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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 2010**

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 2010.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> <i>(Restated)</i>
Continuing operations			
Revenue		289,058	231,526
Cost of sales		<u>(128,922)</u>	<u>(106,586)</u>
Gross profit		160,136	124,940
Other income		6,477	6,084
Selling and distribution costs		(95,573)	(84,718)
Administrative expenses		(65,677)	(60,791)
Other operating income, net	6	<u>55,307</u>	<u>64,652</u>
Profit from operations		60,670	50,167
Fair value gains/(losses) on investment properties, net		(6,400)	5,000
Deficits write-back/(deficits) on revaluation of resort and recreational club properties		2,098	(14,865)
Finance costs	3	(1,133)	(930)
Share of profits/(losses) of an associate		<u>1,390</u>	<u>(549)</u>
Profit before tax		56,625	38,823
Income tax expense	4	<u>-</u>	<u>-</u>
Profit for the year from continuing operations		56,625	38,823
Discontinued operation			
Loss for the year from discontinued operation	5	<u>(8,613)</u>	<u>(8,233)</u>
Profit for the year	6	<u>48,012</u>	<u>30,590</u>
Attributable to:			
Owners of the Company			
Profit from continuing operations		56,625	38,823
Loss from discontinued operation		<u>(8,574)</u>	<u>(8,211)</u>
Profit attributable to owners of the Company		<u>48,051</u>	<u>30,612</u>
Non-controlling interests			
Loss from discontinued operation attributable to non-controlling interests		<u>(39)</u>	<u>(22)</u>
		<u>48,012</u>	<u>30,590</u>

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> <i>(Restated)</i>
Earnings per share			
From continuing and discontinued operations			
- basic	7(a)	<u>2.91 cents</u>	<u>1.85 cents</u>
- diluted	7(a)	<u>N/A</u>	<u>N/A</u>
From continuing operations			
- basic	7(b)	<u>3.43 cents</u>	<u>2.35 cents</u>
- diluted	7(b)	<u>N/A</u>	<u>N/A</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> <i>(Restated)</i>
Profit for the year	<u>48,012</u>	<u>30,590</u>
Other comprehensive income:		
Exchange differences on translating foreign operations	1,654	161
Fair value changes of available-for-sale debt investments	2,599	4,313
Release of revaluation reserve to profit or loss upon disposal of available-for-sale debt investments	<u>(1,706)</u>	<u>(1,469)</u>
Other comprehensive income for the year, net of tax	<u>2,547</u>	<u>3,005</u>
Total comprehensive income for the year	<u>50,559</u>	<u>33,595</u>
Attributable to:		
Owners of the Company	50,525	33,617
Non-controlling interests	<u>34</u>	<u>(22)</u>
	<u>50,559</u>	<u>33,595</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010**

	<i>Note</i>	At 31 December 2010 HK\$'000	At 31 December 2009 HK\$'000 (Restated)	At 1 January 2009 HK\$'000 (Restated)
Non-current assets				
Property, plant and equipment		108,860	103,855	109,764
Investment properties		98,200	100,700	95,700
Intangible assets		1,636	-	-
Interest in an associate		21,932	21,423	20,683
Financial assets at fair value through profit or loss	9	109,843	-	-
Available-for-sale equity investments		30,842	39,420	39,434
Available-for-sale debt investments - convertible bonds		15,201	24,615	24,746
Available-for-sale debt investments - notes receivables		21,509	-	-
Held-to-maturity investments		-	-	13,578
Total non-current assets		408,023	290,013	303,905
Current assets				
Inventories		47,181	53,490	44,676
Trade and other receivables	10	31,807	40,362	36,618
Note receivables		-	27,230	-
Financial assets at fair value through profit or loss	9	221,832	198,076	102,707
Available-for-sale equity investments		8,578	-	-
Option derivatives - convertible bonds		1,510	4,170	2,812
Pledged bank deposits		11,342	10,342	342
Time deposits		257,969	363,514	475,622
Cash and bank balances		98,556	53,084	28,810
Total current assets		678,775	750,268	691,587
Current liabilities				
Trade and other payables	11	37,929	36,606	31,172
Interest-bearing bank and other borrowings		19,152	16,011	7,317
Current portion of debentures		1,303	293	402
Other loans		-	5,427	5,427
Total current liabilities		58,384	58,337	44,318
Net current assets		620,391	691,931	647,269
Total assets less current liabilities		1,028,414	981,944	951,174

