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ENM HOLDINGS LIMITED

安寧控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 00128)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the “Board”) of ENM Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2016, together with the comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Revenue	5	167,119	215,537
Cost of sales		<u>(68,327)</u>	<u>(97,930)</u>
Gross profit		98,792	117,607
Other income		2,999	3,646
Selling and distribution costs		(72,509)	(104,832)
Administrative expenses		(78,984)	(80,859)
Depreciation and amortisation		(5,473)	(10,654)
Other operating gains/(losses), net	8	<u>47,394</u>	<u>(36,129)</u>
Loss from operations		(7,781)	(111,221)
Fair value gains on investment properties, net		500	4,300
Deficits write-back on revaluation of resort and recreational club properties		705	1,537
Finance costs	6	(441)	(657)
Share of profit/(loss) of an associate		<u>2,926</u>	<u>(1,076)</u>
Loss before tax		(4,091)	(107,117)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Loss before tax		(4,091)	(107,117)
Income tax expense	7	<u>-</u>	<u>-</u>
Loss for the year	8	<u>(4,091)</u>	<u>(107,117)</u>
Attributable to:			
Owners of the Company		(3,935)	(106,896)
Non-controlling interests		<u>(156)</u>	<u>(221)</u>
		<u>(4,091)</u>	<u>(107,117)</u>
Loss per share		HK\$	HK\$
- basic	9(a)	<u>(0.24 cents)</u>	<u>(6.48 cents)</u>
- diluted	9(b)	<u>N/A</u>	<u>N/A</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Loss for the year	<u>(4,091)</u>	<u>(107,117)</u>
Other comprehensive loss:		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(646)	895
Fair value changes of available-for-sale equity investments	(33,160)	(4,681)
Fair value changes of available-for-sale debt investments	233	2,590
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale equity investments	(33,923)	-
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments	<u>(560)</u>	<u>183</u>
Other comprehensive loss for the year, net of tax	<u>(68,056)</u>	<u>(1,013)</u>
Total comprehensive loss for the year	<u>(72,147)</u>	<u>(108,130)</u>
Attributable to:		
Owners of the Company	(71,950)	(107,858)
Non-controlling interests	<u>(197)</u>	<u>(272)</u>
	<u>(72,147)</u>	<u>(108,130)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016**

	Note	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Non-current assets			
Property, plant and equipment		83,330	78,641
Investment properties		36,800	36,300
Intangible assets		1,126	1,211
Interest in an associate		19,116	15,297
Available-for-sale equity investments		43,056	101,658
Available-for-sale debt investments - notes receivables		<u>148,338</u>	<u>132,459</u>
Total non-current assets		<u>331,766</u>	<u>365,566</u>
Current assets			
Inventories		41,991	49,421
Trade and other receivables	12	24,299	42,675
Financial assets at fair value through profit or loss	11	110,178	251,967
Available-for-sale debt investments - notes receivables		20,306	3,989
Pledged bank deposits		12,334	11,000
Time deposits		459,942	358,670
Cash and bank balances		<u>51,326</u>	<u>41,582</u>
Total current assets		<u>720,376</u>	<u>759,304</u>
Current liabilities			
Trade and other payables	13	30,128	28,814
Interest-bearing bank borrowings		7,769	8,949
Current portion of debentures		<u>1,151</u>	<u>716</u>
Total current liabilities		<u>39,048</u>	<u>38,479</u>
Net current assets		<u>681,328</u>	<u>720,825</u>
Total assets less current liabilities		<u>1,013,094</u>	<u>1,086,391</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)
AT 31 DECEMBER 2016

