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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)

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017**

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 2017 together with the unaudited comparative amounts for the corresponding period in 2016.

The financial information set out below in this announcement represents an extract from the condensed consolidated financial statements for the six months ended 30 June 2017, which are unaudited, but have been reviewed by the Company’s external auditor, RSM Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), whose unmodified review report is included in the interim report to be sent to shareholders. The condensed consolidated financial statements for the six months ended 30 June 2017 have also been reviewed by the Company’s Audit Committee.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	Note	<b>Six months ended 30 June</b>	
		<b>2017</b>	<b>2016</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Revenue</b>	4	<b>77,732</b>	87,507
Cost of sales		<u><b>(31,529)</b></u>	<u>(34,111)</u>
<b>Gross profit</b>		<b>46,203</b>	53,396
Other income		<b>1,322</b>	1,265
Selling and distribution costs		<b>(32,376)</b>	(41,104)
Administrative expenses		<b>(36,047)</b>	(39,717)
Depreciation and amortisation		<b>(3,828)</b>	(2,548)
Other operating gains, net		<u><b>16,510</b></u>	<u>3,332</u>
<b>Loss from operations</b>		<b>(8,216)</b>	(25,376)
Fair value gains/(losses) on investment properties		<b>3,200</b>	(1,100)
Deficits write-back/(deficits) on revaluation of resort and recreational club properties		<b>5,274</b>	(548)
Finance costs	5	<b>(175)</b>	(249)
Share of profit/(loss) of an associate		<u><b>(952)</b></u>	<u>1,005</u>
<b>Loss before tax</b>		<b>(869)</b>	(26,268)
Income tax expense	6	<u>-</u>	<u>-</u>
<b>Loss for the period</b>	7	<u><b>(869)</b></u>	<u>(26,268)</u>
<b>Attributable to:</b>			
Owners of the Company		<b>(750)</b>	(26,202)
Non-controlling interests		<u><b>(119)</b></u>	<u>(66)</u>
		<u><b>(869)</b></u>	<u>(26,268)</u>
		<b>HK\$</b>	<b>HK\$</b>
		<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Loss per share</b>			
- basic	8(a)	<u><b>(0.05 cents)</b></u>	<u>(1.59 cents)</u>
- diluted	8(b)	<u><b>N/A</b></u>	<u>N/A</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

	<b>Six months ended 30 June 2017 HK\$'000 (unaudited)</b>	<b>2016 HK\$'000 (unaudited)</b>
<b>Loss for the period</b>	<b>(869)</b>	<b>(26,268)</b>
<b>Other comprehensive loss:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	271	591
Fair value changes of available-for-sale equity investments	4,728	(30,169)
Fair value changes of available-for-sale debt investments	1,566	2,710
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale equity investments	(7,726)	(21,060)
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments	(1)	(64)
<b>Other comprehensive loss for the period, net of tax</b>	<b>(1,162)</b>	<b>(47,992)</b>
<b>Total comprehensive loss for the period</b>	<b>(2,031)</b>	<b>(74,260)</b>
<b>Attributable to:</b>		
Owners of the Company	(1,927)	(74,180)
Non-controlling interests	(104)	(80)
	<b>(2,031)</b>	<b>(74,260)</b>

**CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION  
AT 30 JUNE 2017**

	Note	<b>30 June 2017</b> HK\$'000 ( <i>unaudited</i> )	31 December 2016 HK\$'000 ( <i>audited</i> )
<b>Non-current assets</b>			
Property, plant and equipment		<b>85,781</b>	83,330
Investment properties		<b>40,000</b>	36,800
Intangible assets		<b>1,084</b>	1,126
Interest in an associate		<b>17,761</b>	19,116
Available-for-sale equity investments		<b>44,343</b>	43,056
Available-for-sale debt investments - notes receivables		<b>161,488</b>	148,338
Total non-current assets		<b>350,457</b>	331,766
<b>Current assets</b>			
Inventories		<b>32,818</b>	41,991
Trade receivables	10	<b>857</b>	969
Prepayments, deposits and other receivables		<b>26,517</b>	23,330
Financial assets at fair value through profit or loss	11	<b>115,407</b>	110,178
Available-for-sale debt investments - notes receivables		<b>26,939</b>	20,306
Pledged bank deposits		<b>12,334</b>	12,334
Time deposits		<b>443,268</b>	459,942
Cash and bank balances		<b>43,324</b>	51,326
Total current assets		<b>701,464</b>	720,376
<b>Current liabilities</b>			
Trade and other payables	12	<b>30,519</b>	30,128
Interest-bearing bank borrowings		<b>9,675</b>	7,769
Debentures		<b>664</b>	1,151
Total current liabilities		<b>40,858</b>	39,048
<b>Net current assets</b>		<b>660,606</b>	681,328
<b>NET ASSETS</b>		<b>1,011,063</b>	1,013,094

**CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION (CONT'D)  
AT 30 JUNE 2017**

	<b>30 June <u>2017</u> HK\$'000 <i>(unaudited)</i></b>	31 December <u>2016</u> HK\$'000 <i>(audited)</i>
<b>Capital and reserves</b>		
Issued capital	<b>1,206,706</b>	1,206,706
Accumulated losses	<b>(1,022,311)</b>	(1,021,561)
Other reserves	<b>827,177</b>	828,354
	<hr/>	<hr/>
Equity attributable to owners of the Company	<b>1,011,572</b>	1,013,499
Non-controlling interests	<b>(509)</b>	(405)
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<b>TOTAL EQUITY</b>	<b>1,011,063</b>	1,013,094
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*Notes:*

**1. Basis of Preparation**

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

The financial information relating to the year ended 31 December 2016 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2017 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has report on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

These condensed consolidated financial statements should be read in conjunction with the 2016 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2016.

**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 2017. 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 have any significant effect on the condensed consolidated financial statements.

### 3. Segment Information

The Group has three reportable segments as follows:

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

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

Segment profits or losses do not include the following:

- Unallocated corporate administrative expenses;
- Share of profit/(loss) of an associate;
- Fair value gains/(losses) on investment properties, net;
- Deficits write-back/(deficits) 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.

### 3. Segment Information (Cont'd)

	Wholesale and retail of fashion wear and accessories	Resort and recreational club operations	Investments	Total
	HK\$'000 ( <i>unaudited</i> )	HK\$'000 ( <i>unaudited</i> )	HK\$'000 ( <i>unaudited</i> )	HK\$'000 ( <i>unaudited</i> )
<b>6 months ended 30 June 2017:</b>				
Revenue from external customers	<b>62,557</b>	<b>6,972</b>	<b>8,203</b>	<b>77,732</b>
Segment profit/(loss)	<b>(13,533)</b>	<b>(4,585)</b>	<b>13,209</b>	<b>(4,909)</b>
<b>As at 30 June 2017:</b>				
Segment assets	<b>67,235</b>	<b>80,403</b>	<b>886,522</b>	<b>1,034,160</b>
Segment liabilities	<b>(16,691)</b>	<b>(2,730)</b>	<b>(11,762)</b>	<b>(31,183)</b>
Interest in an associate	<b>17,761</b>	-	-	<b>17,761</b>
6 months ended 30 June 2016:				
Revenue from external customers	71,286	7,410	8,811	87,507
Segment profit/(loss)	(19,378)	(4,538)	1,000	(22,916)
As at 31 December 2016:				
Segment assets, audited	76,227	76,803	879,996	1,033,026
Segment liabilities, audited	(20,086)	(4,328)	(6,865)	(31,279)
Interest in an associate, audited	19,116	-	-	19,116

#### Six months ended 30 June

<u>2017</u>	<u>2016</u>
HK\$'000	HK\$'000
( <i>unaudited</i> )	( <i>unaudited</i> )

#### Reconciliations of reportable segment profit or loss:

Total profit or loss of reportable segments	<b>(4,909)</b>	(22,916)
Unallocated corporate administrative expenses	<b>(3,307)</b>	(2,460)
Share of profit/(loss) of an associate	<b>(952)</b>	1,005
Fair value gains/(losses) on investment properties	<b>3,200</b>	(1,100)
Deficits write-back/(deficits) on revaluation of resort and recreational club properties	<b>5,274</b>	(548)
Finance costs	<b>(175)</b>	(249)
Consolidated loss for the period	<b>(869)</b>	(26,268)