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010**

	At 31 December 2010 HK\$'000	At 31 December 2009 HK\$'000 (Restated)	At 1 January 2009 HK\$'000 (Restated)
Total assets less current liabilities	<u>1,028,414</u>	<u>981,944</u>	<u>951,174</u>
Non-current liabilities			
Debentures	4,597	5,514	5,185
Interest-bearing bank and other borrowings	4	23	23
Deferred revenue	<u>13,667</u>	<u>16,820</u>	<u>19,974</u>
Total non-current liabilities	<u>18,268</u>	<u>22,357</u>	<u>25,182</u>
NET ASSETS	<u><u>1,010,146</u></u>	<u><u>959,587</u></u>	<u><u>925,992</u></u>
Capital and reserves			
Issued capital	16,507	16,507	16,507
Reserves	<u>992,772</u>	<u>942,247</u>	<u>908,630</u>
Equity attributable to owners of the Company	<u>1,009,279</u>	<u>958,754</u>	<u>925,137</u>
Non-controlling interests	<u>867</u>	<u>833</u>	<u>855</u>
TOTAL EQUITY	<u><u>1,010,146</u></u>	<u><u>959,587</u></u>	<u><u>925,992</u></u>

Notes:

1. Basis of Preparation and Adoption of New and Revised Hong Kong Financial Reporting Standards

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 and by the 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 2009 except the changes mentioned below.

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 2010. 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.

Classification of Land Leases

Amendments to HKAS 17 “Leases” deleted the guidance in HKAS 17 that when the land has an indefinite economic life, the land element is normally classified as an operating lease unless title is expected to pass to the lessee by the end of the lease term. In accordance with the amendments to HKAS 17, a leasehold land is classified as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership to the Group.

Before the amendments, the leasehold land was classified as operating lease and included in prepaid land premiums carried at cost less accumulated amortisation. Following the adoption of the amendments to HKAS 17, the Group has reclassified its interest in leasehold land to finance leases which are included in resort and recreational club properties under “Property, plant and equipment” and are carried at fair value less subsequent depreciation and impairment losses. The difference between the net carrying amount and the valuation at end of each reporting period is recognised in the property revaluation reserve.

1. Basis of Preparation and Adoption of New and Revised Hong Kong Financial Reporting Standards (Cont'd)

Amendments to HKAS 17 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	At 31 December 2010 HK\$'000	At 31 December 2009 HK\$'000	At 1 January 2009 HK\$'000
Increase in Property, plant and equipment	14,000	16,300	28,900
Decrease in Prepaid land premiums	(2,832)	(2,909)	(2,986)
Decrease in Accumulated losses	(14,869)	(13,391)	(28,573)
Decrease in Property revaluation reserves	3,701	-	2,659
		2010 HK\$'000	2009 HK\$'000
Increase in deficits write-back/(deficits) on revaluation of resort and recreational club properties		1,833	(14,600)
Decrease in other operating income, net		(355)	(582)
Increase/(decrease) in profit for the year		1,478	(15,182)
Decrease in losses/(gains) on property revaluation recognised in other comprehensive income		(3,701)	2,659
Decrease in total comprehensive income for the year		(2,223)	(12,523)
Increase/(decrease) in earnings per share from continuing and discontinued operations		0.09 cents	(0.92 cents)

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.

2. Segment Information

The Group has four reportable segments as follows:

Wholesale and retail of fashion wear and accessories	The trading of fashion wear and accessories
Telecommunications operations	The provision of telecommunications services and the marketing and distribution of network cards and accessories (discontinued operation)
Resort and recreational club operations	The provision of resort and recreational facilities 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 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 and other borrowings.