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Total assets less current liabilities	<u>1,013,094</u>	<u>1,086,391</u>
Non-current liabilities		
Debentures	-	1,144
Deferred revenue	-	6
Total non-current liabilities	<u>-</u>	<u>1,150</u>
NET ASSETS	<u>1,013,094</u>	<u>1,085,241</u>
Capital and reserves		
Issued capital	1,206,706	1,206,706
Accumulated losses	(1,021,561)	(1,017,626)
Other reserves	<u>828,354</u>	<u>896,369</u>
Equity attributable to owners of the Company	<u>1,013,499</u>	1,085,449
Non-controlling interests	<u>(405)</u>	<u>(208)</u>
TOTAL EQUITY	<u>1,013,094</u>	<u>1,085,241</u>

Notes:

1. Financial Information

The financial information relating to the years ended 31 December 2016 and 2015 included in this announcement does not constitute the Company's statutory consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory consolidated financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2016 in due course.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Company's external auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and consequently no assurance has been expressed by RSM Hong Kong on this announcement.

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the requirements of the Hong Kong Companies Ordinance (Cap. 622). The accounting policies and methods of computation used in the preparation of these consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2015.

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 HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2016. Of these, the following new or revised HKFRSs are relevant to the Group:

Amendments to HKAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify various presentation issues relating to:

- Assessment of materiality versus minimum disclosure requirements of a standard.
- Disaggregation of specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.
- Presentation of other comprehensive income items arising from equity-accounted associates and joint ventures.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior years have been prepared or presented."

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018

(b) **New and revised HKFRSs in issue but not yet effective (cont'd)**

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
Amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures : Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. Details of these new standards are discussed below. As the Group has not completed its assessment, impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

(b) **New and revised HKFRSs in issue but not yet effective (cont'd)**

HKFRS 9 Financial Instruments (cont'd)

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The Group's financial assets that are currently classified as "available-for-sale", include certain listed and unlisted equity securities which the Group may classify as either fair value through profit or loss or irrevocably elect to designate as fair value through other comprehensive income (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as fair value through other comprehensive income or classify them as fair value through profit or loss. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss. This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit or loss for the year and earnings or loss per share.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

(b) **New and revised HKFRSs in issue but not yet effective (cont'd)**

HKFRS 15 Revenue from Contracts with Customers (cont'd)

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

- (i) Identify the contract with a customer
- (ii) Identify the performance obligations in the contract
- (iii) Determine the transaction price
- (iv) Allocate the transaction price to the performance obligations in the contract
- (v) Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting HKFRS 15 on the consolidated financial statements and unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's office properties and retail shops leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office properties and retail shops amounted to HK\$40,538,000 as at 31 December 2016 (2015: HK\$71,644,000). The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

4. Segment Information

The Group has three reportable segments as follows:

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

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

Segment profits or losses do not include the following:

- Unallocated corporate administrative expenses;
- Share of profit/(loss) of an associate;
- Fair value gains on investment properties, net;
- Deficits write-back on revaluation of resort and recreational properties;
- Finance costs; and
- Income tax expense.

Segment assets do not include interest in an associate. Segment liabilities do not include interest-bearing bank borrowings.

4. Segment Information (Cont'd)

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

	Wholesale and retail of fashion wear and accessories	Resort and recreational club operations	Investments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2016:				
Revenue from external customers	131,935	17,173	18,011	167,119
Segment gain/(loss)	(34,730)	(8,550)	44,787	1,507
<i>Segment gain/(loss) includes:</i>				
Fair value losses on financial assets at fair value through profit or loss, net	-	-	(1,589)	(1,589)
Gain on disposal of financial assets at fair value through profit or loss, net	-	-	12,428	12,428
Gain on disposal of available-for-sale debt investments, net	-	-	790	790
Gains on disposal of available-for-sale equity investments	-	-	33,489	33,489
Interest income from:				
- Financial assets at fair value through profit or loss	-	-	985	985
- Other financial assets	-	-	12,371	12,371
Reversal of provisions	1,659	-	2	1,661
Depreciation and amortisation	2,137	3,113	223	5,473
Charge for inventories allowances	16,817	-	-	16,817
Impairment of trade receivables, net	-	67	-	67
<i>Other segment information:</i>				
Share of profit of an associate	2,926	-	-	2,926
Additions to property, plant and equipment	8,313	475	606	9,394
As at 31 December 2016:				
Segment assets	76,227	76,803	879,996	1,033,026
Segment liabilities	(20,086)	(4,328)	(6,865)	(31,279)
Interest in an associate	19,116	-	-	19,116

