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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)

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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 2013.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<i>Note</i>	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
Revenue of the Group		331,399	337,241
Share of revenue of associates from			
Wholesale and retail of fashion wear and accessories		13,256	-
Resort and recreational club operation		-	12,025
		<u>344,655</u>	<u>349,266</u>
<b>Revenue of the Group</b>		<b>331,399</b>	<b>337,241</b>
Cost of sales		<u>(133,546)</u>	<u>(136,962)</u>
<b>Gross profit</b>		<b>197,853</b>	<b>200,279</b>
Other income		2,632	5,723
Selling and distribution costs		(132,871)	(120,065)
Administrative expenses		(87,585)	(90,307)
Depreciation and amortisation		(20,173)	(19,935)
Other operating gains, net	6	<u>61,797</u>	<u>45,721</u>
<b>Profit from operations</b>		<b>21,653</b>	<b>21,416</b>
Fair value gains/(losses) on investment properties, net		(500)	1,400
Deficits write-back on revaluation of resort and recreational club properties		1,063	2,623
Finance costs	4	(821)	(750)
Share of profits/(losses) of associates		<u>2,109</u>	<u>(1,976)</u>
<b>Profit before tax</b>		<b>23,504</b>	<b>22,713</b>
Income tax expense	5	-	-
<b>Profit for the year</b>	6	<u><b>23,504</b></u>	<u><b>22,713</b></u>
<b>Attributable to:</b>			
Owners of the Company		24,217	22,770
Non-controlling interests		<u>(713)</u>	<u>(57)</u>
		<u><b>23,504</b></u>	<u><b>22,713</b></u>
		<i>HK\$</i>	<i>HK\$</i>
<b>Earnings per share</b>			
- basic	7(a)	<u><b>1.47 cents</b></u>	<u>1.38 cents</u>
- diluted	7(b)	<u><b>N/A</b></u>	<u>N/A</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
<b>Profit for the year</b>	<u>23,504</u>	<u>22,713</u>
<b>Other comprehensive income/(loss):</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	3,385	782
Fair value changes of available-for-sale equity investments	(32,233)	115,353
Fair value changes of available-for-sale debt investments	(1,955)	7,186
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale equity investments	(30,063)	(12,563)
Reclassification of exchange fluctuation reserve to profit or loss upon disposal of available-for-sale equity investments	-	(895)
Reclassification of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments	<u>(722)</u>	<u>657</u>
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<u>(61,588)</u>	<u>110,520</u>
<b>Total comprehensive income/(loss) for the year</b>	<u>(38,084)</u>	<u>133,233</u>
<b>Attributable to:</b>		
Owners of the Company	(37,422)	133,276
Non-controlling interests	<u>(662)</u>	<u>(43)</u>
	<u>(38,084)</u>	<u>133,233</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2013**

	<i>Note</i>	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>100,769</b>	105,850
Investment properties		<b>29,000</b>	100,000
Intangible assets		<b>1,381</b>	1,466
Interests in associates		<b>21,531</b>	17,059
Financial assets at fair value through profit or loss	9	<b>34,000</b>	147,489
Available-for-sale equity investments		<b>85,222</b>	155,336
Available-for-sale debt investments - notes receivables		<b>79,501</b>	65,723
		<hr/> <b>351,404</b>	<hr/> 592,923
<b>Total non-current assets</b>			
<b>Current assets</b>			
Inventories		<b>73,959</b>	63,713
Trade and other receivables	10	<b>54,565</b>	65,365
Financial assets at fair value through profit or loss	9	<b>204,186</b>	212,606
Pledged bank deposits		<b>11,000</b>	11,000
Time deposits		<b>365,126</b>	217,584
Cash and bank balances		<b>83,967</b>	115,255
		<hr/> <b>792,803</b>	<hr/> 685,523
Assets attributable to disposal group held for sale		<b>89,416</b>	-
		<hr/> <b>882,219</b>	<hr/> 685,523
<b>Total current assets</b>			
<b>Current liabilities</b>			
Trade and other payables	11	<b>43,480</b>	69,443
Interest-bearing bank borrowings		<b>19,560</b>	2,390
Current portion of debentures		<b>624</b>	1,775
		<hr/> <b>63,664</b>	<hr/> 73,608
Liabilities attributable to disposal group held for sale		<b>11,347</b>	-
		<hr/> <b>75,011</b>	<hr/> 73,608
<b>Total current liabilities</b>			
<b>Net current assets</b>		<hr/> <b>807,208</b>	<hr/> 611,915
<b>Total assets less current liabilities</b>		<hr/> <b>1,158,612</b>	<hr/> 1,204,838