2. Segment Information (Cont'd)

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

	Wholesale and retail of fashion wear and accessories	(Discontinued operation) Telecom- munications operations	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>	<i>HK\$'000</i>
Year ended 31 December 2010					
Revenue from external customers	261,400	-	15,835	11,823	289,058
Segment profit/(loss)	11,980	(8,613)	4,062	48,742	56,171
<i>Segment profit/(loss) includes:</i>					
Fair value gains on financial assets at fair value through profit or loss, net	-	-	-	35,499	35,499
Gains on disposal of financial assets at fair value through profit or loss, net	-	-	-	9,470	9,470
Gain on disposal of available-for-sale debt investments	-	-	-	612	612
Interest income from:					
- Financial assets at fair value through profit or loss	-	-	-	7,097	7,097
- Other financial assets	-	-	-	6,078	6,078
Write-back of other loans	-	-	5,427	-	5,427
Write-back of accrued payables	-	332	327	-	659
Depreciation and amortization	9,205	27	3,634	1,414	14,280
Charge for inventories allowances	3,958	-	-	-	3,958
Impairment of trade receivables, net	-	-	30	-	30
<i>Other segment information:</i>					
Share of profits of an associate	-	-	1,390	-	1,390
Additions to property, plant and equipment	15,384	-	1,487	232	17,103
Additions to intangible assets	1,700	-	-	-	1,700
As at 31 December 2010					
Segment assets	134,549	2,200	173,221	754,896	1,064,866
Segment liabilities	(24,292)	(517)	(25,625)	(7,062)	(57,496)
Interest in an associate	-	-	21,932	-	21,932

2. Segment Information (Cont'd)

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

	Wholesale and retail of fashion wear and accessories	(Discontinued operation) Telecom- munications operations	Resort and recreational club operations	Investments and treasury	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Restated)</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Restated)</i>
Year ended 31 December 2009					
Revenue from external customers	200,591	-	13,444	17,491	231,526
Segment profit/(loss)	(10,709)	(8,233)	(4,947)	70,237	46,348
<i>Segment profit/(loss) includes:</i>					
Fair value gains on financial assets at fair value through profit or loss, net	-	-	-	57,021	57,021
Gains on disposal of financial assets at fair value through profit or loss, net	-	-	-	8,546	8,546
Gain on disposal of available-for-sale debt investments	-	-	-	1,249	1,249
Gain on disposal of held-to-maturity investments	-	-	-	1,440	1,440
Interest income from other financial assets	-	-	-	9,512	9,512
Write-back of accrued payables	-	1,008	-	-	1,008
Depreciation and amortisation	5,128	27	3,685	195	9,035
Charge for inventories allowances	6,927	-	-	-	6,927
Impairment of trade receivables, net	-	-	30	-	30
<i>Other segment information:</i>					
Share of losses of an associate	-	-	(549)	-	(549)
Additions to property, plant and equipment	13,195	-	631	4,172	17,998
As at 31 December 2009					
Segment assets	109,601	16,459	178,820	713,978	1,018,858
Segment liabilities	(21,257)	(1,204)	(35,172)	(7,027)	(64,660)
Interest in an associate	-	-	21,423	-	21,423

2. Segment Information (Cont'd)

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> <i>(Restated)</i>
Profit or loss		
Total profit or loss of reportable segments	56,171	46,348
Unallocated corporate administrative expenses	(4,114)	(4,414)
Share of profits/(losses) of an associate	1,390	(549)
Fair value gains/(losses) on investment properties, net	(6,400)	5,000
Deficits write-back/(deficits) on revaluation of resort and recreational properties	2,098	(14,865)
Finance costs	(1,133)	(930)
Elimination of discontinued operation	<u>8,613</u>	<u>8,233</u>
Consolidated profit for the year from continuing operations	<u><u>56,625</u></u>	<u><u>38,823</u></u>
Assets		
Total assets of reportable segments	1,064,866	1,018,858
Interest in an associate	<u>21,932</u>	<u>21,423</u>
Consolidated total assets	<u><u>1,086,798</u></u>	<u><u>1,040,281</u></u>
Liabilities		
Total liabilities of reportable segments	(57,496)	(64,660)
Interest-bearing bank and other borrowings	<u>(19,156)</u>	<u>(16,034)</u>
Consolidated total liabilities	<u><u>(76,652)</u></u>	<u><u>(80,694)</u></u>

Geographical information:

	Revenue		Non-current assets	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> <i>(Restated)</i>
Hong Kong	275,295	227,578	229,543	134,310
Mainland China	11,307	3,948	114,259	128,903
Other Asia Pacific regions	2,456	-	64,221	26,800
Discontinued operation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Consolidated total	<u><u>289,058</u></u>	<u><u>231,526</u></u>	<u><u>408,023</u></u>	<u><u>290,013</u></u>

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

3. Finance Costs

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest on bank loans and overdrafts	971	746
Interest on a finance lease	5	16
Accretion of interest on debentures	<u>157</u>	<u>168</u>
	<u>1,133</u>	<u>930</u>

4. Income Tax Expense

No provision for Hong Kong profits tax and overseas income tax has been made for the year ended 31 December 2010 (2009: Nil) as the Company and its subsidiaries (including continuing and discontinued operations) 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.