4. Segment Information (Cont'd)

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

	Wholesale and retail of fashion wear and accessories	Resort and recreational club operations	Investments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2015:				
Revenue from external customers	182,134	13,609	19,794	215,537
Segment loss	(63,932)	(8,903)	(32,936)	(105,771)
<i>Segment loss includes:</i>				
Fair value losses on financial assets at fair value through profit or loss, net	-	-	(36,489)	(36,489)
Gain on disposal of financial assets at fair value through profit or loss, net	-	-	4,595	4,595
Loss on disposal of available-for-sale debt investments, net	-	-	(662)	(662)
Interest income from:				
- Financial assets at fair value through profit or loss	-	-	2,937	2,937
- Other financial assets	-	-	14,656	14,656
Depreciation and amortisation	7,160	3,343	151	10,654
Charge for inventories allowances	20,947	-	-	20,947
Impairment of trade receivables, net	-	30	-	30
<i>Other segment information:</i>				
Share of loss of an associate	(1,076)	-	-	(1,076)
Additions to property, plant and equipment	3,390	121	-	3,511
As at 31 December 2015:				
Segment assets	93,546	78,583	937,444	1,109,573
Segment liabilities	(23,543)	(4,385)	(2,752)	(30,680)
Interest in an associate	15,297	-	-	15,297

4. Segment Information (Cont'd)

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

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Profit or loss		
Total profit or loss of reportable segments	1,507	(105,771)
Unallocated corporate administrative expenses	(9,288)	(5,450)
Share of profit/(loss) of an associate	2,926	(1,076)
Fair value gains on investment properties, net	500	4,300
Deficits write-back on revaluation of resort and recreational club properties	705	1,537
Finance costs	(441)	(657)
Consolidated loss for the year	<u>(4,091)</u>	<u>(107,117)</u>
Assets		
Total assets of reportable segments	1,033,026	1,109,573
Interest in an associate	19,116	15,297
Consolidated total assets	<u>1,052,142</u>	<u>1,124,870</u>
Liabilities		
Total liabilities of reportable segments	(31,279)	(30,680)
Interest-bearing bank borrowings	(7,769)	(8,949)
Consolidated total liabilities	<u>(39,048)</u>	<u>(39,629)</u>

Geographical information:

	Revenue		Non-current assets	
	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Hong Kong	161,260	200,234	139,883	130,923
Mainland China	1,819	11,088	-	-
Others	4,040	4,215	489	526
Consolidated total	<u>167,119</u>	<u>215,537</u>	<u>140,372</u>	<u>131,449</u>

In presenting the geographical information, revenue is based on the locations of the customers; non-current assets exclude financial assets and are based on the locations of the assets.

5. Revenue

The principal activities of the Group are wholesale and retail of fashion wear and accessories, resort and recreational club operations, and investment. An analysis of revenue of the Group by operating activities is as follows:

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Wholesale and retail of fashion wear and accessories	131,935	182,134
Resort and recreational club operations	17,173	13,609
Dividend income from listed equity investments	5,020	4,283
Dividend income from unlisted fund investments	242	217
Dividend income from available-for-sale equity investments	378	638
Interest income	12,371	14,656
	<u>167,119</u>	<u>215,537</u>

6. Finance Costs

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Interest on bank loans and overdrafts	431	646
Accretion of interest on debentures	10	11
	<u>441</u>	<u>657</u>

7. Income Tax Expense

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2016 (2015: 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.

