7,027                         | +/- 7,027                 |
| Euro                    | +/- 5%   | -/+ 50                            | +/- 50                    |
| Renminbi                | +/- 5%   | -/+ 1,932                         | +/- 1,932                 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (b) Price risk

The Group's investments classified as financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity and debt security and fund price risk. Management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

The Group's equity investments classified as financial assets at fair value through profit or loss are primarily listed on The Stock Exchange of Hong Kong Limited, The Tokyo Stock Exchange, The New York Stock Exchange, The Nasdaq Stock Market or The London Stock Exchange. At 31 December 2022, if the share prices of the equity investments increase/decrease by 5%, consolidated loss (2021: loss) after tax for the year would have been HK\$2,245,000 lower/higher (2021: HK\$3,488,000 lower/higher), arising as a result of the fair value gain/loss of these investments.

The Group's debt and fund investments classified as financial assets at fair value through profit or loss are primarily listed on The Stock Exchange of Hong Kong Limited, The Berlin Stock Exchange, The Singapore Exchange Securities Trading Limited, The New York Stock Exchange, The Nasdaq Stock Market or traded over-the-counter. At 31 December 2022, if the prices of the debt and fund investments increase/decrease by 5%, consolidated loss (2021: loss) after tax for the year would have been HK\$20,650,000 lower/higher (2021: HK\$26,756,000 lower/higher), arising as a result of the fair value gain/loss of debt and fund investments classified as financial assets at fair value through profit or loss.

#### (c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The carrying amount of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. The Group's exposure to credit risk arising from cash and cash equivalents and financial instruments is limited because the counterparties are reputable and high-credit-quality banks and financial institutions, for which the Group considers to have low credit risk arising from non-performance by these counterparties.

#### *Trade receivables*

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management and the credit terms given to customers 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. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Credit risk (Continued)

#### *Trade receivables (Continued)*

Expected loss rates are based on actual loss experience in the past years. The expected loss rate of trade receivables within one year (mainly include trade receivables arising from credit card sales and on-line sales which are normally settled in one-to-two business days in arrears and monthly in arrears respectively) are assessed to be immaterial because the counterparties are high-credit-quality banks/e-tailer and a number of independent customers for whom there is no recent history of default; and the expected credit loss rate applicable to the balances over one year is 100%. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

|                                     | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|-------------------------------------|------------------|------------------|
| At 1 January                        | —                | —                |
| Amount written off as uncollectible | —                | —                |
| Reversals                           | —                | —                |
| At 31 December                      | —                | —                |

#### *Other financial assets measured at amortised cost*

Other receivables mainly comprise rental and other deposits, interest, dividend or sales proceeds receivables from banks/financial institutions. The Group's other financial assets at amortised cost are considered to have low credit risk because the counterparties are high-credit-quality banks/financial institutions or well-established real estate developer/management companies in Hong Kong, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. The expected credit losses for other receivables are not material under the 12-month expected losses method. No loss allowance provision was recognised during the year.

#### *Debt investments*

The Group is exposed to credit risk in relation to debt investments that are measured at FVPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments of HK\$41,277,000 (2021: HK\$44,148,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

|                                  | Less than<br>1 year<br><i>HK\$'000</i> | After 1 year<br>but within<br>2 years<br><i>HK\$'000</i> | After 2 years<br>but within<br>5 years<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|----------------------------------|--|--|---|--------------------------|
| <b>At 31 December 2022</b>       |  |  |   |                          |
| Trade and other payables         | 16,380                                 | —  | —   | 16,380                   |
| Lease liabilities                | 11,353                                 | 8,090  | —   | 19,443                   |
| Interest-bearing bank borrowings | 5,882                                  | —  | —   | 5,882                    |
| <b>At 31 December 2021</b>       |  |  |   |                          |
| Trade and other payables         | 16,165                                 | —  | —   | 16,165                   |
| Lease liabilities                | 14,850                                 | 4,435  | 2,521   | 21,806                   |
| Interest-bearing bank borrowings | 7,001                                  | —  | —   | 7,001                    |

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (e) Interest rate risk

The Group's exposure to interest-rate risk arises from its short-term bank deposits and interest-bearing bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

The Group's debt investments bear interests at fixed interest rate and therefore are subject to fair value interest rate risk.

At 31 December 2022, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated loss (2021: loss) after tax for the year would have been HK\$507,000 lower/higher (2021: HK\$321,000 lower/higher), arising mainly as a result of the net of increase/decrease in the interest income from bank deposits and interest expense on short term bank borrowings.

### (f) Categories of financial instruments at the end of the reporting period:

|   | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---|------------------|------------------|
| <b>Financial assets:</b>                              |                  |                  |
| Financial assets at fair value through profit or loss | 517,699          | 683,995          |
| Financial assets at amortised cost                    | 143,882          | 131,311          |
|   | <u>661,581</u>   | <u>815,306</u>   |
| <b>Financial liabilities:</b>                         |                  |                  |
| Financial liabilities at amortised cost               | <u>22,262</u>    | <u>23,166</u>    |

### (g) Fair values

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

| Description  | Fair value measurements as at<br>31 December 2022 using: |                     |                     | 2022              |
|--|--|---------------------|---------------------|-------------------|
|  | Level 1<br>HK\$'000                                      | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 | Total<br>HK\$'000 |
| <b>Recurring fair value measurements:</b>              |  |                     |                     |                   |
| Financial assets at fair value through profit or loss: |  |                     |                     |                   |
| – Listed equity investments                            | 44,903   | –                   | –                   | 44,903            |
| – Listed debt investments                              | –  | 41,277              | –                   | 41,277            |
| – Listed fund investments                              | 31,082   | –                   | –                   | 31,082            |
| – Unlisted fund investments                            | –  | 340,633             | 59,804              | 400,437           |
|  | <u>75,985</u>  | <u>381,910</u>      | <u>59,804</u>       | <u>517,699</u>    |
| Investment properties:                                 |  |                     |                     |                   |
| – Industrial property situated in Hong Kong            | –  | 52,500              | –                   | 52,500            |
| Property, plant and equipment:                         |  |                     |                     |                   |
| – Club property situated in Hong Kong                  | –  | –                   | 425,000             | 425,000           |
| <b>Total recurring fair value measurements</b>         | <u>75,985</u>  | <u>434,410</u>      | <u>484,804</u>      | <u>995,199</u>    |

## 7. FAIR VALUE MEASUREMENTS (CONTINUED)

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

| Description  | Fair value measurements as at<br>31 December 2021 using: |                            |                            | 2021                     |
|--|--|----------------------------|----------------------------|--------------------------|
|  | Level 1<br><i>HK\$'000</i>                               | Level 2<br><i>HK\$'000</i> | Level 3<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| <b>Recurring fair value measurements:</b>              |  |                            |                            |                          |
| Financial assets at fair value through profit or loss: |  |                            |                            |                          |
| – Listed equity investments                            | 69,767   | –                          | –                          | 69,767                   |
| – Listed debt investments                              | –  | 44,148                     | –                          | 44,148                   |
| – Listed fund investments                              | 22,651   | –                          | –                          | 22,651                   |
| – Unlisted fund investments                            | –  | 468,312                    | 79,117                     | 547,429                  |
|  | <u>92,418</u>  | <u>512,460</u>             | <u>79,117</u>              | <u>683,995</u>           |
| Investment properties:                                 |  |                            |                            |                          |
| – Industrial property situated in Hong Kong            | –  | 52,500                     | –                          | 52,500                   |
| Property, plant and equipment:                         |  |                            |                            |                          |
| – Club property situated in Hong Kong                  | –  | –                          | 340,000                    | 340,000                  |
| <b>Total recurring fair value measurements</b>         | <u>92,418</u>  | <u>564,960</u>             | <u>419,117</u>             | <u>1,076,495</u>         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 7. FAIR VALUE MEASUREMENTS (CONTINUED)