5. Discontinued Operation

In December 2010, the Group decided to discontinue the telecommunication operations which constitutes a major line of business. The related telecommunicated equipments are ceased to be used.

The results of the discontinued operation for the year ended, which have been included in consolidated income statement, are as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue	-	-
Administrative expenses	(8,785)	(9,449)
Other operating income, net	<u>172</u>	<u>1,216</u>
Loss before tax	(8,613)	(8,233)
Income tax expense (<i>note 4</i>)	<u>-</u>	<u>-</u>
Loss for the year	<u>(8,613)</u>	<u>(8,233)</u>

6. Profit for the Year

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> <i>(Restated)</i>
Cost of inventories sold [#]	128,690	106,386
Dividend income [^]	(5,745)	(7,979)
Depreciation*	14,216	9,035
Amortisation of intangible assets*	64	-
Charge for inventories allowances	3,958	6,927
Gains from financial assets at fair value through profit or loss, net*:		
Held-for-trading (including option derivatives)		
Fair value gains, net	(32,753)	(57,021)
Gains on disposal, net	(9,470)	(8,546)
	(42,223)	(65,567)
Designated as such upon initial recognition		
Interest income	(7,097)	-
Fair value gains, net	(2,746)	-
	(9,843)	-
Interest income from other financial assets [^]	(6,078)	(9,512)
Fair value losses/(gains) on investment properties, net	6,400	(5,000)
Gain on disposal of available-for-sales debt investments*	(612)	(1,249)
Gain on disposal of held-to-maturity investments*	-	(1,440)
Gain on disposal of available-for-sale equity investments*	-	(56)
Loss on disposal of property, plant and equipment*	125	3
Amortisation of deferred revenue	(3,162)	(3,177)
Write-back of accrued payables*	(659)	(1,008)
Write-back of other loans*	(5,427)	-
Exchange gains, net*	(11,120)	(5,586)
Deficits/(deficits write-back) on revaluation of resort and recreational club properties	(2,098)	14,865

* These amounts are included in "Other operating income, net" from continuing and discontinued operations.

[^] These amounts are included in "Revenue" from continuing operations.

[#] Cost of inventories sold included charge for inventories allowances of HK\$3,958,000 (2009: HK\$6,927,000).

7. Earnings Per Share

(a) From continuing and discontinued operations

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\$48,051,000 (2009: HK\$30,612,000) and the weighted average number of ordinary shares of 1,650,658,676 (2009: 1,650,658,676) in issue during the year.

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 2009 and 2010.

(b) From continuing operations

The calculation of basic earnings per share from continuing operations attributable to owners of the Company is based on the profit for the year from continuing operations attributable to owners of the Company of HK\$56,625,000 (2009: HK\$38,823,000) and the denominator used is the same as that detailed above for basic earnings per share.

No diluted earnings per share from continuing operations are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2009 and 2010.

(c) From discontinued operation

Basic loss per share from the discontinued operation is HK\$0.52 cents per share (2009: HK\$0.50 cents per share) based on the loss for the year from discontinued operation attributable to the owners of the Company of approximately HK\$8,574,000 (2009: HK\$8,211,000) and the denominators used are the same as those detailed above for basic earnings per share.

No diluted loss per share from the discontinued operation are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 December 2009 and 2010.

8. Dividends

The directors do not recommend the payment of any dividend to shareholders for the year ended 31 December 2010 (2009: Nil).

9. Financial Assets at Fair Value Through Profit or Loss

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Listed investments, at fair value:		
Hong Kong	205,536	192,337
Outside Hong Kong	8,627	3,174
	<hr/>	<hr/>
Market value of listed investments	214,163	195,511
	<hr/>	<hr/>
Unlisted investments, at fair value:		
Convertible bonds	109,843	-
Others	7,669	2,565
	<hr/>	<hr/>
	117,512	2,565
	<hr/>	<hr/>
	331,675	198,076
	<hr/> <hr/>	<hr/> <hr/>
Analysed as:		
Current assets	221,832	198,076
Non-current assets	109,843	-
	<hr/>	<hr/>
	331,675	198,076
	<hr/> <hr/>	<hr/> <hr/>

10. Trade and Other Receivables

Included in the Group's trade and other receivables as at 31 December 2010 are trade receivables of HK\$2,892,000 (2009: HK\$2,761,000).