8. Loss for the year

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

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Cost of inventories sold [#]	68,142	97,738
Depreciation	5,388	10,569
Amortisation of intangible assets	85	85
Charge for inventories allowances	16,817	20,947
Losses/(gains) from financial assets at fair value through profit or loss, net*:		
Held-for-trading		
Interest income	(985)	(2,937)
Fair value losses/(gains), net	(1,960)	28,233
Gains on disposal, net	(12,492)	(389)
	(15,437)	24,907
Designated as such upon initial recognition		
Fair value losses, net	3,549	8,256
Loss/(gain) on disposal	64	(4,206)
	3,613	4,050
Fair value gains on investment properties, net	(500)	(4,300)
Losses/(gains) on disposal of available-for-sales debt investments, net*	(790)	662
Gain on disposal of available-for-sales equity investments*	(33,489)	-
Loss/(gain) on disposal of property, plant and equipment*	(313)	1,453
Amortisation of deferred revenue	(10)	(11)
Foreign exchange losses, net*	683	5,057
Impairment of trade receivables, net	67	30
Reversal of provisions*	(1,661)	-
Deficits write-back on revaluation of resort and recreational club properties	(705)	(1,537)

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

Cost of inventories sold included charge of inventories allowances of HK\$16,817,000 (2015: HK\$20,947,000).

9. 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\$3,935,000 (2015: HK\$106,896,000) and the weighted average number of ordinary shares of 1,650,658,676 (2015: 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 2016 and 2015.

10. Dividends

The directors do not recommend the payment of any dividend to shareholders for the year ended 31 December 2016 and 2015.

11. Financial Assets at Fair Value Through Profit or Loss

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Listed investments, at fair value:		
Hong Kong	83,114	207,886
Outside Hong Kong	8,839	17,300
	<hr/> 91,953	<hr/> 225,186
Market value of listed investments		
	<hr/> 91,953	<hr/> 225,186
Unlisted investments, at fair value	<hr/> 18,225	<hr/> 26,781
	<hr/> 110,178	<hr/> 251,967

12. Trade and Other Receivables

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

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

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Within 1 month	833	1,553
2 to 3 months	133	123
Over 3 months	3	346
	<u>969</u>	<u>2,022</u>

13. Trade and Other Payables

Included in the Group's trade and other payables as at 31 December 2016 are trade and bills payables of HK\$5,915,000 (2015: HK\$7,000,000). An ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	<u>2016</u> HK\$'000	<u>2015</u> HK\$'000
Within 1 month	5,368	4,767
2 to 3 months	431	2,027
Over 3 months	116	206
	<u>5,915</u>	<u>7,000</u>

CHIEF EXECUTIVE OFFICER'S STATEMENT

OVERVIEW

In 2016, the Group continued to face challenges and difficulties, ranging from tightened consumer spending on high end luxury products, adjustments in the Chinese economy, a strong US dollar trend and economic and political volatility.

The operating environment of the fashion retail business for the year remained difficult, which together with the closure of a number of Points of Sale resulted in a significant decline in sales. Notwithstanding, as a consequence of some progress in disciplined management of certain ancillary operating expenses, the Group recorded a decrease in the operating loss of the fashion retail business in Hong Kong. Strategically, the Group closed down all shops in China during the year, and the operating loss from the fashion retail business in China was substantially decreased.

Thanks to the diversified businesses of the Group, the loss for the year ended 31 December 2016 significantly further decreased by net realised and unrealised gains contributed by our investments in financial instruments.

FINANCIAL REVIEW

Net loss attributable to shareholders for the year ended 31 December 2016 amounted to HK\$3,935,000 as compared with a net loss of HK\$106,896,000 for the last corresponding year. The net loss mainly included the combination of a loss from fashion retail business of HK\$34,730,000 (2015: HK\$63,932,000), a loss from recreational club operation of HK\$8,550,000 (2015: HK\$8,903,000), netted off against a segment profit of HK\$44,787,000 contributed by investments segment (2015: segment loss HK\$32,936,000). Loss per share was HK\$0.24 cents (2015: HK\$6.48 cents).

