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# ENM HOLDINGS LIMITED

# 安 寧 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)
(Stock code: 128)

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

The Board of Directors (the "Board") of ENM Holdings Limited (the "Company") herein present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013 together with the unaudited comparative amounts for the corresponding period in 2012.

The condensed financial statements have not been audited, but have been reviewed by the Company's audit committee and the Company's auditor.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2013

| | | Six months ended 30 June | |
|---|---|---|---|
| | *Note* | **2013** | 2012 |
| | | ***HK$'000*** | *HK$'000* |
| | | ***(unaudited)*** | *(unaudited)* |
| **Revenue** | | **167,127** | 153,115 |
| Cost of sales | | **(68,814)** | (61,851) |
| **Gross profit** | | **98,313** | 91,264 |
| Other income | | **1,324** | 3,086 |
| Selling and distribution costs | | **(69,929)** | (56,704) |
| Administrative expenses | | **(41,711)** | (39,849) |
| Depreciation and amortisation | | **(10,163)** | (9,373) |
| Other operating gains, net | | **12,137** | 15,521 |
| **Profit/(loss) from operations** | | **(10,029)** | 3,945 |
| Fair value gains/(losses) on investment properties, net | | **2,000** | (800) |
| Deficits write-back on revaluation of resort and recreational club properties | | **1,540** | 1,200 |
| Finance costs | 4 | **(327)** | (359) |
| Share of losses of an associate | | **-** | (1,849) |
| **Profit/(loss) before tax** | | **(6,816)** | 2,137 |
| Income tax expense | 5 | **-** | - |
| **Profit/(loss) for the period** | 6 | **(6,816)** | 2,137 |
| **Attributable to:** | | | |
| Owners of the Company | | **(6,202)** | 2,145 |
| Non-controlling interests | | **(614)** | (8) |
| | | **(6,816)** | 2,137 |
| | | ***HK$*** | *HK$* |
| | | ***(unaudited)*** | *(unaudited)* |
| **Earnings/(loss) per share** | | | |
| Basic | 7(a) | **(0.38 cents)** | 0.13 cents |
| Diluted | 7(b) | **N/A** | N/A |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | ***(unaudited)*** | *(unaudited)* |
| **Profit/(loss) for the period** | **(6,816)** | 2,137 |
| **Other comprehensive income/(loss):** | | |
| *Items that will be reclassified to profit or loss*: | | |
| Exchange differences on translating foreign operations | **1,879** | 4 |
| Fair value changes of available-for-sale equity investments | **(42,518)** | 50,427 |
| Fair value changes of available-for-sale debt investments | **(3,737)** | 4,588 |
| Release of revaluation reserve to the statement of profit or loss upon disposal of available-for-sale equity investments | **(2,114)** | (12,563) |
| Release of exchange fluctuation reserve to the statement of profit or loss upon disposal of available-for-sale equity investments | **-** | (895) |
| **Other comprehensive income/(loss) for the period, net of tax** | **(46,490)** | 41,561 |
| **Total comprehensive income/(loss) for the period** | **(53,306)** | 43,698 |
| **Attributable to:** | | |
| Owners of the Company | **(52,720)** | 43,706 |
| Non-controlling interests | **(586)** | (8) |
| | **(53,306)** | 43,698 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
# AT 30 JUNE 2013

| | *Note* | **30 June 2013** **HK$'000** **(unaudited)** | 31 December 2012 *HK$'000* *(audited)* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **104,351** | 105,850 |
| Investment properties | | **103,300** | 100,000 |
| Intangible assets | | **1,424** | 1,466 |
| Interest in an associate | | **16,192** | 17,059 |
| Financial assets at fair value through profit or loss | 9 | **26,452** | 147,489 |
| Available-for-sale equity investments | | **110,156** | 155,336 |
| Available-for-sale debt investments – note receivables | | **85,298** | 65,723 |
| **Total non-current assets** | | **447,173** | 592,923 |
| **Current assets** | | | |
| Inventories | | **72,072** | 63,713 |
| Trade receivables | 10 | **6,173** | 4,636 |
| Prepayments, deposits and other receivables | | **48,024** | 60,729 |
| Financial assets at fair value through profit or loss | 9 | **215,965** | 212,606 |
| Pledged bank deposits | | **11,000** | 11,000 |
| Time deposits | | **350,496** | 217,584 |
| Cash and bank balances | | **63,282** | 115,255 |
| **Total current assets** | | **767,012** | 685,523 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **47,714** | 69,443 |
| Interest-bearing bank and other borrowings | | **13,332** | 2,390 |
| Current portion of debentures | | **2,005** | 1,775 |
| **Total current liabilities** | | **63,051** | 73,608 |
| **Net current assets** | | **703,961** | 611,915 |
| **Total assets less current liabilities** | | **1,151,134** | 1,204,838 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
## AT 30 JUNE 2013