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)  
AT 31 DECEMBER 2013**

	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
<b>Total assets less current liabilities</b>	<u>1,158,612</u>	<u>1,204,838</u>
<b>Non-current liabilities</b>		
Debentures	1,796	2,407
Deferred revenue	<u>24</u>	<u>7,555</u>
Total non-current liabilities	<u>1,820</u>	<u>9,962</u>
<b>NET ASSETS</b>	<u>1,156,792</u>	<u>1,194,876</u>
<b>Capital and reserves</b>		
Issued capital	16,507	16,507
Reserves	<u>1,140,081</u>	<u>1,177,503</u>
Equity attributable to owners of the Company	<u>1,156,588</u>	<u>1,194,010</u>
Non-controlling interests	<u>204</u>	<u>866</u>
<b>TOTAL EQUITY</b>	<u>1,156,792</u>	<u>1,194,876</u>

*Notes:*

**1. Basis of Preparation**

The financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The accounting policies used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012 except the changes mentioned below.

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

In the current year, the Group has adopted all the new and revised HKFRSs 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 and amounts reported for the current year 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 optional terminology for statement of comprehensive income and income statement that has been applied by the Group. 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 12 “Disclosure of Interests in Other Entities”**

HKFRS 12 “Disclosure of Interests in Other Entities” specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new disclosure requirements for unconsolidated structured entities.

The adoption of HKFRS 12 only affects the disclosures relating to the Group’s subsidiaries and associates in the consolidated financial statements. HKFRS 12 has been applied retrospectively.

### **(c) 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 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

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 and treasury	Treasury operations and 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. 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 profits/(losses) of associates;
- Fair value gains/(losses) 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 interests in associates and assets attributable to disposal group held for sale. Segment liabilities do not include interest-bearing bank borrowings and liabilities attributable to disposal group held for sale.



### 3. 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 and treasury	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Year ended 31 December 2013:</b>				
Revenue from external customers	298,136	14,956	18,307	331,399
Segment profit/(loss)	(17,697)	(8,377)	51,783	25,709
<i>Segment profit/(loss) includes:</i>				
Fair value gains on financial assets at fair value through profit or loss, net	-	-	6,844	6,844
Losses on disposal/redemption of financial assets at fair value through profit or loss, net	-	-	(2,751)	(2,751)
Gain on disposal of available-for-sale debt investments	-	-	1,043	1,043
Gain on disposal of available-for-sale equity investments	-	-	35,315	35,315
Gain on disposal of a business	1,723	-	-	1,723
Interest income from:				
- Financial assets at fair value through profit or loss	-	-	11,730	11,730
- Other financial assets	-	-	11,594	11,594
Write-back of accrued payables	1,778	-	-	1,778
Depreciation and amortisation	15,485	4,357	331	20,173
Charge for inventories allowances	15,071	-	-	15,071
Impairment of trade receivables, net	-	30	-	30
<i>Other segment information:</i>				
Share of profits of an associate	2,109	-	-	2,109
Additions to property, plant and equipment	17,507	655	3	18,165
<b>As at 31 December 2013:</b>				
Segment assets	163,039	80,850	878,787	1,122,676
Segment liabilities	(31,875)	(6,112)	(7,937)	(45,924)
Interest in an associate	21,531	-	-	21,531