The significant decrease in loss by 96% was mainly attributable to the following factors:

- (1) a drop in loss HK\$29,202,000 from the fashion retail business (excluding the share of an associate's result) mainly due to the closure of China operations and certain cost savings; and
- (2) before general and administrative expenses, net realised and unrealised gains HK\$60,054,000 contributed by the investments in financial instruments for the year ended 31 December 2016 as compared to net realised and unrealised losses HK\$16,970,000 for the year ended 31 December 2015. These net realised and unrealised gains for the year ended 31 December 2016 mainly comprised the gain on disposal of certain of the Group's shares in China Motor Bus Company, Limited ("China Motor") which amounted to HK\$12,757,000 and Genovate Biotechnology Company Limited ("Genovate") which amounted to HK\$33,489,000 and also a net gain HK\$9,101,000 contributed by available-for-sale debt investments.

The Group's consolidated turnover for the year ended 31 December 2016 declined by 22% to HK\$167,119,000 which was mainly attributable to the drop in sales of fashion retail products in both Hong Kong and China. The Group's gross profit decreased by 16% to HK\$98,792,000 (2015: HK\$117,607,000). The Group's gross profit margin for the year ended 31 December 2016 was 59% as compared to 55% in 2015. The comparatively lower

gross profit margin in 2015 was mainly due to an additional stock provision was made with a view to the closure of the fashion retail business in China.

The Group's other income mainly comprised (i) rental income from the Group's investment properties situated in Hong Kong and (ii) management fees received from an associate.

The Group's selling and distribution expenses dropped by 31% to HK\$72,509,000 (2015: HK\$104,832,000) and depreciation and amortization expenses decreased by 49% to HK\$5,473,000 (2015: HK\$10,654,000). The decreases were primarily attributable to the closure of non-performing shops both in Hong Kong and China.

The Group's administrative expenses sustained at HK\$78,984,000, similar to that of last year.

The Group's "other operating gains, net" mainly comprised realised and unrealised fair value gains/(losses) on investment in financial instruments, gain/(losses) on disposal of property, plant and equipment, reversal of provisions and exchange gains/(losses). "Other operating gains, net" for the year ended 31 December 2016 amounted to HK\$47,394,000 as compared to "other operating losses, net" of HK\$36,129,000 for last year. The turnaround effect was mainly due to (i) the significant increase in gains on disposal (net) of investment in financial instruments to HK\$46,707,000 for the year ended 31 December 2016 (2015: HK\$3,933,000) and (ii) the significant drop in fair value losses (net) on investment in financial instruments to HK\$1,589,000 for the year ended 31 December 2016 (2015: HK\$36,489,000).

Share of profit of an associate for the year ended 31 December 2016 amounted to HK\$2,926,000 (2015: Loss HK\$1,076,000), which represented the share of result of the joint venture business with Brunello Cucinelli SpA. This turnaround was contributed mainly from the higher gross profit margin as a result of stringent control pricing guideline and the success in negotiation for rental reduction in the renewal of the lease of one store.

BUSINESS REVIEW

Retail Fashion

Swank Hong Kong

Overall turnover decreased by 24% to HK\$130,131,000 versus last year while gross profit decreased 29% to HK\$64,521,000 and the gross margin decreased by 3 points to 50% due to lengthier discount periods and higher discount percentages being offered for prompt clearance of stock. Operating loss (excluding our share of the associate's result) of the year 2016 fell 18% to HK\$32,322,000 compared to a loss in 2015 of HK\$39,387,000. The decline in turnover can be attributed to the closure of certain points of sale, a continuing difficult macro-economic environment, the continuing decline in inbound tourism from mainland China, the Hong Kong-wide continuing decline in spending on luxury retail products, whilst at the same time, ongoing rental commitments remained high. The containment of the losses was as a result of containment of labour costs, reduction in occupancy costs as a result of the closure of unprofitable points of sale and certain lease renegotiations. Senior management and the Board are currently reviewing the overall structure and performance of Swank Hong Kong in order to "right-size" the operation, particularly the support functions for the smaller and more localised operation, ensuring the correct product mix of product and improving the marketing performance.