#### 4. Revenue

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

	Six months ended 30 June	
	<u>2017</u> HK\$'000 ( <i>unaudited</i> )	<u>2016</u> HK\$'000 ( <i>unaudited</i> )
Wholesale and retail of fashion wear and accessories	62,557	71,286
Resort and recreational club operations	6,972	7,410
Dividend income from listed equity and fund investments	728	2,174
Dividend income from an unlisted fund investment	-	84
Dividend income from available-for-sale equity investments	139	377
Interest income	7,336	6,176
	<u>77,732</u>	<u>87,507</u>

#### 5. Finance Costs

	Six months ended 30 June	
	<u>2017</u> HK\$'000 ( <i>unaudited</i> )	<u>2016</u> HK\$'000 ( <i>unaudited</i> )
Interest on bank loans	172	244
Accretion of interest on debentures	3	5
	<u>175</u>	<u>249</u>

#### 6. Income Tax Expense

No provision for Hong Kong Profits Tax and overseas income tax has been made for the six months periods ended 30 June 2017 and 2016 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.

## 7. Loss for the Period

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

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(<i>unaudited</i>)</b>	<b>(<i>unaudited</i>)</b>
Cost of inventories sold <sup>^</sup>	<b>31,514</b>	34,068
Depreciation	<b>3,785</b>	2,506
Amortisation of intangible assets	<b>43</b>	42
Charge for inventories allowances	<b>7,364</b>	4,793
Losses/(gains) from financial assets at fair value through profit or loss, net*:		
Held-for-trading		
Interest income	<b>(164)</b>	(641)
Fair value losses/(gains), net	<b>(7,085)</b>	4,786
Losses/(gains) on disposal, net	<b>(3,075)</b>	671
	<b>(10,324)</b>	4,816
Designated as such upon initial recognition		
Fair value loss	<b>2,489</b>	11,384
Gain on disposal	<b>(147)</b>	-
	<b>2,342</b>	11,384
Fair value losses/(gains) on investment properties	<b>(3,200)</b>	1,100
Losses/(gains) on disposal of available-for-sales debt investments, net*	<b>(542)</b>	157
Gain on disposal of available-for-sales equity investments*	<b>(7,677)</b>	(19,103)
Loss on disposal of property, plant and equipment, net*	<b>-</b>	11
Foreign exchange losses/(gains), net*	<b>(274)</b>	447
Reversal of provisions*	<b>(35)</b>	(1,044)
Deficits / (Deficits write-back) on revaluation of resort and recreational club properties	<b>(5,274)</b>	548

<sup>^</sup> Cost of inventories sold included charge for inventories allowances of HK\$7,364,000 (30 June 2016: HK\$4,793,000).

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

## 8. Loss Per Share

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$750,000 (30 June 2016: HK\$26,202,000) and the weighted average number of ordinary shares of 1,650,658,676 (30 June 2016: 1,650,658,676) in issue during the period.

### (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 six months periods ended 30 June 2017 and 2016.

## 9. Dividends

The directors do not recommend the payment of any interim dividend to shareholders for the six months ended 30 June 2017 and 2016.

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

	<b>30 June <u>2017</u> HK\$'000 (<i>unaudited</i>)</b>	31 December <u>2016</u> HK\$'000 ( <i>audited</i> )
Within 1 month	<b>842</b>	833
2 to 3 months	<b>14</b>	133
Over 3 months	<b>1</b>	3
	<b><u>857</u></b>	<u>969</u>

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

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
Listed investments, at fair value:		
Hong Kong	<b>74,452</b>	83,114
Outside Hong Kong	<b>15,287</b>	8,839
	<hr/>	<hr/>
Market value of listed investments	<b>89,739</b>	91,953
	<hr/>	<hr/>
Unlisted investments, at fair value:		
Others	<b>25,668</b>	18,225
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	<b>115,407</b>	110,178
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As at 30 June 2017, the carrying amount of listed investments at fair value amounting to HK\$2,609,000 (31 December 2016: Nil) was pledged as security for the Group's bank borrowings.