| | **30 June 2013** *HK$'000* *(unaudited)* | 31 December 2012 *HK$'000* *(audited)* |
|---|---|---|
| **Total assets less current liabilities** | **1,151,134** | 1,204,838 |
| **Non-current liabilities** | | |
| Debentures | **2,016** | 2,407 |
| Deferred revenue | **7,548** | 7,555 |
| **Total non-current liabilities** | **9,564** | 9,962 |
| **NET ASSETS** | **1,141,570** | 1,194,876 |
| **Capital and reserves** | | |
| Issued capital | **16,507** | 16,507 |
| Reserves | **1,124,783** | 1,177,503 |
| Equity attributable to owners of the Company | **1,141,290** | 1,194,010 |
| Non-controlling interests | **280** | 866 |
| **TOTAL EQUITY** | **1,141,570** | 1,194,876 |

*Notes:*

## 1. Basis of Preparation

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

These condensed financial statements should be read in conjunction with the 2012 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012 except as stated below.

## 2. Adoption of New and Revised Hong Kong Financial Reporting Standards

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years except as stated below.

### (a) Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

### (b) HKFRS 13 "Fair Value Measurement"

HKFRS 13 "Fair Value Measurement" establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the condensed consolidated financial statements. HKFRS 13 has been applied prospectively.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

## 3. Segment Information

| | Wholesale and retail of fashion wear and accessories | Resort and recreational club operations | Investments and treasury | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(unaudited)* | *(unaudited)* | *(unaudited)* | *(unaudited)* |
| **6 months ended 30 June 2013:** | | | | |
| Revenue from external customers | **150,741** | **7,800** | **8,586** | **167,127** |
| Segment profit/(loss) | **(11,730)** | **(4,005)** | **7,623** | **(8,112)** |
| **As at 30 June 2013:** | | | | |
| Segment assets | **174,363** | **157,063** | **866,567** | **1,197,993** |
| Segment liabilities | **(33,981)** | **(20,767)** | **(4,535)** | **(59,283)** |
| 6 months ended 30 June 2012: | | | | |
| Revenue from external customers | 139,629 | 7,353 | 6,133 | 153,115 |
| Segment profit/(loss) | 890 | (2,065) | 8,319 | 7,144 |
| As at 31 December 2012: | | | | |
| Segment assets, audited | 178,388 | 159,319 | 923,680 | 1,261,387 |
| Segment liabilities, audited | (45,625) | (21,648) | (13,907) | (81,180) |

## 3. Segment Information (Cont'd)

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | ***(unaudited)*** | *(unaudited)* |
| **Reconciliations of segment profit or loss:** | | |
| Total profit or loss of reportable segments | **(8,112)** | 7,144 |
| Unallocated corporate administrative expenses | **(1,917)** | (3,199) |
| Share of losses of an associate | **-** | (1,849) |
| Fair value gains/(losses) on investment properties, net | **2,000** | (800) |
| Deficits write-back on revaluation of resort and recreational club properties | **1,540** | 1,200 |
| Finance costs | **(327)** | (359) |
| Consolidated profit/(loss) for the period | **(6,816)** | 2,137 |

## 4. Finance Costs

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | ***(unaudited)*** | *(unaudited)* |
| Interest on bank loans and overdrafts | **308** | 299 |
| Accretion of interest on debentures | **19** | 60 |
| | **327** | 359 |

## 5. Income Tax Expense

No provision for Hong Kong Profits Tax and overseas income tax is required for the six months periods ended 30 June 2013 and 2012 since the Group has no assessable profit in Hong Kong and other countries in which the Group operates or has sufficient tax losses brought forward to set off against the assessable profits for both periods.