Swank China

In the reporting year, the Group closed down the last shop in Beijing Jinbao Place. Owing to the closure of the China operations, the sales for year ended 31 December 2016 decreased by HK\$7,138,000 to HK\$1,622,000. The significant reduction in selling and distribution expenses and stock provisions made during this year contributed to the decrease in operating loss. Operating loss for year ended 31 December 2016 amounted to HK\$1,111,000 (2015: HK\$20,963,000).

Cesare di Pino

In the reporting year, the last Beijing shop was closed down. With the closure of that shop, sales and operating losses for year ended 31 December 2016 were recorded at HK\$183,000 (2015: 2,276,000) and HK\$1,297,000 (2015: HK\$3,582,000) respectively. Cesare de Pino products continue to be sold in the Hong Kong stores.

Brunello Cucinelli

The Group's 49% joint venture partnership with Brunello Cucinelli SpA outperformed many other international fashion brands in 2016 with an increase in total retail turnover to HK\$74,808,000 compared with HK\$72,096,000 in 2015 with gross margins increasing, as a result of tighter pricing and discount control, by 10% to HK\$48,498,000 compared with HK\$44,227,000 in 2015. Together with the renegotiation of a lease for one of the shops at a lower price during the year, this improvement in turnover and gross margin resulted in a small net profit attributable to the Group of HK\$2,926,000 for the year from the joint venture operation, compared with a negative contribution to the Group in 2015 of HK\$1,076,000.

Resort and Recreational Club Operations

Hilltop Country Club ("Hilltop")

Situated in Tsuen Wan with a total site area of over 400,000 square feet, Hilltop is one of the earliest private country clubs in Hong Kong providing recreational and outdoor activities, conferences, dining and lodging facilities to its members.

With the ageing of Club facilities, the number of individual members decreased gradually over the last several years, causing the reduction in monthly subscription fees revenue and other related income. Therefore, the Club management has focused on promoting corporate members' event in 2016 as a result of which total sales increased by 26% to HK\$17,173,000 in compared to HK\$13,609,000 in 2015. However, the cost of major components, especially the labour cost, in Club operations increased steadily over the years and continued to give high financial pressure to the Club. Overall, the Club still suffered from an operating loss of HK\$8,550,000 notwithstanding the substantial increment in turnover, which is nevertheless an improvement of 4% over last year (2015: Loss HK\$8,903,000).

Investment in Financial Instruments

The Group's financial instruments are categorized as financial assets at fair value through profit and loss ("FVTPL") which are held for trading, available-for-sale debt investments ("AFS debt investments") and available-for-sale equity investments ("AFS equity investments") which are mainly for earning distribution/long term capital appreciation purpose. As of 31 December 2016, the total carrying value of the Group's investment portfolio in financial instruments was HK\$321,878,000 (2015: HK\$490,073,000), representing approximately 32% of carrying value of the Group's net assets as of 31 December 2016. Before general and administrative expenses, financial instruments investments totally contributed a gain of HK\$60,054,000 (2015: loss of HK\$16,970,000) in the 12 months ended 31 December 2016 to the Group.

Financial assets at fair value through profit and loss ("FVTPL") and Available-for-sales debt investment ("AFS debt investments")

In 2016, "black swan" events continued to affect the global financial market. The global economic slowdown, the outcome of the "Brexit" vote in June, and that of the US presidential election in November, the anticipation of US Federal Reserve initiated interest rate increases and the substantial devaluation of RMB caused high volatility in the financial market during the year. However, the Group adopted a prudent approach on its investment strategy during the year, to keep a higher proportion on bond investment, so the investment results in financial instruments still maintained a comparatively stable return in 2016.