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

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

	Wholesale and retail of fashion wear and accessories <i>HK\$'000</i>	Resort and recreational club operations <i>HK\$'000</i>	Investments and treasury <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 December 2012:</b>				
Revenue from external customers	307,387	14,975	14,879	337,241
Segment profit/(loss)	2,615	(8,398)	33,386	27,603
<i>Segment profit/(loss) includes:</i>				
Fair value gains on financial assets at fair value through profit or loss, net	-	-	4,428	4,428
Gains on disposal of financial assets at fair value through profit or loss, net	-	-	1,643	1,643
Gain on disposal of available-for-sale debt investments	-	-	1,566	1,566
Gain on disposal of available-for-sale equity investments	-	-	13,475	13,475
Interest income from:				
- Financial assets at fair value through profit or loss	-	-	22,150	22,150
- Other financial assets	-	-	9,116	9,116
Write-back of accrued payables	143	239	-	382
Depreciation and amortisation	14,160	4,330	1,445	19,935
Charge for inventories allowances	16,009	-	-	16,009
Impairment of trade receivables, net	-	30	-	30
Impairment loss of property, plant and equipment	490	-	-	490
<i>Other segment information:</i>				
Share of losses of an associate	-	(1,976)	-	(1,976)
Additions to property, plant and equipment	21,059	578	-	21,637
<b>As at 31 December 2012:</b>				
Segment assets	178,388	159,319	923,680	1,261,387
Segment liabilities	(45,625)	(21,648)	(13,907)	(81,180)
Interest in an associate	-	17,059	-	17,059

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

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

	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
<b>Profit or loss</b>		
Total profit or loss of reportable segments	25,709	27,603
Unallocated corporate administrative expenses	(4,056)	(6,187)
Share of profits/(losses) of associates	2,109	(1,976)
Fair value gains/(losses) on investment properties, net	(500)	1,400
Deficits write-back on revaluation of resort and recreational club properties	1,063	2,623
Finance costs	(821)	(750)
	<u>23,504</u>	<u>22,713</u>
<b>Assets</b>		
Total assets of reportable segments	1,122,676	1,261,387
Assets attributable to disposal group held for sale	89,416	-
Interests in associates	21,531	17,059
	<u>1,233,623</u>	<u>1,278,446</u>
<b>Liabilities</b>		
Total liabilities of reportable segments	(45,924)	(81,180)
Interest-bearing bank borrowings	(19,560)	(2,390)
Liabilities attributable to disposal group held for sale	(11,347)	-
	<u>(76,831)</u>	<u>(83,570)</u>

#### Geographical information:

	Revenue		Non-current assets	
	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
Hong Kong	308,998	318,681	140,443	123,410
Mainland China	17,200	14,310	11,637	100,328
Other Asia Pacific regions	4,715	3,999	601	637
Others	486	251	-	-
	<u>331,399</u>	<u>337,241</u>	<u>152,681</u>	<u>224,375</u>
Consolidated total	<u>331,399</u>	<u>337,241</u>	<u>152,681</u>	<u>224,375</u>

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

**4. Finance Costs**

	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
Interest on bank loans and overdrafts	783	629
Accretion of interest on debentures	<u>38</u>	<u>121</u>
	<u>821</u>	<u>750</u>

**5. Income Tax Expense**

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2013 (2012: 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.