## 6. Profit/(Loss) for the Period

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

| | Six months ended 30 June | |
|---|---|---|
| | **2013** | 2012 |
| | ***HK$'000*** | *HK$'000* |
| | ***(unaudited)*** | *(unaudited)* |
| Cost of inventories sold^ | **68,758** | 61,783 |
| Interest income# | **(4,883)** | (4,390) |
| Dividend income# | **(3,703)** | (1,744) |
| Amortisation of intangible assets | **42** | 42 |
| Depreciation | **10,121** | 9,331 |
| Directors' emoluments | **4,579** | 4,377 |
| Foreign exchange gains, net* | **(4,927)** | (3,933) |
| Losses/(gains) from financial assets at fair value through profit or loss, net*: | | |
| Held-for-trading | | |
| Interest income | **(1,088)** | (1,009) |
| Fair value losses, net | **5,927** | 13,000 |
| Gain on disposal, net | **(483)** | (1,305) |
| | **4,356** | 10,686 |
| Designated as such upon initial recognition | | |
| Interest income | **(9,445)** | (9,525) |
| Fair value losses | **-** | 725 |
| Loss on redemption | **4,758** | - |
| | **(4,687)** | (8,800) |
| Gain on disposal of available-for-sales equity investments* | **(6,882)** | (13,475) |
| Loss on disposal of property, plant and equipment* | **3** | - |
| Fair value losses/(gains) on investment properties, net | **(2,000)** | 800 |
| Charge for inventories allowances | **9,382** | 8,325 |

^ Cost of inventories sold included charge for inventories allowances of HK$9,382,000 (2012: HK$8,325,000).

# These amounts are included in "Revenue".

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

## 7. Earnings/(Loss) Per Share

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of HK$6,202,000 (2012: profit of HK$2,145,000) and the weighted average number of ordinary shares of 1,650,658,676 (2012: 1,650,658,676) in issue during the period.

### (b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary shares during the six months periods ended 30 June 2013 and 2012.

## 8. Dividends

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2013 (2012: Nil).

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

| | **30 June 2013** ***HK$'000*** ***(unaudited)*** | 31 December 2012 *HK$'000* *(audited)* |
|---|---|---|
| Listed investments, at fair value: | | |
| Hong Kong | **176,203** | 172,146 |
| Outside Hong Kong | **18,581** | 17,246 |
| Market value of listed investments | **194,784** | 189,392 |
| Unlisted investments, at fair value: | | |
| Convertible bonds | - | 147,489 |
| Equity investment | **26,452** | - |
| Others | **21,181** | 23,214 |
| | **47,633** | 170,703 |
| | **242,417** | 360,095 |
| Analysed as: | | |
| Current assets | **215,965** | 212,606 |
| Non-current assets | **26,452** | 147,489 |
| | **242,417** | 360,095 |

## 10. Trade Receivables

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

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

| | **30 June 2013** *HK$'000* ***(unaudited)*** | 31 December 2012 *HK$'000* *(audited)* |
|---|---|---|
| Within 1 month | **4,067** | 4,257 |
| 2 to 3 months | **2,090** | 371 |
| Over 3 months | **16** | 8 |
| | **6,173** | 4,636 |

## 11. Trade and Other Payables

Included in the Group's trade and other payables as at 30 June 2013 are trade and bills payables of HK$16,116,000 (31 December 2012: HK$21,568,000).

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

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

| | **30 June 2013** *HK$'000* ***(unaudited)*** | 31 December 2012 *HK$'000* *(audited)* |
|---|---|---|
| Within 1 month | **12,595** | 20,004 |
| 2 to 3 months | **3,298** | 1,116 |
| Over 3 months | **223** | 448 |
| | **16,116** | 21,568 |

# CHAIRMAN'S STATEMENT

## FINANCIAL RESULTS

The Group recorded a consolidated turnover of HK$167,127,000 for the six months ended 30 June 2013, an increase of 9% as compared with the corresponding period last year.

Despite the increase in turnover, operating results recorded a consolidated loss amounted to HK$6,816,000 for the period under review against a profit of HK$2,137,000 for the last corresponding period. Such loss was mainly attributable to the weak performance of our retail fashion operation. Stagnant retail market especially in high end luxury fashion products, together with upward pressure in operating costs in particular the surging staff costs and rental expenses in prime locations have adversely impacted on the Group's profitability. Moreover, increase in provision for slow and obsolete stock especially in China division also dampened the bottom line.

Performance of Group's financial instrument and other investments were relatively stable during the period under review.