The Group's existing FVTPL mainly include listed equities, equity and bond funds and perpetual USD bonds investments. As of 31 December 2016, the total carrying value of the Group's investment portfolio in FVTPL was HK\$110,178,000 (2015: HK\$251,967,000), representing approximately 10.9% of carrying value to the Group's net assets 2016. The substantial differential between 2016 and 2015 is mainly explained by the sales mentioned below, meaning that the proceeds were in a different category. Hong Kong listed securities shared around 75% of the total carrying value in this category. For the 12 months ended 31 December 2016, FVTPL recorded a net gain of HK\$17,086,000 (2015: net loss HK\$24,457,000).

For the year ended 31 December 2016, the Group disposed 1,276,400 China Motor Shares in total amount of HK\$112,316,000 with a gain on disposal of approximately HK\$12,757,000. This disposal transaction enabled the Group to realize an investment gain from what had been a substantial but illiquid asset, and to obtain additional cash flows for its future investment purposes.

AFS debt investments are listed USD bond investments with fixed tenor for yield enhancement. For the 12 months ended 31 December 2016, AFS debt investments contributed a net gain of HK\$9,101,000 (2015: HK\$6,849,000), and their carrying value was HK\$168,644,000 (2015: HK\$136,448,000) as at 31 December 2016, representing approximately 16.6% of carrying value to the Group's net assets 2016.

There is no single security, bond or fund held in either "financial assets at fair value through profit and loss" nor "available-for-sales debt investments" that exceeded 5% the net assets of the Group as at 31 December 2016.

Available-for-sales equity investments (“AFS equity investments”)

The Group’s AFS equity investment comprises a shareholding interest in Genovate and a private equity fund namely Asian China Investment Fund III (“ACIF III” or the “Fund”). As at 31 December 2016, the total carrying value of AFS equity investments was HK\$43,056,000 (2015: HK\$101,658,000), representing approximately 4.2% of carrying value to the Group’s net assets as at 31 December 2016.

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. Genovate is listed on the Taipei Exchange in Taiwan (TPEX, stock code: 4130).

The Group has disposed its Genovate shareholdings gradually to realize the investment return. In 2016, a total of 3,826,000 shares (or 3.79% of Genovate total outstanding shares) was sold with a realized profit of HK\$33,489,000. As at 31 December 2016, the Group still held 2.54% shareholdings in Genovate with carrying value of HK\$24,767,000.

ACIF III

In July 2016, the Group made an investment commitment of USD4 million in ACIF III to obtain a 1.532% share. ACIF III is managed out of Singapore by UOB Venture Management Private Limited (“UOBVM”), and is a “follow-on” fund to its predecessors (ACIF I and ACIF II) that targets investments in growth-oriented companies operating in East and South East Asia and China. As at 31 December 2016, the Group has invested HK\$18,289,000 in the Fund.

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

Other than as outlined above, the Group had no material acquisition and disposal of investments during the year ended 31 December 2016.

LIQUIDITY AND FINANCIAL POSITION

At 31 December 2016, the Group was in a solid financial position with cash and non-pledged deposit holdings of HK\$511,268,000 (2015: HK\$400,252,000). At 31 December 2016, total borrowings amounted to HK\$8,920,000 (2015: HK\$10,809,000) with HK\$8,920,000 (2015: HK\$9,665,000) 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 0.9% at the year end date (2015: 1%). The current ratio at 31 December 2016 was 18.4 times (2015: 19.7 times).