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

| Description   | Property,<br>plant and<br>equipment | Financial<br>assets at fair<br>value through<br>profit or loss | 2022<br>Total<br>HK\$'000 |
|---|-------------------------------------|--|---------------------------|
|   | The club<br>property<br>HK\$'000    | Unlisted fund<br>investments<br>HK\$'000                       |                           |
| At 1 January 2022   | 340,000                             | 79,117   | 419,117                   |
| Additions   | —                                   | 1,077  | 1,077                     |
| Amount received in respect of return of capital<br>of unlisted fund investments | —                                   | (3,744)  | (3,744)                   |
| Total fair value gain or loss recognised in<br>other comprehensive income       | 85,000                              | —  | 85,000                    |
| Total fair value gain or loss recognised in profit or loss*                     | —                                   | (16,646)   | (16,646)                  |
| <b>At 31 December 2022</b>  | <b>425,000</b>                      | <b>59,804</b>  | <b>484,804</b>            |
| * Include gains or losses for assets held at<br>end of reporting period         | —                                   | (16,646)   | (16,646)                  |

| Description   | Property,<br>plant and<br>equipment | Financial<br>assets at fair<br>value through<br>profit or loss | 2021<br>Total<br>HK\$'000 |
|---|-------------------------------------|--|---------------------------|
|   | The club<br>property<br>HK\$'000    | Unlisted fund<br>investments<br>HK\$'000                       |                           |
| At 1 January 2021   | 281,000                             | 78,522   | 359,522                   |
| Additions   | —                                   | 7,184  | 7,184                     |
| Amount received in respect of return of capital of<br>unlisted fund investments | —                                   | (2,869)  | (2,869)                   |
| Total fair value gain or loss recognised in<br>other comprehensive income       | 59,000                              | —  | 59,000                    |
| Total fair value gain or loss recognised in profit or loss*                     | —                                   | (3,720)  | (3,720)                   |
| <b>At 31 December 2021</b>  | <b>340,000</b>                      | <b>79,117</b>  | <b>419,117</b>            |
| * Include gains or losses for assets held at<br>end of reporting period         | —                                   | (3,720)  | (3,720)                   |

## 7. FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of the reporting period:

The Group’s senior management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. In respect of level 3 fair value measurements, the Group normally engages external valuation experts with relevant recognised qualifications and experience to perform the valuations. The senior management review the fair value measurements twice a year, which is in line with the Group’s reporting dates. The directors also exercise their judgment on the method of valuation of the club property and investment properties.

The valuation techniques used and the key inputs to the level 2 and level 3 fair value measurements as at 31 December 2022 and 31 December 2021 are set out below:

| Description   | Valuation technique and key inputs   |
|---|--|
| <i>Level 2:</i>   |  |
| Listed and unlisted debt and fund investments             | Quoted price provided by fund administrators/<br>financial institutions  |
| Industrial investment properties situated in<br>Hong Kong | Direct comparison method:<br>– Price per square feet   |
| <i>Level 3:</i>   |  |
| The club property situated in Hong Kong                   | Open market and highest and best use basis with the use of<br>residual approach:<br>– Market price of nearby residential properties<br>– Estimation of market construction cost<br>– Anticipated developer’s profit margin |
| Unlisted fund investments                                 | Net asset value provided by the administrator of the fund  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 7. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) **Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at the end of the reporting period: (Continued)**

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

31 December 2022

| Description                             | Valuation technique  | Unobservable inputs                           | Range   | Effect on fair value for increase of inputs |
|---|--|---|---|---|
| The club property situated in Hong Kong | Open market and highest and best use basis with the use of residual approach | Market price of nearby residential properties | HK\$17,600/<br>square feet<br>(2021:<br>HK\$18,200/<br>square feet) | Increase                                    |
|   |  | Estimation of market construction cost        | HK\$5,798/<br>square feet<br>(2021:<br>HK\$5,463/<br>square feet)   | Decrease                                    |
|   |  | Anticipated developer's profit margin         | 15% (2021: 18%)   | Decrease                                    |
| Unlisted fund investments               | Net asset value  | Net asset value                               | N/A   | N/A   |

In February 2022, the Group obtained approval from the Chief Executive in Council in respect of the rezoning of the club property from "Other Specified Uses" annotated "Sports and Recreation Club" to "Residential (Group B) 8" (the "Rezoning Approval").

In accordance with HKFRS 13 "Fair Value Measurement", the Group has determined the highest and best use of the club property at the measurement date by comparing its value based on the current use as a recreational club, and the value based on the Rezoning Approval including the uncertainty and timing of the remaining steps required to redevelop the property. The Group then determined that the highest and best use of the club property at the measurement date would be development for residential based on the Rezoning Approval. This differs from its current use as there remain further steps and approval required before the Group is able to proceed with the development.

As at 31 December 2022 and 31 December 2021, the fair value of the club property are determined using open market and highest and best use basis with the use of residual approach (the "Approach"). The Approach of valuation is commonly used to value development sites by establishing the market value of the property on an "as-if" completed basis with appropriate deduction on construction costs, professional fees, marketing and legal cost, and interest payments to be incurred as well as anticipated developer's profits margin.

## 8. SEGMENT INFORMATION

The Group has three reportable segments as follows:

| <b>Segment</b>                          | <b>Activity</b>   |
|---|---|
| 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.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements.

Segment profits or losses do not include the following:

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

Segment liabilities do not include interest-bearing bank borrowings.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 8. SEGMENT INFORMATION (CONTINUED)

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

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

## 8. SEGMENT INFORMATION (CONTINUED)

### Information about reportable segment profit or loss, assets and liabilities: (Continued)

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 8. SEGMENT INFORMATION (CONTINUED)

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

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Profit or loss</b>                          |                         |                         |
| 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                 | <u>(151,152)</u>        | <u>(21,336)</u>         |
| <b>Assets</b>                                  |                         |                         |
| Total assets of reportable segments            | <u>1,185,911</u>        | 1,256,179               |
| Consolidated total assets                      | <u>1,185,911</u>        | <u>1,256,179</u>        |
| <b>Liabilities</b>                             |                         |                         |
| Total liabilities of reportable segments       | (38,014)                | (40,859)                |
| Interest-bearing bank borrowings               | (5,882)                 | (7,001)                 |
| Consolidated total liabilities                 | <u>(43,896)</u>         | <u>(47,860)</u>         |

Geographical information:

|                           | Revenue                 |                         | Non-current assets      |                         |
|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                           | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
| 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        | <u>94,387</u>           | <u>109,501</u>          | <u>497,149</u>          | <u>415,001</u>          |

## 8. SEGMENT INFORMATION (CONTINUED)

### Geographical information: (Continued)

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.

## 9. REVENUE

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 10. OTHER INCOME

|                   | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|-------------------|------------------|------------------|
| Rental income     | 982              | 1,020            |
| Government grants | 3,050            | 200              |
| Others            | 336              | 431              |
|                   | <u>4,368</u>     | <u>1,651</u>     |

During the year ended 31 December 2022, the Group recognised grants of HK\$3,050,000 (2021: HK\$200,000) in respect of COVID-19 related subsidies, of which are all from the Anti-epidemic Fund (include HK\$2,900,000 (2021: HK\$Nil) subsidies under the Employment Support Scheme) provided by Hong Kong Government.

### 11. FINANCE COSTS

|   | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---|------------------|------------------|
| Interest expenses on lease liabilities ( <i>note 27</i> ) | 1,164            | 1,911            |
| Interest on bank loans                                    | 188              | 134              |
|   | <u>1,352</u>     | <u>2,045</u>     |

## 12. 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.

The tax rate applicable for the assessable profit arising in Hong Kong is 16.5% (2021: 16.5%).