## 6. Profit for the Year

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

	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
Cost of inventories sold #	133,325	136,745
Dividend income ^	(6,713)	(5,763)
Depreciation	20,088	19,850
Amortisation of intangible assets	85	85
Charge for inventories allowances	15,071	16,009
Losses/(gains) from financial assets at fair value through profit or loss, net *:		
Held-for-trading		
Interest income	(2,285)	(1,992)
Fair value gains, net	(268)	(697)
Gains on disposal, net	(2,007)	(1,643)
	(4,560)	(4,332)
Designated as such upon initial recognition		
Interest income	(9,445)	(20,158)
Fair value gains, net	(6,576)	(3,731)
Loss on redemption	4,758	-
	(11,263)	(23,889)
Interest income from other financial assets ^	(11,594)	(9,116)
Fair value losses/(gains) on investment properties, net	500	(1,400)
Gain on disposal of available-for-sales debt investments *	(1,043)	(1,566)
Gain on disposal of available-for-sales equity investments *	(35,315)	(13,475)
Loss on disposal of property, plant and equipment *	3	5
Amortisation of deferred revenue	(37)	(3,122)
Write-back of accrued payables *	(1,778)	(382)
Foreign exchange gains, net *	(6,118)	(2,572)
Impairment loss of property, plant and equipment*	-	490
Deficits write-back on revaluation of resort and recreational club properties	(1,063)	(2,623)
Gain on disposal of a business*	(1,723)	-

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

^ These amounts are included in "Revenue of the Group".

# Cost of inventories sold included charge of inventories allowances of HK\$15,071,000 (2012: HK\$16,009,000).

## 7. Earnings Per Share

### (a) Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of HK\$24,217,000 (2012: HK\$22,770,000) and the weighted average number of ordinary shares of 1,650,658,676 (2012: 1,650,658,676) in issue during the year.

### (b) Diluted earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2013 and 2012.

## 8. Dividends

The directors do not recommend the payment of any dividend to shareholders for the year ended 31 December 2013 (2012: Nil).

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

	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
Listed investments, at fair value:		
Hong Kong	<b>162,996</b>	172,146
Outside Hong Kong	<b>19,620</b>	17,246
	<hr/> <b>182,616</b> <hr/>	<hr/> 189,392 <hr/>
Market value of listed investments		
Unlisted investments, at fair value:		
Convertible bonds	-	147,489
Equity investment	<b>34,000</b>	-
Others	<b>21,570</b>	23,214
	<hr/> <b>55,570</b> <hr/>	<hr/> 170,703 <hr/>
	<hr/> <b>238,186</b> <hr/>	<hr/> 360,095 <hr/>
Analysed as:		
Current assets	<b>204,186</b>	212,606
Non-current assets	<b>34,000</b>	147,489
	<hr/> <b>238,186</b> <hr/>	<hr/> 360,095 <hr/>

## 10. Trade and Other Receivables

Included in the Group's trade and other receivables as at 31 December 2013 are trade receivables of HK\$4,654,000 (2012: HK\$4,636,000).

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>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
Within 1 month	3,530	4,257
2 to 3 months	1,110	371
Over 3 months	14	8
	<u>4,654</u>	<u>4,636</u>

## 11. Trade and Other Payables

Included in the Group's trade and other payables as at 31 December 2013 are trade and bills payables of HK\$14,162,000 (2012: HK\$21,568,000). An ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	<u>2013</u> <i>HK\$'000</i>	<u>2012</u> <i>HK\$'000</i>
Within 1 month	11,857	20,004
2 to 3 months	1,884	1,116
Over 3 months	421	448
	<u>14,162</u>	<u>21,568</u>

## **CHAIRMAN'S STATEMENT**

I am pleased to present the annual results of ENM holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013.

### **FINANCIAL RESULTS**

The Group recorded a consolidated turnover of HK\$331,399,000 for the year ended 31 December 2013, a slight decrease of 2% as compared with last year.

Despite a slight decline in turnover, operating results recorded a consolidated profit attributable to equity holders of the Company amounted to HK\$24,217,000 for the year compared to a profit of HK\$22,770,000, an increase of 6% in previous year. Nevertheless, the retail operations of the Group recorded an operating loss mainly attributable to the negative impact in weak customer sentiment and spending. 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 satisfactory and were the major sources of income during the year. The Group's profitability maintained in a comparable level as last year mainly due to the realization of certain strategic investments during the year.