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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within 1 month	2,605	2,376
2 to 3 months	188	306
Over 3 months	99	79
	<hr/>	<hr/>
	2,892	2,761
	<hr/> <hr/>	<hr/> <hr/>

11. Trade and Other Payables

Included in the Group's trade and other payables as at 31 December 2010 are trade and bills payables of HK\$6,635,000 (2009: HK\$7,818,000). An ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within 1 month	6,341	6,965
2 to 3 months	217	514
Over 3 months	77	339
	<hr/> 6,635 <hr/>	<hr/> 7,818 <hr/>

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 2010.

FINANCIAL RESULTS

Turnover for the year was HK\$289,058,000 (2009: HK\$231,526,000), an increase of 25% on the year before. The increase was driven by the growth in the fashion retail business.

The Group's profit attributable to shareholders for the year was HK\$48,051,000 (2009: HK\$30,612,000, as restated), an increase of 57% on the year before. Such increase was mainly attributable to the turnaround result of the fashion retail business benefiting from the blooming domestic retail market.

BUSINESS REVIEW

Retail Fashion - Swank

Hong Kong

The year 2010 Swank celebrated her 55 years in fashion industry with one of the best performance in a decade.

Gradual recovery of the global economy, favourable long cold spell of winter and influx of mainland tourists, the key revenue contributor, Swank's performance improved significantly during the year. Turnover increased by 27% as compared to last year. A HK\$15,507,000 profit before tax was recorded for the year which represented a tremendous improvement as compared to 2009, only HK\$912,000 profit before tax.

Given the robust economy with increasing spending power, more merchandises were offered to customers at regular price. The shortening of "on-sale" period also contributed to the improvement in gross profit margin and thus, the profitability.

With the return of Brioni, one of the finest men's classic wear in the world and the revamped multi-label shops in Landmark, the Central, Swank continued to focus on top-tier fashion development. Expansion of existing brands portfolio and exploration of great potential brands will continue to be the core principle of Swank.

Beijing

Swank Beijing keeps on to move forward on its maturing path with continuing improvement in turnover and relief of operating loss from RMB11,000,000 to RMB3,800,000. Tight and ever changing import regulations remained an obstacle to our PRC operation. Management will study and exercise cautious measurement in due course in order to catch up the great potential and expanding luxury market in China.

Management remains optimistic on its Beijing operation in the long term.

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, it is ideally suited recreational and outdoor activities, conferences and dining.

During 2010, Hilltop has expanded scope of services to accommodate members banqueting and conferencing needs, and has taken proactive measures to control costs. As a result, revenue for 2010 increased by 18% while there was a significant reduction in operating loss.

VivaSha Club Resort (“VivaSha”)

Located in the Putao district of Shanghai with gross floor area of 41,000 square meters, VivaSha is a complex of clubhouse, convention center and 298 hotel rooms, and is operated by Shanghai Landis Hospitality Management Ltd., a 35%-owned associate of the Company.

Owing to the post-effect of Shanghai World Expo 2010, the number of group tours visiting Shanghai reduced rapidly in the last quarter of 2010, causing a lower than expected occupancy rate in the hotel section. Nevertheless, the overall performance of VivaSha was satisfactory in 2010. Simultaneously, VivaSha’s management continues to focus on broadening the customer base of the club membership and conference package business as to increase the revenue in 2011.

Stock and Bond Investments

The Company has maintained a portfolio of equities and bonds in last few years for long-term and short-term investment. Certain equities and bonds were held for dividend and interest income and other equities for short-term capital gain. Since all equities and bonds are required to be marked to market or carried at their fair values, all gains/losses, in addition to dividend and effective interest income, have been reflected in the consolidated income statement. For the year ended 31 December 2010, the total return from the portfolio, including unrealised gains/losses, was HK\$61,908,000.