At 31 December 2016, the Group’s borrowings and bank balances were primarily denominated in Hong Kong dollars and United States dollars and exchange differences were reflected in the audited consolidated financial statements. All borrowings of the Group are on a floating rate basis. All club debentures of the Hilltop Club 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

As at 31 December 2016, pledge of the Group's fixed deposits of HK\$12,334,000 (2015: HK\$11,000,000) was given to banks to secure general banking facilities to the extent of HK\$30,000,000 (2015: HK\$31,000,000) and foreign exchange facilities.

IMPORTANT EVENTS AFTER THE FINANCIAL YEAR

There have been no important events affecting the Group that have been occurred since the end of the financial year.

FUTURE OUTLOOK AND STRATEGIES

Swank Hong Kong

There has been no diminution in the external challenges faced by Swank. These relate to the macro and Hong Kong centred economic environment, the general and luxury-specific retail environment in Hong Kong, the pricing differential between Hong Kong and Europe and the advent of substantial competition from on-line commercial platforms.

These have been added to by the substantial reduction in Swank's overall turnover together with pressure on gross margins mentioned above, and the impact that has on its costs, its capacity to contribute to substantial overhead, and its capacity to ultimately return to profit. As set out above, Swank needs to "right size" its operations to its current turnover, and assess its market positioning and opportunities with a view to becoming "fit for growth".

Senior management and the Board of Directors are currently considering the implications of this and are developing plans to deal with these problems and issues, which are currently consuming shareholder' funds.

Hilltop Club

In 2017, the Club management will continue to focus on the banquet and conference business for corporate members and prepare to organize more seasonal events for individual members so as to increase the revenue. At the same time, it will look at the overall pricing and cost ratios to try to translate the higher turnover into better returns.

Investments

For 2017, under an environment of interest rate increases and uncertain and volatile markets, we will maintain our cautious investment strategy of keeping a higher percentage of our portfolio in bonds investment, but looking for those shorter duration and other debt instruments such as those that incorporate floating rate investments in order to limit the investment risk and maintain stable income.

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 2016.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company complied with all Code Provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2016, save for the following:

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. During the period from 1 January 2016 to 22 March 2016, the positions of chairman and chief executive officer were vacant and the duties of chairman and chief executive officer were assumed by the then three Executive Directors, namely, Mr. Victor Yiu Keung CHIANG, Mr. Derek Wai Choi LEUNG and Mr. Wing Tung YEUNG. The Board believed that the balance of power and authority is ensured through supervision of the full Board and the Board committees. Since 23 March 2016, the roles of chairman and chief executive officer have been separate and performed by different Directors.

Mr. Derek Wai Choi LEUNG, the then Executive Director, served as the Acting Chief Executive Officer of the Company from 23 March 2016 to 13 January 2017. Mr. David Charles PARKER, an Executive Director, was appointed as the Chief Executive Officer of the Company on 13 January 2017.

During the period from 23 March 2016 to conclusion of the annual general meeting of the Company held on 3 June 2016 (the “2016 AGM”), the duties of chairman were assumed by the then two Executive Directors, namely, Mr. Victor Yiu Keung CHIANG and Mr. Wing Tung YEUNG. During the period from conclusion of the 2016 AGM to 13 January 2017, the duties of chairman were assumed by Mr. Wing Tung YEUNG, an Executive Director. Mr. Derek Wai Choi LEUNG, a Non-executive Director, was appointed as the Non-executive Chairman on 13 January 2017.

REVIEW BY AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee of the Company.

BOARD OF DIRECTORS

At the date of this announcement, the Executive Directors are Mr. David Charles PARKER (Chief Executive Officer) and Mr. Wing Tung YEUNG, the Non-executive Director is Mr. Derek Wai Choi LEUNG (Non-executive Chairman), and the Independent Non-executive Directors are Dr. Jen CHEN, Mr. Kin Wing CHEUNG, Mr. Kiu Sang Baldwin LEE and Mr. Chi Keung WONG.

By order of the Board
ENM Holdings Limited
David Parker
Chief Executive Officer

Hong Kong, 29 March 2017