### **BUSINESS REVIEW**

#### **Retail Fashion**

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

Retail operation in Hong Kong continued to be a core business of the Group, Swank Hong Kong reported a 4% decline in turnover against last year. Paule Ka boutique in Pacific Place commenced full operation since its opening in December 2012, Corneliani, our exclusive franchise, opened the 1st free-standing boutique in Landmark Hong Kong in September 2013 both increased the sale network of the Group. Upon expiry of lease term in Pacific Place and Time Square this year, Just Cavalli mono-shop was relocated to Festival Walk in the last quarter of 2013. Operating result from this newly introduced exclusive franchise was yet to pick up. Overall gross margin increased by 1% through better pricing strategy as compared to last year. Surging rental cost in prime locations, staff costs plus rising inflation dampened the positive contribution from Hong Kong operation.

During the last quarter of 2013, the operation mode of Brunello Cucinelli changed from exclusive franchise to joint venture partnership. A new joint venture company, Brunello Cucinelli Hong Kong Limited was formed and held as to 51% by Brunello Cucinelli S.p.A., the principal and 49% by The Swank Shop Limited, to operate 3 free-standing mono boutiques in Queen's Road Central, IFC Mall and Harbour City respectively. Contribution from this Joint Venture are positive and we are confident that the profitability will be further enhanced through this partnership in the long run.



## ***Swank China***

The transition of the PRC government and policy reforms together with diminishing high speed economic growth in mainland China, the spending pattern and quantum has seriously been affected especially in the luxury goods sector. Operating results from Swank China recorded a loss of HK\$15,441,000 compared with HK\$8,688,000 last year. To crop with the increase in stock inventory due to slow turnover, additional stock provision had been made and thus impacted the bottom line adversely. In addition to the opening of a 2,700 square feet Shanghai Takashimaya store in December 2012, our Xian Zhongda store, a 2,100 square feet multi label store located in the prime mall of Xian city, opened in April 2013. Together with the 1,700 square feet Hangzhou Tower store opened in November 2013, Swank China is now operating 4 full range multi label stores and an outlet in 4 major cities in the PRC. Obviously the operating efficiency and profitability of this newly developed market will continue to be under pressure but we are still cautiously optimistic with the growth of consumer demand in the region. The management will continue to review and adjust the business strategy towards the China market from time to time.

## ***Cesare di Pino***

Following the open of the Hangzhou Tower shop in January 2014, a network in total of 5 shops is currently in full operation in Beijing and Hangzhou.

With the dual effect of sales and operation efficiency below initial expectation together with sharp decline in demand in China luxury retail sector, the performance of Cesare Di Pino, the first self owned private label by the Group, had inevitably been affected. Operating loss for the year amounted to HK\$11,858,000 (2012: HK\$9,554,000). Uncertain macroeconomic and political environment plus stiff competition will continue and the management will take all cautious approach to monitor the development and adjust the strategy in due course.

## **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 2013, Hilltop has streamlined operation to control costs and pursue business growth in banquet and conferences, operating results has marginally improved compared to 2012. The management intends to bring in new elements to Hilltop for long term rejuvenation and development.

### ***Shanghai Hilltop Resort Hotel Limited (“Shanghai Hilltop”)***

Shanghai Hilltop is a Sino-foreign co-operative joint venture established 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 Putuo District, Shanghai. In June 2003, Shanghai Hilltop entered into a sub-contracting agreement with Shanghai Landis Hospitality Management Co. Ltd. (“Shanghai Landis”), a 35% associate of the Company, for the period from 1 July 2003 to 30 June 2016.

In 4 August 2012, the Group and Xingyuan entered into two agreements of transfer of equity interest to conditionally dispose the Company's entire interest in Shanghai Hilltop and a 35% interest in Shanghai Landis to Xingyuan with a total consideration of RMB70,000,500 and these two disposal transactions was approved in the Company's Shareholders Extraordinary General Meeting held on 24 September 2012.