## BUSINESS REVIEW

### Retail Fashion

#### *Swank Hong Kong*

Retail operation in Hong Kong continued to be a core business of the Group. During the period under review, Swank Hong Kong reported a 8% growth in turnover against last corresponding period. The increase was mainly attributable to the opening of 2,500 square feet "Brunello Cucinelli" flagship store in Central in April 2013 and "Paule Ka" boutique in Pacific Place commenced full operation since its opening last December 2012. Overall gross margin remained stable as compared to last corresponding period. Upon expiry of lease term of "Just Cavalli" boutique in Pacific Place, the 900 square feet "Just Cavalli" boutique was closed in April this year. Operating result from this newly introduced exclusive franchise was yet to pick up. Following the expiry of lease of "Just Cavalli" boutique in Time Square this October, the Group will reposition the strategy of "Just Cavalli" and will open a new store in Festival Walk this December. Surging rental cost in prime locations, staff costs plus rising inflation neutralized all the positive contribution from increase in sales turnover notwithstanding increase in retail space in Hong Kong.

#### *Swank China*

The transition of the PRC government and policy reforms together with diminishing fast economic growth in the mainland China, the spending pattern and quantum have seriously been affected especially in the luxury goods sector. Operating results from Swank China recorded a loss of HK$6,981,000 as compared with HK$3,127,000 loss for the same period last year. Due to slow turnover, additional stock provision had been made and thus impacted the bottom line adversely. Nevertheless, following the opening of the 2,700 square feet multi label store in Shanghai Takashimaya store last December 2012, our Xian Zhongda store, a 2,100 square feet multi label store located in the prime mall of Xian city, was opened this April. The operating efficiency and profitability of the mainland China market will continue to be under pressure but we are still cautiously optimistic with the growth of consumer demand in the region. We will continue to expand our presence at prime retail locations in the mainland China and this represents our strong commitment towards China.

### *Cesare di Pino*

The retail network in Beijing has continued to grow in Year 2013. Three more shops have been added to our network, namely Beijing Kerry Centre, Beijing Lafayette department store and Beijing Scitech department store. A total of 4 shops will be in full operation in Beijing by fourth quarter of 2013.

Further network expansion will now be targeted outside the city of Beijing with North East of China and the Yangtze river delta remain as priorities.

China luxury retail sector has been experiencing a sharp decline in demand, the performance of Cesare di Pino, at its infant stage, had inevitably been affected. Operating loss for the period under review amounted to HK$4,438,000 as compared with HK$3,794,000 loss for the same period last year. Uncertain macroeconomic environment and stiff competition will continue but the management is confident that the long term prospect of the luxury sector remains optimistic by the steady growing urban population and the continuous direction of the Chinese government in transforming China to a domestic demand growth model.

## Resort and Recreational Club Operations

### *Hong Kong Hilltop Country Club ("Hilltop")*

Hilltop is one of Hong Kong's earliest private clubs. Situated in Tsuen Wan with a total site area of over 400,000 square feet, Hilltop is ideally suited for recreational and outdoor activities, conferences, dining and lodging. Hilltop is one of a few private clubs which offers lodging facilities for members.

During the first half of 2013, Hilltop has continued to pursue business growth in banquet and conferences, operating results has slightly improved compared to corresponding period last year. The management will continue to identify new business elements and suitable collaboration partners for Hilltop's long term development.

### *Shanghai Hilltop Resort Hotel Limited ("Shanghai Hilltop")*

Shanghai Hilltop is a Sino-foreign co-operative joint venture established in the PRC by the Company and Shanghai Xingyuan Shiyei Company Limited ("Xingyuan") in 1992 for a period of 30 years for operating of a resort club in Putao District, Shanghai. In June 2003, Shanghai Hilltop entered into a sub-contracting agreement with Shanghai Landis Hospitality Management Co. Ltd. ("Shanghai Landis"), a 35%-owned associate of the Group, for the period from 1 July 2003 to 30 June 2016. At present, the resort club is operated under the name of "VivaSha" with 298 guest rooms, club house, convention and various sport facilities.

On 4 August 2012, the Group and Xingyuan entered into two agreements of transfer of equity interest to conditionally dispose the Group's entire interest in Shanghai Hilltop and the 35% interest in Shanghai Landis to Xingyuan with a total consideration of RMB70,000,500 and these two disposal transactions were approved by shareholders of the Company at the Extraordinary General Meeting of the Company held on 24 September 2012 (collectively, the "Shanghai Hilltop Disposal").

Accordingly, Xingyuan made the first deposit into the escrow account in October 2012 and the Company has completed the capitalisation of shareholders' loan USD8,898,610 to Shanghai Hilltop as registered capital in January 2013 pursuant to the Shanghai Hilltop disposal agreement.