The tax rate applicable to the subsidiaries in the People's Republic of China ("PRC") for PRC enterprise income tax is 25% (2021: 25%).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

A reconciliation between the income tax expense and the product of loss before tax multiplied by the weighted average tax rate applicable to profit/(loss) of the consolidated companies is as follows:

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Loss before tax  | <u>(151,152)</u>        | <u>(21,336)</u>         |
| Tax calculated at domestic tax rates applicable to profit/(loss) in the respective countries | (25,099)                | (3,538)                 |
| Tax effect of income that is not taxable   | (2,949)                 | (5,487)                 |
| Tax effect of expenses that are not deductible   | 18,797                  | 1,169                   |
| Tax effect of utilisation of tax losses not previously recognised                            | (514)                   | (1,309)                 |
| Tax effect of tax losses not recognised  | 9,765                   | 9,165                   |
| Income tax expense   | <u>—</u>                | <u>—</u>                |

The weighted average applicable tax rate is 16.6% (2021: 16.6%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 13. LOSS FOR THE YEAR

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

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Cost of inventories sold <sup>#</sup>   | 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                      |
| Auditor's remuneration for audit services   | 1,090                   | 1,090                   |
| Direct operating expenses of investment properties that generate rental income                | 240                     | 234                     |
| Losses/(gains) from financial assets at fair value through profit or loss, net <sup>*</sup> : |                         |                         |
| Fair value losses/(gains), net  | 75,872                  | (11,554)                |
| Losses on disposal, net   | 30,036                  | 3,429                   |
|   | <b>105,908</b>          | (8,125)                 |
| Fair value gains on investment properties, net  | —                       | (5,700)                 |
| Losses/(gains) on disposal of property, plant and equipment <sup>*</sup>                      | (243)                   | 7                       |
| Rental income   | (982)                   | (1,020)                 |
| Foreign exchange losses/(gains), net <sup>*</sup>   | 1,513                   | (645)                   |
| Write back for provision for reinstatement cost <sup>*</sup>                                  | (9)                     | —                       |

<sup>#</sup> Cost of inventories sold included charge for inventories allowances of HK\$5,226,000 (2021: HK\$4,030,000).

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

## 14. EMPLOYEE BENEFITS EXPENSE

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Employee benefits expense (including directors' emoluments): |                         |                         |
| Salaries, bonuses and allowances                             | 46,245                  | 46,793                  |
| Pension scheme contributions                                 | 1,457                   | 1,480                   |
|  | <u>47,702</u>           | <u>48,273</u>           |

### (a) Pensions - defined contribution plans

For the Group's defined contribution retirement schemes operated under the Occupational Retirement Scheme Ordinance, the forfeited contributions under the defined contribution schemes may be used by the employer to reduce the existing level of contributions. Forfeited contributions totaling HK\$Nil (2021: HK\$10,000) were utilised during the year leaving HK\$Nil available at the year ended 31 December 2022 (2021:HK\$ Nil) to reduce future contributions.

### (b) Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2021: one) directors whose emoluments are reflected in the analysis presented in note 15(a) to the consolidated financial statements. The emoluments of the remaining three (2021: four) individuals are set out below:

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Salaries, bonuses, allowances and benefits in kind | 3,703                   | 4,296                   |
| Performance related bonus                          | 175                     | 100                     |
| Pension scheme contributions                       | 82                      | 99                      |
|  | <u>3,960</u>            | <u>4,495</u>            |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 14. EMPLOYEE BENEFITS EXPENSE (CONTINUED)

#### (b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

|                                | Number of individuals |          |
|--------------------------------|-----------------------|----------|
|                                | 2022                  | 2021     |
| HK\$Nil to HK\$1,000,000       | —                     | 2        |
| HK\$1,000,001 to HK\$1,500,000 | 2                     | 1        |
| HK\$1,500,001 to HK\$2,000,000 | 1                     | 1        |
|                                | <u>3</u>              | <u>4</u> |

#### (c) Emoluments of senior management

The emoluments of the senior management, whose profiles, if applicable, are included in Biographies of Senior Management section of 2022 and 2021 annual report of the Company and included two (2021: two) of the five highest paid individuals analysis presented above, fell within the following bands:

|                                | Number of individuals |          |
|--------------------------------|-----------------------|----------|
|                                | 2022                  | 2021     |
| HK\$Nil to HK\$1,000,000       | —                     | 4        |
| HK\$1,000,001 to HK\$1,500,000 | 2                     | —        |
| HK\$1,500,001 to HK\$2,000,000 | 1                     | 1        |
|                                | <u>3</u>              | <u>5</u> |

## 15. BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

The remuneration of every director, including the Chief Executive Officer, is set out below:

|  | Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking |                      |   |  |                               |   |                                | Total<br>HK\$'000 |
|--|---|----------------------|---|--|-------------------------------|---|--------------------------------|-------------------|
|  | Fees<br>HK\$'000  | Salaries<br>HK\$'000 | Performance related bonuses<br>HK\$'000 | Pension scheme contributions<br>HK\$'000 | Housing allowance<br>HK\$'000 | Estimated money value of other benefits<br>HK\$'000<br>(note vii) | Retirement Benefit<br>HK\$'000 |                   |
| <b>Executive directors:</b>                          |   |                      |   |  |                               |   |                                |                   |
| Mrs. Penny Soh Peng CROSBIE-WALSH                    | 62  | 2,732                | —                                       | 18                                       | —                             | 60  | —                              | 2,872             |
| Mr. David Charles PARKER (note ii)                   | 15  | 861                  | —                                       | 5  | 180                           | 15  | —                              | 1,076             |
| <b>Non-executive directors (note i):</b>             |   |                      |   |  |                               |   |                                |                   |
| Mr. Hung Han WONG                                    | 543   | —                    | —                                       | —  | —                             | —   | —                              | 543               |
| Mr. Hing Lun Dennis AU (note iii)                    | 105   | —                    | —                                       | —  | —                             | —   | —                              | 105               |
| Mr. David Charles PARKER (note ii)                   | 214   | —                    | —                                       | —  | —                             | —   | —                              | 214               |
| <b>Independent non-executive directors (note i):</b> |   |                      |   |  |                               |   |                                |                   |
| Mr. Kin Wing CHEUNG                                  | 428   | —                    | —                                       | —  | —                             | —   | —                              | 428               |
| Mr. Kiu Sang Baldwin LEE                             | 423   | —                    | —                                       | —  | —                             | —   | —                              | 423               |
| Mr. Ted Tak Tai LEE                                  | 372   | —                    | —                                       | —  | —                             | —   | —                              | 372               |
| Ms. Sarah Young O'DONNELL                            | 377   | —                    | —                                       | —  | —                             | —   | —                              | 377               |
| <b>Total for 2022</b>                                | <b>2,539</b>  | <b>3,593</b>         | <b>—</b>                                | <b>23</b>                                | <b>180</b>                    | <b>75</b>   | <b>—</b>                       | <b>6,410</b>      |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

#### (a) Directors' emoluments (Continued)

|  | Emoluments paid or receivable in respect of a person's services<br>as a director, whether of the Company or its subsidiary undertaking |                      |   |  |                                  |   |                                   | Total<br>HK\$'000 |
|--|--|----------------------|---|--|----------------------------------|---|-----------------------------------|-------------------|
|  | Fees<br>HK\$'000   | Salaries<br>HK\$'000 | Performance<br>related<br>bonuses<br>HK\$'000 | Pension<br>scheme<br>contributions<br>HK\$'000 | Housing<br>allowance<br>HK\$'000 | Estimated<br>money<br>value of<br>other<br>benefits<br>HK\$'000<br>(note vii) | Retirement<br>Benefit<br>HK\$'000 |                   |
| <b>Executive directors:</b>                              |  |                      |   |  |                                  |   |                                   |                   |
| Mrs. Penny Soh Peng                                      |  |                      |   |  |                                  |   |                                   |                   |
| CROSBIE-WALSH (note iv)                                  | 6  | 204                  | —   | 2  | —                                | 6   | —                                 | 218               |
| Mr. David Charles PARKER                                 | 60   | 2,812                | 550   | 18   | 720                              | 60  | 600                               | 4,820             |
| <b>Non-executive directors (note i):</b>                 |  |                      |   |  |                                  |   |                                   |                   |
| Mr. Hung Han WONG (note v)                               | 302  | —                    | —   | —  | —                                | —   | —                                 | 302               |
| Mr. Hing Lun Dennis AU                                   | 246  | —                    | —   | —  | —                                | —   | —                                 | 246               |
| Mr. Derek Wai Choi LEUNG<br>(note vi)                    | 259  | —                    | —   | —  | —                                | —   | —                                 | 259               |
| <b>Independent non-executive<br/>directors (note i):</b> |  |                      |   |  |                                  |   |                                   |                   |
| Mr. Kin Wing CHEUNG                                      | 419  | —                    | —   | —  | —                                | —   | —                                 | 419               |
| Mr. Kiu Sang Baldwin LEE                                 | 408  | —                    | —   | —  | —                                | —   | —                                 | 408               |
| Mr. Ted Tak Tai LEE                                      | 365  | —                    | —   | —  | —                                | —   | —                                 | 365               |
| Ms. Sarah Young O'DONNELL                                | 351  | —                    | —   | —  | —                                | —   | —                                 | 351               |
| <b>Total for 2021</b>                                    | <b>2,416</b>   | <b>3,016</b>         | <b>550</b>                                    | <b>20</b>                                      | <b>720</b>                       | <b>66</b>   | <b>600</b>                        | <b>7,388</b>      |

Notes:

- (i) In addition to the annual fee, Non-executive Directors (including Independent Non-Executive Directors) are entitled to an attendance fee for attending each physical Board meeting or committee meeting or general meeting of the Company.
- (ii) Re-designated from executive director to non-executive director on 1 April 2022.
- (iii) Resigned on 25 April 2022.
- (iv) Appointed on 24 November 2021.
- (v) Elected on 9 June 2021.
- (vi) Retired on 9 June 2021.
- (vii) Estimated money values of other benefits include cash allowances.