As of 31 December 2013, the Group has received approximately 65% of the sales proceeds for the entire equity interest in both Shanghai Hilltop and a 35% interest in Shanghai Landis project in the amount of RMB30,226,000 and RMB15,034,000 respectively in the escrow accounts according to agreement terms.

As additional time is required for obtaining (i) the tax clearing related to the transfer of entire equity interest for both Shanghai Hilltop and Shanghai Landis to Xingyuan from the Shanghai tax bureau ; (ii) the registration with and changes of shareholders and directors at the Administration for Industry and Commerce in Shanghai in relation to the transfer of entire equity interest in Shanghai Hilltop and Shanghai Landis; and (iii) the approval from SAFE for remittance of sales proceeds, all parties to the agreements have agreed to extend the long stop date of the said disposal agreements. A separate announcement in respect of this extension will be made by the Company on the same date of this announcement.

### **Financial instruments investments**

Hong Kong stock market was volatile in 2013 due to the spread of fear that US Federal Reserve may taper the size of the bond-buying program and the slow down in growth of PRC GDP. Under this investment environment, the Group maintained a balance portfolio of bonds and equities in order to limit the investment risk and maintain stable income.

For the year ended 31 December 2013, the investment portfolio of financial instruments held for trading and available-for-sales debt investments (excluding the investment in shares of Genovate and PuraPharm and convertible bonds issued by Skyjoy Assets Management Limited) contributed HK\$17,072,000 net gain (2012: HK\$15,924,000) to the Group. As of 31 December 2013, total carrying value of the Group's investment portfolio of financial instruments held for trading and available-for-sales debt investments was HK\$283,687,000.

### **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 8.8% shareholdings (as of 31 December 2013) in Genovate, which is listed in the Taiwan GreTai Securities Market (Open Market, Stock code: 4130).

In August 2013, a new drug by SyneuRx (Genovate is strategic investor) for adolescence schizophrenia (SND-1) has successfully passed IND phase I trial, and got approval for phase II/III combined trial in the U.S. Genovate is the collaborator of SyneuRx for formulation development and manufacture of SND-1.

During the year, a total of 3,500,000 shares (or 3.6% of Genovate total outstanding shares) has been sold with a realized profit of approximately HK\$30,413,000.

***PuraPharm Corporation Limited (“PuraPharm”)***

The Group through its wholly owned subsidiary, Cosy Good Limited (“Cosy Good”), purchased 5% shares of PuraPharm Corporation Limited (“PuraPharm”) from its major shareholder in June 2013 at a consideration of US\$3,400,000. In August 2013, the Group has a follow up investment in PuraPharm in amount of US\$124,962 to maintain 5% shareholding in PuraPharm.

PuraPharm is one of only six manufacturers approved by Chinese State Food and Drug Administration (SFDA) to produce and distribute concentrated Chinese medicine granules in China and is the only HK based company. It principally engages in (1) producing, distributing and selling concentrated Chinese medicine granules under the brand name of NONG’s (農本方) for prescription by professional Chinese medical practitioners; (2) producing, distributing and selling Chinese herbal medicine packets and health supplement products such as PURAGOLD (金靈芝) through retail channel and (3) operating Chinese medicine clinics and Chinese herbal plantation.

In view of the potential development and sales of concentrated 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. The Group’s investment in PuraPharm also contributed HK\$6,576,000 gain to the Group’s results of 2013 through valuation on the fair value of the investment.

***Skyjoy Assets Management Limited (“Skyjoy”)***

In 2010, the Group through Cosy Good subscribed HK\$100,000,000 with 12% coupon rate Convertible Bonds (“Skyjoy CB”) issued by Skyjoy, which is a property developer in China.