The approval of transfer of equity interest of Shanghai Hilltop from Shanghai Ministry of Commerce was obtained in July 2013 and its further deposit has been received. The approval of transfer of equity interest of Shanghai Landis from Putao Ministry of Commerce, Shanghai is still pending. After obtaining the approvals from Ministry of Commerce, the Shanghai Hilltop Disposal is still subject to approvals from relevant Government authorities in the PRC.

**Financial instruments investments**

Hong Kong stock market was volatile during the first half of 2013. Under this investment environment, the Group maintained certain of its investment in fixed income products in order to limit the investment risk and maintain stable income.

For the six months ended 30 June 2013, the investment portfolio of financial instruments held for trading and available-for-sales debt investments (excluding the investment in convertible bonds issued by Skyjoy Assets Management Limited and shares of Genovate and PuraPharm) contributed HK$1,152,000 net gain to the Group. As of 30 June 2013, the total carrying value of the Group's investment portfolio of financial instruments held for trading and available-for-sales debt investments was HK$301,263,000.

**Other Investments**

***Genovate Biotechnology Company Limited ("Genovate")***

Genovate is a fully integrated specialty pharmaceutical company that focuses on new drug development, drug manufacturing, drug marketing and distribution in Taiwan and the region. The Group has 11.3% shareholdings in Genovate, which is listed in the Taiwan GreTai Securities Market (Open Market, Stock code: 4130).

Through investment in the pre-IPO round of Taiwan-based Rebber Biotech Inc. ("RBI"), a regional biotech company specializes in animal vaccine, Genovate secures the joint development right of human HPV vaccine for the PRC market from RBI's parent group. Currently this human HPV vaccine has successfully filed US IND and is under phase I/II trial for the management of Cervical Intraepithelial Neoplasia (CIN) Grade II or III caused by HPV subtype 16.

***PuraPharm Corporation Limited ("PuraPharm")***

The Group through its wholly owned subsidiary, Cosy Good Limited ("Cosy Good"), purchased 5% shares of PuraPharm from its major shareholder in June 2013 at a consideration of US$3,400,000. In August 2013, the Group exercised its right to further invest in PuraPharm in the amount of US$124,962 to maintain 5% shareholding in PuraPharm.

PuraPharm group principally engages in (i) producing, distributing and selling concentrated Chinese Medicine Granules under the brand name of NONG's (農本方) for prescription by professional traditional Chinese medical practitioners; (ii) producing, distributing and selling Chinese herbal medicine packets and health supplement products through retail channel; and (iii) operating Chinese medicine clinics and Chinese herbal plantation. PuraPharm group is one of only six approved manufacturers by Chinese State Food and Drug Administration to produce and distribute Concentrated Chinese medicine granules in China and is the only one Hong Kong based group.

In view of the potential development and sales of Chinese Medicine Granules in both PRC and Hong Kong market, the management believes that investment in PuraPharm would contribute potential return to the Group in future.

***Skyjoy Assets Management Limited ("Skyjoy")***

The Group, through Cosy Good, subscribed HK$100,000,000 with 12% coupon rate Convertible Bonds ("Skyjoy CB") issued by Skyjoy in 2010.

The Skyjoy CB has been early redeemed according to the provisions in the Subscription Agreement. The Skyjoy CB investment has contributed HK$4,687,000 net gains to the first half results of 2013 and the total return from Skyjoy CB investment was HK$52,176,000 for the entire holding period from 28 June 2010 to 31 May 2013.

On the Skyjoy CB investment, the Group received, in total, the principal of Skyjoy CB plus interest of HK$152,176,000 on 31 May 2013 with an annual internal rate of return around 15.5%.

***Beijing Smartdot Technologies Co. Ltd. ("Smartdot")***

Smartdot is engaged in the development of office automation software and solution projects in the PRC. The Group had sold all its shareholdings in Smartdot to Smartdot's CEO and a company formed by Smartdot's staff respectively at total proceeds of RMB17,927,000 in January 2012. Total proceeds were received by the Group in June 2013. The disposal of Smartdot shares further contributed HK$4,902,000 gain to the first half results of 2013.

## MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

On 31 May 2013, Cosy Good entered into the Agreement regarding Earlier Redemption of the Skyjoy CB in full by Skyjoy (the "Early Redemption"). Cosy Good has received the redemption amount of approximately HK$152,000,000, being the aggregate of the outstanding principal amount and interests payable thereof. Accordingly, after the receipt of such redemption amount by Cosy Good, the Early Redemption is completed and there is no outstanding principal sum under the Skyjoy CB. The Early Redemption constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules, details of which are set out in the Company's announcement dated 31 May 2013.