No share options or any other forms of share-based payments were granted to the directors during the year (2021: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2021: HK\$Nil).

## 15. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

### (b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 16. 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.

## 17. DIVIDENDS

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 18. PROPERTY, PLANT AND EQUIPMENT

|   | Club<br>property<br><i>HK\$'000</i> | Leasehold<br>improvements<br><i>HK\$'000</i> | Furniture,<br>fixtures and<br>equipment<br><i>HK\$'000</i> | Motor<br>vehicles<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|-------------------------------------|--|--|--------------------------------------|--------------------------|
| <b>Cost or valuation:</b>                           |                                     |  |  |                                      |                          |
| At 1 January 2021                                   | 281,000                             | 21,105                                       | 29,319   | 1,519                                | 332,943                  |
| Additions   | —                                   | 275  | 601  | —                                    | 876                      |
| Disposals   | —                                   | —  | (553)  | —                                    | (553)                    |
| Surplus on revaluation                              | 59,000                              | —  | —  | —                                    | 59,000                   |
| At 31 December 2021 and<br>1 January 2022           | <b>340,000</b>                      | <b>21,380</b>                                | <b>29,367</b>  | <b>1,519</b>                         | <b>392,266</b>           |
| Additions   | —                                   | 85   | 362  | —                                    | 447                      |
| Disposals   | —                                   | (256)  | (1,093)  | (434)                                | (1,783)                  |
| Surplus on revaluation                              | 85,000                              | —  | —  | —                                    | 85,000                   |
| <b>At 31 December 2022</b>                          | <b>425,000</b>                      | <b>21,209</b>                                | <b>28,636</b>  | <b>1,085</b>                         | <b>475,930</b>           |
| <b>Accumulated depreciation<br/>and impairment:</b> |                                     |  |  |                                      |                          |
| At 1 January 2021                                   | —                                   | 18,066                                       | 25,517   | 1,276                                | 44,859                   |
| Depreciation provided during the year               | —                                   | 1,507  | 2,108  | 178                                  | 3,793                    |
| Disposals   | —                                   | —  | (546)  | —                                    | (546)                    |
| Impairment loss                                     | —                                   | 840  | 1,096  | —                                    | 1,936                    |
| At 31 December 2021 and<br>1 January 2022           | —                                   | <b>20,413</b>                                | <b>28,175</b>  | <b>1,454</b>                         | <b>50,042</b>            |
| Depreciation provided during the year               | —                                   | 435  | 619  | 65                                   | 1,119                    |
| Disposals   | —                                   | (256)  | (1,071)  | (434)                                | (1,761)                  |
| Impairment loss                                     | —                                   | 83   | 387  | —                                    | 470                      |
| <b>At 31 December 2022</b>                          | <b>—</b>                            | <b>20,675</b>                                | <b>28,110</b>  | <b>1,085</b>                         | <b>49,870</b>            |
| <b>Net carrying amount:</b>                         |                                     |  |  |                                      |                          |
| <b>At 31 December 2022</b>                          | <b>425,000</b>                      | <b>534</b>                                   | <b>526</b>   | <b>—</b>                             | <b>426,060</b>           |
| At 31 December 2021                                 | 340,000                             | 967  | 1,192  | 65                                   | 342,224                  |

## 18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

At 31 December 2022 and 31 December 2021, the value of the Group's club property was revalued by an independent professional qualified valuer. The senior management review the fair value measurements twice a year, which is in line with the Group's reporting dates. The directors also exercise their judgement on the method of valuation of the club property.

The valuation technique was based on open market and highest and best use basis with the use of residual method. The property is situated on a piece of land ("the Land") designated for "Other Specified Uses" annotated "Sports and Recreation Club". The Land is currently occupied by the Group for its operation of a resort and recreational club named "Hill Top Country Club".

With reference to the announcement made by the Company on 19 January 2018, 1 September 2020 and 18 September 2020, the Company has obtained approval for a plan amendment application (the "Rezoning Application") under Section 12A of the Town Planning Ordinance (Chapter 131, Laws of Hong Kong) to the Town Planning Board to rezone the Land from "Other Specified Uses" annotated "Sports and Recreation Club" to "Residential (Group B) 6".

With reference to the announcement made by the Company on 26 February 2021, the Town Planning Board gazetted the Amendments to the approved Tsuen Wan Outline Zoning Plan No. S/TW/33, which included the Company's Rezoning Application.

With reference to the announcement made by the Company on 18 February 2022, the Chief Executive in Council on 8 February 2022 approved the Company's Rezoning Application to rezone the Land from "Other Specified Uses" annotated "Sports and Recreation Club" to "Residential (Group B) 8". There remain further steps required by the Company including the application for exchange of Land Grant and the assessment of the change of land use premium before the Land can be used for residential development.

If the club property were stated by the Group on historical cost basis, its carrying amounts would be as follows:

|                          | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--------------------------|-------------------------|-------------------------|
| Cost                     | 57,149                  | 57,149                  |
| Accumulated depreciation | <b>(32,066)</b>         | (31,042)                |
|                          | <b>25,083</b>           | 26,107                  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 19. RIGHT-OF-USE ASSETS

|  | Leased<br>properties<br><i>HK\$'000</i> |
|--|---|
| At 1 January 2021                      | 25,651                                  |
| Additions                              | 12,821                                  |
| Depreciation                           | (18,591)                                |
| At 31 December 2021 and 1 January 2022 | 19,881                                  |
| Additions                              | 12,983                                  |
| Depreciation                           | (14,623)                                |
| At 31 December 2022                    | <u>18,241</u>                           |

Lease liabilities of HK\$18,479,000 (2021: HK\$20,899,000) are recognised with related right-of-use assets of HK\$17,812,000 (2021: HK\$18,881,000) as at 31 December 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Depreciation expenses on right-of-use assets  | 14,623                  | 18,591                  |
| Interest expense on lease liabilities (included in finance cost)  | 1,164                   | 1,911                   |
| Expenses relating to short-term lease (included in selling and distribution cost)   | —                       | 16                      |
| Expenses relating to leases of low value assets (included in selling and distribution cost and administrative expenses)                     | 25                      | 78                      |
| Expenses relating to variable lease payments not included in the measurement of lease liability (included in selling and distribution cost) | 934                     | 251                     |
| COVID-19 Related rent concessions received  | (117)                   | (403)                   |

## 19. RIGHT-OF-USE ASSETS (CONTINUED)

Details of total cash outflows for leases is set out in note 34(b).

The Group has adopted the Amendments to HKFRS 16: COVID-19 Related Rent Concessions, and applied the practical expedient introduced by the Amendments to all eligible rent concessions received by the Group during the year. Further details are disclosed below.