## 12. Trade and Other Payables

Included in the Group's trade and other payables as at 30 June 2017 are trade and bills payables of HK\$4,796,000 (31 December 2016: HK\$5,915,000).

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

	<b>30 June 2017 HK\$'000 (unaudited)</b>	31 December 2016 HK\$'000 (audited)
Within 1 month	<b>3,968</b>	5,368
2 to 3 months	<b>638</b>	431
Over 3 months	<b>190</b>	116
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	<b>4,796</b>	5,915
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### **13. New and Revised HKFRSs in Issue but not yet Effective**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted. However, the Group has not early adopted these new or amended standards in preparing the condensed consolidated financial statements.

The Group is continuing to assess the implications of the adoption of these standards. Based on preliminary assessment, the Group has provided details below about the standards issued but not yet effective and applied by the Group.

#### **HKFRS 9 Financial Instruments**

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement. The Group currently plans to adopt this new standard when it becomes mandatory on 1 January 2018.

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.

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.

### **13. New and Revised HKFRSs in Issue but not yet Effective (Cont'd)**

#### **HKFRS 9 Financial instruments (Cont'd)**

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.

Certain financial assets that are currently classified as loans and receivables and measured at amortised cost under HKAS 39. Based on the preliminary assessment, the Group expects that its financial assets currently classified as loans and receivables measured at amortised cost appear to meet the conditions for classification at amortised cost under HKFRS 9.

The Group does not expect that there will be any impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

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. HKFRS 15 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2018. The Group currently plans to adopt this new standard when it becomes mandatory on 1 January 2018.

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.

### **13. 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:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. 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 and unable to estimate the impact on the timing and amounts of revenue recognised in the respective reporting periods until a more detailed analysis is completed.

#### **HKFRS 16 Leases**

HKFRS 16 replaces HKAS 17 Leases and related interpretations. HKFRS 16 is mandatory for the Group's financial statements for annual periods beginning on or after 1 January 2019. The Group currently plans to adopt this new standard when it becomes mandatory on 1 January 2019.

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.

At the end of the reporting period, the Group's future minimum lease payments under non-cancellable operating leases for its office properties and retail shops amounted to HK\$44,086,000 as at 30 June 2017 (31 December 2016: HK\$40,538,000). 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.

# CHIEF EXECUTIVE OFFICER'S STATEMENT

## OVERVIEW

The results reported today represent a considerable improvement for the Group compared with those of the same period in 2016, notwithstanding that the first half of 2017 was still challenging. One reason was that the last half year was the last 6-monthly period within which we had to take to account losses from the now closed China operations. However, there were also other positive developments, reported upon in more detail below. The current economic and global political environment continues to affect us in terms of volatility in major exchange rates, together with anaemic consumer demand in Hong Kong, impacting the high end luxury retail market and our margins.

On balance, the diversified businesses of the Group delivered an improved performance for the period. The sharp reduction in loss for the period ended 30 June 2017 was also attributable to net realised and unrealised gains contributed by our investments in financial instruments, fair value gain on revaluation of the Group's investment properties and deficits write-back on revaluation of the Group's resort and recreational club properties.

## FINANCIAL REVIEW

Net loss attributable to shareholders for the period ended 30 June 2017 amounted to HK\$750,000 as compared with a net loss of HK\$26,202,000 for the last corresponding period. The net loss mainly included the combination of a loss (excluding our share of the associate's result) from the fashion retail business of HK\$13,533,000 (2016: HK\$19,378,000), a loss from recreational club operations of HK\$4,585,000 (2016: HK\$4,538,000), netted off against a segment profit of HK\$13,209,000 (2016: HK\$1,000,000) contributed by the investments division. Such total segment loss was further offset by the fair value gain of HK\$3,200,000 (2016: loss of HK\$1,100,000) on revaluation of the Group's investment properties and deficit write-back of HK\$5,274,000 (2016: deficit of HK\$548,000) on revaluation the Group's resort and recreational club properties. Loss per share attributable to owners of the Company was HK\$0.05 cent (2016: Loss per share: HK\$1.59 cents).