On 13 June 2013, Cosy Good entered into the Share Purchase Agreement (the "PuraPharm Agreement") in relation to the acquisition of 43,642 paid-up ordinary shares of USD1.00 each in the capital of PuraPharm, representing 5% of the entire issued share capital of PuraPharm at the date of the acquisition, at a total consideration of US$3,400,000 (equivalent to approximately HK$26,520,000) (the "PuraPharm Acquisition"). Each of the PuraPharm Acquisition and the Vendor's Repurchase Option (as defined in the PuraPharm Agreement) constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules, details of which are set out in the Company's announcement dated 13 June 2013. The PuraPharm Acquisition was completed on 14 June 2013.

On 7 August 2013, in order to maintain its shareholding level of 5% in PuraPharm, Cosy Good entered into the Supplemental Agreement in relation to the PuraPharm Acquisition to acquire an additional 1,604 paid-up ordinary shares of USD1.00 each in the capital of PuraPharm at a total consideration of US$124,962 (equivalent to approximately HK$974,704) (the "Additional PuraPharm Acquisition"). Each of (i) the PuraPharm Acquisition (when aggregated with the Additional PuraPharm Acquisition) and (ii) the Vendor's Repurchase Option (as defined in the PuraPharm Agreement) constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules, details of which are set out in the Company's announcement dated 7 August 2013. The Additional PuraPharm Acquisition was completed on 9 August 2013.

Save as disclosed above, the Group had no other material acquisition and disposal of investments during the six months ended 30 June 2013 and up to the date of this announcement.

### LIQUIDITY AND FINANCIAL POSITION

At 30 June 2013, the Group was in very solid financial position with cash and non-pledged deposit holdings of HK$413,778,000 (31 December 2012: HK$332,839,000). At 30 June 2013, total borrowings amounted to HK$17,353,000 (31 December 2012: HK$6,572,000) with HK$15,337,000 (31 December 2012: HK$4,165,000) repayment falling due within one year. The Group's gearing ratio (a comparison of total borrowings with equity attributable to equity holders of the Company) was 1.5% at the interim period date (31 December 2012: 0.6%). The current ratio at 30 June 2013 was 12.2 times (31 December 2012: 9.3 times).

At 30 June 2013, the Group's borrowings and bank balances were primarily denominated in Hong Kong dollars, Renminbi and United States dollars and exchange difference were reflected in the unaudited financial statements. All borrowings of the Group are on a floating rate basis. All club debentures of Hilltop are interest free.

The Group's imported purchases are mainly denominated in Euro, Yen and United States dollars. The Group will, from time to time, review its foreign exchange position and market conditions to determine if any hedging is required.

### PLEDGE OF ASSETS

Pledges of the Group's fixed deposits of HK$11,000,000 (31 December 2012: HK$11,000,000) were given to banks to secure general banking facilities to the extent of HK$31,000,000 as at 30 June 2013 (31 December 2012: HK$31,000,000).

### EMPLOYEE AND REMUNERATION POLICIES

At the date of this announcement, the Group employed 298 staff. The Group's remuneration policies are performance based and are in line with the salary trends in the respective locations. The Group provides employee benefits such as staff insurance schemes, provident and pension funds, discretionary performance bonus and internal/external training support.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2013.

## CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company complied with all the Code Provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013 save for the deviation from Code Provision A.2.1.

Under Code Provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Joseph Wing Kong LEUNG took up the position of the Acting Chief Executive Officer in addition to his role of being the Chairman upon the retirement of former chief executive officer in June 2009. The Board believes that the balance of power and authority is ensured through supervision of the full Board and the Board committees. The Board shall nevertheless review the structure from time to time to ensure appropriate move is being taken should suitable circumstances arise.

## BOARD OF DIRECTORS

At the date of this announcement, the Executive Directors are Mr. Joseph Wing Kong LEUNG (Chairman and Acting Chief Executive Officer), Mr. Raymond Siu Wing CHAN, Mr. Victor Yiu Keung CHIANG, Mr. Derek Wai Choi LEUNG and Mr. Wing Tung YEUNG, and the Independent Non-executive Directors are Dr. Jen CHEN, Mr. David Kwok Kwei LO, Mr. Ian Grant ROBINSON and Mr. Chi Keung WONG.

By order of the Board
**Joseph Wing Kong LEUNG**
*Chairman and Acting Chief Executive Officer*

Hong Kong, 23 August 2013