For both years, the Group leases office, warehouse, and various retail stores for its operations. Lease contracts are entered into for fixed term of one to three years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

One lease includes an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension option exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension option. If the Group is not reasonably certain to exercise the extension option, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

|                            | Lease liabilities recognised as at 31 December (discounted) |                  | Potential future lease payments under extension options not included in lease liabilities (undiscounted) |                  |
|----------------------------|---|------------------|--|------------------|
|                            | 2022<br>HK\$'000  | 2021<br>HK\$'000 | 2022<br>HK\$'000   | 2021<br>HK\$'000 |
| Retails stores - Hong Kong | <u>13,575</u>   | <u>13,619</u>    | <u>—</u>   | <u>—</u>         |

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2021, there has been no such triggering event and the extension option lapsed as at 31 December 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 19. RIGHT-OF-USE ASSETS (CONTINUED)

The Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Hong Kong where the Group operates. During 2022 and 2021, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments recognised in profit or loss for the year is summarised below:

|                            | 2022                              |                                      |  |                                   |
|----------------------------|-----------------------------------|--------------------------------------|--|-----------------------------------|
|                            | Fixed payments<br><i>HK\$'000</i> | Variable payments<br><i>HK\$'000</i> | COVID-19 related rent concessions<br><i>HK\$'000</i> | Total payments<br><i>HK\$'000</i> |
| Retails stores – Hong Kong | <u>13,991</u>                     | <u>934</u>                           | <u>(117)</u>   | <u>14,808</u>                     |

|                            | 2021                              |                                      |  |                                   |
|----------------------------|-----------------------------------|--------------------------------------|--|-----------------------------------|
|                            | Fixed payments<br><i>HK\$'000</i> | Variable payments<br><i>HK\$'000</i> | COVID-19 related rent concessions<br><i>HK\$'000</i> | Total payments<br><i>HK\$'000</i> |
| Retails stores – Hong Kong | <u>17,799</u>                     | <u>251</u>                           | <u>(403)</u>   | <u>17,647</u>                     |

At 31 December 2022, it is estimated that an increase in sales generated from these retail stores by 5% would have increased the lease payments by HK\$85,000 (2021: HK\$23,000).

## 20. INVESTMENT PROPERTIES

|                  | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|------------------|------------------|------------------|
| At 1 January     | 52,500           | 46,800           |
| Fair value gains | —                | 5,700            |
| At 31 December   | <u>52,500</u>    | <u>52,500</u>    |

At 31 December 2022, the Group's investment properties comprised industrial property units situated in Hong Kong of HK\$52,500,000 (2021: HK\$52,500,000). The Group's industrial property units are held to earn rental income and capital appreciation and are held under medium term leases.

The Group's investment properties were revalued at 31 December 2022 and 31 December 2021 by an independent professional qualified valuer based on direct comparison method.

Further particulars of the Group's investment properties are included on page 158.

## 21. INTANGIBLE ASSETS

|   | Trademarks<br>HK\$'000 |
|---|------------------------|
| <b>Cost:</b>  |                        |
| At 1 January 2021, 31 December 2021, 1 January 2022<br>and 31 December 2022 | <u>1,700</u>           |
| <b>Accumulated amortisation:</b>  |                        |
| At 1 January 2021   | 1,256                  |
| Amortisation for the year   | <u>48</u>              |
| At 31 December 2021 and 1 January 2022                                      | <u>1,304</u>           |
| Amortisation for the year   | <u>48</u>              |
| At 31 December 2022   | <u>1,352</u>           |
| <b>Net carrying amount:</b>   |                        |
| At 31 December 2022   | <u>348</u>             |
| At 31 December 2021   | <u>396</u>             |

The Group's trademarks protect the design and specification of the Group's products. The average remaining amortisation period of the trademarks is approximately 7 years (2021: 8 years).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|  | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--|------------------|------------------|
| Financial assets at fair value through profit or loss: |                  |                  |
| Equity investments, at fair value ( <i>note a</i> ):   |                  |                  |
| – 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 ( <i>note b</i> )           | 31,082           | 22,651           |
| – Unlisted ( <i>note b and note c</i> )                | 400,437          | 547,429          |
|  | 431,519          | 570,080          |
| Debt investments, at fair value ( <i>note d</i> ):     |                  |                  |
| – Listed in Hong Kong*                                 | 6,405            | 12,142           |
| – Listed outside Hong Kong*                            | 34,872           | 32,006           |
|  | 41,277           | 44,148           |
|  | <u>517,699</u>   | <u>683,995</u>   |

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

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

|  | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|--|------------------|------------------|
| Current assets - Financial assets at fair value through profit or loss     |                  |                  |
| – Listed equity investments ( <i>note a</i> )                              | 44,903           | 69,767           |
| – Listed fund investments ( <i>note b</i> )                                | 31,082           | 22,651           |
| – Unlisted fund investments ( <i>note b</i> )                              | 340,633          | 468,312          |
| – Listed debt investments ( <i>note d</i> )                                | 41,277           | 44,148           |
|  | 457,895          | 604,878          |
| Non-current assets - Financial assets at fair value through profit or loss |                  |                  |
| – Unlisted fund investments ( <i>note c</i> )                              | 59,804           | 79,117           |
|  | <u>517,699</u>   | <u>683,995</u>   |

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

### Notes:

- (a) The fair values of the listed equity investments are based on quoted market prices and the Group managed and evaluated the performance of these listed equity investments on a fair value basis, in accordance with the Group's risk management and investment strategy. These listed investments offer the Group the opportunity for return through dividend income and fair value gains.
- (b) The fund investments as at 31 December 2022 amounted HK\$371,715,000 (2021: HK\$490,963,000) which were listed in overseas exchanges or traded over-the-counter and the Group managed and evaluated the performance of these fund investments on a fair value basis, in accordance with the Group's risk management and investment strategy. The fair values of the fund investments are based on quoted market price or the price quoted by the fund administrator/financial institution. The directors believe that the estimated fair value quoted by the fund administrator/financial institution is reasonable, and that it is the most appropriate value at the end of the reporting period.

- (c) Unlisted fund investments, at fair value

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

As at 31 December 2022, carrying amount of unlisted fund investments included an investment in a fund, ASEAN China Investment Fund III L.P. ("ACIF III"), amounted to HK\$32,755,000 (2021: HK\$51,530,000) which is not quoted in an active market. The fair value of the investment in ACIF III is stated with reference to the net asset value provided by the administrator of the fund at the reporting date. The directors believe that the estimated fair value provided by the administrator of the fund is reasonable, and that is the most appropriate value at the end of the reporting period.

The Group has committed to contribute a total of US\$4,000,000 (equivalent to approximately HK\$31,120,000) to ACIF III and the unfunded commitment as at 31 December 2022 amounted to US\$118,000 (equivalent to approximately HK\$921,000) (2021: US\$165,000 (equivalent to approximately HK\$1,284,000)). Contributions will be made when capital call is issued by the general partner of the fund.

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

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

As at 31 December 2022, the carrying amount of unlisted fund investments included an investment in a fund, ASEAN China Investment Fund IV L.P. ("ACIF IV"), amounted to HK\$27,049,000 (2021: HK\$27,587,000) which is not quoted in an active market. The fair value of the investment in ACIF IV is stated with reference to the net asset value provided by the administrator of the fund at the reporting date. The directors believe that the estimated fair value provided by the administrator of the fund is reasonable, and that is the most appropriate value at the end of the reporting period.

The Group has committed to contribute a total of US\$4,000,000 (equivalent to approximately HK\$31,120,000) to ACIF IV and the unfunded commitments as at 31 December 2022 amounted to US\$305,000 (equivalent to approximately HK\$2,374,000) (2021: US\$397,000 (equivalent to HK\$3,089,000)). Contributions will be made when capital call is issued by the general partner of the fund.

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

- (d) The fair values of the debt investments as at 31 December 2022 amounted to HK\$41,277,000 (2021: HK\$44,148,000) are based on quoted market price or the price quoted by issuer/banker. These debt investments were mainly issued/guaranteed by companies listed on The Stock Exchange of Hong Kong Limited/overseas stock exchanges. The directors believe that the estimated fair value quoted by the issuer/bank is reasonable, and that it is most appropriate value at the end of the reporting period.

As at 31 December 2022, these debt investments have maturity date ranging from 11 October 2023 to 12 January 2032 (2021: 11 October 2023 to 1 November 2027).