The significant decrease in loss by 97% was mainly attributable to the following factors:

- (1) a drop in losses of HK\$5,845,000 from the fashion retail business (excluding the share of an associate's result) mainly due to the closure of China operations and under-performing shops in Hong Kong in the last period together with a small increase in overall same store sales and additional inventory sales, partly offset by lower overall margins; and
- (2) before general and administrative expenses, net realised and unrealised gains of HK\$21,352,000 contributed by the investments in financial instruments for the six months ended 30 June 2017 as compared with HK\$9,575,000 for the same period in 2016. These net realised and unrealised gains for the six months ended 30 June 2017 mainly comprised the gain on disposal of certain shares in Genovate Biotechnology Company, Limited ("Genovate") which amounted to HK\$7,677,000, an unrealized fair value gain HK\$5,132,000 from the Group's shares in China Motor Bus Company ("China Motor") and also a net gain HK\$4,826,000 contributed by available-for-sale debt investments.



The Group's consolidated turnover for the period ended 30 June 2017 declined by 11% to HK\$77,732,000 which was mainly attributable to the drop in sales of fashion retail products as a result of fewer points of sale. The Group's gross profit decreased by 13% to HK\$46,203,000 (2016: HK\$53,396,000), which was mainly due to the closure of under-performing shops in Hong Kong, which resulted in decrease in turnover and gross profit from the fashion retail business. The Group's gross profit margin for the period ended 30 June 2017 was 59% as compared to 61% in 2016.

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 21% to HK\$32,376,000 (2016: HK\$41,104,000) and depreciation and amortization expenses increased by 50% to HK\$3,828,000 (2016: HK\$2,548,000). The decreases in selling and distribution expenses were primarily attributable to the closure of non-performing shops in both Hong Kong and China, and the increase in depreciation and amortization was mainly due to the amortization of the cost of the move and fit-out of an existing shop which took place in the second half of 2016.

The Group's administrative expenses decreased by 9% to HK\$36,047,000 (2016: HK\$39,717,000). The decrease was mainly attributable to the closure of the fashion retail business in China and the containment of labour costs for that business in Hong Kong.

The Group's "other operating gains, net" mainly comprised realised and unrealised fair value gains on investment in financial instruments. "Other operating gains, net" for the period ended 30 June 2017 amounted to HK\$16,510,000 as compared to HK\$3,332,000 for the same period in 2016. The increase in "other operating gains, net" was mainly due to fair value gains (net) of HK\$4,596,000 on investment in financial instruments for the period ended 30 June 2017 as compared to fair value loss (net) of HK\$16,170,000 for the same period in 2016. Such increase was partly offset by the decrease in gain on disposal (net) of investment in financial instruments by HK\$6,834,000 for the period ended 30 June 2017.

The loss result of an associate in the first half of 2017 which represented the share of result of the joint venture business with Brunello Cucinelli S.p.A. amounted to a loss of HK\$952,000 which was mainly due to an additional stock provision made according to Brunello Cucinelli S.p.A. group stock provision policy (2016: Profit: HK\$1,005,000).

## **BUSINESS REVIEW**

### **Retail Fashion**

#### ***Swank Hong Kong***

The first half of 2017 saw a decline in total turnover of 11% to HK\$62,197,000 (2016: HK\$69,729,000) compared with the same period last year, whilst overall Gross Profit percentage decreased by 3%. Operating loss (excluding our share of the associate's result) for the six months ended 30 Jun 2017 amounted to HK\$13,487,000 (2016: HK\$16,297,000). Although there was a small increase in same store sales, the lesser number of points of sale substantially reduced overall turnover. The principle reasons for the decline in margins were to do with reduced supplier discounting, partly as a consequence of some of the closures referred to above, together with the more aggressive selling at discount of inventory, including un- or minimally-provisioned inventory.

The second half of 2017 will show increased efforts towards focusing and improving buying policy and amounts, together with the improving overall merchandise mix for "Swank" stores, plus identifying opportunities for the establishment of certain carefully selected mono-brand stores. Clearance of aged-stock will also continue and hopefully accelerate including through existing outlet stores as well as at any other suitable and available venues.