In May 2013, the Skyjoy CB was early redeemed according to the provisions in the Subscription Agreement. The Group received the entire Skyjoy CB principle and interest in a total sum of HK\$152,176,000 from Skyjoy on 31 May 2013. After the receipt of such payment, there is no outstanding principal sum under the Skyjoy CB.

The Skyjoy CB investment has contributed HK\$4,687,000 net gain to the Group’s 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 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 ceased to hold any interest in Smartdot. The Group sold all its shareholdings in Smartdot to Smartdot’s management for a total sum of RMB17,927,000 in January 2012. After getting approval from SAFE for the foreign currency remittance of the sales proceeds in April 2013, the Group received the total sales proceeds in June 2013. The disposal of Smartdot shares further contributed HK\$4,902,000 gain to the results of 2013 for the Group.

## **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.

On 23 September 2013, The Swank Shop Limited (“Swank”), an indirect wholly-owned subsidiary of the Company, entered into the Business Transfer Agreement in relation to the transfer the “Brunello Cucinelli” brand fashion wear and accessories retail business then carried out by Swank in Hong Kong at three shops to Brunello Cucinelli Hong Kong Limited, a 49% owned associate of the Company at a total consideration of HK\$31,125,742, subject to adjustments (the “Business Transfer”). The Business Transfer 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 23 September 2013. The Business Transfer was completed on 1 October 2013.

Save as disclosed above, the Group had no other material acquisition and disposal of investments during the year ended 31 December 2013 and up to the date of this announcement.

## **LIQUIDITY AND FINANCIAL POSITION**

At 31 December 2013, the Group was in solid financial position with cash and non-pledged deposit holdings of HK\$449,093,000 (2012: HK\$332,839,000). At 31 December 2013, total borrowings amounted to HK\$21,980,000 (2012: HK\$6,572,000) with HK\$20,184,000 (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 1.9% at the year end date (2012: 0.6%). The current ratio at 31 December 2013 was 11.8 times (2012: 9.3 times).

At 31 December 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 audited 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 (2012: HK\$11,000,000) were given to banks to secure general banking facilities to the extent of HK\$31,000,000 as at 31 December 2013 (2012: HK\$31,000,000).

## **EMPLOYEE AND REMUNERATION POLICIES**

At the date of this announcement, the Group employed 295 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.

## **FUTURE OUTLOOK AND STRATEGIES**

### **Fashion retail**

Looking ahead, uncertainty in global economic environment, slow down in economic growth and political reform /transformation in China will continue to affect customer sentiment and spending behavior especially in the high-end luxury market. Escalating rental cost will further impact the local retail market. In order to maintain the competitiveness in the market, we will stay focus on improving operation efficiency by adjust/fine-tune our merchandising mix and with more focused buying strategy to enhance regular price sell through. Streamline non-performing business unit(s) and stringent cost control will be exercised to closely monitor the profitability of the Group. Various innovative and well planned promotional activities will be used to capture a broaden customer base.

### **Recreation club operation**

To crop with the limited supply in good quality country club facilities in Hong Kong, management will continue to seek for any possible collaboration with potential business partner to improve and upgrade the overall conditions of Hilltop in the long run.

### **Investments**

The Group has a strong financial and liquidity position which is well prepared to take advantage of any new investment potential when opportunity arises in order to widen and sustain the Group's earning base in future.

## **APPRECIATION**

I would like to take this opportunity to express my appreciation to the management team and staff for their dedication and contribution to the Group. I would also like to thank all our shareholders, business partners and customers for all their ongoing trust and 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 year.

## **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 2013, 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. 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.

## **REVIEW BY AUDIT COMMITTEE**

The Company's consolidated results for the year ended 31 December 2013 have been reviewed by the Audit Committee of the Company.

## **BOARD OF DIRECTORS**

As 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  
**ENM Holdings Limited**  
**Joseph Wing Kong LEUNG**  
*Chairman and Acting Chief Executive Officer*

Hong Kong, 21 March 2014