As at 31 December 2022, these debt instruments bear fixed coupon interest rate ranging from 1% to 6.25% (2021: 1.00% to 5.25%). The carrying amounts of the Group's debt investments measured at FVPL are denominated in US dollars.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 23. INVENTORIES

As at 31 December 2022 and 2021, all of the Group's inventories represented finished goods.

### 24. TRADE AND OTHER RECEIVABLES

|                                       | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---------------------------------------|------------------|------------------|
| Trade receivables                     | 989              | 1,778            |
| Less: Impairment of trade receivables | —                | —                |
|                                       | <u>989</u>       | <u>1,778</u>     |
| Rental and other deposits             | 6,357            | 7,921            |
| Prepayments and other receivables     | 5,677            | 4,428            |
|                                       | <u>13,023</u>    | <u>14,127</u>    |

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<br>HK\$'000 | 2021<br>HK\$'000 |
|----------------|------------------|------------------|
| Within 1 month | 960              | 1,704            |
| 2 to 3 months  | 28               | 74               |
| Over 3 months  | 1                | —                |
|                | <u>989</u>       | <u>1,778</u>     |

The carrying amounts of the Group's trade receivables are denominated in Hong Kong dollars.

## 25. PLEDGED BANK DEPOSITS/TIME DEPOSITS/CASH AND BANK BALANCES

The Group's pledged bank deposits were deposits pledged to banks to secure banking facilities granted to the Group as set out in note 28 to the consolidated financial statements.

Pledged bank deposits, time deposits and cash and bank balances are denominated in the following currencies:

|                   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Hong Kong dollars | 23,697                  | 25,765                  |
| US dollars        | 111,192                 | 55,876                  |
| Renminbi*         | 6                       | 38,549                  |
| Others            | 634                     | 874                     |
|                   | <b>135,529</b>          | <b>121,064</b>          |

\* Conversion of Renminbi into foreign currencies by the Company's subsidiaries in the PRC is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## 26. TRADE AND OTHER PAYABLES

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Trade and bills payables ( <i>note a</i> ) | 3,955                   | 3,654                   |
| Accruals for operations                    | 5,117                   | 5,471                   |
| Accruals for staff costs                   | 4,178                   | 3,850                   |
| Contract liabilities ( <i>note b</i> )     | 1,349                   | 1,258                   |
| Deposits received                          | 204                     | 210                     |
| Other payables                             | 2,518                   | 2,898                   |
| Provisions                                 | 2,214                   | 2,619                   |
|  | <b>19,535</b>           | <b>19,960</b>           |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 26. TRADE AND OTHER PAYABLES (CONTINUED)

(a) An ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

|                | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 1 month | 2,925                   | 2,565                   |
| 2 to 3 months  | 929                     | 886                     |
| Over 3 months  | 101                     | 203                     |
|                | <u>3,955</u>            | <u>3,654</u>            |

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

|                   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Hong Kong dollars | 1,382                   | 540                     |
| Euro              | 2,287                   | 2,605                   |
| Others            | 286                     | 509                     |
| Total             | <u>3,955</u>            | <u>3,654</u>            |

(b) Contract liabilities represent the consideration received in advance from customers and customer loyalty programme. The amount of consideration received in advance from customers and customer loyalty programme is expected to be recognised as income within one year. The following table shows the revenue recognised related to carried forward contract liabilities:

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Retail of fashion wear and accessories  | 600                     | 884                     |
| Resort and recreational club operations | 374                     | 277                     |
| Total contract liabilities              | <u>974</u>              | <u>1,161</u>            |

## 27. LEASE LIABILITIES

|  | Minimum lease payments |                  | Present value of minimum lease payments |                  |
|--|------------------------|------------------|---|------------------|
|  | 2022<br>HK\$'000       | 2021<br>HK\$'000 | 2022<br>HK\$'000                        | 2021<br>HK\$'000 |
| Within one year  | 11,353                 | 14,850           | 10,583                                  | 14,125           |
| In the second to fifth years, inclusive  | 8,090                  | 6,956            | 7,896                                   | 6,774            |
|  | 19,443                 | 21,806           | 18,479                                  | 20,899           |
| Less: Future finance charges   | (964)                  | (907)            | N/A                                     | N/A              |
| Present value of lease obligations   | 18,479                 | 20,899           | 18,479                                  | 20,899           |
| Less: Amount due for settlement within 12 months (shown under current liabilities) |                        |                  | (10,583)                                | (14,125)         |
| Amount due for settlement after 12 months  |                        |                  | 7,896                                   | 6,774            |

All lease liabilities are denominated in Hong Kong dollars.

## 28. INTEREST-BEARING BANK BORROWINGS

|            | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|------------|------------------|------------------|
| Bank loans | 5,882            | 7,001            |

The interest-bearing bank borrowings of the Group are repayable within one year.

The carrying amounts of the Group's interest-bearing bank borrowings are denominated in Hong Kong dollars.

The effective interest rates at 31 December were as follows:

|            | 2022           | 2021           |
|------------|----------------|----------------|
| Bank loans | 3.78% to 7.22% | 1.56% to 1.98% |

Bank loans of HK\$3,569,000 (2021: HK\$4,296,000) are secured by a charge over the Group's pledged time deposits of HK\$10,000,000 (2021: HK\$10,000,000). The remaining balance is unsecured.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 29. DEFERRED TAX

The following are deferred tax liabilities and assets recognised by the Group:

|   | Depreciation<br>allowance in<br>excess of<br>related<br>depreciation<br><i>HK\$'000</i> | Fair value<br>gains from<br>financial assets<br>at fair value<br>through profit<br>or loss<br><i>HK\$'000</i> | Losses<br>available<br>for offsetting<br>against future<br>taxable profits<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---|---|---|--------------------------|
| At 1 January 2021   | 5,450   | 5,955   | (11,405)  | —                        |
| Deferred tax charged/(credited) to the<br>profit or loss for the year | 255   | 327   | (582)   | —                        |
| At 31 December 2021 and at 1 January 2022                             | <b>5,705</b>  | <b>6,282</b>  | <b>(11,987)</b>   | <b>—</b>                 |
| Deferred tax charged/(credited) to the<br>profit or loss for the year | 242   | (6,282)   | 6,040   | —                        |
| <b>At 31 December 2022</b>  | <b>5,947</b>  | <b>—</b>  | <b>(5,947)</b>  | <b>—</b>                 |

At the end of the reporting period, the Group has unused tax losses of HK\$953,070,000 (2021: HK\$894,170,000) available to offset against future profits. A deferred tax asset has been recognised in respect of HK\$36,041,000 (2021: HK\$72,648,000) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK\$917,029,000 (2021: HK\$821,522,000) due to the unpredictability of future profit streams. Unrecognised tax losses may be carried forward indefinitely.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and jurisdiction of the foreign investors. The tax rate applicable to the Group is 5%. The Group is therefore liable to withholding taxes on any dividends distributed by its subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At the end of the reporting period, the Group's subsidiaries established in Mainland China have no undistributed earnings and accordingly no deferred tax liabilities were recognised in respect of this.

### 30. SHARE CAPITAL

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Issued and fully paid:                              |                         |                         |
| 1,650,658,676 (2021: 1,650,658,676) ordinary shares | <u>1,206,706</u>        | <u>1,206,706</u>        |

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements except for (i) the requirement to maintain a public float of at least 25% of the shares under the Listing Rules; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group demonstrates continuing compliance of the public float of at least 25% of the shares throughout the year.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 December 2022 and 2021.