#### ***Swank China***

In the equivalent reporting period from last year, the Group closed down the last shop in Beijing Jinbao Place. Sales for the six months ended 30 June 2017 were recorded at HK\$360,000 (2016: HK\$1,367,000). Owing to the closure of the China operations, the operating loss for period ended 30 June 2017 reduced by HK\$1,590,000.

#### ***Cesare di Pino***

In the equivalent reporting period from last year, the last Beijing shop was closed down. With the closure of that shop, the operating losses for period ended 30 June 2017 reduced by HK\$1,445,000. Cesare de Pino products continue to be sold in the Swank Hong Kong's stores.

#### ***Brunello Cucinelli***

The first half of 2017 saw a slight increase in total turnover by 1% versus the same period last year, with an overall increase in Gross Profit percentage of 2.3% before stock provisioning. During the month of May, a new store was opened at Lee Garden One in Causeway Bay, which offsets the closure of the Ocean Centre store in March 2017.

Future developments for the second half of 2017 include the relocation of existing IFC store in September to a larger store at the same mall level with better façade visibility as a new "flagship store".

## **Resort and Recreational Club Operations**

### ***Hilltop Country Club (“Hilltop” or “the Club”)***

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 gradual aging of the facilities, the Club’s attractiveness has substantially diminished. Additionally, competition for dining, events and banqueting from hotels and clubs in the market is intensive, causing a drop in membership and in banquet sales. For the six months ended 30 June 2017, Hilltop’s total sales decreased by 6% to HK\$6,972,000 from HK\$7,410,000 for the same period in 2016. Labour cost was still the major component of the operational cost, and is expected to continue giving significant financial pressure to the Club, especially, with the new minimum wage increase, effective as of 1 May 2017. Overall, Hilltop’s operating loss for the period was HK\$4,585,000 which remains at about the same level as last year (2016: Loss HK\$4,538,000).

In the second half of 2017, the Club management will continue to focus on the banquet and conference business for corporate members, develop more new products and rationalise the product offering for individual members so as to increase revenue and reduce the impact of cost increases.

## **Investment in Financial Instruments**

The Group’s investment in financial instruments include financial assets at fair value through profit or loss (“FVTPL”) which are held for trading or designated as such upon initial recognition, available-for-sale debt investments (“AFS debt investments”) and available-for-sale equity investments (“AFS equity investments”). The purpose of investment in financial instruments is for earnings distribution, yield enhancement and capital appreciation.

As of 30 June 2017, the total carrying value of the Group’s investment portfolio in financial instruments was HK\$348,177,000 (31 December 2016: HK\$321,878,000), representing approximately 33% (31 December 2016: 31%) of the carrying value of the Group’s total assets. Before general and administrative expenses, the investment in financial instruments totally contributed a gain of HK\$21,352,000 (2016: HK\$9,575,000) to the Group for the six months ended 30 June 2017.

### ***Financial assets at fair value through profit and loss (“FVTPL”) and Available-for-sales debt investments (“AFS debt investments”)***

Compared to the investment environment in 2016, the global financial market was less volatile in the first half of 2017 and global key stock markets maintained a relatively steady upward trend. Besides the stable return contributed from fixed income products investment in which the Group deliberately kept a higher proportion in the total investment portfolio to limit the investment risk and maintain stable income, for equity investments we also had a satisfactory return in securities trading in the first six months of 2017.

Both FVTPL and AFS debt investments are mainly invested in marketable securities. The Group's existing FVTPL investment mainly includes listed equities and equity/bond funds. As of 30 June 2017, the total carrying value of the Group's investment portfolio in FVTPL was HK\$115,407,000 (31 December 2016: HK\$110,178,000), representing approximately 11% (31 December 2016: 11%) of the carrying value of the Group's total assets. Also, the Group's investments in PuraPharm Corporation Limited and China Motor Bus together represent approximately 56% (31 December 2016: 59%) of the total carrying value in this category. As the net P/L effect of these two major equities has recorded a HK\$3,301,000 net gain, the FVTPL investments recorded a net gain of HK\$8,710,000 (2016: net losses of HK\$13,943,000) for the six months ended 30 June 2017.