Skyjoy Assets Management Limited (“Skyjoy”)

The Group through its wholly owned subsidiary, Cosy Good Limited (“Cosy Good”), completed the subscription of HK\$100,000,000 12% Convertible Bonds issued by Skyjoy on 9 July 2010. The maturity date of the bonds is fifth anniversary from the issue date and the conversion period is from the expiry of three years from the issue date up to maturity. If Cosy Good converts the bonds in full, 900 shares of US\$1.00 each, representing 9% of the issued share capital of Skyjoy on a fully diluted basis, will be issued to Cosy Good. The bonds were designated as financial assets at fair value through profit or loss. The Group intended to hold the bonds for long-term investment purposes.

Skyjoy is the beneficial owner of a commercial real estate project in Shijiazhuang, Hebei Province, PRC through its wholly owned subsidiary, Shijiazhuang Lerthai Property Development Company Limited (“Shijiazhuang Lerthai”).

Shijiazhuang Lerthai owns a site at Qiaodong District, city centre of Shijiazhuang, PRC with area of approximately 62,000 square meters for the development of Lerthai Commercial Plaza (勒泰中心) (the “Project”). The Project will be developed into a mixed use development with retail shops, loft apartment, services apartment, office, leisure hotel, 5-star hotel and basement car park. The total gross floor area is approximately 623,000 square meters (including basement area of 227,000 square meters). The Project is scheduled to be completed in 2013.

Telecommunications

Market conditions continued to be difficult, virtually all major markets were affected by various regulatory issues. More importantly, the original business model was no longer viable due to the continuing reduction of the total accounting rate. In view of the problems encountered and the changing market environment, the Board of Directors has resolved to cease the telecommunications operations. Accordingly, the telecommunications operations were classified as discontinued operations. Focus will now be on the collection of outstanding payment from international telecommunications carriers arose in previous years.

Other Investments

Genovate Biotechnology Company Limited (“Genovate”)

Genovate is a fully integrated specialty pharmaceutical company that encompasses new drug development and new formulation capabilities, clinical trials for local and international pharmaceutical companies, drug manufacturing, drug marketing and distribution in Taiwan and the region. The Group has 14.1% shareholdings in Genovate.

In December 2010, QPS, LLC, a US-based leading full-service Contract Research Organisation (“CRO”), acquired majority interest of Qualitix Clinical Research, the CRO arm of Genovate. This strategic alliance will allow Genovate to have a stronger international preclinical and clinical network in expedition of its new drug development. After a successful phase I trial, two new formulation drugs – GranPatch and PMR have been heading to efficacy study. Progress for listing on GreTai Securities Market is according to planned schedule.

Beijing Smartdot Technologies Co. Ltd. (“Smartdot”)

Smartdot is engaged in the development of office automation software and solution projects in the PRC. The Group has 8.95% shareholdings in Smartdot.

Smartdot’s business has recovered from the negative impact of the Financial Tsunami in late 2008. Smartdot showed satisfactory improvement in both revenue and net profit in 2010.

SinoPay.com Holdings Limited (“SinoPay”)

The Group through its investment in SinoPay, has an effective interest of approximately 0.29% in China UnionPay Merchant Services Co., Ltd. (“China UMS”), which is a subsidiary of China UnionPay and mainly engages in the bankcard acquiring and e-payment business in the PRC with dominant market position.

China UMS has informed all its foreign shareholders (including SinoPay) that it is having difficulties to obtain a third party payment license, which is an official license for China UMS to continue its daily operation and future development, with its existing foreign ownership structure. Under this circumstance, SinoPay has agreed to dispose its shareholdings in China UMS at a reasonable return. The disposal of shares is in progress.

MATERIAL ACQUISITION AND DISPOSAL OF INVESTMENTS

On 7 February 2010, Cosy Good Limited (“Cosy Good”), a wholly owned subsidiary of the Company, entered into the subscription agreement to subscribe the guaranteed secured convertible bonds (the “Bonds”) at the amount of HK\$100,000,000 in Skyjoy Assets Management Limited (“Skyjoy”). The maturity date of the Bonds is fifth anniversary from the issue date and the conversion period is from the expiry of three years from the issue date up to maturity. If Cosy Good converts the Bonds in full, 900 shares of US\$1.00 each, representing 9% of the issued share capital of Skyjoy on a fully diluted basis, will be issued to Cosy Good. The transaction constituted a discloseable transaction for the Company, details of which are set out in the Company’s announcement dated 7 February 2010. The transaction was completed on 9 July 2010.

Save as disclosed above, the Group had no other material acquisition and disposal of investments during the year ended 31 December 2010 and up to the date of this announcement.