The Group monitors capital using a gearing ratio, which is the total borrowings and lease liabilities divided by the total equity attributable to equity holders of the Company. The Group's policy is to maintain an appropriate level of debt and a gearing ratio. The total borrowings include interest-bearing bank borrowings. The gearing ratio as at the end of the reporting period was as follows:

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interest-bearing bank borrowings             | 5,882                   | 7,001                   |
| Lease liabilities                            | <u>18,479</u>           | <u>20,899</u>           |
| Total borrowings and lease liabilities       | <u>24,361</u>           | <u>27,900</u>           |
| Equity attributable to owners of the Company | <u>1,143,130</u>        | <u>1,208,910</u>        |
| Gearing ratio                                | <u>2.1%</u>             | <u>2.3%</u>             |

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

|   | Note  | At 31 December   |                  |
|---|-------|------------------|------------------|
|   |       | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
| <b>Non-current assets</b>                             |       |                  |                  |
| Property, plant and equipment                         |       | 654              | 973              |
| Investment properties                                 |       | 477,500          | 392,500          |
| Right-of-use assets                                   |       | 5,052            | 7,688            |
| Interests in subsidiaries                             |       | 522,001          | 619,608          |
| Total non-current assets                              |       | 1,005,207        | 1,020,769        |
| <b>Current assets</b>                                 |       |                  |                  |
| Prepayments, deposits and other receivables           |       | 3,788            | 3,032            |
| Due from a subsidiary                                 |       | 195              | 222              |
| Financial assets at fair value through profit or loss |       | 104,837          | 154,817          |
| Pledged bank deposits                                 |       | 10,000           | 10,000           |
| Time deposits   |       | 20,496           | 19,955           |
| Cash and bank balances                                |       | 6,626            | 9,789            |
| Total current assets                                  |       | 145,942          | 197,815          |
| <b>Current liabilities</b>                            |       |                  |                  |
| Accruals and other payables                           |       | 4,387            | 5,323            |
| Lease liabilities                                     |       | 2,418            | 2,351            |
| Total current liabilities                             |       | 6,805            | 7,674            |
| <b>Net current assets</b>                             |       | <b>139,137</b>   | <b>190,141</b>   |
| <b>Non-current liabilities</b>                        |       |                  |                  |
| Lease liabilities                                     |       | 2,486            | 4,904            |
| <b>NET ASSETS</b>                                     |       | <b>1,141,858</b> | <b>1,206,006</b> |
| <b>Capital and reserves</b>                           |       |                  |                  |
| Issued capital  |       | 1,206,706        | 1,206,706        |
| Accumulated losses                                    |       | (873,670)        | (809,522)        |
| Other reserves  | 31(b) | 808,822          | 808,822          |
| <b>TOTAL EQUITY</b>                                   |       | <b>1,141,858</b> | <b>1,206,006</b> |

Approved by the Board of Directors on 28 March 2023 and are signed on its behalf by:

**Hung Han WONG**

*Non-executive Director and Non-executive Chairman*

**Penny Soh Peng CROSBIE-WALSH**

*Executive Director and Chief Executive Officer*

## 31. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

### (b) Reserve movement of the Company

|  | Special<br>reserve<br><i>HK\$'000</i> | Accumulated<br>losses<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|---------------------------------------|--|--------------------------|
| At 1 January 2021                      | 808,822                               | (847,357)                                | (38,535)                 |
| Profit for the year                    | —                                     | 37,835                                   | 37,835                   |
| At 31 December 2021 and 1 January 2022 | <b>808,822</b>                        | <b>(809,522)</b>                         | <b>(700)</b>             |
| Loss for the year                      | —                                     | (64,148)                                 | (64,148)                 |
| <b>At 31 December 2022</b>             | <b>808,822</b>                        | <b>(873,670)</b>                         | <b>(64,848)</b>          |

## 32. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity on pages 86 and 89 of the consolidated financial statements respectively.

### (b) Nature and purpose of reserves

#### (i) *Special reserve*

The special reserve arose as a result of the Company's reorganisation in 2002 in the application of the predecessor Hong Kong Companies Ordinance (Cap.32). A capital reorganisation scheme was approved by the shareholders at an extraordinary general meeting on 11 July 2002 and was subsequently confirmed by the sanction of an order of the High Court of Hong Kong dated 6 August 2002. Details of the capital reorganisation scheme are as follows:

- (1) the authorised share capital of the Company was reduced from HK\$1,000,000,000 (divided into 2,000,000,000 ordinary shares of HK\$0.50 each) to HK\$20,000,000 (divided into 2,000,000,000 ordinary shares of HK\$0.01 each). Such reduction was effected by cancelling the paid-up capital per share by HK\$0.49 on each of the 1,650,658,676 ordinary shares in issue on 6 August 2002, being the date on which the court petition was heard, and by reducing the nominal value of all the issued and unissued ordinary shares of the Company from HK\$0.50 to HK\$0.01 per ordinary share; and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 32. RESERVES (CONTINUED)

#### (b) Nature and purpose of reserves (Continued)

##### (i) *Special reserve (Continued)*

(2) upon such reduction of capital taking effect:

- (i) the authorised share capital of the Company was increased to its former amount of HK\$1,000,000,000 by the creation of additional 98,000,000,000 ordinary shares of HK\$0.01 each; and
- (ii) a special reserve was created and credited with an amount equal to the credit arising from the said reduction of capital as detailed in (1) above, which amounted to HK\$808,822,751. Such reserve shall not be treated as realised profit and shall, for as long as the Company shall remain a listed company, be treated as an undistributable reserve. However, the special reserve may be reduced by the aggregate of any increase in the issued capital or in the share premium account of the Company resulting from an issue of shares for cash or other new consideration or upon a capitalisation of distributable reserves.

##### (ii) *Exchange fluctuation reserve*

The reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

##### (iii) *Property revaluation reserve*

The property revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for the club property in note 4(e) to the consolidated financial statements.

### 33. SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2022 are as follows:

| Name                           | Place of incorporation/ registration and operation | Issued ordinary share | Percentage of ownership attributable to the Company |          | Principal activities                      |
|--------------------------------|--|-----------------------|---|----------|---|
|                                |  |                       | Direct  | Indirect |   |
| Cesare di Pino Company Limited | Hong Kong  | HK\$10,000            | —   | 100      | Retail of fashion wear and accessories    |
| Cosy Good Limited              | British Virgin Islands/<br>Hong Kong               | US\$1                 | —   | 100      | Investment holding                        |
| ENM Investments Limited        | Cayman Islands/<br>Hong Kong                       | US\$1                 | 100   | —        | Investment holding                        |
| ENM Wealth Management Limited  | British Virgin Islands/<br>Hong Kong               | US\$1                 | 100   | —        | Investment holding and securities trading |
| Hill Top Country Club Limited  | Hong Kong  | HK\$10,000,000        | —   | 100      | Recreational club operations              |
| Kenmure Limited                | Hong Kong  | HK\$67,873,650        | —   | 100      | Investment holding                        |
| The Swank Shop Limited         | Hong Kong  | HK\$104,500,000       | —   | 100      | Retail of fashion wear and accessories    |

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

|  | Interest<br>bearing bank<br>borrowings<br><i>HK\$'000</i><br><i>(note 28)</i> | Lease<br>liabilities<br><i>HK\$'000</i><br><i>(note 27)</i> | Total<br><i>HK\$'000</i> |
|--|---|---|--------------------------|
| <b>As at 1 January 2022</b>                | 7,001   | 20,899  | 27,900                   |
| <b>Changes from financing cash flows:</b>  |   |   |                          |
| New bank loans raised                      | 24,390  | —   | 24,390                   |
| Repayment of bank loans                    | (25,509)  | —   | (25,509)                 |
| Interest paid                              | (188)   | —   | (188)                    |
| Capital elements of lease rentals paid     | —   | (15,256)  | (15,256)                 |
| Interest elements of lease rentals paid    | —   | (1,164)   | (1,164)                  |
|  | <u>(1,307)</u>  | <u>(16,420)</u>   | <u>(17,727)</u>          |
| <b>Other changes:</b>                      |   |   |                          |
| Finance costs                              | 188   | 1,164   | 1,352                    |
| Addition to lease liabilities              | —   | 12,953  | 12,953                   |
| COVID-19 Related rent concessions received | —   | (117)   | (117)                    |
|  | <u>188</u>  | <u>14,000</u>   | <u>14,188</u>            |
| <b>As at 31 December 2022</b>              | <u>5,882</u>  | <u>18,479</u>   | <u>24,361</u>            |
| <b>As at 1 January 2021</b>                | 6,617   | 28,012  | 34,629                   |
| <b>Changes from financing cash flows:</b>  |   |   |                          |
| New bank loans raised                      | 27,893  | —   | 27,893                   |
| Repayment of bank loans                    | (27,509)  | —   | (27,509)                 |
| Interest paid                              | (134)   | —   | (134)                    |
| Capital elements of lease rentals paid     | —   | (18,861)  | (18,861)                 |
| Interest elements of lease rentals paid    | —   | (1,911)   | (1,911)                  |
|  | <u>250</u>  | <u>(20,772)</u>   | <u>(20,522)</u>          |
| <b>Other changes:</b>                      |   |   |                          |
| Finance costs                              | 134   | 1,911   | 2,045                    |
| Addition to lease liabilities              | —   | 12,151  | 12,151                   |
| COVID-19 Related rent concessions received | —   | (403)   | (403)                    |
|  | <u>134</u>  | <u>13,659</u>   | <u>13,793</u>            |
| <b>As at 31 December 2021</b>              | <u>7,001</u>  | <u>20,899</u>   | <u>27,900</u>            |