AFS debt investments are listed USD-denominated corporate bonds. For the six months ended 30 June 2017, AFS debt investments contributed a net gain of HK\$4,826,000 (2016: net gain HK\$4,037,000), and its carrying value as of 30 June 2017 was HK\$188,427,000 (31 December 2016: HK\$168,644,000).

With a prudent approach, there is no single security, bond or fund held in either FVTPL or AFS debt investments that exceeded 5% of the total assets of the Group as at 30 June 2017.

Since both the US and the Hong Kong stock markets have appreciated for almost seven consecutive months in 2017, there is speculation whether a substantial correction of the stock markets will be experienced in the second half of 2017. In addition, the credit spread of corporate bond to US treasury notes is also narrowing under the raising interest rate environment. With the above uncertainties in financial markets, the Group will continue its prudent approach to managing the risks and returns of the investment portfolio by increased diversification of securities type, geography, nature of industries and issuers.

#### ***Available-for-sales equity investments ("AFS equity investments")***

AFS equity investments mainly comprises a shareholding interest in Genovate, which was mainly invested in 2002 for pre-IPO investment; and a private equity fund namely ASEAN China Investment Fund III ("ACIF III" or the "Fund"). As at 30 June 2017, the total carrying value of AFS equity investments was HK\$44,343,000 (31 December 2016: HK\$43,056,000), representing approximately 4% (31 December 2016: 4%) of the Group's total assets. The available-for-sales equity investments recorded a net gain of HK\$7,816,000 (2016: net gain of HK\$19,480,000) for the six months ended 30 June 2017.

#### **Genovate**

Genovate is a fully integrated specialty pharmaceutical company that focuses on new drug development, drug manufacturing, and 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 gradually disposed of its Genovate shareholdings to realize the long-term investment return. In the first 6 months ended 30 June 2017, a total of 1,070,000 shares (or 1.06% of Genovate total outstanding shares) were sold with a realized profit of HK\$7,677,000 (2016: HK\$19,103,000).

### **ACIF III**

The Group has made an investment commitment of USD4 million in ACIF III for 1.532% shareholding. ACIF III is managed out of Singapore by the UOB Venture Management Private Limited (“UOBVM”) and invests in growth oriented companies in East and South East Asia and China. As of 30 June 2017, the Group has invested HK\$21,427,000 in the Fund.

### **MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS**

The Group had no material acquisition and disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2017.

### **LIQUIDITY AND FINANCIAL POSITION**

At 30 June 2017, the Group was in a solid financial position with cash and non-pledged deposit holdings of HK\$486,592,000 (31 December 2016: HK\$511,268,000). At 30 June 2017, total borrowings amounted to HK\$10,339,000 (31 December 2016: HK\$8,920,000) with HK\$10,339,000 (31 December 2016: HK\$8,920,000) 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% at the interim period date (31 December 2016: 0.9%). The current ratio at 30 June 2017 was 17.2 times (31 December 2016: 18.4 times).

At 30 June 2017, 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 unaudited condensed 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 has undertaken small-scale hedging to protect its position and will, from time to time, review its foreign exchange position and market conditions to determine the degree of hedging (if any) that is required.

### **PLEDGE OF ASSETS**

At 30 June 2017, pledges of the Group’s fixed deposits of HK\$12,334,000 (31 December 2016: HK\$12,334,000), listed equity investments of HK\$2,609,000 and sales proceeds receivable of listed equity investments of HK\$1,003,000 were given to banks to secure trade banking facilities to the extent of HK\$30,000,000 (31 December 2016: HK\$30,000,000), a bank loan of HK\$3,406,000 (31 December 2016: Nil) and foreign exchange facilities.

### **IMPORTANT EVENTS AFTER THE FINANCIAL PERIOD**

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

## **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 2017.

## **CORPORATE GOVERNANCE CODE**

In the opinion of the Directors, the Company complied with all Code Provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2017.

## **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 Directors are Mr. Derek Wai Choi LEUNG (Non-executive Chairman) and Ms. Sarah Young O'DONNELL, and the Independent Non-executive Directors are Dr. Jen CHEN, Mr. Kin Wing CHEUNG, Mr. Kiu Sang Baldwin LEE and Mr. Ted Tak Tai LEE.

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

Hong Kong, 29 August 2017