LIQUIDITY AND FINANCIAL POSITION

At 31 December 2010, the Group was in solid financial position with cash and non-pledged deposit holdings of HK\$356,525,000 (2009: HK\$416,598,000). At 31 December 2010, total borrowings amounted to HK\$25,056,000 (2009: HK\$27,268,000) with HK\$20,455,000 (2009: HK\$21,731,000) 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 2.5% at the year end date (2009: 2.8%, as restated). The current ratio at 31 December 2010 was 11.6 times (2009: 12.9 times).

At 31 December 2010, 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 financial statements. Other than the fixed interest rate of 5% for the finance lease arrangement, all borrowings of the Group are either interest free or on a floating rate basis.

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\$11,342,000 (2009: HK\$10,342,000) were given to banks to secure general banking facilities to the extent of HK\$21,342,000 as at 31 December 2010 (2009: HK\$20,342,000).

EMPLOYEE AND REMUNERATION POLICIES

At the date of this announcement, the Group employs a total of 249 full time staff with its main workforce stationed in the Group's offices in Hong Kong. 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, external training support, and a performance based share option scheme.

FUTURE OUTLOOK

Retail Fashion

Surging rental cost, emerging sovereign debt problems in Euro Zone and the uncertainty of Japan's disaster is envisaged to be challenges to the retail sector in Hong Kong and China. Notwithstanding all these negative impacts/uncertainty, we are cautiously optimistic toward the overall performance of Swank in the coming year. Effort to combat the rising overheads, stringent cost control and improvement in operating efficiency would be the major measurements in future. Moreover, through the revamp of shops beginning with Ocean Centre this Autumn and Pacific Place shop next year, a more solid and vivid identity will be established to retain our loyal customers and more importantly, to attract a wider customer base.

During the year, the Group has set up a new division for developing its private label. The brand has a long history in Hong Kong and is a well known brand among high-end menswear both as to price, style and quality.

Resort and Recreational Club Operations

For long term revenue growth and profitability, Hilltop is studying a club enrichment plan to improve existing facilities and introduce new elements to attract new members. At the same time, Hilltop is also under discussion with a potential collaborator to bring in new commercial theme to the club. Management will consider all other options to bring the club back to long term profitability.

Investments

The Group continues to look for investment opportunities with good potential in order to enhance the Group's value and profitability. Year 2011 is a challenging year for equities and bonds investments due to difficult investment environment of uncertainties in North Africa and in the aftermath of Japan's earthquake. The Group's strong financial and net cash position also provide the flexibility to capitalise on investment opportunities when the circumstance arises.

APPRECIATION

In March 2011, the Company appointed Mr. Victor Yiu Keung CHIANG, the Chief Financial Officer of the Group, as an Executive Director of the Company. Mr. Chiang has extensive accounting and financial management experience.

Further, I welcome Ms. Regina Wai Man LAM who assumed the roles of Chief Operating Officer of the Group and Joint Managing Director of Swank in November 2010. The Group will benefit from Ms. Lam's extensive experience and knowledge in the high fashion business.

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 has complied with the Code Provisions of the Code on Corporate Governance Practices (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2010, except for the deviation from Code Provision A.2.1 and Code Provision A.4.1 of the CG Code.

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.

Under Code Provision A.4.1 of the CG Code, Non-executive Directors should be appointed for a specific term and subject to re-election. None of the existing Non-executive and Independent Non-executive Directors of the Company is appointed for a specific term. However, all of the Non-executive and Independent Non-executive Directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

REVIEW BY AUDIT COMMITTEE

The Company's consolidated results for the year ended 31 December 2010 have been reviewed by the Audit Committee of the Company. The Audit Committee comprises one Non-Executive Director, namely, Mr. Raymond Shing Loong WONG, and four Independent Non-executive Directors, namely, Dr. Cecil Sze Tsung CHAO, Dr. Jen CHEN, Mr. Ian Grant ROBINSON and Mr. Chi Keung WONG.

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, the Non-executive Director is Mr. Raymond Shing Loong WONG, and the Independent Non-executive Directors are Dr. Cecil Sze Tsung CHAO, Dr. Jen CHEN, Mr. David Kwok Kwei LO, Mr. Ian Grant ROBINSON and Mr. Chi Keung WONG.

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

Hong Kong, 28 March 2011