## 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### (b) Total cash outflows for lease

Amounts included in the cash flow statements for leases comprise the following:

|                             | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| Within operating cash flows | 959                     | 345                     |
| Within financing cash flows | 16,420                  | 20,772                  |
|                             | <u>17,379</u>           | <u>21,117</u>           |

These amounts relate to the following:

|                    | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| Lease rentals paid | <u>17,379</u>           | <u>21,117</u>           |

## 35. OPERATING LEASE ARRANGEMENTS

### As lessor

The Group leases out investment properties under operating lease arrangements. The leases for investment properties are typically negotiated for terms ranging from one to two years.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future period under non-cancellable operating lease are as follow:

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Within one year                         | 246                     | 255                     |
| In the second to fifth years, inclusive | —                       | —                       |
|   | <u>246</u>              | <u>255</u>              |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

### 36. CAPITAL COMMITMENTS

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

|   | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---|------------------|------------------|
| Contracted, but not provided for:                                 |                  |                  |
| – Capital contribution to unlisted funds (note 22(c)(i) and (ii)) | 3,295            | 4,372            |
| – Property, plant and equipment                                   | 262              | 654              |

### 37. RELATED/CONNECTED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

|   | Note | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---|------|------------------|------------------|
| Lease expenses for lease liabilities, building management fees and air-conditioning charges paid to related companies | (i)  |                  |                  |
| – Office  |      | 3,461            | 3,179            |

Note:

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

On 30 November 2021, the Group entered into a new tenancy agreement (“the New Tenancy Agreement”) with the related companies controlled by substantial shareholders of the Company to renew the lease of office premises for three years from 1 December 2021 to 30 November 2024 at a monthly effective rental of HK\$210,096 exclusive of government rates, building management fee and air-conditioning charges. The Group recognised a right-of-use asset of HK\$7,908,000, which is the present value of the rental payment and estimated reinstatement cost and a lease liability of HK\$7,238,000 due to related parties in accordance to HKFRS 16.

As at 31 December 2022, the lease liabilities due to related companies of HK\$4,904,000 (2021: HK\$7,255,000) under the New Tenancy Agreement arising from the leasing arrangements with the related companies are included in “Lease liabilities” (note 27).

## 37. RELATED/CONNECTED PARTY TRANSACTIONS (CONTINUED)

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

|   | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---|------------------|------------------|
| Short term employee benefits                        | 10,259           | 11,003           |
| Retirement benefits                                 | —                | 600              |
| Pension scheme contributions                        | 77               | 81               |
| Total compensation paid to key management personnel | 10,336           | 11,684           |

Further details of employees' and directors' emoluments are included in note 14 and note 15 respectively to the consolidated financial statements.

(d) Applicability of the Listing Rules relating to connected transactions

As disclosed in note 37(b) to the consolidated financial statements, the related party transactions in respect of the recognition of a right-of-use asset and lease liabilities for the fixed lease payments under the New Tenancy agreement is regarded as an acquisition of capital asset and constitutes a one-off connected transaction of the Company as defined in Chapter 14A of the Listing Rules, further details of which are included in the Report of Director on page 8 of 2021 Annual Report.

As disclosed in note 37(a) to the consolidated financial statements, the related party transactions in respect of building management fee and air-conditioning charges for office paid to related companies for the years ended 31 December 2022 and 2021 under the New Tenancy Agreement constitute continuing connected transactions of the Company as defined in Chapter 14A but are considered as a de minimis transactions and are fully exempt from the disclosure requirements, further details of which are included in the Report of Director on page 8 of 2021 Annual Report.

As disclosed in note 37(a) to the consolidated financial statements, the related party transactions in respect of the lease expenses for leases liabilities, building management fee and air-conditioning charges for office paid to related companies for the year ended 31 December 2021 under the old tenancy agreement entered in November 2018 constitute continuing connected transactions of the Company as defined in chapter 14A of the Listing Rules.

## 38. 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 overall 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.

# PARTICULARS OF INVESTMENT PROPERTIES

31 December 2022

## INVESTMENT PROPERTIES OF THE GROUP HELD FOR INVESTMENT

| Location   | Use        | Tenure            | Attributable interest of the Group |
|--|------------|-------------------|------------------------------------|
| Fourth and Fifth Floors, Roof and Parking Spaces Nos. 3 and 5<br>Wai Hing Factory Building<br>37-41 Lam Tin Street<br>Kwai Chung, New Territories<br>Hong Kong | Industrial | Medium term lease | 100%                               |

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

### RESULTS

|  | Year ended 31 December |                  |                  |                  |                  |
|--|------------------------|------------------|------------------|------------------|------------------|
|  | 2022<br>HK\$'000       | 2021<br>HK\$'000 | 2020<br>HK\$'000 | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
| <b>REVENUE</b>                                 | <b>94,387</b>          | 109,501          | 104,977          | 131,841          | 142,110          |
| <b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b> | <b>(149,800)</b>       | (19,291)         | 15,379           | 48,402           | (74,028)         |
| Finance costs                                  | (1,352)                | (2,045)          | (3,596)          | (2,245)          | (197)            |
| Gain on liquidation of subsidiaries            | —                      | —                | —                | —                | 1,073            |
| <b>PROFIT/(LOSS) BEFORE TAX</b>                | <b>(151,152)</b>       | (21,336)         | 11,783           | 46,157           | (73,152)         |
| Tax  | —                      | —                | —                | —                | —                |
| <b>PROFIT/(LOSS) FOR THE YEAR</b>              | <b>(151,152)</b>       | (21,336)         | 11,783           | 46,157           | (73,152)         |
| <b>Attributable to:</b>                        |                        |                  |                  |                  |                  |
| Equity holders of the Company                  | (150,663)              | (21,280)         | 11,881           | 46,197           | (73,097)         |
| Non-controlling interests                      | (489)                  | (56)             | (98)             | (40)             | (55)             |
|  | <b>(151,152)</b>       | (21,336)         | 11,783           | 46,157           | (73,152)         |

### ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

|                                  | As at 31 December |                  |                  |                  |                  |
|----------------------------------|-------------------|------------------|------------------|------------------|------------------|
|                                  | 2022<br>HK\$'000  | 2021<br>HK\$'000 | 2020<br>HK\$'000 | 2019<br>HK\$'000 | 2018<br>HK\$'000 |
| <b>TOTAL ASSETS</b>              | <b>1,185,911</b>  | 1,256,179        | 1,228,512        | 1,048,239        | 952,107          |
| <b>TOTAL LIABILITIES</b>         | <b>(43,896)</b>   | (47,860)         | (57,940)         | (78,395)         | (28,336)         |
| <b>NON-CONTROLLING INTERESTS</b> | <b>1,115</b>      | 591              | 554              | 651              | 590              |
|                                  | <b>1,143,130</b>  | 1,208,910        | 1,171,126        | 970,495          | 924,361          |

# CORPORATE INFORMATION

## EXECUTIVE DIRECTOR

Penny Soh Peng CROSBIE-WALSH (*Chief Executive Officer*)

## NON-EXECUTIVE DIRECTORS

Hung Han WONG (*Non-executive Chairman*)

David Charles PARKER

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Kin Wing CHEUNG

Kiu Sang Baldwin LEE

Ted Tak Tai LEE

Sarah Young O'DONNELL

## COMPANY SECRETARY

Pui Man CHENG

## AUDITOR

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